Stock Code: 1309

Taita Chemical Company, Ltd.

2017 Annual Report

Company Website: http://www.ttc.com.tw

Annual Report Query Website: http://mops.twse.com.tw

Date of Publication: April 30, 2018

I. Company Spokesperson and Acting Spokesperson:

Spokesperson	Acting Spokesperson
Name: Tai-Ming Yen	Name: Chin-Tsai Lin
Title: Executive Deputy General Manager	Title: Accounting Manager
Telephone No.: (02) 8751-6888 ext. 3278	Telephone No.: (02) 8751-6888 ext. 3797
Private Line: (02) 2650-3278	Private Line: (02) 2798-3797
E-mail Address: tmyenly@ttc.com.tw	E-mail Address: tonylin@tvcm.com.tw

II. Address and Telephone Number of Head Office, Branch Offices and Plants:

Name	Address	Telephone No.
Head Office	12th Floor, No. 37, Jihu Road, Taipei City, Taiwan, R.O.C.	(02)8751-6888
Southern Taiwan Office	No. 3, Jianji Road, Cianjhen Dist., Kaohsiung City	(07)821-2128
Cianjhen Plant	No. 3, Jianji Road, Cianjhen Dist., Kaohsiung City	(07)821-9521
Linyuan Plant	No. 5, Gongye 1st Road, Linyuan Industrial Park, Kaohsiung City	(07)641-3201
Kaohsiung Branch	No. 5, Gongye 1st Road, Linyuan Industrial Park, Kaohsiung City	(07)641-3201
Toufen Plant	No. 571, Minzu Road, Toufen Township, Miaoli County	(037)627-700

III. Stock Transfer Agent:
Name: Taita Chemical Company, Ltd.
Address: 6th Floor, No. 17, Lane 120, Section 1, Neihu Road, Neihu District, Taipei City
Joint Stock Affairs Website: http://www.usig.com.tw/USIGStockHome.aspx
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IV. CPAs Auditing the Financial Statements in the Most Recent Fiscal Year:
Name: CPAs Shih-Tsung Wu and Tzu-Jung Kuo
Name of Accounting Firm: Deloitte & Touche
Address: 12th Floor, No. 156, Section 3, Minsheng East Road, 105 Taipei City
Website: http://www.deloitte.com.tw
Telephone No.: (02) 2545-9988

V. Name of Overseas Securities Trading Venue and Method of Overseas Securities Information Query: None

VI. Company Website: http://www.ttc.com.tw

Taita Chemical Company, Ltd.
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Chapter 1 Letter to Shareholders

Dear Shareholders,

Looking back at the operations of the Company in 2017, the Company posted a total consolidated net income before taxes of NT$678 million and a total net income after taxes of NT$502 million, with earnings per share totaled NT$1.53. A summary report of the Company's operating in 2017 and business plan in 2018 is as follows:

I. Business Performance in 2017

(I) Implementation Results of Business Plan

The Company's consolidated revenue was NT$19.821 billion, an increase of NT$3.402 billion from 2016, with a budget achieving rate of 109%. On the other hand, the Company's consolidated operating income was NT$676 million, an increase of NT$445 million from 2016, with a budget achieving rate of 265%.

1. Production and Sales of Petrochemical Products:

The Company's total consolidated revenue from ABS / PS was NT$19.276 billion, with a budget achieving rate of 109%. The Company's production and sales volume at both Linyuan Plant and Cianjhen Plant were 242,000 tons and 247,000 tons respectively, with a production and sales budget achieving rate of 102% and 105% respectively. Besides, the Company's production and sales volume of EPS at Zhongshan Plant in Mainland China were 149,600 tons and 149,400 tons respectively, with a budget achieving rate of 94%. On the other hand, the Company's production and sales volume at Tianjin Plant were 18,300 tons and 19,500 tons respectively, with a budget achieving rate of 36%. The Company's total operating income from petrochemical products was NT$644 million.

2. Production and Sales of Glass Wool and Cubic Printing Products:

The Company's production and sales volume of glass wool products was 7,300 tons. After adding rock wool, total revenue from glass wool products was NT$445 million, with a budget achieving rate of 95%, while the annual profit from glass wool products was NT$32 million. On the other hand, the production and sales volume of cubic printing products was 121,000 jigs, with a budget achieving rate of 94%, while the revenue from these products was NT$100 million, recording a loss of NT$0.4 million.

Gains and losses from other non-operating items include rental income, financial asset valuation loss, foreign exchange loss, interest expense and others, which contributed a net gain of NT$2 million.

(II) Research and Development Overview:

1. Through reaction-end formula and process control, the synthesis technology of acrylonitrile-butadiene-styrene (ABS) polymerization emulsion with low residual monomers has successfully reduced high-rubber powder residua monomers, thereby decreasing the production of residual monomers during processing and improving the surface gloss of molded products.
2. Through formula correction and additive adjustment, electroplating-grade acrylonitrile-butadiene-styrene (ABS) polymers has effectively increased the physical appearance and adhesion strength of electroplating-grade products and improved hot and cold tests, thereby successfully penetrating into the automotive electroplating and bathroom facilities markets.
3. Through formula adjustment, alloy-specific ABS has improved the dispersion effects of modified compounding and product stability of ABS products, thereby increasing the flexibility of alloy performance formula ratio.
4. The development of antistatic-grade expanded polystyrene (EPS) products can be applied to high-end electronic products and components, as well as panel packaging, thereby increasing the added value of products.
5. Through formula adjustment, non-HBCD expanded polystyrene (EPS) products for civil construction that meet the strength specifications of civil engineering have been developed.
6. Through formula adjustment, low VOC expanded polystyrene (EPS) have been developed, where the test results of these products have met the relevant specifications.

II. Overview of Business Plan in 2018:

(I) Operational Objectives and Production & Sales Policies

Looking forward to the Company's operations in 2018, the expected sales volume of petrochemical products is 440,000 tons, an increase of 6% from the previous year, while the expected sales volume of glass wool products and cubic printing products are 13,000 tons and 132,000 jigs respectively. The key operational objectives this year are as follows:

1. As the downstream demand for ABS products is expected to be continuously buoyant, the Company will utilize its production capacity to engage in full production of these products, with the purpose of maximizing profit. With regard to GPS products, the Company will continue to expand sales regions and channels,

develop new customers, increase rate of transfer-between-factories and reduce raw materials and finished goods inventory to prevent high inventory risk when the price of raw materials plummets.

2. The Cianjhen Plant, Zhongshan Plant and Tianjin Plant will continue to develop new customers and expand EPS sales regions to increase the rate of transfer-between-factories, sales volume and profits
3. For glass wool products, the Company will continue to enhance the sale of fire-retardant cotton products by increasing domestic sales. In addition, the Company will also continue to increase export of these products to Australia, New Zealand and South Africa in order to increase overall profitability. The cubic printing production lines will be actively developed and will produce related products for non-automobile markets and coating products in order to increase the rate of transfer-between factories and profitability.

(II) Research and Development

The Company will continue to develop RTI and water material application-certified ABS polymer materials, disposable general-purpose polystyrene (GPPS) tableware, low odor EPS, low molding cycle EPS and EPS for panel packaging materials.

The Company expects to achieve its annual operational objectives through the implementation of various strategies to achieve the target performance for each product line, with the purpose of giving back to all our beloved shareholders for their continuous support.

I would like to wish all over beloved shareholders good health and all the best.

Chairman: Wu, I-Kuei

General Manager: Peichi Wu

Chapter 2 Company Profile

I. Date of Founding

April 6, 1960.

II. Company History

The Company was founded in April 1960 with the establishment of a plant in Cianjhen District, Kaohsiung, with a registered capital of NT$2.6 million. The plant was the first of its kind in Taiwan to manufacture formaldehyde materials.

In September 1961, the Company increased its capital to NT$6 million.

In December 1964, US Company Mobil Corporation invested in the Company and introduced new production technologies and management practices.

In March 1967, the Company installed the first polystyrene and phenol formaldehyde resin production equipment in Taiwan and increased its capital to NT$18 million.

In September 1968, the Company increased its capital to NT$27 million.

In April 1969, the Company increased its capital to NT$50 million.

In May 1970, the Company increased its capital to NT$56 million.

In May 1971, the Company increased its capital to NT$61 million.

In November 1972, the Company increased its capital to NT$65 million.

In May 1973, the Company increased the capital to NT$87 million.

In June 1974, the Company increased its capital to NT$107.01 million.

In October 1975, the Company increased its capital to NT$120,921,300.

In September 1977, Mobil Corporation exited the Company owing to a policy change and transferred the shares it owned in the Company to Hong Kong Company (foreign capital) Heng-Yu Co., Ltd., and thus the Company’s capital was increased to NT$133,013,430.

In August 1978, the Company increased its capital to NT$152,300,370.

In August 1979, the Company built an acrylonitrile-butadiene-styrene (ABS) plant in Linyuan Industrial Park, Kaohsiung. The government approved the collaboration between Panama Gulf Oil Company and the Company. The Company then increased its capital to NT$395.45 million.

In August, 1980, the Company invested in Taiwan Styrene Monomer Corporation and increased its capital to NT$466,631,000.

In November 1981, the Company increased the capital to NT$606,620,300.

In May 1982, in a policy change, Panama Gulf Oil Company transferred the shares it owned in the Company to the Panama Company Asia Private Investment Company (name changed to Panamanian Company Aodashih Investment Company in March 1985).

In December 1983, the Company ceased production of formaldehyde and phenol formaldehyde glue and constructed a plant to produce and develop T-Fine food vessel products.

In 1984, the Company expanded the second ABS production line. The plant was completed in April 1985.

In September 1984, the Company increased its capital to NT$679,414,740.

In November 1985, the Company ceased production of phenolic molding compounds.

On June 27, 1986, the Company's stock was listed on the Taiwan Stock Exchange.

In November 1986, the Australian Company BTR Nylex Limited acquired 51% of the Company's shares and transferred all the shares it owned in the Company to its subsidiary Company, BTRN Asia in December that year.

In August 1987, the Company increased its capital to NT$781,326,950.

In 1988, the Company began selling its shares in Taiwan Styrene Monomer Corporation.

In September 1988, the Company increased its capital to NT$937,592,340.

In September 1989, the Company increased its capital to NT$1,593,906,970.

In September 1990, the Company increased its capital to NT$1,753,297,660.

In September 1991, the Company increased its capital to NT$1,928,627,420.

In March 1992, the Company completed the trial run of the glass wool production line and began operations.

In November 1993, the Company purchased 28.6% of the shares in Hsihu Styrene Company held by Tai Mei.

On December 13, 1996, the Company sold the shares it owned in Hsihu Styrene Co., Ltd. and Hsihu Chemicals Co., Ltd.

In March 1997, BTRN Asia transferred 51% of the shares it owned in the Company to Bermudan Company, Belgravia One Limited, an overseas holding Company with joint investment from USI Corporation and UPC Technology Corporation.

In April 1997, the Company established Taita (BVI) Holding Co.

In September 1998, the Company increased its capital to NT$2,025,058,790 using its earnings.

In February and December 1998, Taita (BVI) Holding Co. increased its capital by US$450,000 and US$19.5 million respectively.

In 1999, the Company increased its capital by NT$202,505,870 using its earnings and NT$250,000,000 by cash, where its paid-up capital was NT$2,477,564,660.

In March 1999, the Company established Taita Chemicals (Zhongshan) Co., Ltd.

In 2000, the Company increased its capital by NT$148,653,880 using its earnings, where its paid-up capital was NT$2,626,218,540.

In May 2000, the Company completed the first EPS production line at its Zhongshan plant in Mainland China, and the second in October and entered production smoothly.

In May 2001, the trial run for the new GPS / IPS NOVA production process with an annual production capacity of 100,000 tons was completed at the Company's Cianjhen plant, and the plant entered production smoothly.

In November 2003, the Company established Taita Chemicals (Tianjin) Co., Ltd.

In October 2004, the Company completed the third EPS production line at its Zhongshan plant in Mainland China and increased the production capacity to 150,000 tons.

In 2005, the Company increased its capital by NT$78,786,550 from its earnings and capital surplus, where its paid-up capital was NT$2,705,005,090.

In 2005, Taita Chemicals (Tianjin) Co., Ltd. increased its capital by US$4 million.

In September 2005, the Company completed the construction of an EPS plant in Tianjin, Mainland China. A production trial run was also completed in October the same year. Its production capacity is 100,000 tons.

In February 2006, Taita (BVI) Holding Co. Ltd. increased its capital by US$3.738 million.

In January 2007, Taita (BVI) Holding Co. Ltd. increased its capital by US$10 million.

In November 2007, both Taita Chemicals (Zhongshan) Co., Ltd. and Taita Chemicals (Tianjin) Co., Ltd. increased the capital by US$4 million. Taita Chemicals (Zhongshan) Co., Ltd. also converted US$3.25 million in earnings to capital.

In February 2008, Taita (BVI) Holding Co. Ltd. increased its capital by US$28 million.

In June 2008, both Taita Chemicals (Zhongshan) Co., Ltd. and Taita Chemicals (Tianjin) Co., Ltd. increased their capital by US$12 million and US$6 million respectively.

In the third quarter of 2008, the Company completed the debottlenecking project at Cianjhen Plant and Zhongshan Plant in Mainland China, thus increasing its production capacity to 66,000 tons and 180,000 tons respectively.

In 2008, the Company increased its capital by NT$81,150,150 using its earnings, where its paid-up capital was NT$2,786,155,240.

In 2011, the Company increased its capital by NT$334,338,620 using its earnings, where its paid-up capital was NT$3,120,493,860.

In 2012, the Company increased its capital by NT$156,024,690 using its earnings, where its paid-up capital was NT$3,276,518,550.

In May 2012, Taita Chemicals (Tianjin) Co., Ltd. Increased its capital by US$1.35 million from its earnings.

In July 2012, Taita Chemicals (Zhongshan) Co., Ltd. increased its capital by US$15 million.

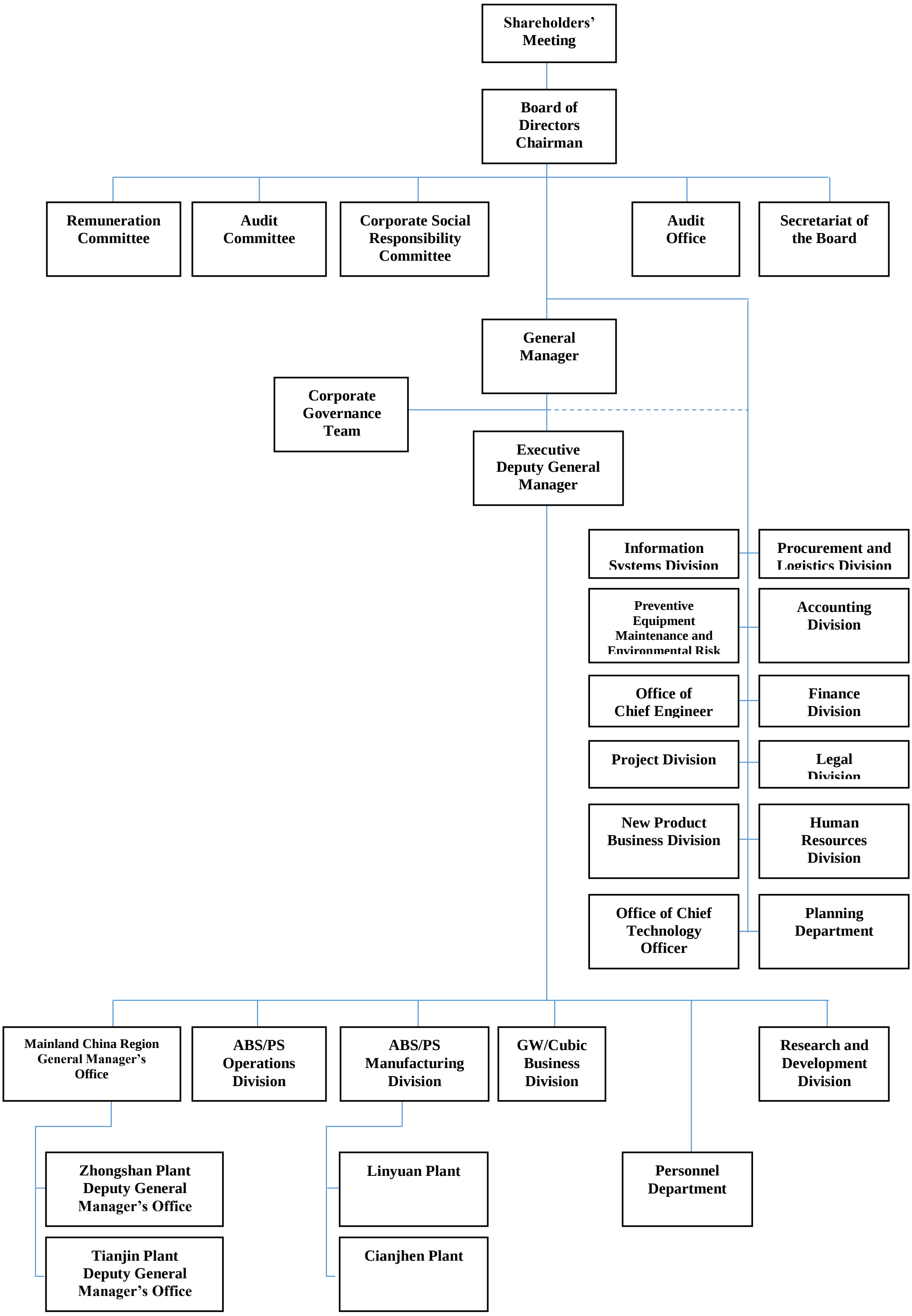
In 2012, the Company completed the EPS debottlenecking project at the Tianjin plant in Mainland China and increased its production capacity to 134,000 tons.

In the first quarter of 2014, the Company completed the ABS debottlenecking project at the Linyuan Plant and increased its production capacity to 100,000 tons.

Chapter 3 Corporate Governance Report

I. Organization System

(I)The Company's organizational structure: organizational diagram



(II) Responsibilities and Functions of Major Departments

Unit	Main Responsibilities
General Manager	Management of the Company's operations
ABS/PS Operations Division	1. Manage matters related to the sale of ABS / PS products 2. Implement matters related to domestic sale and export of ABS / PS products 3. Responsible for administrative affairs related to business units
ABS/PS Manufacturing Division	Linyuan Plant (ABS) / Cianjhen Plant (PS): Manage matters related to manufacturing, R&D, storage, quality management, coordination of Company product deliveries and maintenance of factory equipment, as well as occupational safety and environmental protection
GW/Cubic Business Division	1. Manage matters related to manufacturing, R&D, and sale of glass wool / cubic printing products 2. Manage matters related to the sale of glass wool/cubic printing products 3. Manage matters related to the production of glass wool/cubic printing products
Mainland China region	Responsible for handling matters related to manufacturing, research and development, storage, quality control, coordinating transportation of Company products, plant equipment maintenance, occupational safety and health, as well as environmental protection.
Corporate Governance Team	1. Supervise Company registration and change registration in accordance with regulations. 2. Supervise and assist the progress of the Board of Directors meetings and meeting minutes in accordance with regulations and assist the Company with compliance with laws and regulations governing such meetings. 3. Coordinate with related units to provide Independent Directors and Directors with information and regulations required for the exercise of their duties and arrange courses for Directors in accordance with laws. 4. Supervise and coordinate with related units to promptly process matters related to investor relations. 5. Other matters set forth in the Company's Articles of Incorporation or contracts.
Personnel Department	The Personnel Department is responsible for personnel affairs of the Company.
Audit Office	1. Implement internal audit and improve work flows in the Company 2. Evaluate the soundness and reasonableness of the Company's internal control systems, as well as the effectiveness of their implementations at all departments and divisions
Procurement and Logistics Division	1. Purchase and audit major capital expenditures including bulk raw materials, machinery and equipment 2. Plan the supervision and execution of trading and transportation, warehousing and customs-related operations
Accounting Division	1. Preparation and analysis of financial statements and budgets to be used by decision-making units for the management and formulation of strategies 2. Establishment, evaluation and implementation of accounting systems 3. Planning and reporting of various taxes 4. Regular announcement or reporting of financial performance
Finance Division	1. Fund management, and planning and scheduling of fund raising activities 2. Short-term financing and long-term investments 3. Property insurance 4. Credit control 5. Collection of delayed payments 6. Handling of various shares-related matters
Information Systems Division	Plan, build, develop and manage various information systems and facilities at the Company
Human Resources Division	1. Plan human resources strategies and systems 2. Plan training and organizational development strategies 3. Plan and handle salary and benefits 4. Provide employee services and handle general affairs 5. Assist overseas branches in organizational planning, as well as dispatch and training of personnel
Legal Division	Provide legal advice, handle legal cases and affairs

Office of Chief Engineer	1. Assist and participate in the construction of new plants, or deal with such constructions entirely 2. Assist and participate in the improvement of equipment and local manufacturing processes in operation, or deal with such cases entirely 3. Integration of engineering personnel and engineering specifications
Planning Department	1. Plan and evaluate current product portfolio development 2. Analyze industrial and macroeconomic conditions 3. Investigate and analyze upstream industries and future competitors 4. Project coordinate and follow-up
Office of Chief Technology Officer	Research and development of the Company's main products, new product development, and customer technical consulting services
Research and Development Division	Research and development of ABS/PS products
Secretariat of the Board	1. Plan and handle matters related to Board of Directors' meetings 2. Handle matters related to Shareholders' meetings such as convening Shareholders' meetings, dealing with various announcements and reporting associated with Shareholders' meetings, preparing agenda handbooks and keeping information regarding shareholders present at Shareholders' meetings in accordance with the law 3. Assist in promoting and handling decrees issued by the competent authority
New Product Business Division	1. Assist in formulating marketing strategies for new businesses, and establish appropriate business models 2. Responsible for developing new products or acquiring new customers to increase revenue 3. Integrate Company resources and generate synergy so as to enhance the successful development of new businesses
Project Division	Planning, preparation, supervision and implementation of plant construction in overseas investment plans
Preventive Equipment Maintenance and Environmental Risk Control Division	1. Assist the Group in establishing preventive maintenance systems at all plants 2. Improve and enhance existing equipment 3. Equipment fault management and prevention 4. Routine/non-routine audit, counseling and training 5. Environment risk management planning and technical supervision 6. Plan and promote compliance with laws related to energy conservation and carbon reduction, and establish related systems

II. Information on Directors, Supervisors, General Manager, Deputy General Managers, Senior Managers, and Heads of Departments and Branches

(I) Directors and Supervisors (I)

As of April 24, 2018

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date First Elected (Note 2)	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 3)	Current Position Held in the Company and Other Companies	Executive Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Position	Name	Relationship
Chairman and CEO	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	–	2015.6.9	3 years	2003.6.3	120,535,750	36.79%	120,535,750	36.79%	–	–	0	0%	Chairman of USI	Note 4	None		
	Taiwan (R.O.C.)	Representative: Wu, I-Kuei	Male			1997.3.1	–	–	0	0%	–	–	0	0%					
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	–	2015.6.9	3 years	2003.6.3	120,535,750	36.79%	120,535,750	36.79%	–	–	0	0%	B.S. in Electrical Engineering, U.C. Berkeley, Master in Business Administration of California Univ. at Santa Clara (U.S.A.)	Note 5	None		
	USA	Representative: Matthew Miau	Male			1997.3.1	–	–	0	0%	0	0%	0	0%					
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	–	2015.6.9	3 years	2003.6.3	120,535,750	36.79%	120,535,750	36.79%	–	–	0	0%	Master of Business Administration, University of Chicago (U.S.A.)	Director: CGPC and China General Terminal & Distribution Corporation	None		
	Taiwan (R.O.C.)	Representative: Pao-Luo Ying	Male			2008.11.1	–	–	26,448	0.01%	0	0%	0	0%					
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	–	2015.6.9	3 years	2003.6.3	120,535,750	36.79%	120,535,750	36.79%	–	–	0	0%	PhD in Chemical Engineering, Pennsylvania State University (U.S.A.)	Note 6	None		
	Taiwan (R.O.C.)	Representative: Han-Tai Liu	Male			2013.3.6	–	–	0	0%	–	–	0	0%					
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	–	2015.6.9	3 years	2003.6.3	120,535,750	36.79%	120,535,750	36.79%	–	–	0	0%	PhD in Business Administration, Nova Southeastern University (U.S.A.)	Note 7	None		
	Taiwan (R.O.C.)	Representative: Chen-Tu Liu	Male			2003.6.3	–	–	0	0%	0	0%	0	0%					

Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	–	2015.6.9	3 years	2003.6.3	120,535,750	36.79%	120,535,750	36.79%	–	–	0	0%	Department of Chemical Engineering, Chung Yuan Christian University; United Nylon Co., Ltd.; China Phosphate Co., Ltd.; and TSRC Corporation	Note 8	None
	Taiwan (R.O.C.)	Representative: I-Shao Ko	Male			1997.3.1	–	–	0	0%	0	0%	0	0%			
Independent Director	Taiwan (R.O.C.)	I-Kung Ma	Female	2015.6.9	3 years	2015.6.9	0	0%	0	0%	–	–	0	0%	Note 9	Director of USI Education Foundation	None
Independent Director	Taiwan (R.O.C.)	Tien-Wen Chen	Male	2015.6.9	3 years	2015.6.9	0	0%	0	0%	0	0%	0	0%	Note 10	Note 11	None
Independent Director	Taiwan (R.O.C.)	Chi-Ying Juan	Male	2017.6.16	3 years	2017.6.16	0	0%	0	0%	–	–	0	0%	Note 12	Note 13	None

Note 1: For institutional shareholders, their names and representatives shall be stated (for representatives, the names of institutional shareholders they represent shall be indicated respectively) and filled in Table 1.

Note 2: Any disruption of duty as a Director or Supervisor after the date he/she is elected shall be included in a separate note.

Note 3: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.

Note 4: Chairman: USI, CGPC, APC, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technologies Corporation, Chong Loong Trading Co., Ltd., USI Investment Co., Ltd., CGPC Polymer Corporation, Asia Polymer Investment Corporation , Taiwan United Venture Capital Corporation, USI Management Consulting Corporation, Taiwan United Venture Management Corporation, Thintec Materials Corporation, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.

Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics (India) Private Limited, Swanson Plastics (Nantong) Corp., Swanson Plastics (Kunshan) Co., Ltd., Golden Amber Enterprises, ACME Electronics (BVI) Corporation, Acme Electronics (Kunshan) Co., Ltd., Acme Electronics (Guangzhou) Co., Ltd., Forum Pacific Trading Ltd., Taita (BVI) Holding Co., APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., CGPC America Corporation, Krystal Star International Corporation, A.S. Holdings (UK) Limited, ASK-Swanson (Kunshan) Co., Ltd., Acme Ferrite Products Sdn. Bhd., Swanson Plastics (Tianjin) Co., Ltd., Cypress Epoch Limited, Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USIG (Shanghai) Co., Ltd., PT. Swanson Plastics Indonesia, Emerald Investment Corporation, KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd. and CTCI Group.

General Manager: Union Polymer Int'l Investment Corp. and USI Management Consulting Corporation

Chief Executive Officer: USI, APC, CGPC, TTC, Acme Electronics Corporation and USI Optronics Corporation

Executive Director: Chinese National Federation of Industries

Note 5: Chairman: UPC Technology Corporation, Lien Hwa Industrial Corporation, MiTAC Holdings Corporation, Synnex Technology International Corporation and MiTAC Inc.

Director: Getac Technology Corporation, MiTAC Information Technology Corporation, Winbond Electronics Corporation, BOC Lien Hwa Industrial Co., Ltd., Taita (BVI) Holding Co., Ltd., APC (BVI) Holding Co., Ltd., CGPC (BVI) Holding Co., Ltd., Krystal Star International Corporation, Fujian Gulei Petrochemical and Synnex Corporation

Independent Director: Cathay Financial Holdings Co., Ltd., Cathay Life Insurance, Cathay Century Insurance Co., Ltd., Cathay United Bank, and Cathay Securities

Vice Chairman: Chinese National Federation of Industries

Note 6: Director: Ever Victory Global Ltd., Dynamic Ever Investments Ltd., CGPC, Thintec Materials Corporation, Taiwan VCM Corporation, Swanson, APC and INOMA Corporation

Supervisor: China General Terminal and Distribution Corporation

Deputy General Manager: USI Corporation

Note 7: Director: APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., Forever Young Co., Ltd., Forum Pacific Trading Ltd., Swanlake, Taita (BVI) Holding Co., Ltd., USI International Corporation, Ever Victory Global Limited, Dynamic Ever Investments Limited, CGPC Consumer Products Corporation, Taita Chemical (Zhongshan) Co., Ltd., USI Optronics Corporation, USI Management Consulting Corporation, APC, Chong Loong Trading Co., Ltd., CGPC, Continental General Plastics (Zhongshan) Co., Ltd., China General Terminal & Distribution Corporation, Acme Electronics (Kunshan) Co., Ltd., Swanson Technologies Corporation, Swanson Plastics Corporation, Taiwan United Venture Capital Corporation, Taiwan United Venture Management Corporation, Union Polymer Int'l Investment Corp., Wafer Works Corporation (Note A) and USI Education Foundation (Note B)

Note A: Served as Director of Wafer Works Corporation whose main business operations are research and development, design, manufacture, import/export, agency, and distribution of semiconductors and materials

Note B: Served as a Director of the USI Education Foundation which was founded to engage in public welfare and education. The foundation has carried out the following activities in accordance with the relevant laws and regulations:

1. Sponsor education in rural areas
2. Establish scholarships
3. Hold talks, seminars or other education-related charitable activities
4. Sponsor schools at various levels or educational groups to engage in activities such as literature, sports, music, dance, arts and drama
5. Engage in industry-academia collaboration
6. Other education-related charitable services that are consistent with the objectives of the foundation

Supervisor: USIFE Investment Co., Ltd., APC Investment Corporation, USIG (Shanghai) Co., Ltd. and Fujian Gulei Petrochemical

Deputy General Manager: USI Management Consulting Corporation

Note 8: Chairman: Zhenjiang Union Chemical Industry Co., Ltd., Zhongshan Unicizers Industrial Co., Ltd., Zhuhai Unicizers Industrial Co., Ltd., Zhongshan Union Trading Co., Ltd., Taizhou Union Chemical Industry Co., Ltd., Taizhou Union Logistics Co., Ltd., Taizhou Union Plastics Industry Co., Ltd., Jiangsu Union Logistics Co. Ltd., Guangdong Union Logistics Co., Ltd., Panjin Union Chemical Industrial Co., Ltd., Panjin Union Logistics Co., Ltd., Panjin Union Materials Industry Co., Ltd., Nanchong Unicizers Industrial Co., Ltd., Sichuan Logistics Co., Ltd. and Taiwan Union International Investment Corporation

Executive Director: Zhenjiang Lianju

Director: APC, China General Terminal & Distribution Corporation, UPC Group, UPC Venture Capital Co., Ltd., BOC Lien Hwa Industrial Co., Ltd. and UPS Chemicals (Malaysia) Sdn. Bhd.

General Manager: UPC Group, Zhenjiang Union Chemical Industry Co., Ltd., Zhongshan Unicizers Industrial Co., Ltd., Zhuhai Unicizers Industrial Co., Ltd., Zhongshan Union Trading Co., Ltd., Taizhou Union Chemical Industry Co., Ltd., Taizhou Union Logistics Co., Ltd., Taizhou Union Plastics Industry Co., Ltd., Jiangsu Union Logistics Co. Ltd., Guangdong Union Logistics Co., Ltd., Panjin Union Chemical Industrial Co., Ltd., Panjin Union Logistics Co., Ltd., Panjin Union Materials Industry Co., Ltd., Nanchong Unicizers Industrial Co., Ltd. and Sichuan Logistics Co., Ltd.

Note 9: Master of City and Regional Planning, Rutgers, the State University of New Jersey (U.S.A.); member of the Third and Fourth Session of the Control Yuan, Taiwan (R.O.C.); member of the Council of Cultural Affairs, Executive Yuan, Taiwan (R.O.C.); member of the Environmental Impact Assessment Committee under the Environmental Protection Administration, Taiwan (R.O.C.); and Distinguished Professor, Department of Landscape Architecture, Chung Hua University

Note 10: Master of Business Administration, University of Southern California (U.S.A.); Sales Manager, JP Morgan Chase Bank (U.S.A.); Vice President and Taiwan representative, Merrill Lynch (U.S.A.); founder and Chairman, affiliated companies (Capital Investment Management Corporation, Capital Investment Trust Corporation and Capital Futures Corporation) of the Capital Group (Taiwan); and Director, Cathay Financial Holding Co. Ltd.

Note 11: Chairman: Chia Shih Construction Co., Ltd.

Independent Director: Taiwan Secom Co., Ltd.

Consultant: Straits Exchange Foundation

Note 12: J.D. in Justice, Rutgers, The State University of New Jersey (U.S.A.); lawyer, Tsar & Tsai Law Firm (Taiwan); lawyer, Baker McKenzie (Taiwan); Deputy General Manager, Head of Legal Affiars and Senior Consultant, Mitac International Corporation (Taiwan)

Note 13: President, Taiwan Technology Legal Officers Association; Associate Professor, School of Law, Soochow University (Taiwan); Associate Professor, School of Law, Shih Hsin University (Taiwan)

Table 1: Major institutional shareholders

As of April 24, 2018

Name of Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)	Shareholding Percentage
Union Polymer Int'l Investment Corp.	USI Corporation	100.00%

Note 1: For Directors and Supervisors who are the representatives of institutional shareholders, the names of the institutional shareholders shall be disclosed.

Note 2: Fill in the name of the major shareholders of these institutional shareholders (include top 10 major shareholders by shareholding percentage) and their shareholding percentages. If the major shareholder is a juristic person, the name of the shareholder shall be filled in Table 2 below.

Table 2: Main shareholders of institutional shareholders in Table (2)

As of April 24, 2018

Name of Juristic Person (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)	Shareholding Percentage
USI Corporation	Shing Lee Enterprise (Hong Kong) Limited	25.28%
	Asia Polymer Corporation	8.53%
	Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	1.75%
	Yueh Hsing Hua Investment Co., Ltd.	1.73%
	Shan-Shan Lin Su	1.67%
	Taita Chemical Company, Ltd.	1.27%
	Hsiao-Chun Wu	1.04%
	JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds Investment Account	1.00%
	Standard Chartered Bank (Taiwan) Limited as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	1.00%
	Wen-Hsuan Yu	0.94%
	Wen-Tsung Yu	0.94%
	Wen-Yu Yu	0.94%

Note 1: If the major shareholder as shown in Table 1 is a juristic person, the name of the juristic person should be filled.

Note 2: Fill in the name of the major shareholders of these juristic person (include top 10 major shareholders by shareholding percentage) and their shareholding percentages.

Directors and Supervisors (II)

As of April 30, 2018

Criteria / Name (Note 1)	Does the individual have over 5 years of professional experience and the following professional qualifications?			Status of Independence (Note 2)										Number of companies in which the Director or Supervisor also serves concurrently as an Independent Director
	Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Have work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8	9	10	
Wu, I-Kuei			✓			✓					✓	✓		0
Matthew Miau			✓	✓		✓	✓	✓		✓	✓	✓		4
Pao-Luo Ying			✓			✓	✓	✓	✓	✓	✓	✓		0
Han-Tai Liu			✓			✓	✓			✓	✓	✓		0
Chen-Tu Liu			✓			✓	✓		✓		✓	✓		0
I-Shao Ko			✓	✓		✓	✓			✓	✓	✓		0
I-Kung Ma			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tien-Wen Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chi-Ying Juan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Adjust the number of rows where necessary.

Note 2: Please "V" the box under each criteria if the Director or Supervisor meets the criteria two years prior to taking up the position or during the term of service.

(1) Not employed by the Company or an affiliated business.

(2) Not serving as a Director or Supervisor of any of the Company's affiliated companies (this restriction does not apply to Independent Directors in the Company or its parent company or subsidiaries, who have been appointed in accordance with local laws or laws of the registered country).

(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person’s spouse, minor children or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within three degrees of kinship in the three preceding items.

(5) Not a Director, Supervisor, or employee of an institutional shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified Company or institution that has a financial or business relationship with the Company.

(7) Not a business owner, partner, Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or spouse of a professional, sole proprietorship, partnership, corporation or organization that receives business, legal, financial, or accounting service or consultation from the Company or affiliates. However, this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter

(8) Not a spouse or a relative within the second degree of kinship with any Director.

(9) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(II) General Manager, Deputy General Manager, Senior Managers, Heads of Departments and Branches

As of April 24, 2018; Unit: shares

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shares Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 2)	Current Position Held in Other Companies	Managerial officers who are spouses or relatives within the second degree of kinship		
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship
Chief Executive Officer	Taiwan (R.O.C.)	Wu, I-Kuei	Male	September 1, 2009	0	0.00%	–	–	0	0.00%	Chairman, USI	Note 3	None	None	None
General Manager	Taiwan (R.O.C.)	Pei-Chi Wu	Male	December 22, 2017	0	0.00%	0	0.00%	0	0.00%	Department of Chemical and Materials Engineering, Tunghai University (Taiwan); Dow Chemical Company; and Exxon Mobil (Taiwan)	Chairman: Taita Chemical (Zhongshan) Co., Ltd. Taita Chemical (Tianjin) Co., Ltd. Director: Dynamic Ever Investments Ltd. and Ever Victory Global Ltd.	None	None	None
Deputy General Manager	Taiwan (R.O.C.)	Tai-Ming Yen	Male	July 6, 2015	0	0.00%	0	0.00%	0	0.00%	EMBA, National Sun Yat-sen University (Taiwan)	Director and General Manager: Taita Chemical (Zhongshan) Co., Ltd. and Taita Chemical (Tianjin) Co., Ltd.	None	None	None
Head of Accounting Department	Taiwan (R.O.C.)	Chin-Tsai Lin	Male	April 17, 2001	0	0.00%	0	0.00%	0	0.00%	Department of Statistics, National Cheng Kung University	Accounting Manager: Taiwan VCM Corporation	None	None	None
Head of Finance Department	Taiwan (R.O.C.)	Kai-Hui Chuang	Female	April 24, 2015	0	0.00%	–	–	0	0.00%	Master of Finance, University of Houston (U.S.A.)	None	None	None	None

Note 1: Information regarding General Manager, Deputy General Manager, senior managers, heads of departments and branches shall be included, whereas information regarding positions equivalent to General Manager, Deputy General Manager or senior managers shall be disclosed regardless of job title.

Note 2: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.

Note 3: Chairman: USI, CGPC, TTC, APC, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technologies Corporation, Chong Loong Trading Co., Ltd., USI Investment Co., Ltd., CGPC Polymer Corporation, Asia Polymer Investment Corporation , Taiwan United Venture Capital Corporation, USI Management Consulting Corporation, Taiwan United Venture Management Corporation, Thintec Materials Corporation, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.

Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics (India) Private Limited, Swanson Plastics (Nantong) Corp., Swanson Plastics (Kunshan) Co., Ltd., Golden Amber Enterprises, ACME Electronics (BVI) Corporation, Acme Electronics (Kunshan) Co., Ltd., Acme Electronics (Guangzhou) Co., Ltd., Forum Pacific Trading Ltd., Taita (BVI) Holding Co., APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., CGPC America Corporation, Krystal Star International Corporation, A.S. Holdings (UK) Limited, ASK-Swanson (Kunshan) Co., Ltd., Acme Ferrite Products Sdn. Bhd., Swanson Plastics (Tianjin) Co., Ltd., Cypress Epoch Limited, Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USIG (Shanghai) Co., Ltd., PT. Swanson Plastics Indonesia, Emerald Investment Corporation, KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd. and CTCI Group.

General Manager: Union Polymer Int'l Investment Corp. and USI Management Consulting Corporation

Chief Executive Officer: USI, APC, CGPC, Acme Electronics Corporation and USI Optronics Corporation

Executive Director: Chinese National Federation of Industries

Note 4: General Manager Pao-Luo Ying retired on December 31, 2017. On December 22, 2017, the Board of Directors decided to promote Deputy General Manager, Pei-Chi Wu to General Manager, and this appointment would come into effect on January 1, 2018.

III. Remuneration paid to Directors (Including Independent Directors), General Manager and Deputy Manager during the most recent fiscal year

If any of the following applies to a Company, the name of the Director or Supervisor involved and the remuneration paid to him/her shall be disclosed. For the remaining Directors or Supervisors, the Company may opt to either disclose information in aggregate remuneration with their names indicated in each numerical range or disclose their names and method of remuneration individually (If the latter is chosen, please fill their positions, names and remuneration amounts individually. The Company shall not need to fill the table for ranges of remuneration):

(I) If post-tax losses have been recorded in a Company's financial statements in the most recent two (2) fiscal years, the name and remuneration of the "Directors and Supervisors" shall be disclosed individually. However, the preceding sentence shall not apply if the Company's financial statements in the most recent fiscal year indicates a net income after taxes which is sufficient to cover cumulative losses. Where International Financial Reporting Standards (IFRS) is adopted, the name and remuneration of the "Directors and Supervisors" shall be disclosed individually if pre-tax losses have been recorded in its parent company only or individual financial statements in the most recent two (2) fiscal years. However, the preceding sentence shall not apply if the Company's parent company only or individual financial statements in the most recent fiscal year indicates a net income after taxes which is sufficient to cover cumulative losses [Note 1].

(II) A Company with Directors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Directors. A Company with Supervisors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Supervisors. [Note 2]

(III) A Company with an average ratio of shares pledged by Directors or Supervisors that exceeds 50 percent in any three (3) months during the most recent fiscal year shall disclose the remuneration paid to each individual Director or Supervisor who owns a ratio of shares pledged that exceeds 50 percent for each of these three months. [Note 3]

(IV) If the total amount of remuneration received by all the Directors and Supervisors of a Company from all the companies listed in its financial statements exceeds two (2) percent of its net income after taxes, and the amount of remuneration received by any individual Director or Supervisor exceeds NT$15 million, the Company shall disclose the amount of remuneration paid to individual Directors or Supervisors.

(I) Remuneration Paid to Directors, Supervisors, General Manager and Deputy General Manager

1. Remuneration of Directors

Unit: NT$ thousands

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration of Directors</th><th colspan="2" rowspan="2">Percentage of the total of 4 items A, B, C and D on net income after taxes (NIAT) (Note 11)</th><th colspan="8">Relevant remuneration received by Directors who also serve as employees</th><th colspan="2" rowspan="2">Percentage of the total of 7 items A, B, C, D, E, F and G on NIAT (Note 11)</th><th rowspan="4">Whether or not the Director receives remuneration from investee companies other than the Company's subsidiaries (Note 11)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Separation Pay and Pension (B)</th><th colspan="2">Director's Compensation (C) (Note 3)</th><th colspan="2">Business Execution Allowances (D) (Note 4)</th><th colspan="2">Salary, Bonus and Special Allowances (E) (Note 5)</th><th colspan="2">Separation Pay and Pension (F)</th><th colspan="4">Employee Rewards (G) (Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company (Merge)</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th colspan="2">The Company</th><th colspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th></tr>
<tr><th>Cash Amount</th><th>Stock Amount</th><th>Cash Amount</th><th>Stock Amount</th></tr>
<tr><td>Director and Chief Executive Officer</td><td>Wu, I-Kuei</td><td rowspan="9">3,100</td><td rowspan="9">3,100</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">1,832</td><td rowspan="9">1,832</td><td rowspan="9">0.98%</td><td rowspan="9">0.98%</td><td rowspan="9">13,544</td><td rowspan="9">13,544</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">3.68%</td><td rowspan="9">3.68%</td><td rowspan="6">25,399</td></tr>
<tr><td>Director</td><td>Matthew Miau</td></tr>
<tr><td>Director and General Manager</td><td>Pao-Luo Ying</td></tr>
<tr><td>Director</td><td>Han-Tai Liu</td></tr>
<tr><td>Director</td><td>Chen-Tu Liu</td></tr>
<tr><td>Director</td><td>I-Shao Ko</td></tr>
<tr><td>Director</td><td>I-Kung Ma</td><td rowspan="3">None</td></tr>
<tr><td>Director</td><td>Tien-Wen Chen</td></tr>
<tr><td>Director</td><td>Chi-Ying Juan</td></tr>
</table>

Range of remuneration

Range of Remuneration Paid to the Directors of the Company	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All the Companies Included in the Financial Statements (Note 9)	The Company (Note 8)	All the investee companies included in the Financial Statements (note 9)
Less than NT$2,000,000	Wu, I-Kuei / Matthew Miau / Pao-Luo Ying / Han-Tai Liu / Chen-Tu Liu / I-Shao Ko / I-Kung Ma / Tien-Wen Chen Chi-Ying Juan	Wu, I-Kuei / Matthew Miau / Pao-Luo Ying / Han-Tai Liu / Chen-Tu Liu / I-Shao Ko / I-Kung Ma / Tien-Wen Chen Chi-Ying Juan	Matthew Miau / Han-Tai Liu / Chen-Tu Liu / I-Shao Ko / I-Kung Ma / Tien-Wen Chen / Chi-Ying Juan	Matthew Miau / Chen-Tu Liu / I-Shao Ko / I-Kung Ma / Tien-Wen Chen / Chi-Ying Juan
NT$2,000,000 (inclusive) to NT$5,000,000	-	-	Wu, I-Kuei	-
NT$5,000,000 (inclusive) to NT$10,000,000	-	-	-	Han-Tai Liu
NT$10,000,000 (inclusive) to NT$15,000,000	-	-	Pao-Luo Ying	Pao-Luo Ying
NT$15,000,000 (inclusive) to NT$30,000,000	-	-	-	Wu, I-Kuei
NT$30,000,000 (inclusive) to NT$50,000,000	-	-	-	-
NT$50,000,000 (inclusive) to NT$100,000,000	-	-	-	-
More than NT$100,000,000	-	-	-	-
Total	NT$4,932 thousand	NT$4,932 thousand	NT$18,476 thousand	NT$43,875 thousand

Note 1: Name of Directors shall be listed separately (for institutional shareholders, their names and the name of their representatives shall be listed separately) and the amount of remuneration paid to them shall be disclosed collectively. If a Director concurrently serves as a General Manager or Deputy General Manager, his/her name and the amount of remuneration paid to him/her shall be listed in Table (3-1) or (3-2) below.

Note 2: Compensation received by a Director in the most recent fiscal year (including Director's salary, job-related allowances, separation pay, various bonuses and incentives).

Note 3: Fill the amount of compensation approved by the Board of Directors and distributed to the Directors in the most recent fiscal year.

Note 4: Business expenses paid to the Directors in the most recent fiscal year (including services and goods provided such as transportation allowances, special allowances, various allowances, accommodation and vehicle). If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rent fees and fuel costs calculated based on the actual amount or fair market value, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and vehicle received by Directors who concurrently serve as employees (including General Manager, Deputy General Manager, other managerial officers and employees) in the most recent fiscal year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments shall be disclosed. If a driver is provided, please indicate the compensation paid to the driver by the Company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration. Housing facility and business vehicle are provided to the General Manager and the housing rent for 2017 totaling NT$1,260 thousand has been included in the salary, bonus, and special allowance in the table above. The cost of the business vehicle is NT$2,195 thousand and the nominal value as of the end of 2017 was NT$256 thousand. The salary of the driver was NT$852 thousand and related fuel expenses amounted to NT$299 thousand.

Note 6: For Directors concurrently serving as employees (including General Manager, Deputy General Manager, other managerial officers and employees) who receive employee rewards (including shares and cash), the amount of employee rewards that have been approved by the Board of Directors and are distributed to them in the most recent fiscal year shall be disclosed. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3.

Note 7: The total amount of all the remuneration paid to the Company's Directors by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed.

Note 8: The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the Director by the Company.

Note 9: The total amount of all the remuneration paid to each Director of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each Director shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 10: Net income after taxes (NIAT) refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

Note 11: a. The amount of remuneration received from subsidiaries other than investee companies by the Company's Directors shall be stated clearly in this column.

b. If the Director receives remuneration from investee companies that are not subsidiaries of this Company, the said remuneration shall be included in Column J in the remuneration range table. The name of the column shall also be changed to "All Investee Companies".

c. Remuneration refers to the compensation, rewards (including compensation distributed to employees, Directors and Supervisors) and remuneration related to business expenses that are received by the Company's Directors who serve as Directors, Supervisors or managerial officers at investee companies other than subsidiaries.

＊A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

2. Remuneration Paid to Supervisors: Not applicable as the Company has an Audit Committee that replaces the functions of Supervisors.

3. Remuneration Paid to General Manager and Deputy General Manager

Unit: NT$ thousands

Title	Name	Salary (A) (Note 2)		Separation Pay and Pension (B)		Bonus and Special Allowance (C) (Note 3)		Employee Rewards (D) (Note 4)				Percentage of the total of 4 items A, B, C and D on NIAT (Note 8)		Whether or not the Director receives remuneration from investee companies other than the Company's subsidiaries (Note 9)
		The Company	All the Companies Included in the Financial Statements (Note 5)	The Company	All the Companies Included in the Financial Statements (Note 5)	The Company	All the Companies Included in the Financial Statements (Note 5)	The Company		All the Companies Included in the Financial Statements (Note 5)		The Company	All the Companies Included in the Financial Statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chief Executive Officer	Wu, I-Kuei	12,629	12,629	243	243	11,918	11,918	0	0	0	0	4.94%	4.94%	16,498
General Manager	Pao-Luo Ying													
Deputy General Manager	Pei-Chi Wu													
Deputy General Manager	Pei-Ching Lin													
Deputy General Manager	Tai-Ming Yen													

∗Regardless of job titles, positions that are equivalent to General Manager, Deputy General Manager (such as president, chief executive Director and Director) shall be disclosed.

Range of remuneration

Range of Remuneration Paid to the General Manager and Deputy General Manager of the Company	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	All the Investee Companies Included in the Financial Statements (Note 7) E
Less than NT$2,000,000	-	-
NT$2,000,000 (inclusive) to NT$5,000,000	Wu, I-Kuei / Pei-Ching Lin / Tai-Ming Yen	Pei-Ching Lin / Tai-Ming Yen
NT$5,000,000 (inclusive) - NT$10,000,000	Pei-Chi Wu	Pei-Chi Wu
NT$10,000,000 (inclusive) - NT$15,000,000	Pao-Luo Ying	Pao-Luo Ying
NT$15,000,000 (inclusive) - NT$30,000,000	-	Wu, I-Kuei
NT$30,000,000 (inclusive) - NT$50,000,000	-	-
NT$50,000,000 (inclusive) - NT$100,000,000	-	-
More than NT$10,000,000 (inclusive)	-	-
Total	NT$24,790 thousand	NT$41,288 thousand

Note 1: The name of the General Manager and Deputy General Manager shall be listed separately, and the amount of remuneration paid to them shall be disclosed collectively. If a Director concurrently serves as a General Manager or Deputy General Manager, his/her name and the amount of remuneration paid to him/her shall be listed in Table (1-1) or (1-2) above.

Note 2: Fill in the salary, job-related allowances and separation pay received by the General Manager and Deputy General Manager in the most recent fiscal year.

Note 3: Fill the amount of various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation and vehicle received by the General Manager and Deputy General Manager in the most recent fiscal year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rent fees and fuel costs calculated based on the actual amount or fair market value, and other payments shall be disclosed. If a driver is provided, please indicate the the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration. Housing facility and business vehicle are provided to the General Manager and Deputy General Managers and the housing rent for 2017 totaling NT$1,778 thousand has been included in the salary, bonus, and special allowance in the table above. The cost of the business vehicle is NT$3,198 thousand and the nominal value as of the end of 2017 was NT$256 thousand. The salary of the driver was NT$852 thousand and related fuel expenses amounted to NT$632 thousand.

Note 4: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the General Manager and Deputy General Manager in the most recent fiscal year. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3. Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

Note 5: The total amount of all the remuneration paid to the Company's General Manager and Deputy General Manager by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed.

Note 6: The name of each General Manager and Deputy General Manager should be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the General Manager and Deputy General Manager by the Company.

Note 7: The total amount of all the remuneration paid to each General Manager and Deputy General Manager of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each General Manager and Deputy General Manager shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 8: Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

Note 9: a. The amount of remuneration received from investee companies other than subsidiaries by the Company's General Manager and Deputy General Manager shall be stated clearly in this column.

b. If the General Manager and Deputy General Manager of the Company receives remuneration from investee companies other than subsidiaries, the amount of remuneration received by the General Manager and Deputy General Manager from investment companies other than subsidiaries shall be combined into Column E of the table for ranges of remuneration, and this column shall be renamed as "All Investment Companies".

c. Remuneration refers to the compensation, rewards (including compensation distributed to employees, Directors and Supervisors) and remuneration related to business expenses that are received by the Company's General Manager and Deputy General Manager who serve as Directors, Supervisors or managerial officers at subsidiaries other than investee companies.

Note 10: General Manager Pao-Luo Ying retired on December 31, 2017. On December 22, 2017, the Board of Directors decided to promote Deputy General Manager, Pei-Chi Wu to General Manager, and this appointment would come into effect on January 1, 2018.

Note 11: Deputy General Manager retired on June 30, 2017.

＊A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

4. Name of managerial officers to which employee rewards are distributed, and the status of distribution

Unit: NT$ thousands

<table>
<tr><th></th><th>Title
(Note 1)</th><th>Name
(Note 1)</th><th>Stock Amount</th><th>Cash Amount</th><th>Total</th><th>Percentage of total compensations on NIAT (%)</th></tr>
<tr><td rowspan="7">Managerial Officer</td><td>Chief Executive Officer</td><td>Wu, I-Kuei</td><td rowspan="7">0</td><td rowspan="7">2,875</td><td rowspan="7">2,875</td><td rowspan="7">0.57%</td></tr>
<tr><td>General Manager</td><td>Pao-Luo Ying</td></tr>
<tr><td>Deputy General Manager</td><td>Pei-Chi Wu</td></tr>
<tr><td>Deputy General Manager</td><td>Pei-Ching Lin</td></tr>
<tr><td>Deputy General Manager</td><td>Tai-Ming Yen</td></tr>
<tr><td>Head of Accounting Department</td><td>Chin-Tsai Lin</td></tr>
<tr><td>Head of Finance Department</td><td>Kai-Hui Chuang</td></tr>
</table>

Note 1: Names and positions shall be listed individually, and the amount of profit distributed shall be disclosed collectively.

Note 2: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the managerial officers in the most recent fiscal year. If this amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year. Net income after taxes (NIAT) refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

Note 3: The scope of application for the term "managerial officer" shall follow the approved document with Reference No. Tai Tsai Cheng San Tzu 0920001301 dated March 27, 2003. Its scope of application shall be as follows:

(1) General Manager and Equivalent
(2) Deputy General Manager and Equivalent
(3) Senior Manager and Equivalent
(4) Head of Finance Department
(5) Head of Accounting Department
(6) Other Personnel Authorized to Manage the Company's Affairs and Sign for Approval

Note 4: Directors, General Manager and Deputy General Manager who receive employee rewards (including shares and cash) shall be listed not only in Table 1-2, but also in this table.

Note 5: General Manager Pao-Luo Ying retired on December 31, 2017. On December 22, 2017, the Board of Directors decided to promote Deputy General Manager, Pei-Chi Wu to General Manager, and this appointment would come into effect on January 1, 2018.

Note 6: Deputy General Manager retired on June 30, 2017.

(II) Analysis and comparison of percentages of remuneration paid to the Company's Directors, General and Deputy General Manager by the Company and all the Companies listed in its consolidated financial statements in the most recent two fiscal years to the net income after taxes recorded in its parent company only or individual financial statements, and explanation on the remuneration policies, standards and packages, procedures for determining remuneration and their correlations with its business performance and future risk exposure.

1. Analysis of percentages of remuneration paid to Directors, General Manager and Deputy General Manager:

Category \ Year	2017		2016	
	The Company	All the Companies Included in the Financial Statements	The Company	All the Companies Included in the Financial Statements
Director	0.98%	0.98%	4.29%	4.29%
Directors (including those who concurrently serve as employees and receive related remuneration)	3.68%	3.68%	14.93%	14.93%
Chief Executive Officer, General Manager and Deputy General Managers	4.94%	4.94%	16.10%	16.10%

2. Remuneration policies, standards and packages, and their correlations with the Company's business performance and future risk exposure:
   (1) According to Article 34 of the Company’s Articles of Incorporation, compensation paid to Directors shall not exceed one (1) percent of the profit obtained in the current fiscal year. The Remuneration Committee shall take into account the overall performance of the Company and its future operational risk, as well as the trends of the industry, and propose the remuneration to be paid to Directors to the Board of Directors for approval, whereas transportation fees to be paid to Directors shall be approved by the Shareholders' Meeting.
   (2) Directors' remuneration shall be set in accordance with Article 19-1 of the Company's Articles of Incorporation, the value of their level of participation and contribution to the Company's business operations, regardless of whether the Company records a profit or a loss, and taking into consideration the pay levels of the industry. Directors' remuneration shall be approved by the Board of Directors, and shall correlate with the Company's business performance.
   (3) Managerial officers' remuneration shall be determined in accordance with the Company's personnel-related rules and regulations. Salary levels shall first be proposed by the Remuneration Committee before submission to the Board of Directors for approval, and shall correlate with the Company's business performance.
   (4) Correlation with future risk exposure: None

IV.Implementation of Corporate Governance

(I) Operation of Board of Directors

A total of six (A) meetings of the Board of Directors were held in the most recent year (2017). The attendance of Directors was as follows:

Title	Name (Note 1)	Number of Attendance In Person (B)	Number of Attendance by proxy	Rate of Attendance in Person (%) [B/A] (Note 2)	Remark
Chairman	Wu, I-Kuei (Representative of Union Polymer Int'l Investment Corp.)	6	0	100	Re-elected
Director	Matthew Miau (Representative of Union Polymer Int'l Investment Corp.)	2	4	33.33	Re-elected
Director	Pao-Luo Ying (Representative of Union Polymer Int'l Investment Corp.)	6	0	100	Re-elected
Director	Han-Tai Liu (Representative of Union Polymer Int'l Investment Corp.)	4	2	66.67	Re-elected
Director	Chen-Tu Liu (Representative of Union Polymer Int'l Investment Corp.)	6	0	100	Re-elected
Director	I-Shao Ko (Representative of Union Polymer Int'l Investment Corp.)	5	1	83.33	Re-elected
Independent Director	I-Kung Ma	6	0	100	Re-elected
Independent Director	Tien-Wen Chen	4	2	66.67	Re-elected
Independent Director	Chi-Ying Juan	3	0	100	Incoming, required to attend 3 meetings

Note: A by-election was held at the Annual General Meeting n June 16, 2017, where Mr. Chi-Ying Juan was elected as an independent Director.

Other matters to be noted:
Directors' Attendance at the Board of Directors' Meetings

◎Attend in person ☆Attend by proxy

	Director						Independent Director		
	Wu, I-Kuei	Matthew Miau	Pao-Luo Ying	Han-Tai Liu	Chen-Tu Liu	I-Shao Ko	I-Kung Ma	Tien-Wen Chen	Chi-Ying Juan (Newly appointed on June 16, 2017)
1th meeting on March 14, 2017	◎	◎	◎	◎	◎	◎	◎	◎	
2th meeting on April 28, 2017	◎	☆	◎	☆	◎	☆	◎	◎	
3th meeting on May 8, 2017	◎	◎	◎	◎	◎	◎	◎	☆	
4th meeting on August 9, 2017	◎	☆	◎	◎	◎	◎	◎	◎	◎
5th meeting on November 9, 2017	◎	☆	◎	☆	◎	◎	◎	☆	◎
6th meeting on December 22, 2017	◎	☆	◎	◎	◎	◎	◎	◎	◎

I. If any of the following applies to the operations of the Board of Directors, the date and session of the Board of Directors' Meeting, as well as the resolutions, opinions of Independent Directors and the Company's actions in response to the opinions of Independent Directors shall be stated:

(I) Items listed in Article 14-3 of the Securities and Exchange Act: None

(II) In addition to the preceding matter, other resolutions of the Board of Directors on which Independent Directors have dissenting opinions or qualified opinions, and that are documented or issued through written statements:

Board of Directors' Meeting	Resolution and Follow-up Actions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting Opinion or Qualified Opinion by Independent Directors
1st meeting 2017 .3.14. of the Board of Directors in 2017	1. Ratify the endorsements / guarantees made for subsidiaries Taita (BVI) Holding Co., Ltd. and Taita Chemical (Zhongshan) Co., Ltd.	V	None
	2. Amend certain articles in the Procedures for Handling Acquisitions or Disposal of Assets	V	None
	3. Amend certain articles in the Procedures for Loaning of Funds to Others	V	None
	4. Attest the compensation paid to CPAs for year 2016	V	None
	5. Appoint CPAs for year 2017	V	None
	Opinions of Independent Directors: None		
	The Company's actions in response to the opinions of Independent Directors: None		
	Voting results: All the Directors present voted in favor of the resolution without any dissenting opinion.		
	6. Lift compensation restrictions against Directors	V	None
	Opinions of Independent Directors: None		
	The Company's actions in response to the opinions of Independent Directors: None		
	Voting results: (In this case, the Chairman and Directors present including Matthew Miau, Han-Tai Liu and Chen-Tu Liu had to recuse themselves due to conflict of interest. Hence, the Chairman appointed Independent Director Tien-Wen Chen as the acting Chairman.) With the exception of the aforementioned recusals due to conflicts of interest, the acting Chairman asked for the opinions of other Directors in attendance and the proposal was passed unanimously.		
4th meeting of the Board of Directors in 2017 2017.8.9.	1. Ratify the endorsements / guarantees made for subsidiaries Taita (BVI) Holding Co., Ltd. and Taita Chemical (Zhongshan) Co., Ltd.	V	None
	Opinions of Independent Directors: None		
	The Company's actions in response to the opinions of Independent Directors: None		
	Voting results: (In this case, Independent Director Tien-Wen Chen had to recuse himself due to conflict of interest as he has a relative within the second degree of kinship who serves as the Managing Director of First Bank.) Voting results: The Chair consulted all the Directors present, except for independent Director Tien-Wen Chen who had to recuse himself from voting due to conflict of interest, and they voted in favor of the resolution.		
	2. Amend the Company's internal control system	V	None
	3. Amend certain articles in the "Audit Committee Charter"		
	Opinions of Independent Directors: None		
	The Company's actions in response to the opinions of Independent Directors: None		
	Voting results: All the Directors present voted in favor of the resolution without any dissenting opinion.		
Board of Directors' Meeting	Resolution and Follow-up Actions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting Opinion or Qualified Opinion by

			Independent Directors
5th meeting of the Board of Directors in 2017 2017.11.9.	1. Ratify the endorsements / guarantees made for subsidiaries Taita (BVI) Holding Co., Ltd. and Taita Chemical (Zhongshan) Co., Ltd.	V	None
	Opinions of Independent Directors: None		
	The Company's actions in response to the opinions of Independent Directors: None		
	Voting results: All the Directors present voted in favor of the resolution without any dissenting opinion.		

II. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the results of voting counts shall be stated.

Name of Director	Proposal	Reason for Recusal	Participation in Voting	Remark
Wu, I-Kuei Matthew Miau Han-Tai Liu Chen-Tu Liu	Lift competition restrictions against Directors.	The Directors had interest in the matter.	They did not participate in voting.	1st meeting of the Board of Directors in 2017
Tien-Wen Chen	1. Ratify the endorsement / guarantee made for subsidiaries Company Taita (BVI) Holding Co., Ltd. and Taita Chemical (Zhongshan) Co., Ltd.	He recused himself due to conflict of interest as he has a relative within the second degree of kinship who serves as the Managing Director of First Bank	He did not participate in voting.	4th meeting of the Board of Directors in 2017

III. Targets for strengthening the functions of the Board of Directors in the current fiscal year and the most recent fiscal year (e.g., establishing an audit committee and enhancing information transparency), and evaluation of target implementation

1. Targets for strengthening the functions of the Board of Directors:

In order to enhance corporate governance and the functions of the Board of Directors, the Company passed the resolution on the amendment of Article 15-1 and Article 15-2 of the Company's Articles of Incorporation at the Annual General Meeting held on June 12, 2014, where these articles stipulate the appointment of Independent Directors and the establishment of an audit committee in due course in accordance with the law. In addition, the Board of Directors approved the relevant supporting measures for setting up an audit committee on March 11, 2015, and approved the formulation of the Audit Committee Charter on April 24, 2015.

The Company constantly pays attention to changes in laws and regulations of the competent authority, reviews its Rules of Procedure for Board of Directors' Meetings and Rules Governing the Scope of Powers of Independent Directors, and evaluates its Audit Committee Charter in due course. The Company really seeks to improve information transparency in accordance with the amended laws, and the implementation of these regulations has been favorable.

Implementation of Performance Appraisal on the Board of Directors (Audit Committee) in 2017

(1) Appraisal Period: January 1, 2017 to December 31, 2017

(2) The Company has established a set of regulations governing the evaluation of performance of the Board of Directors and performance appraisal methods, proposing the self-evaluation of the performance of the Board of Directors (Audit Committee) on a regular basis every year based on the implementation of assessment indicators including degree of participation in the Company's operation, improvement of the quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2017 have been reported to the 1st meeting of the Board of Directors in 2018. The result of the overall evaluation was as follows:

Appraisal Item	Results
Degree of participation in the Company's	Excellent

operations	
Improvement in the quality of decision-making of the Board of Directors	Excellent
Composition and structure of the Board of Directors	Excellent
Election and continuous education of Directors	Excellent
Internal control and communications with the Audit Committee	Excellent

2. Evaluation of target implementation:
The Audit Committee was established after the appointment of Independent Directors during the 2015 Annual General Meeting. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2017 has been disclosed on the Company's website on January 5, 2018, and has been reported in the first meeting of the Board of Directors in 2018 (March 12, 2018).
3. Conduct training courses for Directors and Supervisors, as well as encourage Directors and Supervisors to attend corporate governance-related courses The status of continuing education among the Directors and managerial officers of the Company is as follows:

Title	Name	Date of Training	Organizer	Course Title	Number of Hours
Chairman	Wu, I-Kuei	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Matthew Miau	February 15, 2017	Taiwan Institute of Directors	Rise of Innovation Economy: Changes and Challenges in Corporate Management	3
		July 6, 2017	Taiwan Corporate Governance Association	Activating the Power of Transformation at Taiwan Power Company: Can IOT Make Semiconductor Great Again?	3
Director	Pao-Luo Ying	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Chen-Tu Liu	May 11, 2017	Chinese National Association of Industry and Commerce, Taiwan	Risk Management Trends and Implementation Analysis	3
		May 18, 2017	Chinese National Association of Industry and Commerce, Taiwan	Corporate Governance Theory and Practice from a Legal Perspective	3
		July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		July 25, 2017	Taiwan Corporate Governance Association	How Directors Perform Fiduciary Duties, and Commercial Courts and International Trends	1
		August 29, 2017	Taiwan Corporate Governance Association	Invisible Hand behind Corporate Governance - Unveiling the "Company Secretary"	1
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3

Director	I-Shao Ko	December 21, 2017	Securities & Futures Institute	Enterprise Financial Crisis Early Warning and Type Analysis	3
		December 22, 2017	Taiwan Academy for Banking and Financial	Corporate Governance Forum Series	3
Director	Han-Tai Liu	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	I-Kung Ma	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		August 29, 2017	Taiwan Corporate Governance Association	Major Trends of Corporate Social Responsibility and Sustainable Governance	3
Director	Tien-Wen Chen	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Chi-Ying Juan	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		November 23, 2017	Securities & Futures Institute	Liability and Risk Control of False Financial Statements - A Practical Case Study	3
Head of Accounting Department	Chin-Tsai Lin	December 19, 2017 - December 23, 2017	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Head of Audit Department	Tai-Feng Chang	July 6, 2017	The Institute of Internal Auditors, R.O.C.	Operational Audit Practices	6
		August 4, 2017	The Institute of Internal Auditors, R.O.C.	Strategic Audit Practice Seminar	6

Note: The number of learning hours, scope of learning, learning systems, arrangements and information on the abovementioned training sessions which comply with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies shall be disclosed.

Note 1: For Directors and Supervisors who are juristic persons, the name of juristic person shareholders and their representatives shall be disclosed.

Note 2: (1) Where a Director or a Supervisor resigns before the end of the fiscal year, the Remark column shall be filled with the Director's or Supervisor’s resignation date, whereas his/her rate of attendance in person (%) shall be calculated based on the number of Board of Directors' meetings held and the actual attendance in person during the period during his/her term of office.

(2) If Directors or Supervisors are re-elected before the end of the fiscal year, incoming and outgoing Directors or Supervisors shall be listed accordingly, and the Remark column shall indicate whether the status of a Director is "outgoing", "incoming" or “re-elected”, and the date of re-election. The Director's rate of attendance in person (%) shall be calculated based on the number of Board of Directors' Meetings held and the actual attendance in person during his/her term of office.

(II) Information Regarding the Implementation of the Audit Committee or the Participation of Supervisors in the Operations of the Board of Directors:

1. Operations of the Audit Committee

A total of five (A) meetings of the Audit Committe were held in the most recent year (2017). The attendance of Independence Directors was as follows:

Title	Name	Number of Attendance in Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) (B/A) (Note)	Remark
Independent Director	I-Kung Ma	5	0	100	
Independent Director	Tien-Wen Chen	3	2	60	
Independent Director	Chi-Ying Juan	3	0	100	Appointed on June 16, 2017

Other matters to be noted:

I. If any of the following applies to the operations of the Audit Committee, the date and session of the Board of Directors' Meeting, as well as the resolutions, resolutions of the Audit Committee and the Company's actions in response to the opinions of the Audit Committee shall be stated.

(I) Items listed in Article 14-5 of the Securities and Exchange Act:

Director	Resolution and Follow-up Actions	Items listed in Article 14-5 of the Securities and Exchange Act	Dissenting Opinion or Qualified Opinion by Independent Directors
1st meeting in 2017 on March 14, 2017	1. Ratify guarantees and endorsements.	V	None
	2. Prepare the 2016 Financial Report.	V	None
	3. Amend certain articles in the Procedures for Handling Acquisitions or Disposal of Assets.	V	None
	4. Amend certain articles in the Procedures for Loaning of Funds to Others	V	None
	5. Attest the compensation paid to the CPAs for year 2016	V	None
	6. Appoint CPAs for year 2017	V	None
	Opinions of the Audit Committee: None		
	The Company's Actions in Response to the Opinions of the Audit Committee: None		
	Voting results: All the Directors present voted in favor of the resolution, which was then submitted to the Board of Directors for deliberation.		
4th meeting in 2017 on August 9, 2017	1. Ratify guarantees and endorsements.	V	None
	2. Prepare the 2017 Quarter 2 Consolidated Financial Report.	V	None
	3. Amend the Company's internal control system.	V	None
	Opinions of the Audit Committee: None		

	The Company's Actions in Response to the Opinions of the Audit Committee: None		
	Voting results: All the Directors present voted in favor of the resolution, which was then submitted to the Board of Directors' meeting for deliberation.		
5th meeting in 2017 on November 9, 2017	1. Ratify guarantees and endorsements.	V	None
	Opinions of the Audit Committee: None		
	The Company's Actions in Response to the Opinions of the Audit Committee: None		
	Voting results: All the Directors present voted in favor of the resolution, which was then submitted to the Board of Directors' meeting for deliberation.		

(II) In addition to the items in the preceding items, other resolutions passed by two-thirds of all the Directors but yet to be approved by the Audit Committee: None

II. In regards to the recusal of Independent Directors from voting due to conflict of interests, the name of the Independent Directors, the resolutions, reasons for recusal due to conflict of interests and voting results shall be stated:

Resolution: 10th meeting of the 1st Audit Committee
1st Agenda: To ratify guarantees and endorsements

Recused Director: Tien-Wen Chen

Reason for recusal: According to Article 209 of the Company Act, the Director must recuse himself due to conflict of interest as he has a relative within the second degree of kinship who serves as the Managing Director of First Bank.

Voting results: The designated Chair, Independent Director Madam I-Kung Ma consulted all the Directors present, except for Independent Director Mr. Tien-Wen Chen who had to recuse himself from voting due to conflict of interest as he has a relative within the second degree of kinship who serves as the Managing Director of First Bank, voted in favor of the resolution, which was then submitted to the Board of Directors for deliberation.

III. Communications between Independent Directors and the head of internal audit and CPAs (material issues, methods and outcomes related to the Company's financial and business status shall be included)

(1) The Internal Audit Department will not only submit the audit reports to every independent Director for review every month, but also the Head of Internal Audit will report major audit findings to every independent Director in the Audit Committee every quarter.

(2) CPAs compile information on the audit of the Company's consolidated financial statements (annual financial statements including parent company only financial statements) or review of governance-related matters every quarter, and report them to the Audit Committee in writing or through face-to-face communication in accordance with the Auditing Standards Bulletin No. 39 - "Communication with Those Charged with Governance".

Summary of communication between Independent Directors, the Company's internal audit Supervisor, and the CPA in 2017:

Date/Meeting	Key Communication Points
March 14, 2017 8th meeting of the 1st Audit Committee	1. Audit the business execution report for November 2016 to March 2017 2. Approved the issuance of the 2016 Statement on Internal Control System 3. Approved the 2016 consolidated and parent company only Financial Statements and communicated reports on the implementation status and results of the audit.
April 21, 2017 9th meeting of the 1st Audit Committee	1. Audited the business execution report for March to April 2017 2. Reported the implementation status and results of the audit of the Company's 2017 Quarter 1 consolidated Financial Statements.

Date/Meeting	Key Communication Points
August 9, 2017 10th meeting of the 1st Audit Committee	1. Audited the audit business execution report for April to August 2017 2. Approved the Company's 2017 Quarter 2 Consolidated Financial Statements, and communicated reports on the implementation status and results of the audit. 3. Approved the amendment of internal control systems
November 9, 2017 11th meeting of the 1st Audit Committee	1. Audited the business execution report for August to November 2017 2. Approved the 2018 audit plan 3. Reported the implementation status and results of the audit of the Company's 2017 Quarter 3 consolidated Financial Statements, and communicated the key audit items in the audit report according to the Auditing Standards Bulletin No. 58.

* Where an independent Director resigns before the end of the fiscal year, the "Remark" column shall be filled with the independent Director's resignation date, whereas his/her rate of attendance in person (%) shall be calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

* If Independent Directors are re-elected before the end of the fiscal year, incoming and outgoing Independent Directors shall be listed accordingly and the "Remark" column shall indicate whether the status of an independent Director is “Outgoing", "Incoming" or “Re-elected” and the date of re-election. The rate of attendance in person (%) is calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

2. Participation of Supervisors at the board meeting: Not applicable for the Company has an Audit Committee that replaces the functions of Supervisors.

(III) Implementation of corporate governance, discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies, and reasons for such discrepancies

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies"?	✓		The Company has established its "Corporate Governance Best Practice Principles" and complied with the "Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies" to promote the implementation of corporate governance and discloses such information on its own website.	No material discrepancy
II. Shareholder Structure and Shareholders' Rights				
(I) Has the Company established an internal operating procedure for handling matters related to shareholders' recommendations, doubts, disputes and lawsuits, and implemented them accordingly?	✓		The Company has appointed specific personnel to take change of such matters.	No material discrepancy
(II) Does the Company maintain a list of major shareholders who have actual control over the Company and persons who have ultimate control over the major shareholders?	✓		The Company has been maintaining contact with its major shareholders and persons who have ultimate control over the major shareholders.	No material discrepancy
(III) Has the Company established and implemented risk control and firewall mechanisms among its affiliated companies?	✓		The Company has established and implemented a system to monitor its subsidiaries.	No material discrepancy
(IV) Has the Company formulated internal regulations that prohibit insiders of the Company from trading securities using undisclosed information in the market?	✓		The Company has formulated its "Procedures for Ethical Management and Guidelines for Conduct", in which Article 14 stipulates the prevention of insider trading.	No material discrepancy
III. Composition and Responsibilities of the Board of				

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	
Directors (I) Has the Board of Directors drawn up policies on diversity of its members and implemented them?	✓		According to Article 20 of the Company's "Corporate Governance Best Practice Principles", diversity shall be considered in the composition of the Company's Board of Directors, and members of the Board of Directors shall possess the knowledge, skills and qualities required to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities: ● Business judgment ability. ● Accounting and financial analytical ability. ● Business management ability ● Crisis management ability. ● Knowledge of the industry. ● Understanding of international markets. ● Leadership ability. ● Decision-making ability. In addition to the eight competencies above, the Company has also added two professional abilities, namely legal capability and environmental protection by taking into consideration the growing importance of global issues concerning corporate governance and environmental protection at present, so that the functions of the Board of Director can be more complete. At present, existing members of the Board of Directors possess the knowledge, skills and qualities required to perform their duties, and specialize in professional areas including accounting and finance, international markets, law and environmental protection. For details on the diversity of Board members, refer to the table below:	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	
	✓ ✓ ✓			

Diversified Core Competences / Name of Director	Gender	Business judgment	Accounting and Finance	Business Management	Crisis Management	Knowledge of the Industry	International Markets	Leadership ability	Decision making ability	Law	Environmental Protection
Wu, I-Kuei	Male	✓	✓	✓	✓	✓	✓	✓	✓		
Matthew Miau	Male	✓		✓	✓	✓	✓	✓	✓		
Pao-Luo Ying	Male	✓		✓	✓	✓	✓	✓	✓		✓
Han-Tai Liu	Male	✓		✓	✓	✓	✓	✓	✓		
Chen-Tu Liu	Male	✓	✓	✓	✓			✓	✓	✓	
I-Shao Ko	Male	✓		✓	✓	✓	✓	✓	✓		
Tien-Wen Chen	Male	✓	✓	✓	✓		✓	✓	✓		

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	

I-Kung Ma	Female	✓	✓		✓				✓		✓
Chi-Ying Juan	Male	✓		✓	✓				✓	✓	

Evaluation Item	Y	N	Summary	Discrepancies
(II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			The Company has established a remuneration committee and an audit committee which exercise their authority in accordance with the "Remuneration Committee Charter" and the "Audit Committee Charter" respectively with favorable performance. The Company has voluntarily established a Corporate Social Responsibility Committee which exercises its authority in accordance with the "Corporate Social Responsibility Committee Charter" with favorable performance.	No material discrepancy
(III) Does the Company establish a standard to measure the performance of the Board, and implement it annually?			The Company has established the Regulations Governing the Evaluation of the Performance of the Board of Directors on November 9, 2017. At the end of each year, performance appraisal shall be performed on the Board of Directors (Audit Committee) for the current year based on the actual implementation of assessment indicators including degree of participation in the Company's operation, improvement of the quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. Performance appraisal results shall be reviewed and improved upon in the most recent Board of Directors' Report in the following year. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2017 has been disclosed on the Company's website on January 5, 2018 and has been reported in the first Board of Directors' Meeting in 2018 (March 12, 2018).	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	
(IV) Does the Company regularly evaluate the independence of CPAs?			Article 30 of the Company's "Corporate Governance Best Practice Principles" stipulates that the independence of the CPA shall be regularly assessed and the content of assessments shall be based on Article 47 of the Certified Public Accountant Act and the Assessment Table for the Independence of the CPA in No. 10 Statement of the Professional Ethics Standards for Certified Public Accountants. On the other hand, a Declaration of Independence of the CPA is obtained and submitted to the Board of Directors for deliberation and approval during the Board of Directors' Meeting on March 12. 2018 (1st meeting in 2018).	No material discrepancy
IV. Does the TWSE or TPEx listed Company have a dedicated full-time (or part-time) corporate governance unit or personnel in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by Directors and Supervisors, handling matters related to Board of Directors' meetings and Shareholders' meetings, handling Company registration and change registration, and producing minutes of Board of Directors' meetings and Shareholders' meetings)?	✓		In accordance with the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies, the Company has established the Corporate Governance Team. The Accounting Manager Chin-Tsai Lin assumes the position of corporate governance officer to protect the rights of shareholders and strengthen the functions of the Board of Directors. The main duties of the corporate governance officer is to coordinate relevant departments in handling corporate governance matters, which include providing information required by the Directors to perform their duties, assisting Directors in legal compliance and arranging for the Board of Directors' and Shareholders' meetings in accordance with laws and regulations. The following units are responsible for the Company's corporate governance affairs: 1. Chief Financial Officer, Financial Officer and the Stock Affairs Department (Part-time): Matters related to the Shareholders' meetings 2. The Secretariat of the Board of Directors (full-time): Matters	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	
			related to the Board of Directors' meetings 3. The Accounting Division (part-time): Matters related to the meetings held by the Audit Committee 4. The Human Resources Division (part-time): Matters related to the meetings held by the Remuneration Committee 5. The General Manager's Office (Full-time or part-time): Matters related to the meetings of the Corporate Social Responsibility Committee 6. The Legal Division (part-time): Matters related to Company registration and change registration The implementation of corporate governance affairs in the Company is described as follows: 1. Assist Independent Directors and general Directors in performing their duties by providing the necessary information and arranging for continuing education for Directors 2. Assist in matters related to the proceedings of Board of Directors' meetings and shareholders' meetings as well as legal compliance of resolutions 3. Maintain investor relations: Arrange investor conferences so that investors can obtain sufficient information to evaluate and determine the Company's reasonable market value, and ensure that shareholders' interests are well maintained. 4. The Secretariat of the Board draws up the agendas of the Board of Directors and notify Directors of the agendas seven (7) days before the meeting, convenes meetings and provides meeting information, sends out reminders regarding agendas that require recusal of Directors and completes the minutes of the Board of	

Evaluation Item	Status of Implementation (Note 1) Y	N	Summary	Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
			Directors' meeting within 20 days after the meeting. 5. Handle prior registration for shareholders' meetings, prepare meeting notices, agenda handbook, meeting minutes within the statutory period, as well as handle registration of changes due to amendment of regulations and re-election of Directors	
V. Has the Company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		The Company has set up a stakeholders' section under Corporate Social Responsibility on its website, which features contact information as channels of communication and discloses issues related to quality, the environment, occupational safety and health policies, employee rights, as well as social and product liabilities.	No material discrepancy
VI. Does the Company commission a professional shareholder services agency to arrange shareholders' meetings and other relevant affairs?		✓	The Company takes charge of its own shares-related affairs and handles matters related to shareholders' meetings in accordance with the law.	The Company handles its own shares-related affairs to ensure quality and efficiency.
VII. Information Disclosure				
(I) Has the Company established a website to disclose information on financial operations and corporate governance?	✓		The Company has set up a website and regularly discloses Company information.	No material discrepancy
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose Company information, implementing a spokesperson system, and	✓		The Company has appointed specific personnel in charge of the collection and disclosure of Company information and has implemented a spokesperson system.	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	
disclosing the process of investor conferences on the Company’s website)?				
VIII. Has the Company provided important information to better understand the state of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders’ rights, progress of training of Directors and Supervisors, risk management policy and implementation of risk impact standards, implementation of customer policies and the Company’s purchase of liability insurance for its Directors and Supervisors)?	✓		(I) The Company provides its employees with comprehensive health care. In addition to the formulation of guidelines related to employee assistance services and gender equality in the workplace, the Company also provides annual health checkups, sports and fitness equipment, organizes various outdoor recreational activities and talks on mental, emotional and spiritual health, purchases group insurance and issues LOHAS e-newsletters. Furthermore, the Company's employees have voluntarily set up the Employee Assistance Program Center (EAPC) to help their colleagues solve work, life and psychological problems. (II) The Company has always been committed to the principle of equal opportunities and recognizes the contribution of employees from different backgrounds. The Company adopts an open selection process and hires the right talent for the right position, instead of restricting employees' career development based on their race, gender, age, religion, nationality or political affiliation. (III) With regard to the promotion of environmental protection and occupational safety and health, the Company not only complies with the relevant laws and regulations, but also expects to meet internationally recognized standards, where the Company has successfully obtained ISO 14001 and OHSAS 18001 certifications. To enhance self-inspection, the Company has established the Group Safety and Health Partners Regional Joint Rescue system led by the South Labor Inspection Institute and	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	
			actively participates in the events organized by Linyuan Safety and Health Promotion Association. (IV) The Company actively attends activities held by Taiwan Responsible Care Association (TRCA) in the chemical engineering industry and upholds its spirit, participates in community events, and cares for product protection in order to create a better living environment. Additionally, the Company also helps contractors by building a safe and health-conscious environmental management system to ensure safety at work. (V) Implementation of risk management policies and risk measurement standards: The Company has established operating procedures and internal control systems and possesses clear rules and regulations on authorized limits. The Company also implements internal audit for risk control and discloses such information in its annual reports. (VI) Implementation of consumer protection or customer policy: The Company has formulated its quality policy in order to improve product and service quality, as well as continuously strives to enhance customer satisfaction. The Company also maintains good relationships with suppliers based on the principles of good faith and mutual benefits. (VII) The Company encourages its Directors to participate in continuing education. In addition to providing its Directors with details on continuing education, the Company also organizes such courses from time to time and invites its Directors to attend courses related to corporate governance. (VIII) The Company has purchased liability insurance for Directors	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Y	N	Summary	
			and reported the insurance policies to the Board of Directors.	

IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved (Leave this section blank if the Company is not included in the evaluation process)

Explanations based on the titles included in the 2017 Corporate Governance Evaluation are as follows:

No. 1.10: The unit will enhance the disclosure of information in the English language in the Company's shareholder meeting handbook and supplementary information on such meetings in order to improve corporate governance evaluation performance.

No. 2.14: The Company has established a Corporate Social Responsibility Committee which is composed of four members, and more than half of the members are Independent Directors. The Company has disclosed the composition, duties and implementation status of this committee.

No. 2.22: The Company has established the Regulations Governing the Evaluation of the Performance of the Board of Directors which have been approved by the Board of Directors, and conducts self-assessment once a year and subsequently discloses the evaluation results on its website and annual reports.

No. 1.11 / 3.2 / 3.5/3.18: Add the disclosure of information in English.

Note: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

(IV) If the Company has set up a remuneration committee, its composition, responsibilities and operations should be disclosed

1. Information regarding the members of the Remuneration Committee

Identity status (Note 1)	Criteria / Name	Does the individual have over 5 years of professional experience and the following professional qualifications?			Status of Independence (Note 2)								Number of publicly listed companies in which the member concurrently serves as a remuneration committee member	Remark
		Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	I-Kung Ma			V	V	V	V	V	V	V	V	V	0	
Independent Director	Tien-Wen Chen			V	V	V	V	V	V	V	V	V	0	
Others	Yung-Tu Wei		V		V	V	V	V	V	V	V	V	5	

Note 1: Fill "Director", "Independent Director" or "Others" in the Title column

Note 2: Insert "V " in the box if a member meets the following criteria during his/her term of office and two (2) years prior to the date elected.✓

(1) Not employed by the Company or any of its affiliated companies.

(2) Not serving as the Director and Supervisor of the Company or any of its affiliated companies However, this restriction does not apply to Independent Directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country.

(3) Not a natural person shareholder who holds more than one (1) percent of total shares issued by the Company or is one of the top 10 shareholders by number of shares held, including shares held in the name of the person’s spouse and minors, or in the name of

others

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding criteria

(5) Not a Director, Supervisor, or employee of a juristic person shareholder that directly holds more than five (5) percent of the total number of shares issued by the Company or is one of the top 5 shareholders by number of shares held

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company

(7) Neither a professional nor an owner, partner, Director (member of the governing board), Supervisor (member of the supervising board), managerial officer and their spouses of a sole proprietorship, partnership, Company, or institution who provides commercial, legal, financial, accounting, or consultation services to the Company or to any of its affiliated companies or spouse thereof

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Responsibilities

The Remuneration Committee shall exercise the care of a good administrator, faithfully fulfill the following functions and powers, and submit the recommendations to the Board of Directors for deliberation:

(1) Regularly review the Committee's charter and propose recommendations to amend it when necessary

(2) Establish and regularly review the annual and long-term performance targets, as well as remuneration policies, systems, standards and structure of the Company's Directors and managerial officers.

(3) Regularly evaluate the performance targets of the Company's managerial officers, and develop the content and amount of their remuneration individually

3. Operations of the Remuneration Committee

I. There are three (3) members in the Compensation Committee of the Company.

II. The term of office of current committee members: June 9, 2015 to June 8, 2018. A total of two (2) meetings (A) were held by the Remuneration Committee over the past fiscal year; the qualifications and attendance of the members are as follows:

Title	Name	Number of Attendance in Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) (B/A) (Note)	Remark
Convener	I-Kung Ma	2	0	100%	
Committee Member	Tien-Wen Chen	2	0	100%	
Committee Member	Yung-Tu Wei	2	0	100%	

Other matters to be noted:
1. If the Board of Directors does not adopt or amend the recommendations made by the Audit Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions of the Remuneration Committee by the Company shall be disclosed (if the remuneration approved by the Board of Directors is better than that of the Remuneration Committee, the discrepancies and related reasons shall be stated): None
2. If the members of the Remuneration Committee has any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions shall be stated: None

Note:

(1) Where an member of the Remuneration Committee resigns before the end of the fiscal year, the "Remark" column shall filled with the member's resignation date, whereas his/her rate of attendance in person (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

(2) If members of the Remuneration Committee are re-elected before the end of the fiscal year, incoming and outgoing members shall be listed accordingly, and the "Remark" column shall indicate whether the status of a member is "Outgoing", "Incoming" or "Re-elected", and the date of re-election. Rate of attendance in person (%) is calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

(V) Fulfillment of Corporate Social Responsibility (CSR)

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
I. Exercising Corporate Governance (I) Has the Company established corporate social responsibility (CSR) policies or systems and reviewed their effectiveness?	✓		(I) The Company issued the "2016 TTC Corporate Social Responsibility Report" in October 2017. The Report can be downloaded from the Company's website (http://www.ttc.com.tw/). The Report disclosed the Company's vision for our corporate social responsibilities and our sustainable corporate development strategy that is exemplified by our management and performance in operations, environmental protection, and the society. The Company also responds to TTC's stakeholders and reviews the Company's performance in a regular Corporate Social Responsibility Committee.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(II) Does the Company regularly hold CSR training?	✓		(II) The Company regularly organizes CSR-related education and training and promotes CSR.	
(III) Has the Company established a dedicated full-time (or part-time) unit to promote CSR? Has the Board of Directors authorized senior	✓		(III) The Company has established the Corporate Social Responsibility Committee, in which its Chairman and vice chairman are the Independent	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
management to handle such matters and report its implementation to the Board of Directors?			Director of the Board of Directors and the Chairman respectively. Three promotion teams have been established under the Committee, namely the Corporate Governance Team, the Environmental Protection Team and the Social Relations Team, where each team is responsible for the promotion of CSR-related work. The main responsibilities and duties of this committee are described as follows: 1. Agree upon the corporate social responsibility policy 2. Agree upon the corporate social responsibility strategy planning, annual plans and project plans. 3. Supervise the implementation of corporate social responsibility strategy planning, annual plans and project plans, and evaluate their status of implementation 4. Validate the corporate social responsibility report 5. Report the implementation results of corporate social responsibility to the	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			Board of Directors every year. 6. Any other matters directly assigned by the Board of Directors to the committee. This committee reports the implementation status of corporate social responsibility to the Board of Directors every year. To enhance corporate governance, the Company approved to upgrade the status of the Corporate Social Responsibility Committee to the functional committee of the Board of Directors on December 22, 2018. The Company has also formulated the "Corporate Social Responsibility Charter" in accordance with Article 23-3 of the Company's Articles of Incorporation, which is to be complied with by this committee. The members of this committee are composed of four people, including the Company's Chairman and General Manager, and two Independent Directors to be approved by the Board of Directors. The Chairman and vice chairman of this committee for this term are Independent Director Chi-Ying Juan and General Manager	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(IV) Has the Company formulated a reasonable remuneration policy and combined both employee performance appraisal and CSR policies? Has the Company established a clear reward and punishment system?	✓		Pei-Chi Wu respectively. (IV) The Company offers rewards or impose punishment based on performance evaluation to establish a clear and effective incentive and discipline system.	
II. Fostering A Sustainable Environment (I) Is the Company committed to improving the efficiency of using various resources, and to the use of recycled materials with reduced environmental impact?	✓		(I) The Company is conscious of its responsibilities toward environmental protection and encourages clean production and green environmental movements. It makes process improvement to control pollution and has plans for execution each year for regular follow-up and review of the progress of each target.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(II) Has the Company established an appropriate environmental management system based on the characteristics of the industry to which it belongs?	✓		(II) The Company has established an appropriate environmental management system with regards to air pollution prevention, water resources management and water pollution prevention, waste control, as well as safe management of raw materials and products according to the	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			characteristics of the industry to which it belongs. Furthermore, the Company has set up a channel for handling environmental impact grievances to maintain the Company's procedures for communicating, participating in and providing consultation on environmental issues.	
(III) Is the Company concerned with the effects of climate change on its business activities? Has the Company implemented greenhouse gas (GHG) inventory audit, and formulated strategies for energy conservation, carbon reduction and GHG reduction?	✓		(III) To keep the Company updated with its GHG emission status, the Kaohsiung plant voluntarily performs a GHG inventory audit every year, and collectively releases major emission sources by means of operational control. To comply with the government's GHG reduction policy, the Company has formulated energy conservation and carbon reduction plans for each unit and set plant-wide energy conservation and carbon reduction goals. In addition, the Company has also established an energy conservation and carbon reduction team with the help of the affiliated companies of USI Corporation, and put together consistent approaches through resource integration and experience sharing in order to	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			jointly promote practical and effective energy conservation and carbon reduction plans and perform quarterly review of implementation results. In 2017 and 2016, the total volume of carbon dioxide emissions produced by the Company and its subsidiaries were 98,077 tons and 99,133 tons respectively, while the amount of carbon reduction were 2,861 tons and 2,264 tons respectively.	
III. Preserving Public Welfare (I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?	✓		(I) The Company has made reference to internationally recognized human rights standards including the International Bill of Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work to fully exercise CSR and implement human rights protection. Besides, the Company has established human rights policy to eliminate human rights violations so that our existing colleagues can enjoy	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			reasonable and dignified treatment. Implementation policies 1. Comply with relevant laws and regulations to provide a safe and healthy workplace 2. Committed to maintaining a workplace which is free of violence, harassment and intimidation, as well as respect the privacy and dignity of employees 3. Hire no child labor. 4. Prohibit forced labor. 5. Eliminate unlawful discrimination and reasonably ensure equal opportunity in employment and promotion. 6. Respect employees' rights to organize and participate in legally recognized labor unions to protect their right to work.	
(II) Has the Company established employee complaint and grievance mechanisms and channels, and handled employee complaints and grievances appropriately?	✓		(II) The Company's internal staff can complain and voice their grievances with their direct Supervisors, human resources manager and head of audit, as well as send them to the employee complaint and grievance/sexual harassment	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			mailboxes and report them via designated telephone hotline. The process is in accordance with the principles of confidentiality which respects the parties involved and the incident investigation process.	
(III) Does the Company provide a safe and healthy work environment for its employees, and regularly offer safety and health education to its employees?	✓		(III) The Company implements process safety management (PSM) and has obtained ISO 14001 / OHSAS 18001 environmental and occupational safety and health management system attestation to implement risk management and continuous improvement of safety, health, environmental protection, and disaster prevention through institutionalized PDCA management cycles. The safety and environmental protection department in the plants and the department responsible for construction shall inspect construction safety periodically and follow mutual supervision between the affiliate companies of the Group to share experiences by sending auditors to each other's plants for cross-auditing and improvement of safety and health management. The Company	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			also participates in pollution prevention meetings organized by the Taiwan Responsible Care Association (TRCA) and Linyuan Safety and Health Promotion Association. We observe and learn more about occupational safety, health, and environmental protection from other companies and improve the protection for operators' safety and health. We also organize periodic fire drills and occupational safety education and training each year to improve the employees' capabilities responding to emergencies and management of their personal safety. The Company values the physical safety and health of employees, and provides group insurance plans for employees that cover life insurance, major diseases, accidents, occupational hazards, and cancer medical insurance. The Company regularly holds health checkups every year, and the plant is equipped with certified nurses to provide its employees with health care and medical assistance. Besides, the Company equips its	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			office with fitness equipment, and regularly organizes outdoor activities so that employees can achieve work-life balance.	
(IV) Has the Company established mechanisms to regularly communicate with its employees and appropriately notified its employees of operational changes that may result in material effects?	✓		(IV) The Company and its employees have chosen their respective representatives to establish the Supervisory Committee of Business Entities’ Labor Retirement Reserve, the Employees' Welfare Committee and the Occupational Safety and Health Committee. In addition, meetings are regularly held between both parties in order to establish channels of communication between both the Company and its employees and preserve employees' rights. In the event of operational changes that may lead to material changes in employees' rights, the Company will issue a notice 10 to 30 days in advance in accordance with the Labor Standards Act and other laws and regulations, with the purpose of protecting employees' rights.	
(V) Has the Company established an effective career developmental plan for its employees?	✓		(V) The Company has established an all-round education and training system in coordination	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			with the external environment, its business principles, department performance goals and employees' career development needs, in order to provide training courses required by all-round talents. With regard to the employees' continuing education and learning, the Company conducts the employee training needs survey in the fourth quarter of every year to formulate education and training implementation plans and budgets. At the same time, the Company has also set up a digital learning platform as a means for self-learning, and regularly holds employee functional training, management training, seminars, health talks and various conferences to enhance employees' professional and management skills, thereby balancing employees' physical and mental development. In order to improve coworkers' qualities and overall competitiveness, courses are conducted using diverse methods. In addition to lectures, in-class activities are designed according to course	

Evaluation Item	Status of Implementation (Note 1) Yes	No	Summary (Note 2)	Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
			attributes, while case study discussions or group discussions are carried out, with a view to making learning more lively and productive. Additionally, online e-learning courses allows coworkers to effectively participate in learning activities anytime, anywhere, thereby enhancing their career development and overall work performance.	
(VI) Has the Company established relevant customer rights policies and customer complaint and grievance procedures for research and development, purchasing, production, operations and service processes?	✓		(VI) The Company has set up a Research and Development Division that focuses on customer service and product research and development to develop new products and products for new applications and assist customers in improving manufacturing technologies. The Company has also established specifications concerning technical support, customer privacy, handling of customer complaints and customer satisfaction.	
(VII) Does the Company comply with relevant laws and international regulations governing the marketing and labeling of its products and services?	✓		(VII) The Company establishes long-term cooperation with high-quality suppliers based on quality, capability and environmental protection policies, fulfills corporate social responsibilities, and	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			delivers the idea of environmental protection policies to contractors and carriers. At the same time, the Company complies with the RoHS directive and enhances environmental protection education and training. The Company also pays serious attention to the safety of construction companies in the plant area and ensures the safety of various operations so as to protect the safety and health of workers and jointly engage in good risk management with them.	
(VIII) Has the Company evaluated any record of a supplier's impact on the environment and the society before engaging in commercial dealings with the said supplier?	✓		(VIII) The Company has established long-term strategic partnerships with major raw material suppliers and set up safety stock according to the preparation schedule so that the supply chain can continue to run smoothly. To encourage continuous supplier optimization so that the Company can obtain raw materials and services at the right time, in the right quantity and at the right price, the Company regularly performs annual evaluation of suppliers according to aspects including quality, delivery	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			dates, environmental protection and occupational safety and health, packaging, quality certification and services in coordination with production operations and environmental protection policies. However, the Company has yet to establish standards for screening new suppliers and evaluating suppliers based on environmental, labor, human rights and social impacts.	
(IX) Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said suppliers violate the Company's corporate social responsibility policy and have caused significant effects on the environment and the society?	✓		(IX) The Company will continuously strengthen self-evaluation of supply chain sustainability, and gradually incorporate CSR performance into selection, evaluation and audit processes. The Company jointly fulfills corporate social responsibilities with its suppliers using its influence. Excellent CSR experience sharing and collaboration with suppliers serve as a vital foundation for the Company to establish sustainable businesses.	
IV. Enhancing Information Disclosure				Consistent with the Corporate

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(I) Does the Company disclose relevant and reliable information related to CSR on its official website and Market Observation Post System (MOPS)?	✓		The Company has set up the Corporate Social Responsibility section on its website to disclose information on its activities related to corporate social responsibility (http://www.ttc.com.tw/zh-tw/dirCSR/frmCSR5.aspx). The Company issued the Corporate Social Responsibility Report every year from 2015 to 2017, where the content of the report was prepared according to the G4 Sustainability Reporting Guidelines published by the Global Reporting Initiative. The report has been disclosed on the Company's website and posted on MOPS where stakeholders can view and download the report.	Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
V. If the Company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies", state the discrepancies between these principles and its implementation: The Company added its "Corporate Social Responsibility Best Practice Principles" on March 11, 2015. There has been no material discrepancy between these principles and their implementation.				
VI. Other important information that facilitate the understanding of the implementation of CSR: USI Corporation established the USI Education Foundation on December 30, 2011 based on the business philosophy of "Solid Operation,				

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td colspan="5">Professional Management, Seeking Excellence and Serving the Society". The establishment fund was NT$50 million. The USI Education Foundation aims to engage in education-related charitable activities, and focuses on care for the disadvantaged, people in rural areas and the ecology. The foundation has carried out the following activities in accordance with the relevant laws:
1. Sponsor education in rural areas
2. Establish scholarships
3. Hold talks, seminars or other education-related charitable activities
4. Sponsor schools at various levels or educational groups to engage in activities such as literature, sports, music, dance, arts and drama
5. Engage in industry-academia collaboration
6. Other education-related charitable services that are consistent with the objectives of the foundation</td></tr>
<tr><td colspan="5">VII. Any review standards of certification bodies that the Company’s CSR report have been qualified for shall be described: None</td></tr>
</table>

(VI) Implementation of Ethical Corporate Management and Measures for its Implementation

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
I. Formulating Ethical Corporate Management Policies and Programs (I) Does the Company specify ethical corporate management policies and programs in its regulations and external documents? Do the Board of Directors and the management team actively advocate and implement these policies?	✓		(I) The Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society" and exercises its corporate culture that "seeks truth, honesty and comprehensiveness". The Company has established its "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers to specify its ethical corporate management policies. The Company's Board of Directors and management team have promised to actively implement these policies.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies
(II) Has the Company formulated solutions to prevent unethical conduct from taking place, specified all the solutions in its operating procedures, conduct guidelines, punishments for violations and complaint and grievance channels. and	✓		(II) The Company has formulated the "Ethical Corporate Management Best Practice Principles" and "the Procedures for Ethical Management and Guidelines for Conduct", while the Group has also formulated the Code of Conduct for Employees Regarding Concurrent	

Evaluation Item	Status of Implementation (Note 1) Yes	No	Summary	Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
implemented these solutions?			and Part-time Work. In addition, the Company has set up an Ethical Corporate Management section on its website to educate and promote ethical conduct, and organizes related training courses.	
(III) Does the Company take preventive measures against operating activities stipulated in Article 7, Subparagraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies" or those with higher risks of unethical conduct in other scopes of business?	✓		(III) The Company has effectively prevented bribery and illegal political contributions by establishing the Audit Committee mailbox, authorization regulations, internal control systems, routine audits and ad-hoc audits.	
II. Implementing Ethical Corporate Management (I) Has the Company evaluated the ethics records of counterparties to its business dealings, and specified ethical business policies in contracts with counterparties related to its business dealings?	✓		(I) The Company has requested for terms of ethical conduct to be clearly defined in commercial contracts in accordance with its "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct. "	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies
(II) Has the Company established a full-time (or	✓		(II) The Company has designated the Human Resources	

Evaluation Item	Yes	No	Summary	Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
part-time) unit directly under the supervision of the Board, which is dedicated to promoting ethical corporate management and regularly reports its implementation to the Board of Directors?			Division as the unit responsible for implementing ethical corporate management and reporting the implementation status to the Board of Directors regularly every year.	
(III) Has the Company established policies to prevent conflicts of interest, provided an appropriate channel for reporting such conflicts and implemented them?	✓		(III) The Company has formulated the "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers" to prevent conflict of interest and provide suitable channels for Directors, manageria officers, and employees to explain any potential conflict of interest with the Company.	
(IV) Has the Company established an effective accounting system and international control systems to implement ethical corporate management, designated its internal audit unit to perform regularly audits or commissioned CPAs to perform audit?	✓		(IV) The Company's accounting systems and internal control systems can run independently and objectively. Internal control personnel regularly report to the Audit Committee and the Board of Directors. CPAs appointed by the Company regularly perform internal audits and hold discussions with the management.	
(V) Does the Company regularly hold internal and external training related to ethical corporate	✓		(V) The Company continues to organize awareness education and training activities. The education and	

Evaluation Item	Status of Implementation (Note 1) Yes	No	Summary	Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
management?			training courses held in 2017 are as follows: (1) With the Prevalence of Information Theft, How Can We Protect Trade Secrets? / 2 hours / 60 persons (2) How Enterprises Respond to White Collar Crime / 3 hours / 59 persons (3) Innovative Applications and Cloud Security Management / 2 hours / 33 persons (4) Information Disclosure and Prevention of Insider Trading / 3 hours / 49 persons	
III. Implementation of the Company's Whistleblowing System (I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers? (II) Has the Company established standard operating	 ✓ ✓		 (I) The Company has established the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct and provided internal and external channels for whistleblowing. Moreover, the Company has also set up a designated unit to handle related matters. (II) The procedures above specify the handling procedures	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
procedures for investigating reported cases and related confidentiality mechanisms? (III) Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	✓		after receiving a whistleblowing report. The process is conducted in a confidential and rigorous manner. (III) The procedures above also specify that whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities fully maintained, so that they will not be subjected to unfair treatment or retaliation.	
IV. Enhancing Information Disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The Company has placed the guidelines and information on ethical corporate management in the Ethical Corporate Management section on its website so that our colleagues can refer to these procedures and information at all times. The Ethical Corporate Management Best Practice Principles and annual reports (concurrently posted on MOPS) are placed on the Company's website (http://www.ttc.com.tw/zh-tw/dirServices/frmServices2.aspx) to disclose information related to ethical corporate management.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," state the discrepancies between these principles and its implementation:
The Company has established its Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers, the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, the Code of Conduct for Employees Regarding Concurrent and Part-time Work, and the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct. There was no material discrepancy during the implementation of these rules and regulations.</td></tr>
<tr><td colspan="5">VI. Other important information that facilitates the understanding of the implementation of ethical corporate management: (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles)
The Company issues a signed letter titled "Reiteration of Our Company's Ethical Corporate Management Policies" to suppliers to demonstrate its commitment to ethical corporate management, and continuously organizes related awareness and training activities.</td></tr>
</table>

Note 1: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

(VII) If the Company has stipulated best practices for corporate governance and other relevant bylaws, the means to search for these bylaws shall be disclosed

1. The Company has formulated various corporate governance guidelines and rules:
   (1) Articles of Incorporation
   (2) Regulations Governing Asset Acquisition and Disposal
   (3) Regulations Governing Endorsements and Guarantees
   (4) Regulations Governing the Loaning of Funds to Others
   (5) Rules of Procedure for Board of Directors' Meetings
   (6) Regulations Governing the Evaluation of the Performance of the Board of Directors
   (7) Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers
   (8) Regulations Governing the Election of Directors
   (9) Employee Work Rules
   (10) Procedures for Handling Material Inside Information
   (11) Procedures for Ethical Management and Guidelines for Conduct
   (12) Ethical Corporate Management Best Practice Principles
   (13) Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
   (14) Rules of Procedure for Shareholders' Meetings
   (15) Rules Governing the Scope of Powers of Independent Directors
   (16) Remuneration Committee Charter
   (17) Corporate Social Responsibility Best Practice Principles
   (18) Corporate Social Responsibility Committee Charter
   (19) Audit Committee Charter
   (20) Corporate Governance Best Practice Principles
   (21) Management Guidelines for Employee Complaint and Feedback Mailboxes
   (22) Corporate Governance Self-Evaluation Report

2. Please refer to the Corporate Governance section on the MOPS website (http://mops.twse.com.tw) or the Company's website (http://www.ttc.com.tw).

(VIII) Other important information to achieve better understanding on the state of corporate governance activities

The Company regularly performs audit of its subsidiaries, and regularly analyzes and reviews the financial and business information of its subsidiaries in accordance with the requirements for supervision and monitoring of subsidiaries stipulated in the Regulations Governing Establishment of Internal Control Systems by Public Companies.

(IX) Implementation of Internal Control System

1. Statement of Internal Control

Taita Chemical Company, Ltd.
Statement on Internal Control System

March 12, 2018

According to our self-evaluation, the Company shall make the following statements on our internal control system in 2017:

I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Company's Board of Directors and managerial officers, and thus the Company has established such a system. The objectives of this system are to meet various goals including achieving operational benefits and efficiency (including profitability, performance, as well as asset and safety protection), and ensuring the reliability, timeliness, transparency and regulatory compliance of reporting, thereby providing reasonable assurance.

II. An internal control system has inherent constraints. No matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned objectives. In addition, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, the Company's internal control systems are equipped with self-monitoring mechanisms, thereby allowing the Company to take immediate remedial actions in response to any identified deficiency.

III. The Company determines whether or not the design and implementation of its internal control system is effective according to the items for determining the effectiveness of internal control systems as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The items for the determination of internal control systems adopted in the Regulations has identified five key components based on management control processes: (1) control environment, (2) risk assessment, (3) control operations, (4) information and communication, and (5) monitoring operations. Each component includes a number of items. For more information on the abovementioned items, please refer to the Regulations.

IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.

V. Based on the above results, the Company believes that the design and implementation of its internal control systems (including supervision and management of its subsidiaries), as of December 31, 2017, and understanding the level of goal achievement in regards to operational benefits and efficiency, as well as whether the reporting is reliable, timely and transparent and whether it complies with the relevant laws and regulations, is effective and can reasonably assure the accomplishment of the abovementioned goals.

VI. The Statement shall become the main content of the Company's annual report and prospectus and shall be made public. Should the abovementioned content contain illegalities such as fraudulent and hidden information, the Company shall assume legal liabilities involving Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. The Statement has been approved by the Board of Directors on March 12, 2018, where zero out of the nine Directors present voted against the resolution and the remaining Directors agreed with the content of the Statement.

Taita Chemical Company, Ltd.

Chairman: Wu, I-Kuei

General Manager: Pei-Chi Wu

2. Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs shall be disclosed: None

(X) Penalties imposed on the Company and its internal staff, penalties imposed on its internal staff by the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent fiscal year up to the publication date of this annual report: None

(XI) Critical resolutions made during shareholders and Board of Directors' meetings and implementation status in the most recent fiscal year up to the publication date of this annual report

1. Shareholders' Meeting

Year of Meeting	Date of Meeting	Key Resolutions
2017	June 16, 2017	The minutes of the Shareholders' Meeting were posted onto MOPS on July 5, 2017. The resolutions and their status of implementation are as follows: 1. Approve the 2016 Account Book Implementation status: Resolution passed 2. Approve the 2016 loss appropriation plan Implementation status: Resolution passed 3. Deliberate on the amendment of the Regulations Governing the Election of Board Members Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 4. Deliberate on the amendment of the Regulations Governing the Acquisition and Disposal of Assets Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 5. Deliberate on the amendment of the Procedures for Loaning of Funds to Others Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 6. Deliberate on the recommendation to lift competition restrictions against Directors Implementation status: Resolution passed 7. By-election to elect an independent Director: The elected independent Director was Chi-Ying Juan. Implementation status: A by-election was held during the Annual General Meeting this year to elect an independent Director whose term of office is from June 16, 2017 to June 8, 2018, and the independent Director immediately took office after he/she was elected during the Annual General Meeting. 8. Deliberate on the permission for newly appointed Independent Directors to engage in business competition Implementation status: Resolution passed

2. Board of Directors Meeting

Session (Year) of Meeting	Date of Meeting	Key Resolutions
1st meeting in 2017	March 14, 2017	1. Ratified the endorsements/guarantees made for Taita (BVI) Holding Co., Ltd. and Taita Chemical (Tianjin) Co.,Ltd. 2. Ratified the two-year comprehensive credit limit signed with KGI Bank. 3. Approved the 2016 account book 4. Approved the 2016 loss appropriation plan 5. Approved the amendment of certain articles in the Regulations Governing the Election of Board Members 6. Approved the amendment of certain articles in the Regulations Governing the Acquisition and Disposal of Assets 7. Approved the amendment of certain articles in the Procedures for Loaning of Funds to Others 8. Approved the recommendation to lift competition restrictions against Directors at the Annual General Meeting 9. Approved the by-election of one independent Director at the Annual General Meeting this year 10. Approved the recommendation to lift competition restrictions against newly elected Independent Directors at the Annual General Meeting 11. Approved matters related to the convening of the 2017 Annual General Meeting 12. Accepted and handled shareholders' proposals from April 9, 2017 to April 19, 2017 13. Approved the remuneration of CPAs for year 2016 14. Approved the 2017 Evaluation of the Independence of Appointed CPAs 15. Approved the appointment of CPAs for year 2017 16. Approved the issuance of the 2016 Statement on Internal Control System 17. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions
2nd meeting in 2017	April 28, 2017	Reviewed the list of candidates for Independent Directors with shareholding percentage exceeding one (1) percent of the Company
3rd meeting in 2017	May 8, 2017	Ratified short-term credit loan contracts and related documents signed with and delivered to financial institutions including Taipei Fubon Bank Corporate Banking Office, EXIM Bank and International Bills Finance Corporation
4th meeting in 2017	August 9, 2017	1. Ratified short-term credit loan contracts and related documents signed with and delivered to financial institutions 2. Ratified the endorsements/guarantees made for Taita (BVI) Holding Co., Ltd. and Taita Chemical (Zhongshan) Co.,Ltd. 3. Approved the 2017 Quarter 2 Consolidated Financial Statements 4. Approved the amendment of internal control system 5. Approved the amendment of certain articles in the Rules of

Session (Year) of Meeting	Date of Meeting	Key Resolutions
		Procedure for Board of Directors' Meetings 6. Approved the amendment of certain articles in the Audit Committee Charter
5th meeting in 2017	November 9, 2017	1. Ratified the endorsements/guarantees made for Taita (BVI) Holding Co., Ltd. and Taita Chemical (Zhongshan) Co.,Ltd. 2. Approved the 2018 Company budget 3. Approved the 2018 audit plan 4. Approved the amendment of certain articles in the Rules Governing the Scope of Powers of Independent Directors 5. Approved the formulation of the Regulations Governing the Evaluation of the Performance of the Board of Directors 6. Approved the formulation of the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
6th meeting in 2017	December 22, 2017	1. Ratified the three-year unsecured comprehensive credit limit signed with O-Bank 2. Ratified the five-year comprehensive loan limit signed with Changhwa Bank Nankang Software Park Branch 3. Approved to establish the Corporate Social Responsibility Committee and the Corporate Social Responsibility Committee Charter 4. Approved the appointment of two Independent Directors, Chi-Ying Juan and I-Kuan Ma as the members of the Corporate Social Responsibility Committee, and the appointment of Chi-Ying Juan as the convener of the committee 5. Approved the appointment of the Company's General Manager 6. Approved the lifting of competition restrictions against managerial officers 7. Approved the amendment of the certain certain articles in the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
1st meeting in 2018	February 1, 2018	1. Ratifed the endorsements/guarantees made for Taita (BVI) Holding Co., Ltd. and Taita Chemical (Zhongshan) Co.,Ltd. 2. Approved the change of Kaohsiung branch manager
2nd meeting in 2018	March 12, 2018	1. Approved the 2017 Account Book 2. Approved the 2017 compensation distribution plan for Directors and employees 3. Approved the 2017 earnings distribution plan 4. Approved the amendment of certain articles in the Regulations Governing Endorsements and Guarantees 5. Approved the re-election of Directors at the Annual General Meeting in this fiscal year

Session (Year) of Meeting	Date of Meeting	Key Resolutions
		6. Approved the recommendation to lift competition restrictions against newly elected Directors at the Annual General Meeting 7. Approved matters related to the convening of the 2018 Annual General Meeting 8. Accepted and handled shareholders' proposals from April 15, 2018 to April 25, 2018 9. Approved the remuneration of CPAs for year 2017 10. Approved the 2018 Evaluation of the Independence of Appointed CPAs 11. Approved the appointment of CPAs for year 2018 12. Approved the issuance of the 2017 Statement on Internal Control System 13. Authorized the Chairman to sign and deliver short-term credit loan contracts and related documents to financial institutions 14. Approved donations to the USI Education Foundation

(XII) Dissenting opinions or qualified opinions on resolutions passed by the Board of Directors that are made by Directors and Supervisors, and are documented or issued through written statements, in the most recent fiscal year up to the publication date of this annual report: None

(XIII) Summary of resignation and dismissal of the Company's Chairman, General Manager, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development in the most recent fiscal year up to the publication date of this annual report

Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
General Manager	Pao-Luo Ying	October 1, 2008	December 31, 2017	Retired
Research Director	Tai-Ming Yen	June 30, 2017	March 13, 2018	Special assistant to General Manager Su Jun-hui is promoted to the Director of R&D Department, and Deputy General Manager Yan Tai-min shall leave his additional position as the Director of R&D Department

V. Information on CPA Professional Fees

CPA professional fees

CPA Professional Fees by Range (Please tick a range or fill in the amount)

Name of CPA Firm	Name of CPA		Audit Period	Remarks
Deloitte & Touche	Shih-Tsung Wu	Tzu-Jung Kuo	January 1, 2017 - December 31, 2017	None

Note: If the Company has replaced the CPAs or accounting firm in the current fiscal year, the audit period shall be listed separately, and the reason for replacement shall be stated in the Remark column.

Unit: NT$ thousands

Range of Fees \ Fee Item		Audit Fee	Non-Audit Fees	Total
1	Less than NT$2,000 thousand		23	23
2	NT$ 2,000 thousand (inclusive) - NT$4,000 thousand	3,290	0	3,290
3	NT$ 4,000 thousand (inclusive) - NT$6,000 thousand	0	0	0
4	NT$ 6,000 thousand (inclusive) - NT$8,000 thousand	0	0	0
5	NT$ 8,000 thousand (inclusive) - NT$10,000 thousand	0	0	0
6	Over NT$ 10,000,000 (inclusive)	0	0	0

1. If the non-audit fees paid to the CPAs, their accounting firm and affiliated companies of their accounting firm exceeds one-fourth of the audit fees paid to them, the amount of audit and non-audit fees, and the content of non-audit services should be disclosed

Unit: NT$ thousands

CPA Name of CPA Firm	Name of CPA		Audit Fees	Non-Audit Fees					Audit Period	Remark
				System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal		
Deloitte & Touche	Shih-Tsung Wu	Tzu-Jung Kuo	3,290	0	0	0	23	23	January 1, 2017 - December 31, 2017	Maintenance of consolidated financial reporting system

Note 1: If the Company has replaced the CPAs or accounting firm in the current fiscal year, the audit period shall be listed separately, and the reason for replacement

shall be stated in the Remark column. Information regarding the audit and non-audit fees paid shall also be disclosed in order.

Note 2: Non-audit fees shall be listed by service item. If the Others column under Non-Audit Fees reaches 25 percent of the total non-audit fees, the service items associated with this column shall be listed in the Remark column.

2. Where the CPA firm was replaced, and the audit fees in the fiscal year when the replacement was made was less than that in the previous fiscal year before replacement, the amount of audit fees paid before replacement and reasons for paying this amount.

   The Company has not changed the CPA firm in 2017, and thus it is not applicable.

3. Where the audit fees were reduced by more than 15 percent compared to the previous fiscal year, the amount and percentage of decrease in audit fees, as well as the reason for it should be disclosed.

   The Company's audit fee has not been reduced by more than 15 percent of that paid in the previous year. This is therefore not applicable.

VI. Information on Replacement of Certified Public Accountants

(I) Previous CPAs: Not applicable

<table>
<tr><td>Date of Replacement</td><td colspan="4"></td></tr>
<tr><td>Reason for Replacement and Explanation</td><td colspan="4"></td></tr>
<tr><td rowspan="3">State whether the appointer or the CPAs have terminated the appointment, or whether the appointer or the CPAs have rejected the appointment</td><td colspan="2">Party
Status</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="2">Terminate the appointment</td><td colspan="2" rowspan="2"></td></tr>
<tr><td colspan="2">No longer accept (or continue with) the appointment</td></tr>
<tr><td>Opinion and reason for the issuance of audit reports containing opinions other than unqualified opinions in the most recent two fiscal years</td><td colspan="4"></td></tr>
<tr><td rowspan="6">Different opinions from the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or procedures</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3"></td></tr>
<tr><td colspan="4">Explanation:</td></tr>
<tr><td>Other Disclosures
(Matters that should be disclosed in accordance with Item 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations)</td><td colspan="4"></td></tr>
</table>

(II) Successor CPAs: Not applicable

Name of CPA Firm	
Name of CPA	
Date of Appointment	
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	
Written opinions from successor CPA to former CPA on disagreements (Merge)	

(III)Former CPAs' reply to Item 1 and Item 2-3, Subparagraph 6, Article 10 of the Regulations: Not applicable

VII. The Company's Chairman, General Manager, or any managerial officer in charge of finance or accounting matters has held a position at its CPA's accounting firm or at an affiliated enterprise in the most recent year: None

VIII. Equity transfer or changes in equity pledged by the Company's Directors, Supervisors, managerial officers or shareholders with shareholding percentage exceeding ten (10) percent in the most recent fiscal year up to the publication date of this annual report

(I) Changes in shareholdings of Directors, Supervisors, managerial officers and substantial shareholders

Changes in Shareholdings of Directors, Supervisors, Managerial Officers and Substantial Shareholders [Position (Note 1)]	Name	2017		Current year up to April 30, 2018	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
Major shareholder with shareholding percentage	Union Polymer Int'l Investment Corp.	0	(13,500,000)	0	0
Director	Wu, I-Kuei (Representative of Union	0	0	0	0
Director	Matthew Miau (Representative of Union	0	0	0	0
Director	Pao-Luo Ying (Representative of Union	0	0	0	0
Director	Han-Tai Liu (Representative of Union	0	0	0	0
Director	Chen-Tu Liu (Representative of Union	0	0	0	0
Director	I-Shao Ko (Representative of Union Polymer Int'l	0	0	0	0
Independent Directors	I-Kung Ma	0	0	0	0
	Tien-Wen Chen	0	0	0	0
	Chi-Ying Juan (Newly appointed on June 16	0	0	0	0
General Manager	Pao-Luo Ying (Dismissed on January 1, 2018)	0	0	Not applicable	

Changes in Shareholdings of Directors, Supervisors, Managerial Officers and Substantial Shareholders [Position (Note 1)]	Name	2017		Current year up to April 30, 2018	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
General Manager	Pei-Chi Wu (Appointed as Deputy General Manager on May 15, 2017, and promoted to General Manager on January 1, 2018)	0	0	0	0
Deputy General Manager	Tai-Ming Yen	0	0	0	0
Deputy General Manager	Pei-Ching Lin (Dismissed on July 1, 2017)	0	0	No applicable	
Head of Accounting Department	Kai-Hui Chuang	0	0	0	0
Head of Finance Department	Chin-Tsai Lin	0	0	0	0

Note 1: Shareholders who hold more than ten (10) percent of the Company's shares shall be noted as major shareholders and listed separately.
Note 2: Counterparties involved in equity transfer or pledging of equity are related parties and shall be listed in the following table.

(II) Information on equity transfer: No counterparty involved in equity transfer is a related party of the Company’s Directors, Supervisors, managerial officers and shareholders with shareholding percentage exceeding ten (10) percent.

Name (Note 1)	Reason for Transfer (Note 2)	Date of Transaction	Counterparty	Relationship between the counterparty and the Company, its Directors, Supervisors and shareholders with shareholding percentage exceeding ten (10) percent	Shares	Transaction Price
Not applicable						

Note 1: Fill the name of the Company's Directors, Supervisors, managerial officers and shareholders with shareholding percentage exceeding ten (10) percent.
Note 2: Fill either "Acquisition" or "Disposal".

(III) Information on pledging of shares: No counterparty involved in pledging of shares is a related party of the Company's Directors, Supervisors, managerial officers and shareholders with shareholding percentage exceeding ten (10) percent.

Name (Note 1)	Reason for Pledging of Shares (Note 2)	Date of Change	Counterparty	Relationship between the counterparty and the Company, its Directors, Supervisors and shareholders with shareholding percentage exceeding ten (10) percent	Number of Shares	Percentage of Shares Held	Percentage of Shares Pledged	Pledge (Redemption) Amount
Not applicable								

Note 1: Fill the name of the Company's Directors, Supervisors, managerial officers and shareholders with shareholding percentage exceeding ten (10) percent.
Note 2: Fill either "Pledged" or "Redeemed".

IX. Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another.

As of April 24, 2018

Name (Note 1)	Shares held by the person		Shares held by the person's spouse and minors		Shares held in the name of other persons		Title or name and relationship of top 10 shareholders who are defined by the Statement of Financial Accounting Standard No. 6 to be related parties or each other's spouses and relatives within the second degree of kinship		Remark
	Number of Shares	Shareholding Percentage (Note 2)	Number of Shares	Shareholding Percentage (Note 2)	Number of Shares	Shareholding Percentage (Note 2)	Title (or Name)	Relationship (Note 3)	
Union Polymer Int'l Investment Corp.	120,535,750	36.79%	—	—	0	0%	China General Terminal & Distribution Corporation	Same ultimate parent company as the Company	
Representative: Wu, I-Kuei	0	0%	—	—	0	0%			
Taiwan Union International Investment Co., Ltd.	29,951,137	9.14%	—	—			None	—	
Representative: I-Shao Ko	0	0%	0	0%	0	0%	China General Terminal & Distribution Corporation	Director	
Li-Hua Wu	9,532,049	2.91%			—	—	(No information has been provided by the shareholder.)		
HSBC Bank as custodian of Union Bank of Switzerland Account	2,933,000	0.90%	—	—	—	—	None	None	
Citibank (Taiwan) as custodian of Dimensional Fund Advisors' Emerging Markets Core Securities Portfolio Investment Account	2,311,609	0.71%	—	—	0	0%	None	None	

Name (Note 1)	Shares held by the person		Shares held by the person's spouse and minors		Shares held in the name of other persons		Title or name and relationship of top 10 shareholders who are defined by the Statement of Financial Accounting Standard No. 6 to be related parties or each other's spouses and relatives within the second degree of kinship		Remark
	Number of Shares	Shareholding Percentage (Note 2)	Number of Shares	Shareholding Percentage (Note 2)	Number of Shares	Shareholding Percentage (Note 2)	Title (or Name)	Relationship (Note 3)	
Standard Chartered Bank (Taiwan) Limited Dunhua Branch as custodian of Arcadi Emerging Markets Equity Small Cap Fund Co., Ltd. Investment Account	2,264,000	0.69%	—	—	—	—			
Citibank (Taiwan) as custodian of Dimension Emerging Market Assessment Fund Investment Account	2,221,864	0.68%	—	—					
China General Terminal & Distribution Corporation	1,877,484	0.57%	—	—	—	—	Union Polymer Int'l Investment Corp.	Same ultimate parent company as the Company	
Representative: Hung-Chiang Chang	0	0	0	0%	0	0%	None	None	
JP Morgan Chase Bank Taipei Branch as custodian of JP Morgan Asset Management (Taiwan) Limited Investment Account	1,620,000	0.49%	—	—	0	0%	None	None	
Cheng-San Chen	1,597,000	0.50%	0	0%	0	0%	None	None	

Note 1: List separately the names of the top ten shareholders (corporate shareholders and their respective representatives within substantial shareholders).

Note 2: Shareholding percentage is calculated separately based on the number of shares held in the name of the person, his/her spouse and minors, and other persons.

Note 3: Relationship between the aforementioned shareholders, including institutional and natural person shareholders should be disclosed based on the financial reporting standards used by the issuer.

X. Number of shares held by the Company, its Directors, Supervisors, managerial officers and directly or indirectly controlled companies in the same investee companies, and the combined calculation of shareholding percentages

As of December 31, 2017 Units: shares

Investee Company	Invested by the Company		Investment by Directors, Supervisors, managerial officers and directly or indirectly controlled companies		Combined Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Taita (BVI) Holding Co., Ltd.	61,738,000	100.00%	0	0.00%	61,738,000	100.00%
China General Plastics Corporation	9,751,224	1.98%	122,864,609	24.97%	132,615,833	26.95%
China General Terminal & Distribution Corporation	17,079,107	33.33%	0	0.00%	17,079,107	33.33%
Acme Electronics Corporation	4,445,019	2.44%	958,756	0.53%	5,403,775	2.97%
Thintec Materials Corporation	600,000	10.00%	0	0.00%	600,000	10.00%

Note: Invested by the Company using the equity method

Chapter 4Funding Status

I. Capital and Shares

(I) Source of Share Capital

Year and Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount (NT$)	Number of Shares	Amount (NT$)	Sources of Capital (NT$)	Capital Increase by Assets Other than Cash	Others
2012.8	10	327,651,855	3,276,518,550	327,651,855	3,276,518,550	Earned surplus turned capital increase of 156,024,690 (Note)	None	None

(Note) Approved in the MOEA Shou-Shang No. 10101178700 Letter of the Ministry of Economic Affairs dated August 29, 2012.

Note 1: Information for the current year shall be added as of the publication date of this annual report.

Note 2: For any capital increase, the effective (approval) date and the document number shall be added.

Note 3: Shares traded below par value shall be indicated in a clear manner.

Note 4: Capital increase by currency debts or technology shall be stated and the type and amount of assets involved in such capital increase shall be noted.

Note 5: Shares traded via private placement shall be indicated in a clear manner.

Share Type	Authorized Capital			Remark
	Outstanding Shares (Note)	Unissued shares	Total	
Registered common stocks	327,651,855 shares issued	0 shares	327,651,855 shares	-

Note: Indicate whether the shares are issued by a company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) (Shares of which trading is restricted on the TWSE or those which are traded on the TPEx shall be noted).

Information of shelf registration: Not applicable

(II) Shareholder Structure

As of April 24, 2018

Shareholder Structure / Amount	Government Agencies	Financial Institutions	Other Juristic Persons	Individuals	Foreign Institutions and Foreigners	Total
Number of Shareholders	0	1	68	37,667	67	37,803
Number of Shares Held	0	261,000	158,765,876	147,293,599	21,331,380	327,651,855
Shareholding Percentage	0	0.08%	48.46%	44.95%	6.51%	100%

Note: Companies primarily listed on the TWSE or the TPEx shall disclose the proportion of their shares held by investors from Mainland China. Investors from Mainland China refer to natural persons, legal persons, organizations, institutions or companies in areas other than Taiwan and Mainland China that are invested by persons of such identity as defined in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

(III) Distribution of Equity Ownership

As of April 24, 2018

Shareholding Range	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1 to 999	23,095	3,042,908	0.93%
1,000 to 5,000	10,270	23,153,049	7.06%
5,001 to 10,000	2,206	17,064,129	5.21%
10,001 to 15,000	758	9,377,523	2.86%
15,001 to 20,000	445	8,256,241	2.52%
20,001 to 30,000	364	9,260,022	2.83%
30,001 to 50,000	241	9,669,849	2.95%
50,001 to 100,000	225	16,078,777	4.91%
100,001 to 200,000	106	15,075,323	4.60%
200,001 to 400,000	40	11,397,022	3.48%
400,001 to 600,000	24	11,451,554	3.50%
600,001 to 800,000	7	4,845,516	1.48%
800,001 to 1,000,000	5	4,568,951	1.39%
1,000,001 and above	17	184,410,991	56.28%
Total	37,803	327,651,855	100.00%

(IV) List of Major Shareholders

As of April 24, 2018

Shares / Name of Major Shareholders	Number of Shares Held	Shareholding Percentage
Union Polymer Int'l Investment Corp.	120,535,750	36.79%
Taiwan Union International Investment Corporation	29,951,137	9.14%
Li-Hua Wu	9,532,049	2.91%
HSBC Bank as custodian of Union Bank of Switzerland Account	2,933,000	0.90%
Citibank (Taiwan) as custodian of Dimensional Fund Advisors' (DFA) Emerging Markets Core Securities Portfolio Investment Account	2,311,609	0.71%
Standard Chartered Bank (Taiwan) Limited Dunhua Branch as custodian of Arcadi Emerging Markets Equity Small Cap Fund Co., Ltd. Investment Account	2,264,000	0.69%
Citibank (Taiwan) as custodian of Dimension Emerging Market Assessment Fund Investment Account	2,221,864	0.68%
China General Terminal & Distribution Corporation	1,877,484	0.57%
JP Morgan Chase Bank Taipei Branch as custodian of JP Morgan Asset Management (Taiwan) Limited Investment Account	1,620,000	0.49%
Cheng-San Chen	1,597,000	0.49%

(V) Market Price, Net Asset Value Per Share (NAVPS), Earnings Per Share (EPS), Dividends Per Share (DPS) and Related Information in the Most Recent Two Fiscal Years

Unit: shares / NT$ thousands

Item		Year	2017	2016	Current year up to April 30, 2018 (Note 8)
Market Price Per Share (Note 1)	Highest		15.80	11.70	15.85
	Lowest		8.76	6.70	11.30
	Average		12.00	9.11	13.48
Net Asset Value Per Share (Note 2)	Before distribution		11.92	10.31	12.55
	After distribution		*	*	*
Earnings Per Share	Weighted average number of shares		327,651,855	327,651,855	327,651,855
	Before adjustment		1.53	0.37	0.58
	After adjustment (Note 3)		*	*	*
Dividend Per Share (DPS)	Cash dividends		*	*	-
	Stock dividends	Dividends from surplus earnings	*	*	-
		Dividends from capital reserve	*	*	-
	Accumulated unpaid dividend (Note 4)		0	0	-
Return on investment	Price/earning ratio (Note 5)		7.09	21.41	22.54
	Price/dividend ratio (Note 6)		-	-	-
	Cash dividend yield (Note 7)		-	-	-

* The Board of Directors has approved not to distribute dividends this year, but this decision is still pending approval from the Shareholders' Meeting.

* If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: List the highest and lowest market price of ordinary shares for each fiscal year and calculate the average market price for each fiscal year based on trading value and volume in each fiscal year.

Note 2: Fill these rows based on the number of shares that have been issued at the end of the fiscal year and the distribution plan approved at the Shareholders' Meeting in the subsequent fiscal year.

Note 3: If there is any retrospective adjustment required due to stock dividends, earnings per share before and after such adjustment shall be listed.

Note 4: If there is any condition in issuing equity securities that allows for an undistributed dividend for the fiscal year to be accumulated to subsequent fiscal years in which there is profit, the Company shall separately disclose cumulative undistributed dividends up to that fiscal year.

Note 5: Price/earnings Ratio = Average closing price for each share for the year/earnings per share.

Note 6: Price/dividend ratio = Average closing price per share for the current year / cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share / average closing price per share for the current year

Note 8: Data on net asset value per share and earnings per share from the latest quarter that has been verified by CPAs up to the date of publication of this annual report shall be filled. For all other columns, the Company shall fill information for the current year until the publication date of this annual report.

(VI) Dividend Policy of the Company and Its Implementation

1. Dividend policy stipulated in the Company's Articles of Incorporation

   If the Company records a net income after taxes (NIAT) as indicated in its final annual accounts for the current year, it can use it to cover any cumulative loss in the previous fiscal year. If there is balance remaining, ten (10) percent of it should be set aside as statutory reserve, while the rest be considered as distributable profit. This distributable profit shall then be combined with the undistributed earnings accumulated over previous fiscal years. Part of this combined amount shall be considered as or transferred to special reserves as required by law or the competent authority, and the balance be treated as cumulative distributable profit. The Board of Directors shall propose a profit distribution plan which is then submitted to the Shareholders' meetings for approval. The meeting may retain all or part of it based on its business performance.

   According to the Company's Articles of Incorporation, R&D requirements and business diversification shall be considered when allocating dividends as the Company's industry is at a maturity stage. Dividends paid to shareholders shall not be less that ten (10) percent of distributable profit in the current year and cash dividends shall not be less than ten (10) percent of the total dividends. However, dividends may be stopped if the distributable profit per share in the current year is less than NT$ 0.1.

2. Dividend payout plans proposed during the most recent Shareholder's Meeting

   No distribution proposed

3. Any expected material changes to the dividend policy shall be further explained:

   Not applicable

(VII) Effects on the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting

No financial forecast was prepared for year 2018. Therefore, there is no need to disclose forecast information.

<table>
<tr><th colspan="3">Item / Year</th><th>2018 (Estimated)</th></tr>
<tr><td colspan="3">Beginning paid-in capital</td><td></td></tr>
<tr><td rowspan="3">Distribution of dividends in the current year</td><td colspan="2">Cash dividend per share</td><td></td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase by retained earnings</td><td></td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase by capital reserve</td><td></td></tr>
<tr><td rowspan="7">Change in operating performance</td><td colspan="2">Operating income</td><td></td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in operating income over the same period in the previous fiscal year</td><td></td></tr>
<tr><td colspan="2">Net income after taxes (NIAT)</td><td></td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in NIAT over the same period in the previous fiscal year</td><td></td></tr>
<tr><td colspan="2">Earnings Per Share</td><td></td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in earnings per share (EPS) over the same period in the previous fiscal year</td><td></td></tr>
<tr><td colspan="2">Annual average return on investment (reciprocal of average annual price/earnings ratio)</td><td></td></tr>
<tr><td rowspan="6">Pro forma earnings per share and price/earnings Ratio</td><td rowspan="2">If capital increase by retained earnings is entirely replaced by cash dividend distribution</td><td>Pro forma earnings per share</td><td></td></tr>
<tr><td>Pro forma average annual return on investment</td><td></td></tr>
<tr><td rowspan="2">If capital reserve is not used for capital increase</td><td>Pro forma earnings per share</td><td></td></tr>
<tr><td>Pro forma average annual return on investment</td><td></td></tr>
<tr><td rowspan="2">If capital reserve is not used for capital increase and capital increase by retained earnings is replaced by cash dividend distribution</td><td>Pro forma earnings per share</td><td></td></tr>
<tr><td>Pro forma average annual return on investment</td><td></td></tr>
</table>

1. The Company shall describe the underlying assumptions on which the estimates or information prepared are based.
2. If capital increase by retained earnings is fully replaced by cash dividend distribution, dividend per share
   =[Net profit after taxes - interest expense arising from cash dividends* x (1 - tax rate)] / (Total number of shares issued at the end of the current year - number of shares allocated from earnings**)
   Interest expense arising from cash dividends* = Amount of capital increase by retained earnings x one-year general loan interest rate
   Number of shares allocated from surplus earnings**: Number of shares added due to the allocation of shares from earnings in the previous fiscal year
3. Annual average price-to-earnings ratio = Annual average market price per share / Earnings per share reported in the annual financial statements

(VIII) Compensation Distributed to Employees and Directors

1. Percentage or range of compensation distributed to employees and Directors as stipulated in the Company's Articles of Incorporation:

   (1) Percentage or range of employee rewards: Employee rewards shall not be less than one (1) percent of the profit of the current year.

   (2) Percentage or range of compensation for Directors and Supervisors: Rewards for Directors and Supervisors shall not exceed one (1) percent of the Company's profit in the current year.

2. Basis for estimating the amount of compensation to be distributed to employees, Directors and Supervisors, basis for calculating the number of shares to be distributed as employee rewards and accounting treatment for discrepancies between the actual and estimated amount of rewards to be distributed for this period:

   (1) Basis of estimation: Rewards for the Company’s employees shall not be less than one (1) percent of the profit of the current year, while compensation for the Company’s Directors shall not exceed one (1) percent of the Company's profit in the current year. However, when the Company has cumulative loss, it should first use its profit to offset cumulative loss.

   (2) Accounting treatment for discrepancies: If there are still changes to the annual financial statements after they are issued, these changes shall be treated as changes in accounting estimates and adjusted in the financial statements for the following year.

3. Distribution of compensation approved by the Board of Directors:

   (1) Where compensation for employees, Directors and

Supervisors are distributed in the form of cash or shares. the amount, causes and treatment of discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current year shall be disclosed.

a. Compensation distributed to employees and Directors: NT$2,875 thousand
b. Discrepancies between the abovementioned amount and estimated amount of recognized expenses for the current year: None
c. Reason for discrepancies: Not applicable
d. Treatment of discrepancies: Not applicable

(2) Amount of employee rewards distributed in the form of shares and its proportion to NIAT provided in the parent company only or individual financial statements, as well as its proportion to the total amount of employee rewards: Not applicable

4. Where there is any discrepancy between the actual amount of compensation distributed to employees, Directors and Supervisors (including number and amount of shares distributed, as well as share price) and the recognized amount of rewards for employees, Directors and Supervisors in the previous fiscal year, the amount, causes and treatment of such discrepancies shall be stated:

(1) Compensation distributed to employees and Directors: No distribution proposed
(2) Discrepancies: None
(3) Reason for discrepancies: Not applicable
(4) Treatment of discrepancies: Not applicable

(IX) Repurchase of the Company's Own Shares: Not applicable

II. Issuance of Corporate Bonds

(I) Issuance of corporate bonds: None

<table>
<tr><td colspan="2">Type of Corporate Bonds</td><td>Not applicable</td></tr>
<tr><td colspan="2">Issue (Processing) Date</td><td></td></tr>
<tr><td colspan="2">Par Value</td><td></td></tr>
<tr><td colspan="2">Place of Issue and Trading</td><td></td></tr>
<tr><td colspan="2">Issue Price</td><td></td></tr>
<tr><td colspan="2">Total</td><td></td></tr>
<tr><td colspan="2">Interest Rate</td><td></td></tr>
<tr><td colspan="2">Maturity</td><td></td></tr>
<tr><td colspan="2">Guarantor</td><td></td></tr>
<tr><td colspan="2">Trustee</td><td></td></tr>
<tr><td colspan="2">Underwriter</td><td></td></tr>
<tr><td colspan="2">Certified Lawyer</td><td></td></tr>
<tr><td colspan="2">Certified Public Accountant</td><td></td></tr>
<tr><td colspan="2">Repayment Method</td><td></td></tr>
<tr><td colspan="2">Outstanding Principal Balance</td><td></td></tr>
<tr><td colspan="2">Terms of Redemption or Early Repayment</td><td></td></tr>
<tr><td colspan="2">Restrictive Provisions</td><td></td></tr>
<tr><td colspan="2">Name of Credit Rating Agency, Rating Date and Corporate Bond Ratings</td><td></td></tr>
<tr><td rowspan="2">Additional Rights</td><td>Amount of common shares already converted (swapped or warranted) and global depository receipts or other negotiable securities as of the publication date of this annual report</td><td></td></tr>
<tr><td>Issuance and conversion (swap or subscription) methods</td><td></td></tr>
<tr><td colspan="2">Possible dilution of equity or impact to shareholders' equity caused by regulations on the issuance and conversion, swap or subscription to stocks</td><td></td></tr>
<tr><td colspan="2">Name of commissioned custodian of exchangeable underlyings</td><td></td></tr>
</table>

Note 1: The issuance of corporate bonds includes public offering and private placement corporate bonds that are still under preparation. Public offering corporate bonds still under preparation refer to corporate bonds that have already been confirmed valid (approved) by SFB, whereas private placement bonds still under preparation refer to corporate bonds that have already been approved by the Company's Board of Directors.

Note 2: Adjust the number of rows based on the number of issuance.

Note 3: To be filled as well if corporate bonds are issued overseas.

Note 4: Such as restrictions on the distribution of cash dividends, foreign investments or requirement for maintaining asset ratio at a certain level.

Note 5: Private placement of corporate bonds shall be indicated in a clear manner.

Note 6: Information on corporate bond conversion, information on corporate bond swap, status of shelf registration for corporate bonds and information on equity warrant bonds shall be disclosed in table form according to characteristics.

(II) Information on the Conversion of Corporate Bonds: None

(III) Information on Corporate Bond Swap: None

(IV) Information on Shelf Registration for Corporate Bonds: None

(V) Information on Equity Warrant Bonds: None

III. Issuance of Preferred Shares: None

IV. Issuance Of Global Depository Receipts: None

V. Issuance of employees' stock option certificate and new restricted employee shares: None

VI. Status of new share issuance in connection with mergers and acquisitions: None

VII. Implementation Of Capital Utilization Plan

(I) Contents of the plan

As of the quarter prior to the publication date of this annual report, the Company has no securities issuance that was incomplete or completed over the past three years but not fully yielded the planned benefits.

(II) Implementation status: Not applicable

Chapter 5 Operations Overview

I. Business Activities

(I) Scope of Business

1. Principal business activities and revenue distribution

(1) Production and sales of polystyrene and processed products (EPS/GPS/IPS)
(2) Production and sales of acrylonitrile-butadiene-styrene copolymer resin (ABS)
(3) Production and sales of styrene-acrylonitrile copolymer resin (SAN)
(4) Production and sales of glass wool and related products
(5) Production and sales of plastic resins and processed products
(6) E303020 noise and vibration control engineering
(7) E801010 interior decoration

Main Product	Percentage
1. Expandable polystyrene (EPS)	49.10%
2. Acrylonitrile-butadiene-styrene (ABS) copolymer resin	30.50%
3. General-purpose polystyrene (GPS)	17.47%
4. Glass wool products	2.24%
5. Cubic printing	0.50%
6. Impact-resistant polystyrene (IPS)	0.19%

2. New products planned for development

(1) Development of ABS with low residual monomer
(2) Development of ABS for electroplating applications
(3) Development of antistatic-grade EPS
(4) Development of low molding cycle EPS
(5) Development of low VOC expanded polystyrene (EPS)
(6) Development of non-HBCD FR-EPS for civil works
(7) Development of customized products (ABS, GPS, SAN and EPS)
(8) Development of covered-type glass wool
(9) Patent application and development of Porter panel

(II) Industry Overview

1. Current state and development of the industry

In Taiwan's ABS / PS industry, there are five ABS producers and five PS and EPS products, and the total production capacity far exceeds domestic demand. Approximately 85% of the annual output of domestic production is exported to maintain normal operations, while manufacturers work hard to expand into the export market. Reasons: 1. Mainland China is the world's production factory which processes products for export and has a growing domestic market; 2. Many downstream processing plants in Taiwan have set up plants in Mainland China due to cost competitiveness. Therefore, Mainland China is the main target market for plastic raw materials. Areas such as the Middle East, Africa, South America and Central America are emerging markets with relatively more potential for growth in demand. In addition, in Japan where the domestic market is relatively closed off, customers' mentality towards imported materials have gradually changed due to high plastic prices within the country in the long term; however, customers' quality standards have remained high.

The total production capacity of numerous EPS producers in Mainland China is also far greater than its domestic demand. At the end of 2017, the total domestic production volume of EPS in Mainland China exceeded 6 million tons while its domestic demand was only 3 million tons. Demand for EPS can generally be classified into four major areas based on applications - packaging for electric appliances, vegetable and fruit boxes, ceramic packaging and building slabs. At present, building slabs account for approximately 40% of the total demand, while packaging for electrical appliances accounts for approximately 40%. Vegetable and fruit boxes and ceramic packaging constitute roughly 10% each. Based on market distribution, demand for EPS is mainly concentrated in South China (Guangdong), East China

(Zhejiang), North China (Shanxi, Hebei and Shandong) and Northeast China (Heilongjiang, Jilin and Liaoning). The South and East China regions focus on packaging for electrical appliances, while the North and Northeast China regions concentrate on building slabs. With advancements in the Chinese government's policy for expanding the domestic market, the electrical appliance production sites in Southern China and Eastern China have gradually relocated inland along the Yangtze river basin. The transfer is exemplified in the emerging appliance industry manufacturing base in Hefei, Anhui; Wuhan in Hubei; Chongqing and Chengdu. Demands in the North China and Northeast China markets which have been constrained by the Chinese government's policy to regulate real estate this year and unregulated actions on the market have led to the deterioration of the competitive environment in the regional market. In addition, with the increasingly stringent national environmental protection policy, some EPS product manufacturers were shut down in advance or collectively relocated to the surrounding areas of thermal power plants, at which customers and production capacity were mainly concentrated. Overall, despite the continuous growth of EPS demand in China, its supply remains greater than its demand in the short term, which requires time to absorb.

2. Correlations between upstream, midstream and downstream industries

Among TTC's main products, the primary material for PS and EPS is styrene monomer (SM) while that for ABS includes SM as well as acrylonitrile (AN) and butadiene (BD).

SM: SM producers in Taiwan include Taiwan Styrene Monomer Corporation, Formosa Chemicals & Fibre Corporation and Grand Pacific Petrochemical Corporation. They have a combined output of approximately 2 million MTA, which is sufficient for total domestic demand totaling approximately 1.85 million MTA. SM can be transported under normal pressure and obtained relatively easily due to large transaction volume in international trade. TTC purchases the SM needed for its plants in Taiwan from domestic market as well as through contracts with major foreign SM producers. When international prices are lower, we use opportunities to purchase on the spot market to minimize risks and lower the cost of materials. There are 37 SM producers in Mainland China with a combined output of approximately 7 million MTA. Although existing plants are continuously expanded and new ones have been set up in recent years, they still do not meet its demand (its current demand is approximately 9 million MTA) and still needs to import to fill the shortfall. At TTC's Zhongshan and Tianjin plants, the primary material for EPS, which is SM, is obtained from Chinese SM producers while a portion of this material are obtained from major foreign SM producers.

AN: AN producers in Taiwan include China Petrochemical Development Corporation and Formosa Chemicals & Fibre Corporation. They have a combined output of approximately 510,000 MTA which is sufficient to meet overall domestic demand (domestic demand for this material in Taiwan is approximately 380,000 MTA). AN is a toxic material and its transportation is governed by numerous regulations and restrictions. It is therefore not favored for long-distance transportation. TTC can obtain sufficient quantity of AN from domestic sources and does not depend on imports.

BD: BD producers in Taiwan include CPC Corporation and Formosa Chemicals & Fibre Corporation. They have a combined output of approximately 600,000 MTA, which equals the overall domestic demand of 600,000 MTA. However, companies sometimes import this product during annual plant maintenance. The main users of this product are the rubber industry and ABS production plants. TTC can obtain sufficient BD from domestic sources.

The upstream materials for ABS / PS / EPS are crude oil derivatives and prices usually fluctuate along with fluctuations in oil prices. The supply and demand of main upstream materials such as SM, AN, and BD are mostly balanced in Taiwan. TTC obtains materials mainly from domestic sources and small quantities are imported. However, the sources are aplenty. Plants in China still partially rely on SM imports. Reference prices of raw materials for SM / AN / BD are available globally for buyers and sellers.

ABS / PS / EPS productivity seeks stable production processes to reduce unplanned downtime, maintain product quality and establish competitiveness in the industry. The price of ABS / PS / EPS is mainly affected by upstream materials and adjusted by downstream demand.

Downstream companies consist mainly of plastic injection and extrusion plants. They purchase ABS / PS / EPS and use molding processes to produce products for electrical appliances, food containers, hypermarkets and others. Downstream customers are mainly small and medium enterprises with generally low processing scale. The design of molds and craftsmanship also differ based on product design provided by final customers. ABS / PS / EPS plants have to meet changes in downstream manufacturers' demand and provide technical service and material recommendation to meet demands for these products.

3. Various product trends

ABS / PS are mainly supplied to downstream processes for injection and molding of IT products, electrical appliances, household items, and toys. Among these products, high-level and high value-added IT products are still produced in Taiwan, while most other products are sourced from Mainland China or Southeast Asia. ABS has been driven by a booming global economy, which has led to an increase in demand. Besides, there have been only a few new production capacities in recent years. The current situation of tight supply and demand remains. Hence, the market is still generally optimistic about its growth potential. The PS market has continued to grow due to stable demand for downstream packaging materials and optical-grade demand. The trends have been helpful to our PS sales. EPS is mainly used for packaging materials for electrical appliances as well as in construction and civil engineering applications in some countries. Its use also fluctuates based on the economic growth of each region which leads to varying levels of demand. After BASF stopped its EPS production in Malaysia, the Company has taken over part of the market and increased its market share.

The main EPS buyers in Mainland China are downstream molding or panel manufacturers. With the exception of molding for electrical appliances (rapid materials) and the ultra-light panel market (light materials) which have higher need for quality, it is difficult for other manufacturers to create a competitive advantage associated with quality. EPS processing plants have low entry barriers and numerous manufacturers produce it. Downstream price competition is intense and customers in regions with low demand for quality focus mainly on price or funding. It is therefore easier to build customer loyalty in the electrical appliance molding market and ultra-light panel market.

4. Competition

ABS was originally classified as a high-priced / high-profit engineering plastic. However, it has gradually lost its high-priced / high-profit advantage and become more of a general-purpose plastic after Taiwan's Chi Mei Corporation and South Korea's LG Corporation increased their capacity and became the largest and the second largest plants in the world respectively.

Generally speaking, ABS resin is widely used in the areas such as automobiles, electronics, electrical appliances, tools and building materials due to its excellent comprehensive properties such as impact resistance, heat resistance, low temperature resistance, chemical resistance, easy to process and mold, and good surface glossiness. It is a type of polymer material between general-purpose plastic and engineering plastic. In China, downstream consumption of ABS is mainly concentrated in the household appliance industry, accounting for more than 60% of the total. In the household appliance industry, air-conditioners, refrigerators and washing machines have the largest demand for ABS.

The largest ABS market, Mainland China, launched the Home Appliance Subsidy Program in rural areas during the global economic crisis in 2008, which successfully lifted demand for ABS in 2009 and 2010, thereby achieving two years of prosperity in the market in 2009 and 2010. Thereafter, the industry suffered severe losses due to stagnant growth in market demand and continuous increase in production capacity leading to intense competition between 2011 and 2016. Peers in the industry also suffered severe losses.

With ABS manufacturing plants in Asia competing to expand, LG (Korea) completed the expansion of its ABS plant (from 750 thousand MTA to 850 thousand MTA) in 2015. On the other hand, in 2017, only Trinseo completed the expansion of its ABS plant, which involved the ontology process with a production capacity of 80 thousand MTA. At present, the pricing policy implemented by major ABS manufacturers in ABS are becoming more pragmatic. Large ABS manufacturers have generally started reducing supply rather than competing for market share.

Benefiting from the low inventory of home appliances, increasing demand for real estate during the post-cycle period, increasing consumption in third and fourth tier cities, and consumption upgrading after the fourth quarter of 2016, the production and sales volume in the China home appliance market in 2017 increased significantly and grew steadily, while the average operating rate among peers in the ABS industry exceeded 90%. ABS has brought in reasonable profit, and thus has become a major source of profit. Although there were new ABS production capacities set up by the Company's peers in the past few years, these new production capacities are expected to be immediately absorbed by the market.

GPS is widely used plastic whose market value mainly fluctuates with the price of raw material SM. Due to the benefits of vertical integration and relatively good SM prices in recent years, Taiwan's largest GPS production plant, Formosa Chemicals and Fibre Corporation, has experienced relatively lower production costs than other manufacturers, and offers flexible prices, thereby becoming the leading manufacturer in this market. Other GPS manufacturers in Taiwan (including TTC) purchase SM to produce GPS. Therefore, SM prices have a greater impact on their competitiveness. TTC is the only GPS manufacturer in Asia which adopts the NOVA manufacturing process. This process produces GPS with low-free monomers, and the quality of GPS produced enables the Company to compete in the high-end international market. When the price of SM in Taiwan is lower than that in other regions, the GPS products manufactured by TTC are highly competitive in terms of market price and product quality. However, when the price of SM in Taiwan is higher than that in other regions, its GPS products are mainly sold in Taiwan and Mainland China.

EPS is listed as a Class 9 dangerous good in maritime transportation as it contains pentane. Due to the frequent occurrence of shipping accidents in recent years, the packaging standards and acceptance level for EPS vary greatly at different shipping companies. As to the fire-rated EPS as insulation building materials, as the traditional fire-retardant, HBCD has gradually been restricted by all countries in the world (the EU has listed HBCD as SVHC), and thus non-HBCD fire-retardant is fully used in the market.

Demand for EPS in packaging for appliances in Taiwan has decreased because large-scale processing plants have successfully shifted out of Taiwan. However, domestic LCD-TV panel manufacturers have adopted EPS packaging materials in glass panel recently, so the overall use slightly increase. EPS is rarely used for insulation in Taiwanese construction works due to its subtropical climate. Hence, 90% of the EPS produced in Taiwan are exported.

EPS produced by TTS are mainly exported, and thus covers all over the world.

As TTC's EPS is sold in multiple areas, and due to its nature as a Class 9 hazardous material for transportation, EPS is easily affected by political, economic, and regulatory changes across the world. Preparations must be made to adjust our sales strategy at all times to respond to changes in the external environment.

(III) Technology, Research and Development Overview

1. Research and development (R&D) expenses in the most recent fiscal year up to the publication date of this annual report

In 2017, the total amount of R&D expenses was NT$21,291 thousand, while the total amount of R&D expenses from January to April 2018 was NT$6,520 thousand.

2. Successfully developed technologies or products

(1) Low VOC acrylonitrile-butadiene-styrene (ABS) emulsion synthesis technology

Outcome: High-rubber powder VOC was successfully reduced through formula at the reaction end and process control, thereby improving the surface gloss of molded products.

(2) Development of acrylonitrile-butadiene-styrene (ABS) polymer for electroplating

Outcome: Formula correction and additive adjustment effectively enhanced the appearance and adhesion strength of finished products for electroplating. Hot and cold cycle tests were also improved to penetrate into the electroplating and bathroom facilities markets, thereby continuously developing potential markets in other countries.

(3) ABS for alloys

Outcome: Formula correction improved the dispersion effect of ABS products in modified compounding, enhanced alloy performance and product stability.

(4) Development of antistatic-grade expandable polystyrene (EPS) products

Outcome: Through production condition and formular adjustment, these products were successfully applied to high-end electronic products and component packaging materials, thereby enhancing the added value of the products.

(5) Development of non-HBCD expandable polystyrene (EPS) for civil works

Outcome: Products that meet strength specifications in civil constructions were developed through formula adjustment.

(6) Development of low VOC expanded polystyrene (EPS)

Outcome: Through formula correction, product test results complied with the specifications.

(7) Case study on cost reduction

Outcome: Studies on the rationalization of substitutes of raw materials and formulas were completed in 2017, where the costs of raw materials were effectively reduced. This case study is still ongoing. A total cost savings of NT$ 3,242 thousand was achieved at Cianjhen Plant / Linyuan Plant.

(8) Improvement of ABS / GPS / EPS manufacturing processes

Outcome: In 2017, a total of 6 areas were completed, including the improvement of major ABS / GPS / EPS equipment, energy and carbon reduction, as well as recycling and reuse.

(IV) Long-term and Short-term Business Development Plans

1. Short-term business plans

(1) With the quality advantage of GPS due to the use of NOVA manufacturing process in its production, GPS has an opportunity to grow continuously in the optoelectronics market, and can continuously enter the food-grade GPS market in developed countries such as the U.S. and Japan.

(2) After the introduction of the Toyo SAN manufacturing process in the production of ABS, the background color and physical properties of existing ABS have improved. In the future, the

Company will actively make good use of this advantage to reach out to customer groups of higher quality. At present, the Company are targeting customers who use electroplating-grade and low temperature impact resistant-grade ABS.

(3) EPS at Cianjhen Plant: In recent years, international TFT-LCD panel manufacturers changed their panel packaging materials from EP to antistatic-grade EPS. TTC's antistatic-grade EPS has been approved by many panel manufacturers Furthermore, the Company will continuously understand customer needs, and further improve quality in order to increase sales.

(4) The Company will seize business opportunities in Mainland China's continuous economic expansion and expand to its inner market.

(5) The Company will strengthen profit analysis of product specifications at the customers' end, select more favorable customers and products, and plan and implement market segmentation strategies to maximize benefits.

(6) The Company will develop and advance high value-added products to strengthen market competitiveness.

(7) The Company will enhance functionality and flexible organization. Besides, the Company will actively expand overseas sales, and develop markets in emerging and developing countries in particular.

(8) The Company will work with main customers in product development to launch new product range and expand into new markets.

(9) The Company will realize integrated supply chain management to effectively reduce finished goods and raw materials inventory, thereby reducing inventory costs.

(10) The main development targets for EPS in Mainland China are the South China and North China markets. The South China market:

a) The Company will continue to maintain the stability of raw materials, enhance the quality of ultra-light materials and rapid materials, stabilize basic sales volume and expand sales in favorable markets.

b) The Company will also continue to improve the quality of ultra-light materials to expand sales into the ultra-light slab market.

c) The Company will continue to strengthen core markets (in Guangdong Province) and develop markets in Guangxi, Yunnan, and Guizhou so as to further enhance regions that favor market sales.

d) The Company will actively seek out and maintain markets for inactive products and uses complementary specifications in market demand to balance sales specifications.

e) Besides, the Company will continue to increase and expand technical service capabilities and scope for customers to increase value-added products and develop customer loyalty.

f) The Company will also improve pellet size and concentration to meet market demands.

(11) EPS markets in North China and Northeast China, as well as the export market

a) The Company will actively develop customer base for packaging, stabilize product quality, and change its overdependence on the building materials market.

b) The Company will seek or improve sales channels (both distributors and direct sales) in various sales regions and establish more effective sales policies based on different sales regions.

c) The Company will integrate sales in the southern markets (South China / Anhui / East China) and change existing sales strategies to seek appropriate markets during traditional off-peak seasons.

d) The Company will continuously develop export business, engage in stable supply to overseas markets, and actively cooperate with the Taipei sales team in order to expand sales. The development of market for selling materials from Tianjin in South China on commission is to balance sales specifications and enhance the rate of transfer-between-factories.

2. Long-term business development plans

(1) The Company will collect information on trends in the selection of materials in the electronics and develop suitable product materials.

(2) With the improvement of physical properties of its products, the Company will increase market share in the "high-quality, high-priced" market segment.

(3) Furthermore, the Company will continuously evaluate the pros and cons of different production bases in terms of production and transportation costs and maintain our competitive advantage and while increasing market share.

(4) The Company will increase its market share in overseas emerging markets.

(5) The Company will also reduce its reliance on materials suppliers and acquire direct customers.

(6) The Company will collect information on trends in the selection of industrial materials so as to adapt to industry adjustments and develop suitable product materials.

II. Market, Production and Sales Overview

(I) Market Analysis

1. Sales regions and market share of major products

Products produced by TTC in Taiwan are mainly for exporting, which account for 89% of the ABS / PS revenue. Mainland China and Hong Kong account for the largest portion of sales but TTC has begun to increase sales in markets such as the Middle East, Africa, Europe, the U.S., New Zealand, Australia and other regions. The gradual increase in sales outlets in foreign markets and the increase in the proportion of sales contribute to our goals of market dispersion and risk diversification. In the face of rapid changes in the international environment, the Company not only has to stabilize domestic sales and exports to Mainland

China and Hong Kong, but also needs to actively develop other export markets with demand growth.

The market share of the Company's main products in the domestic market are: ABS 8%; GPS 11%; EPS 8%; and our subsidiary company in Mainland China has approximately 11% in market share.

Zhongshan Plant currently focuses on domestic sales in Mainland China. It is mainly responsible for sales in markets to the south of Yangtze River. On the other hand, Tianjin Plant handles both domestic sales and exports, where it is responsible for domestic sales in markets to the north of Yangtze River and exports mainly to the Mongolian and Central Asian markets. Zhongshan Plant focuses on sales in key regions including Guangdong, Yunnan and Guangxi, and expands into Fujian, Sichuan, Hunan, and Hubei. Sales volume in Guangdong, Yunnan and Guangxi accounted for more than 90% of its total sales. The main domestic markets handled by Tianjin plant include Liaoning, Beijing-Tianjin-Hebei and Inner Mongolia, which accounted for approximately 56.2% of its total sales while exports constituted approximately 8.7% in 2017.

The Company's product sales regions in 2017 were:

(1) ABS/PS products

Mainland China and Hong Kong	54%
Northeast Asia, Southeast Asia and Central Asia	21%
Domestic market	12%
Middle East	6%
Europe and Africa	4%
New Zealand and Australia	2%
Other regions	1%

(2) Glass wool products

Domestic market	57%
U.S., Canada, Australia and New Zealand	30%
South Africa	5%
Other regions (including Southeast Asia)	8%

(3) EPS in Mainland China

The market share of Zhongshan and Tianjin plants in various sales region in 2017 were as follows:

Sales Region	Province	Market Share
Southern Region	Guangdong	21.5%
	Yunnan	26%
	Guangxi	10%
	Fujian	1.5%
	Sichuan	3%
Northern Region	Tianjin-Beijing-Hebei	21.3%
	Liaoning (Northeast)	25.6%
	Inner Mongolia	9.3%
	East and South China	30.6%
	Exports	8.7%

Both Zhongshan Plant and Tianjin Plant accounted for 7% of the overall EPS demand in Mainland China in 2017.

2. Market supply and demand and market growth in the future

(1) ABS / PS products

ABS: After the completion of the 40,000-ton expansion of ABS plant in 2014, the background color of the products has improved. In addition, the Company has improved the physical properties of this product based on the needs of different markets and strengthened the competitiveness of its products in the market. ABS sales have increased from year to year. However, the Company recorded a loss in the ABS market in the second half of 2015 due to stiff market competition from LG Corporation from South Korea which has expanded its ABS production capacity from 750,000 MT/year to 850,000 MT/year, along with poor market demand. Until 2016, the ABS market gradually recovered and order was restored. In the fourth quarter of the same year, the Company’s ABS sales increased once more as demand for ABS rose due to booming electrical appliance sales in Mainland China. As this trend continued in 2017, the sales volume of home appliances in Mainland China grew significantly and stably, where production and sales in the air-conditioner market have reached new heights. The home appliance market is expected to remain stable in 2018. Therefore, demand for ABS in the home appliance sector will continue to remain good. With regard to ABS supply, the peers will not be large production capacities in the near future. Growth in market demand can absorb new production capacities, while supply and demand should remain tense.

GPS / EPS: GPS performance has been relatively stable in recent years. Due to acquisition of new customers, the sales volume of these products in 2017 increased by 4% from 2016. However, the Company suffered losses from the sale of these products throughout the year due to relatively large fluctuations of upstream SM prices. During the first quarter of 2018, sales volume slightly still slightly exceeded the budget due to Lunar New Year celebrations and annual plant maintenance. It is expected that in the second quarter, the upstream SM supply will stabilize, while PS prices can then be passed on to customers. Sales can exceed that in the first quarter. EPS: Sales volume in 2017 increased by 7%. In 2018, increasing environmental awareness all around the world has led to an increase in demand for non-halogen fire-resistant EPS, and the application of antistatic-grade EPS to panel packaging materials will also benefit our future business expansion.

(2) EPS in Mainland China

There are only three major EPS manufacturers due to relatively balanced supply and demand of styrene resources in South China. Recently, in the South China region, only our peer, Xingda has added new EPS production capacity totaling 180,000 tons per year. Although there are changes in the overall market supply, such changes were still relatively healthy. In 2017, Longwang has built a new plant with a production capacity of 500,000 tons in Zhuhai, and this plant is estimated to begin operation in the second half of 2019, thereby further increasing the production capacity in the South China market. The Company stabilizes the quality of raw materials to improve the quality of ultra-light materials and rapid materials, enhance the Company's competitiveness in its main markets in South China, including the electrical appliance packaging and slab markets, enhance output ratio of effective specifications, and reduce the production of inactive inventory. In addition, the Company's main goals are still to increase the rate of transfer-between-factories, reduce the inventory of raw materials and finished goods, as well as achieve synergy with Tianjin Plant to enhance the profitability of the Company.

In recent years, there has been an increase in the number of new EPS production capacities in North China and Northeast China. In 2017, EPS production capacity in three regions (North China, Northeast China and Northwest China) remained at 2.25 million tons. EPS supply and demand in the entire northern market will continue to face the situation in which production exceeds sales in a certain period of time. Therefore, the Company in Tianjin has to increase its consolidated sales volume, solidify existing markets and develop new packaging materials market to enhance the overall production and sales model, reduce costs and ease operating pressure.

(3) Glass wool products

In 2017, domestic demand for glass wool grew by 7%. On the other hand, glass wool imports constituted 13% of the overall market, where glass wool was imported mainly from South Korea and India, accounting for 26% and 70% of total glass wool imports respectively. As the economy gradually recovers, domestic demand for glass wool in 2018 is expected to grow between 5% and 6% from 2017.

Due to stiff competition and low unit price in the Southeast Asian market, the Company has shifted its sales focus to markets with higher unit prices such as New Zealand, Australia, and developed new markets with a higher unit price. Along the way, the Company has successfully consolidated its position in the Australian market and is continuously developing the South African market to actively increase the marginal contribution of the export market. It is estimated that the ratio of domestic sales to exports in 2018 is 55% to 45%.

3. Competitive Niches

The Company focuses its operations on providing customers with satisfying service quality and creating value for shareholders. Our competitive advantages are:

(1) continuously increasing the proportion of sales in overseas niche markets
(2) effectively increasing the capacity utilization rate and market share of TTC's Zhongshan Plant and Tianjin Plant in Mainland China, and applying the competitive advantage of division of labor in Mainland China, Hong Kong and Taiwan.
(3) successfully commercializing the Company's newly developed optical-grade and low residue-monomer food-grade GPS, which has entered the Japanese market
(4) effectively developing new markets and expanding export channels in order to enhance its ability to respond to changes in the market environment
(5) engaging in fast and timely customer service and implementing regular customer visit plans in order to enhance the added value of products by enhancing after-sales service systems

4. Favorable and unfavorable factors affecting the Company's development prospects and corresponding countermeasures

(1) Favorable factors

◆ ABS/PS products

a. The reliable quality of ABS / PS products, positive research and development development, enhanced customer service and implementation of management systems help increase customers' confidence in our products.

b. GPS produced using the NOVA manufacturing process technology is resistant to heat and has low residual monomers, thereby significantly increasing its market competitiveness.
c. The development of new EPS product has catapulted the Company to a leading position in the domestic market. The Company is the first to develop fire-rated anti-static products, which has gained it considerable reputation in the international market.
d. In recent years, international TFT-LCD panel manufacturers changed their panel packaging materials from EP to antistatic-grade EPS. TTC's antistatic-grade EPS has been approved by many panel manufacturers, and it is expected that its use will gradually increase.
e. China's domestic market still has room for growth, and EPS demand will continue to increase. This will benefit the operations of our EPS plants in Zhongshan and Tianjin.
f. Both Sekisui and BASF, two of the Company's EPS competitors, have shut down their EPS plants in Southeast Asia. This benefits our sales in that region.
g. As Japan and New Zealand have announced a ban on HBCD, there will be more room for growth for our newly developed Non-HBCD Fireproof EPS.
h. The expansion of ABS production capacity involved the adoption of the Toyo SAN manufacturing process which improves the background color and enhances physical properties.

◆ Glass wool products

a. Leading brand with accepted quality.
b. High service quality effectively precludes competition from foreign products.
c. Solid marketing channels strengthen market development and competitiveness.

d. Glass wool is used as a filler in calcium silicate board partition systems. This application has been gradually accepted in the market.
e. The sales volume of gypsum board partition systems increases each year and the use of glass wool is expected to increase too.
f. The conversion of CNS6532, the standard for non-combustibility test, to CNS14705 has helped fiberglass ceilings pass the non-combustibility test.
g. In addition to the successful renewal of Branz certification in New Zealand and Australia, the Company has also helped its New Zealand customers to successfully obtain the Environmental Choice New Zealand (ECNZ) eco-friendly label in March 2018, and was qualified to bid for New Zealand government projects.
h. The market for fire-retardant glass wool for roof and exterior walls was continuously developed, where sales of such products in 2017 grew by 197% from 2016.
i. Regulations related to floor impact sound will be implemented in July 2019. Newly developed product, i.e. Porter panel has passed the test, thus facilitating new market development.

(2) Unfavorable Factors

◆ABS/PS products

a. PS manufacturers in Asia are still experiencing overcapacity, and market bidding remains extremely intense. EPS manufacturers in Mainland China are also facing overcapacity and price competition is also extremely intense.

Response measures:

- Transform and enhance product quality, increase the added value of products, segment the market and avoid competition in market prices.
- Maximize capacity, reduce costs, as well as select

and sell relatively favorable products.

- Analyze and keep abreast of market and economic developments to enter potential emerging markets as early as possible. Expand the Company's existing capacity to compete with its peers in the market so that it can get closer to the market.

b. The volatile and unstable SM market has led to difficulties in production and sales control.

Response measures:

- Effectively realize integrated supply chain management
- Effectively reduce raw materials and finished goods inventory, thereby lowering risks.

◆Glass wool products

a. India's import cost is low and its products have passed the one-hour calcium silicate board fire test, thereby causing a major impact on the domestic market.

Response measures:

- Organize promotions on imported products of the same specifications to solidify distribution network.
- Strengthen project tracking and conduct direct sales.

b. Alternative products flood the market.

Response measures:

- Enhance project visits and control to prevent changes in glass wool materials.

c. Products from Mainland China have entered the Taiwanese market through imports via application for projects.

Response measures:

- Actively participate in related trade associations, maintain contact with the Industrial Development Bureau, and keep an eye on product trends in Mainland China at all times.

(II) Important Uses and Production Processes of Major Products

1. Important uses of major products

(1) ABS resins: IT equipment, OA equipment, home appliances and electronic parts and appliances, bathroom equipment, toys, automotive and machine components, heels, suitcases, everyday items, telephones, stationery, video tapes, sports equipment, batteries and safety helmets.

(2) SAN resins: External casing of blenders, powder boxes, coffee machine water tanks and transparent decorations.

(3) General-purpose polystyrene: lighting equipment, stationery, pearl paper, home appliance parts, everyday items, audio (video) tapes, diffusion plates, insulation boards, food and pharmaceutical packaging materials.

(4) Impact-resistant polystyrene: IT equipment, home appliances, toys, everyday items, stationery, audio (video) tapes, electronic components and menstrual cups.

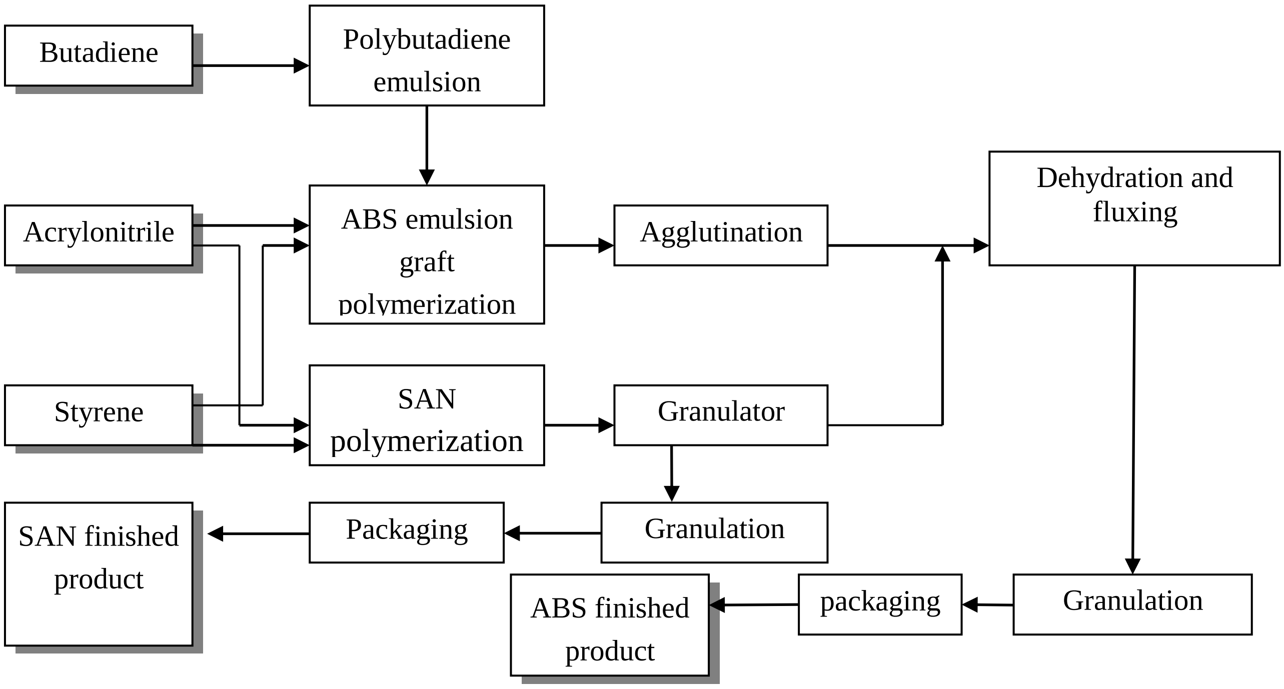
(5) Expanded polystyrene: insulation boards for buildings, packaging materials, vegetable and fruit boxes, fishing boxes, installation materials and slabs.

(6) Cubic printing: special printing techniques for plastics, metals, wood, plaster, glass and ceramics.

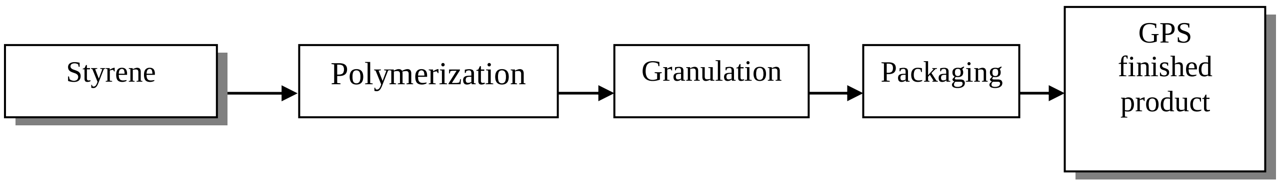
(7) Glass wool: cooling materials for air-conditioning ducts, metal roofs, insulation materials for walls, dry partitions filled with sound-absorbing insulation materials, ceilings for interior decoration, wall panels, heat-insulating materials for the petrochemical industry, machinery and equipment, insulation and sound-absorbing materials for home appliances, vehicles, heat- and sound-insulating materials for ships and insulation materials for curtain walls.

2. Production processes of major products

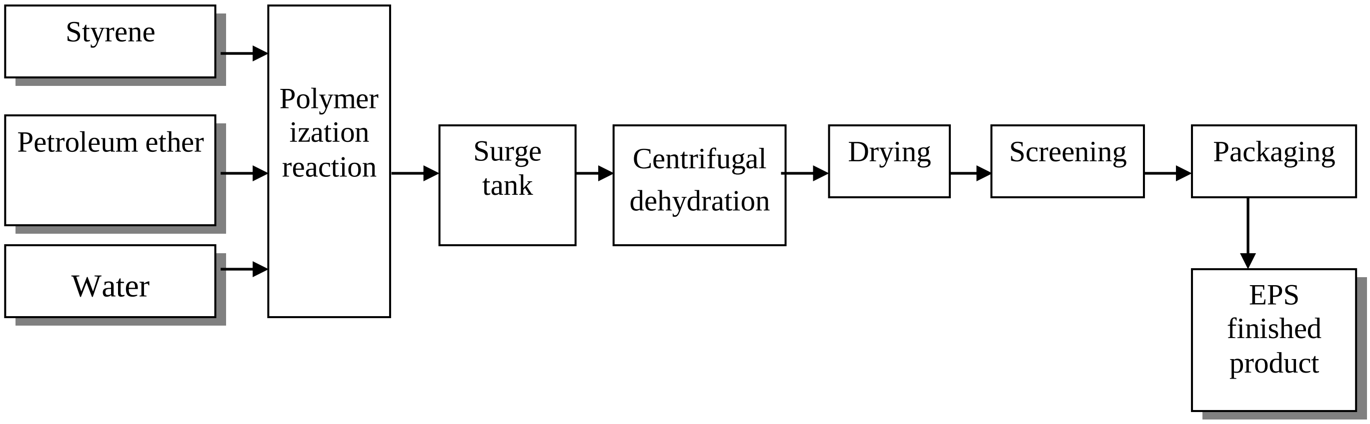
(1) Production process of acrylonitrile-butadiene-styrene copolymer resin (ABS) and styrene-acrylonitrile (SAN) copolymer



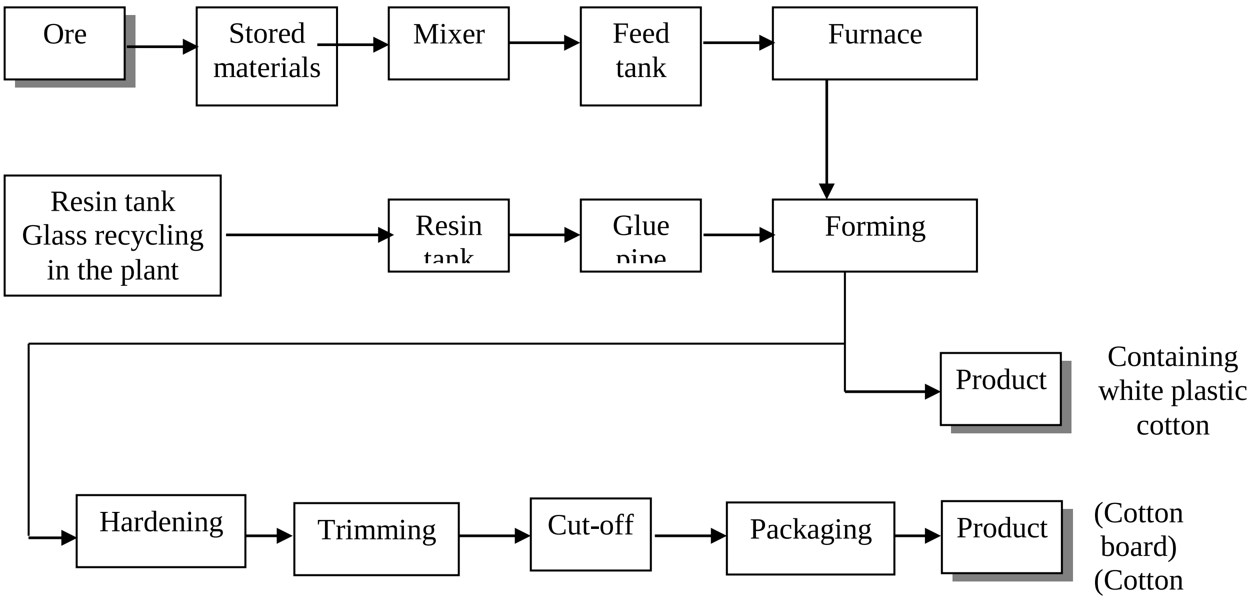
(2) Production process of general-purpose polystyrene (GPS)



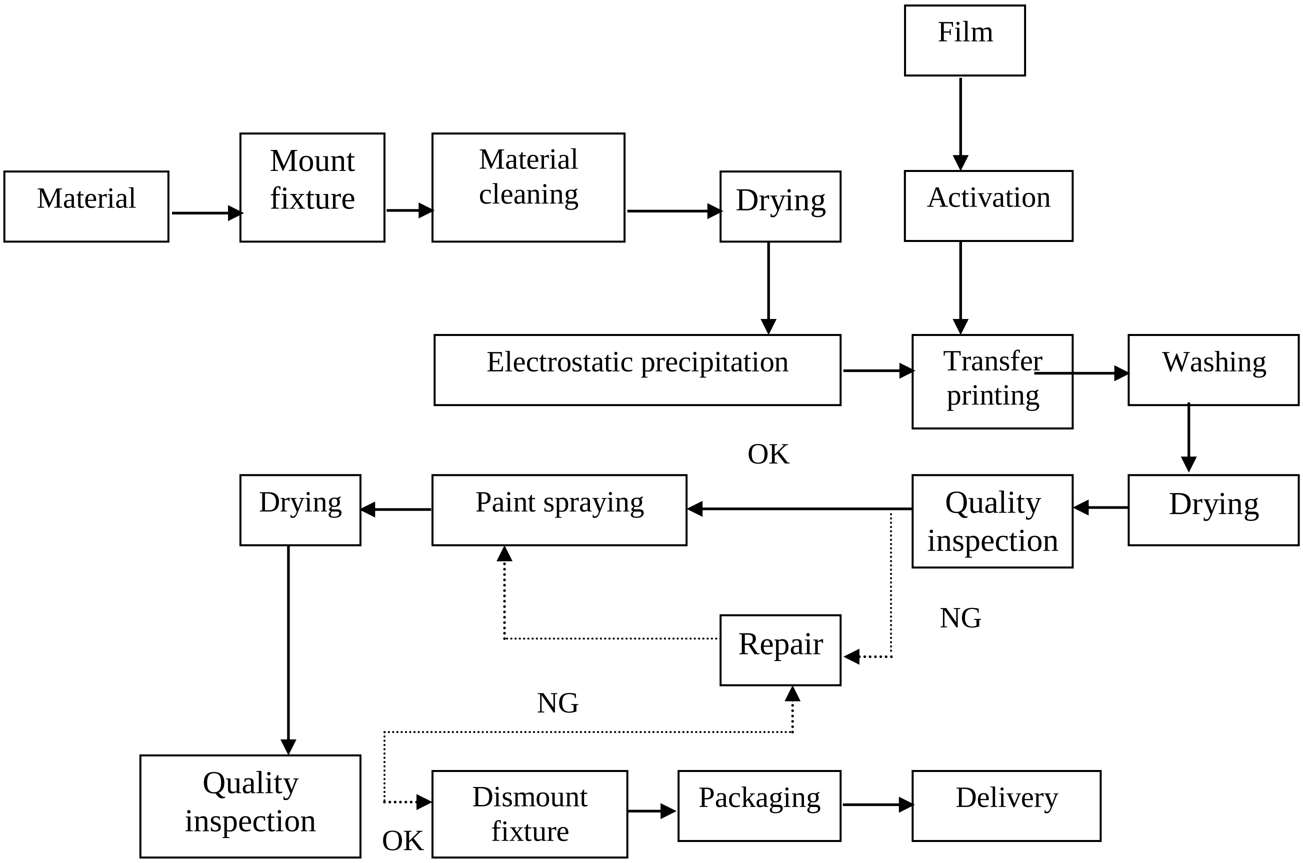
(3) Production process of expanded polystyrene (EPS)



(4) Production process of glass wool products



(5) Cubic printing process



(III) Supply of Major Raw Materials

1. Styrene monomer (SM)

   The supply and demand for styrene monomer (SM) is balanced. The Company continuously purchases the material from Taiwan Styrene Monomer Corporation, Formosa Chemicals & Fibre Corporation, SinoPec Chemical Commercial (Huanan) Holding Co., Ltd., CNOOC and Shell Petrochemical Co., Ltd (CSPC), and directly imports from the foreign supplier Shell Group in order to balance price risk. There is thus no risk of shortages.

2. Acrylonitrile (AN)

   The Company has signed an contract with SinoPec Chemical Commercial (Huanan) Holding Co., Ltd. with regard to the supply of this product. Besides, the Company also regularly purchases this product from Formosa Plastics Corporation, and irregularly imports this product according to supply and demand in order to increase dispatch flexibility. Hence, there is no concern regarding shortage of supply for this material.

3. Butadiene (BD)

The Company has signed a material supply agreement with CPC Corporation and Formosa Petrochemical Corporation. The Company imports this material from time to time according to market supply and demand in order to meet its own demand.

4. Pentane

Pentane is mainly available in ready stock abroad. The material is partly purchased from CPC Corporation. The usage of this material is stable, and there is no issue regarding shortage of supply of this material.

5. Glass quality sand

Glass-quality sand is the main raw material for glass-wool products. As the unit price is low, it is purchased from domestic sources. There are little changes in quantity and price, and thus the Company has full control over the material.

(IV) List of customers who account for more than ten (10) percent of the total purchases (or sales) of goods and their amount and proportion of purchase (or sales) of goods in any one of the most recent two fiscal years, and an explanation of the reason for changes in these figures

1. List of customers who account for more than ten (10) percent of the total purchases of goods and their amount and proportion of purchase of goods, and reasons for the increase or decrease in purchases of goods

Information on major suppliers in the most recent two years

Unit: NT$ thousands

	2017				2016				2018 up to the end of the previous quarter			
Item	Name	Amount	Ratio to annual net purchases of goods	Relationship with the Issuer	Name	Amount	Ratio to the net purchases of goods (%)	Relationship with the Issuer	Name	Amount	Ratio to net purchases of goods in the current year up to the previous quarter (%)	Relationship with the Issuer
1	Taiwan Styrene Monomer Corporation	2,711,539	15.53	None	Taiwan Styrene Monomer Corporation	2,403,781	16.42	None	Formosa Chemicals & Fibre Corporation	1,086,024	23.02	None
2	Shell Group	2,374,750	13.60	None	Formosa Chemicals & Fibre Corporation	2,060,336	14.07	None	Taiwan Styrene Monomer Corporation	730,435	15.48	None
3	Formosa Chemicals & Fibre Corporation	2,141,813	12.27	None	CNOOC and Shell Petrochemicals	1,637,748	11.19	None	SinoPec Chemical Commercial (Huanan) Holding Co.,	519,610	11.01	None

	2017				2016				2018 up to the end of the previous quarter			
Item	Name	Amount	Ratio to annual net purchases of goods	Relationship with the Issuer	Name	Amount	Ratio to the net purchases of goods (%)	Relationship with the Issuer	Name	Amount	Ratio to net purchases of goods in the current year up to the previous quarter (%)	Relationship with the Issuer
					Co. Ltd.				Ltd.			
4	SinoPec Chemical Commercial (Huanan) Holding Co., Ltd.	2,033,789	11.65	None	SinoPec Chemical Commercial (Huanan) Holding Co., Ltd.	1,560,635	10.66	None	CNOOC and Shell Petrochemicals Co. Ltd.	476,546	10.10	
5	CNOOC and Shell Petrochemicals Co. Ltd.	1,895,610	10.86	None								Note 3
6	Others	6,302,966	36.09	Note 3	Others	6,977,057	47.66	Note 3		1,906,145	40.39	
	Net Purchases	17,460,467	100.00	-	Net Purchases	14,639,557	100.00	-	Net Purchases	4,718,760	100.00	-

Note 1: List the name of suppliers who account for more than ten (10) percent of the total purchases of goods and their amount and proportion of purchase of goods in the most recent two fiscal years. However, if the name of suppliers or counterparties who are individuals or non-related persons cannot be revealed due to contractual agreements, their codes shall be indicated.

Note 2: As of the publication date of this annual report, if financial information of companies that are publicly listed or whose shares are traded over the counter were recently audited and attested or reviewed by CPAs, such information shall be disclosed.

Note 3: In 2017, the amount of purchases of goods from other manufacturers including related parties was NT$2,984 thousand, while its proportion to the total amount of purchases of goods was 0.02%. On the other hand, the amount of purchases of goods from other manufacturers including related parties and its proportion to the total amount of purchases of goods in 2016 were NT$4,368 thousand and 0.03% respectively. In the first quarter of 2018, the amount of purchases of goods from other manufacturers including related parties and its proportion to the total amount of purchases of goods were NT$831 thousand and 0.02% respectively.

2. List of customers who account for more than ten (10) percent of the total sales of goods and their amount and proportion of sales of goods, and reasons for the increase or decrease in sales of goods:

Information on major customers in the most recent two years

Unit: NT$ thousands

Item	2017				2016				2018 up to the end of the previous quarter			
	Name	Amount	Ratio to annual net sales of goods (%)	Relationship with the Issuer	Name	Amount	Ratio to annual net sales of goods (%)	Relationship with the Issuer	Name	Amount	Ratio to net sales of goods in the current year up to the previous quarter (%)	Relationship with the Issuer
	Others	19,821,042	100.00	Note 3	Others	16,419,055	100.00	Note 3	Others	842,167	100.00	Note 3
	Net Sales	19,821,042	100.00	-	Net Sales	16,419,055	100.00	-	Net Sales	842,167	100.00	-

Note 1: List the name of suppliers who account for more than ten (10) percent of the total sales of goods and their amount and proportion of sales of goods in the most recent two fiscal years. However, if the name of suppliers or counterparties who are individuals or non-related persons cannot be revealed due to contractual agreements, their codes shall be indicated.

Note 2: As of the publication date of this annual report, if financial information of companies that are publicly listed or whose shares are traded over the counter were recently audited and attested or reviewed by CPAs, such information shall be disclosed.

Note 3: In 2017, the amount of sales of goods to other manufacturers including related parties was NT$42,646 thousand, while its proportion to the total amount of sales of goods was 0.22%. On the other hand, the amount of sales of goods to other manufacturers including related parties and its proportion to the total amount of sales of goods in 2016 were NT$52,004 thousand and 0.32% respectively. In the first quarter of 2018, there was no sales of goods to related parties.

(V) Production volume and value in the most recent two fiscal years

Quantity: metric tons Amount: NT$ thousands

Year / Production Value / Main Product	2017			2016		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
ABS Resins	100,000	111,229	5,272,860	100,000	82,852	3,404,152
General-purpose polystyrene (GPS)	100,000	81,525	3,214,593	100,000	82,597	2,931,367
Expanded polystyrene (EPS)	380,000	217,710	8,606,225	380,000	229,622	7,743,080
Subtotal	580,000	410,464	17,093,678	580,000	395,071	14,078,599
Cubic printing (Note)	200,000	122,584	88,294	200,000	107,405	94,975
Glass Wool Products	10,000	7,294	256,032	10,000	7,603	257,336
Total	-	-	17,438,004	-	-	14,430,910

Note: Cubic printing measurement unit: jig.

(VI) Sales volume and value in the most recent two fiscal years

Quantity: metric tons Amount: NT$ thousands

2017						
Product Category	Domestic Sales		Exports		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
ABS Resins	8,059	484,119	104,405	5,561,032	112,464	6,045,151
General-purpose Polystyrene (GPS)	11,134	448,284	72,661	3,014,755	83,795	3,463,039
Impact-resistant Polystyrene (IPS)	33	1,448	738	35,491	771	36,939
Expanded Polystyrene (EPS)	171,282	7,697,422	47,679	2,033,933	218,961	9,731,355
Subtotal	190,508	8,631,273	225,483	10,645,211	415,991	19,276,484
Cubic Printing (Note 1)	121,374	99,839	0	0	121,374	99,839
Glass Wool Products (Note 2)	8,968	324,728	3,088	119,991	12,056	444,719
Total	-	9,055,840	-	10,765,202	-	19,821,042

Note 1: Measurement unit of cubic printing: jig.

Note 2: Glass wool products include the sales of imported stone wool and aluminum foil.

Quantity: metric tons Amount: NT$ thousands

2016						
Product Category	Domestic Sales		Exports		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
ABS Resins	8,131	374,255	76,697	3,327,504	84,828	3,701,759
General-purpose Polystyrene (GPS)	9,271	344,684	70,715	2,685,999	79,986	3,030,683
Impact-resistant Polystyrene (IPS)	25	1,122	988	42,660	1,013	43,782
Expanded Polystyrene (EPS)	182,979	7,161,247	47,717	1,916,438	230,696	9,077,685
Subtotal	200,406	7,881,308	196,117	7,972,601	396,523	15,853,909
Cubic Printing (Note 1)	107,425	111,664	0	0	107,425	111,664
Glass Wool Products (Note 2)	8,609	309,518	3,724	143,964	12,333	453,482
Total	-	8,302,490	-	8,116,565	-	16,419,055

Note 1: Measurement unit of cubic printing: jig.

Note 2: Glass wool products include the sales of imported stone wool and aluminum foil.

III. Information on Employees

Year		2017	2016	Current year up to April 30, 2018
Number of Employees	Staff	259	263	259
	Workmen	380	380	376
	Total	639	643	635
Average Age		43.4	42.3	43.4
Average Year of Services		15.1	14.4	15.1
Distribution of Academic Qualifications	PhD / Master's degree	6.1%	6.3%	6.1%
	Bachelor's degree	26.5%	26.3%	26.5%
	Junior college	26.1%	27.3%	26.1%
	High school / vocational high school	37.6%	36.5 %	37.6%
	High school or lower	3.7%	3.6 %	3.7%

IV. Information on Environmental Protection Expenditure

(I) Total amount of losses (including compensation) and penalties incurred due to environmental pollution over the past fiscal year up to the publication date of this annual report:

1. Linyuan Plant

Item	Current year up to April 30, 2018	2017
Status of Pollution (Type and Level)	Mild air pollution	Mild air pollution
Compensation claimed by / Penalty incurred by	Environmental Protection Bureau of Kaohsiung City Government	Environmental Protection Bureau of Kaohsiung City Government
Amount of Compensation or Penalty	NT$100,000	NT$100,000
Other Losses	0	0

2. Cianjhen Plant

Item	Current year up to April 30, 2018	2017
Status of Pollution (Type and Level)	None	Mild air pollution
Compensation claimed by / Penalty incurred by	None	Environmental Protection Bureau of Kaohsiung City Government
Amount of Compensation or Penalty	None	NT$100,000
Other Losses	None	0

3. Toufen Plant

Item	Current year up to April 30, 2018	2017
Status of Pollution (Type and Level)	None	Failure to label waste materials for disposal in the storage area / failure to include certain equipment in the operating license / failure to apply detention license for recycled water
Compensation claimed by / Penalty incurred by	None	Environmental Protection Bureau of Miaoli County
Amount of Compensation or Penalty	None	NT$172,000
Other Losses	None	None

4. Zhongshan Plant

Item	Current year up to April 30, 2018	2017
Status of Pollution (Type and Level)	None	None
Compensation claimed by / Penalty incurred by	None	None
Amount of Compensation or Penalty	None	None
Other Losses	None	None

5. Tianjin Plant

Item	Current year up to April 30, 2018	2017
Status of Pollution (Type and Level)	None	None
Compensation claimed by / Penalty incurred by	None	None
Amount of Compensation or Penalty	None	None
Other Losses	None	None

(II) Future response measures (including improvement measures) and possible expenditures:

1. Improvement plan

Linyuan Plant

1. Cause: On July 26, 2017, the Environmental Protection Bureau of the Kaohsiung City Government conducted an inspection and testing of VOC leaks from equipment components in the plant and found two leakage spots with concentration exceeding the VOC leakage concentration standard of 2,000 ppm set forth by the Environmental Protection Bureau of the Kaohsiung City Government. Therefore, the Company was fined NT$100,000 for violating the Air Pollution Control Act.

The relevant improvement measures are explained as follows:

1. On July 28, 2017, the Company commissioned an inspection company to perform retesting, where the Company has passed the retest, and the results of the retest were reported to the Environmental Protection Bureau of the Kaohsiung City Government.
2. The following maintenance and inspection measures for equipment components were also implemented:
   (1) VOC leakage is tested after the equipment components are disassembled, repaired and restored, and the newly installed pipelines are completed to ensure no leakage occurs after restoring it.
   (2) For a frequently disassembled component, tape seal is attached before locking (the cover), and VOCs leakage

records are kept.

(3) After inspection, not only is tank pressure leak detection performed, but disassembled equipment components are also cleaned with soap water or instruments to perform VOCs leak detection after restoring these components.

(4) Self-inspection is performed on equipment components every week, where it will be supervised by managers.

2. Cause: On January 24, 2018, the Southern Branch of the Bureau of Environmental Inspection inspected the Company's plant, and found that the recorded values of voltage and current on the electrostatic precipitator (A / B lines in Area 26) did not match the operating voltage and current recorded on the operating license for stationery sources of pollution. Therefore, the Company was fined NT$100,000 for violating Article 24-2 of the Air Pollution Control Act.

Improvement measures: On September 5, 2017, the Company proposed to change the operating license for the electrostatic precipitator to increase the range of related data. However, change to the new data was still pending approval (operating license for trial run has been approved).

Cianjhen Plant:

1. Cause: On July 26, 2017, the Environmental Protection Bureau of the Kaohsiung City Government conducted a random inspection on its equipment parts and components, and found flanges at two points. Although the value of VOC leakage concentration detected at one point on the body of a vacuum pump was less than 10,000 ppm, which complied with the standard of the Environmental Protection Administration, this concentration value exceeded the VOC leakage concentration standard of 2,000 ppm set forth by the Environmental Protection Bureau of the Kaohsiung City Government. Therefore, the Company was fined NT$100,000 for violating the Air Pollution Control Act.

Improvement measures:

(1) Components with leaks have been inspected, repaired

and retested on July 7, 2017 and the test values have met the standards. The retest records were then submitted to the Environmental Protection Bureau for reference.

(2) The standard was exceeded because flanges at two points were replaced with active aluminum flange covers and pipeline valves were disassembled. Improvement measures include performing self-inspection after disassembling pipeline valves.

(3) In the past, the inlet and outlet flanges and axles of equipment were mainly measured when examining and inspecting vacuum pump using instruments. As an improvement measure, the body of vacuum pump is included in the items to be examined and inspected using instruments.

(4) Replacement of aging test instruments has been included in the 2018 budget.

Toufen Plant:

1. Cause: On October 6, 2017, the Central Branch of the Bureau of Environmental Inspection carried out an audit, and found that waste materials for disposal in the storage area were not labeled. Hence, the Company was fined NT$12,000 for violating the Waste Disposal Act.

Improvement measure: Add label to waste materials for disposal.

2. Cause: On October 6, 2017, the Central Branch of the Bureau of Environmental Inspection carried out an audit, and found that ball mills and their dust collection equipment were not included in the operating license for stationary sources of pollution. Hence, the Company was fined NT$100,000 for violating the Air Pollution Control Act.

Improvement measure: Apply for change of operating license for stationary sources of pollution and include missing information in the license.

3. Cause: On December 1, 2017, the Central Branch of the Bureau of Environmental Inspection carried out an audit, and opined that the Company should apply for a detention license for

recycled water in the plant. Therefore, the Company was fined NT$60,000 for violating the Water Pollution Control Act.

Improvement measure: Apply for a detention license for recycling wastewater from glass wool manufacturing process

2. Expected environmental protection expenditures

Unit: NT$ thousands

Expenditure Item	2018
Linyuan Plant	
1. 2018 plant-wide energy conservation and carbon reduction program	1,090
2. Change from heavy fuel oil to diesel for TAP-II boiler (F2472-2) in Area 24	400
3. Repair and improvement of cooling water tower (E6208-2) in the common area	3,160
4. Addition of breathing valve to acrylonitrile tank in Area 11	330
5. Upgrade of fluidized dryer in the laboratory	2,000
6. Upgrade power cable lines, MCC-8 / 9 / 10 in substation located in the common area	750
7. Maintenance and repair of incinerator	700
8. Upgrade of equipment component testing apparatus	600
9. Renewal of filter bags of bag filters in the incinerator	180
10. Maintenance and repair of incinerator (2)	550
11. Addition of the new CAKE recovery system in Line No. 26C	4,000
Subtotal	13,760
Cianjhen Plant	
1. Replacement with new cooling water pump in Area 52	200
2. Replacement with new cooling water pump in Area 23	200
3. Replacement with new CA671 motor in NOVA cooling water circulation pump	360
4. Replacement of high-efficiency motors for GPS energy conservation and carbon reduction	570
5. Upgrade of the motor of EJ670 fan speed reducer in the NOVA cooling water tower	140
6. Replacement with new portable VOC analyzer	500
7. Replacement with a new motor in the process reaction mixer in the EPS Section	400
8. Replacement with a new C2901-3 air compressor in the EPS Section	4,770

Expenditure Item	2018
9. Repair and annual maintenance of EK660-1/2 compressor in the NOVA ice water machine	3,260
10. Upgrade of sludge dewatering machine in the wastewater factory	5,380
Subtotal	15,780
Toufen Plant	
1. Agent fee for operating license for stationary sources of pollution from glass wool manufacturing	48
2. Testing of trial run plan for changing the operating license for stationary sources of pollution from glass wool manufacturing	722
3. Chimney inspection in the glass wool factory	37
4. Agent fee for a new detention license for wash pond in the glass wool factory	48
5. Installation of flowmeters in wash pond in the glass wool factory	300
6. Addition of covers to wash pond in the glass wool factory	600
7. Installation of anti-overflow dike in diesel tanks in the glass wool factory	200
8. Preparation of signboards for wastewater from the glass wool factory	3
9. Repair of factory at Toufen Plant	498
10. Glass wool wastewater detection	28
11. Addition of new pulse-type dust collector to shredding machines	600
12. Renewal of fire safety equipment in the Toufen Plant	70
13. Addition of dust cover to material conveyor belt	200
14. Installation of dust collection fan in flat cutters	600
Subtotal	3,954
Zhongshan Plant	
1. Operating expenses of environmental protection facilities	1759
2. Hazardous waste disposal fees	144
3. Annual waste water monitoring expenses	59
4. Annual exhaust monitoring expenses	233
5. Operating expenses for ISO14001 system	62
Subtotal	2,257
Tianjin Plant	
1. Environmental protection facilities operations (RTO + wastewater plant)	11,000
2. Hazardous waste disposal	4,200
3. Inspection costs for online wastewater monitoring and comparison	180

Expenditure Item	2018
4. Annual environmental monitoring	350
5. ISO 14001 system attestation	125
Subtotal	15,855
Total	51,606

3. Effects after improvements: Improve production efficiency, conserve energy and reduce waste.

(III)The EU Restriction of Hazardous Substances Directive (RoHS) has no impact on the Company.

V. Labor Relations:

(I) Various employee welfare measures, continuing education, training, retirement system and implementation status, as well as agreements between the employer and employees and measures for protecting employee rights and interests:

1. Employee welfare measures

(1) The Company contributes to welfare funds in accordance with the law, and has established an employee Welfare Committee to implement and supervise various employee welfare measures.

(2) All the employees in the Company participate in labor insurance, health insurance and group insurance and they are given medical benefits for their spouses and children and medical care for cancer. In addition, the Company also purchases travel insurance for traveling employees to provide full coverage for employees' requirements for insurance. Employees in Mainland China are provided with social security that mainly includes pension social welfare, unemployment insurance, occupational injury insurance and maternity insurance.

(3) The Company organizes regular health checkups for its employees and pays close attention to their health.

(4) According to the Company's Articles of Incorporation, if the Company posts a net profit in the current year, employee rewards shall not be less than one (1) percent of the

Company's net profit for the current year, while performance bonus and year-end bonus shall also be distributed based on the Company's operating performance and individual performance.

2. Education and training

(1) The Company has always valued employees' education and training and has formulated rules governing the administration of support to provide pre-employment training, on-the-job training, work instructions, and online learning to improve the skills and qualities of employees.

(2) The Company has designed tiered courses to encourage employees to actively learn and study. Employees must complete the prescribed courses before they can be officially promoted.

(3) The Company has set up an employee training database to record the progress of employees, and requires them to attend at least 8 hours of training every year.

(4) In addition to conducting a survey among trainees for each course, the Company has also designed a comprehensive survey at the end of the year as a reference for improving training operations.

(5) Education and training at various plants

In addition to assigning employees to participate in external professional training for finance and accounting Supervisors, the Group also organizes various internal training programs. The plants continuously send employees to participate in labor safety training, technical training and various external operations and safety training. Each plant also organizes various internal training programs and regularly holds General Manager management seminars and various management skills training programs to strengthen cohesion and improve management skills. The content of these training sessions are compiled as follows:

The total number of training hours in 2017 was 10,919.5 hours.			
Course Type	Number of Participants	Hours	Percentage
Management skills	823	1,324	12.1%
Professional skills	992	2,594	23.8%
Occupational safety and environmental protection	138	6,582	60.3%
Others	207	419.5	3.8%

(6) The total amount of personnel training expenses in 2017 was NT$ 938 thousand.

3. Retirement system and status of implementation:

(1) For employees eligible for pension as per the Labor Standards Act, the Company has contributed a pension preparatory fund equal to 12 percent of their monthly salaries to a dedicated account and established a Labor Pension Reserve Fund Supervision Committee to manage and supervise its operations.

(2) In accordance with the Labor Pension Act, the Company allocates 6% of the total monthly salary as retirement reserve fund to dedicated personal accounts managed by the Bureau of Labor Insurance and notifies the employee in writing each month.

(3) Employees of companies in Mainland China are given social security payment according to their average monthly income based on average monthly salaries in the previous year in accordance with the requirements set forth by the Ministry of Labor and Social Security and Social Security Bureau of the Tianjin Economic-Technological Development Area, as well as the Regulations on the Composition of Gross Wages set forth by the National Bureau of Statistic in Mainland China.

4. Protection measures for agreements between the employer and employees and all employee rights

The Company has set up an employee Welfare Committee, and contributes a certain percentage of its turnover as a fund for employee welfare activities, such as travel subsidies, wedding and maternity subsidies, education subsidies for children and funeral subsidies for employees. The Company also provides female employees with menstrual leave and parental leave in accordance with the law.

The Company has stated in writing employees' code of conduct and ethical standards, and specified that employees shall not accept or draw up agreements to receive kickbacks. Besides, the Company has specified sexual harassment prevention measures, and regulations governing complaints, grievances, rewards and punishment. On the other hand, the Company has set up an employee complaint and grievance mailbox, and maintains smooth communication with employees. Furthermore, a labor union has been established in the Company, where meetings are regularly held between the Company and employees to establish a harmonious and smooth channel of communication between both the Company and employees. The Company also provides employees with a well-organized group insurance plan, and regularly organizes health checkups every year. Moreover, the Company and its affiliated companies have formed the Employee Assistant Program Service Center (EAPC) to promote employee assistance program services, organize various get-together events, as well as provide employees with counseling and consulting services, with a view to ensuring that employees receive comprehensive care and assistance in psychological adjustment, functional management, health enhancement and quality of life.

With regard to employees' continuing education and learning, the Company conducts surveys on employee training needs, as well as formulates education and training plan and budget every year. In addition, the Company has also set up an e-learning platform that offers lifelong learning activities, and regularly conducts employee training, management training, seminars, health talks and various types of conferences in order to enhance employees' professional or management skills and balance their mental and physical development. For employees who have a strong willingness to learn and develop their potential, the Company provides grants for further education in local universities, which is supplemented with career adjustments in their respective positions in order to nurture leading talents required by enterprises.

The Company complies with laws and regulations concerning labor and human rights, and does not employ any child labor or forced labor. There is no age and gender difference in terms of salaries and benefits, and the Company provides reasonable compensation and promotion opportunities based on capabilities and potential of employees at work. As regards employee retirement system, the Company has set up a Labor Pension Reserve Fund Supervision Committee, and contributes to a pension reserve fund to ensure that employees will enjoy a more secure life after retirement. In order to maintain good labor relations, the Company communicates with labor union representatives to exchange opinions, and also established opinion mailboxes so that employees can fully reflect their opinions.

5. Licenses held by personnel involved in transparency of financial information:

Department	Name	Certification
Audit Office	Tai-Feng Chang	1. Certified Internal Auditor (CIA) 2. Certification of Qualification for Enterprise Internal Control Basic Abilities Test offered by the Securities and Futures Institute 3. Certificate of Qualification in the Proficiency Test for Service Personnel offered by the Securities and Futures Institute
Department	Name	Certification
Audit Office	Ying-Chun Tu	1. Certified Internal Auditor (CIA) 2. Certificate of Qualification in the Proficiency Test for Corporate Internal Control offered by the Securities and Futures Institute
Accounting Division	Chin-Tsai Lin	Certification of Qualification in Continuous Studies for Accounting Managers offered by the Accounting Research and Development Foundation

6. Employee Code of Conduct or Ethics

(1) The Company has formulated Employee Work Rules which are given to employees while starting their job and are provided access to the Company's website (http://www.ttc.com.tw) too for their reference. There are written regulations for employees and the ethics to be followed. Both employees and the management shall abide by them for an orderly workplace.

(2) To protect the Company's reputation for ethical and decent management, the Company has established the Code of Work Ethics and Professional Ethics, and includes this code as part of the new employee training program. If any employee violates this code, the violation will be included in the employee's performance appraisal. For serious cases, employees who violates this code will be punished.

(3) The Company signs letters of undertaking with new employees to specify their obligations.

(4) To enhance ethical corporate management at the Company, the Human Resources Division has established ethical management policies and prevention plan, and regularly report the implementation of such policies and plan to the Board of Directors. Besides, the Human Resources Division has also established the "Corporate Social Responsibility Best Practice Principles" which stipulates corporate social responsibility policies, systems and management guidelines.

(5) In order to ensure that the conduct of the Company's Directors, Supervisors and managerial officers meet ethical standards, the Company refers to the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE or TPEx Listed Companies, and these guidelines as part of the compulsory study materials for relevant personnel every year. The targets for these guidelines include the Company's Directors, Supervisors and managerial officers, and other personnel with signing authority over management affairs at the Company. The content of these guidelines include avoiding conflict of

interests with the Company due to improper benefits provided by individuals holding specific positions in the Company to their relatives. These guidelines serves to prevent: (1) competition with the Company, and (2) opportunities for personal gains or direct private gains through the use of company properties and information or by virtue of the relevant positions held in the Company.

Targets for the abovementioned guidelines shall assume confidentiality obligations to protect the Company's confidential information, including all the undisclosed information that can damage the Company after a information leakage. In addition, the Company shall offer equal treatment to its suppliers, customers, competitors and employees, and shall not make false statements about important matters or engage in other unfair trading methods to obtain improper benefits. For related content, visit the Company's website (http://www.ttc.com.tw).

7. Protection measures for work environment and employees' personal safety

(1) To maintain workplace safety for employees, the Company has installed pollution prevention and fire safety equipment, and introduced an environmental management system (ISO 14001) and an occupational safety and health management system (OHSAS 18001) to build a sound management system and provide a safe and healthy working environment.

(2) The Company provides personal protection equipment such as earmuffs, ear plugs, protective goggles and toxicity filter masks. In addition, the Company also organizes training from time to time or send employees to participate in related training to improve their knowledge and ideas related to occupational safety.

(3) The Company improves manufacturing processes and operations, implements good management and makes good use of limited resources to reduce the risk of hazards related to manufacturing processes and operations, and the impact

caused by products, services and activities to the environment.

(4) The Company participates in and supports activities related to responsible care, and incorporate them into the operation of its management system. Besides, the Company also makes timely response to the demands of the public and other stakeholders, so as to gradually implement the concept of responsible care practices.

(5) The Company selects and uses the best and most feasible technologies and management techniques, and is committed to housekeeping, industrial waste reduction, cherishing resources, pollution prevention and safeguarding the health and safety of employees, contractors and nearby residents.

(6) The Company continues to provide employees with training, and participate in communication and consultation with employees, encourages participation from all employees, and strengthen communications and consultation with contractors and customers, so that they fully understand the Company's occupational safety and health and environmental protection policies.

(7) The Company implements inspection, audit and management reviews to continuously improve and enhance its overall occupational safety and health and environmental management performance.

(8) The Company has established a safety and health organization, and set up labor unions at Linyuan Plant, Cianjhen Plant and Toufen Plant. In addition, each plant has also established the Occupational Safety and Healthy Committee in accordance with the Regulations Governing Occupational Safety and Health. In the committee, labor representatives are elected by labor unions, while the committee will hold a meeting every quarter, where labor representatives will speak for all employees and discusses issues related to environmental protection, safety and healthy

with the senior management of the Company.

(9) The Company implements occupational safety and health operations, participates in Taiwan Responsible Care Association (TRCA), safety and health promotion associations in industrial parks and pollution control coordination groups. With regard to work safety, health and environmental protection, the Company engages in mutual observation and learning to enhance protection of employee safety and health, and regularly conducts emergency drills, fire drills and occupational safety and health training, so as to cultivate employees' ability to respond to emergency situations and manage personal safety.

(II) Losses arising as a result of labor disputes in the recent year up until the publication date of this annual report and disclosure of potential current and future losses and response measures:

The Company enjoys a harmonious labor relation, and there has been no labor dispute or loss as of the publication date of this annual report.

VI. Important Contracts

(I) Supply and sales contracts

Nature of Contract	Party	Contract Start/End Date	Main Content	Restrictive Provisions
Material Purchase	Shell Chemicals	April 1, 2017 to December 31, 2017	The Company imports styrene from Shell Chemicals and the price is determined through negotiations. The Company is required to issue letters of credit before loading.	None
Material Purchase	Taiwan Styrene Monomer Corporation	April 1 2017 to March 31, 2019	The Company purchases styrene from Taiwan Styrene Monomer Corporation and the price is determined through negotiations.	None
Material Purchase	Formosa Chemicals &Fibre Corporation	January 1, 2017 to December 31, 2017 (renewed every year)	The Company imports styrene from Formosa Chemicals & Fibre Corporation every year at a negotiated price. The Company is required to issue domestic letters of credit.	None
Material Purchase	CPC Corporation	January 1, 2017 to December 31, 2017 (renewed every year)	CPC Corporation has agreed to supply butadiene to the Company every year at a price it sets. Payment for the material must be made on the 15th of the following month after delivery.	None

Nature of Contract	Party	Contract Start/End Date	Main Content	Restrictive Provisions
Material Purchase	Formosa Petrochemical Corporation	January 1, 2017 to December 31, 2017 (renewed every year)	Formosa Petrochemical Corporation has agreed to supply butadiene to the Company every year at a price set by it, and payment for the material is to be made on the15 th of the following month after delivery.	None
Material Purchase	China Petrochemical Development Corporation	January 1, 2017 to December 31, 2018	China Petrochemical Development Corporation agreed to supply acrylonitrile to the Company every year at a negotiated price, and payment for the material is to be made on the 15th of the following month after delivery.	None
Material Purchase	Binhai New Area Sales Branch, Tianjin Dagu Chemical Co., Ltd.	January 1, 2017 to December 31, 2017 (renewed every year)	Binhai New Area Sales Branch, Tianjin Dagu Chemical Co., Ltd. agreed to supply styrene to the Company every year at a price based on the original price agreed to by both the parties. Payment for the material must be made before delivery.	None
Material Purchase	USIG (Shanghai) Co., Ltd	January 25, 2017 to December 31, 2017	USIG (Shanghai) Co., Ltd agreed to supply styrene to the Company every year at a price based on the original price agreed to by both the parties. Payment for the material must be made before delivery.	None
Material Purchase	CNOOC and Shell Petrochemical Co., Ltd (CSPC)	January 1, 2017 to December 31, 2017 (renewed every year)	The Company purchases styrene from CSPC and Shell Petrochemicals every year at a negotiated price. The Company is required to provide domestic letters of credit before loading.	None
Material Purchase	SinoPec Chemical Commercial (Huanan) Holding Co., Ltd.	January 1, 2017 to December 31, 2017 (renewed every year)	SinoPec Chemical Commercial (Huanan) Holding Co., Ltd. agreed to supply styrene to the Company every year at a price based on the original price agreed to by both parties. Payment for the material must be made before delivery.	None
Material Purchase	CNOOC Oriental Petrochemical Co., Ltd.	January 1, 2017 to December 31, 2017 (renewed every year)	The Company purchases styrene from CNOOC Oriental Petrochemical Co., Ltd. every year at a negotiated price. The Company is required to provide domestic letters of credit before loading.	None

(II) Technical cooperation contracts

Nature of Contract	Party	Contract Start/End Date	Main Content	Restrictive Provisions
Technical Cooperation	TAICA (Japanese Company)	November 25, 1996 to February 28, 2019 Automatically extended for two years if agreed to by both the parties after the current contract expires.	This contract involves the transfer of cubic printing technology, which is the first of its kind in the world and enables printing of various patterns on uneven surfaces (such as telephones, automobile parts and components) to enhance the added value of products. This technology has been patented in many countries, including the U.S., Japan, Canada, Western Germany, the Netherlands, France and the United Kingdom.	None
Provision of Technology	Owens Corning Company (U.S. Company)	April 1, 2014 to March 31, 2024	Provision of expertise on the manufacturing of glass-wool insulation products to the Company	None

(III) Construction contracts: None

(IV) Long-term loan contracts

Nature of Contract	Party	Contract Start/End Date	Main Content	Restrictive Provisions
Medium-term Lending, Medium-term Secured Lending and Commercial Paper Guarantee Comprehensive Limit Contract	Chang Hwa Commercial Bank	November 17, 2017 to June 29, 2021	TTC and Chang Hwa Bank signed a five-year medium-term lending, medium-term secured lending and commercial paper guarantee comprehensive limit contract worth NT$1 billion, where it can be used cyclically.	None
Medium-term Lending Limit Contract	O-Bank	December 19, 2017 to October 16, 2020	TTC and O-Bank signed a three-year medium-term lending limit contract worth NT$ 300 million, where it can be used cyclically.	None
Medium-term Lending and Foreign Exchange Credit Comprehensive Limit Contract	KGI Bank	October 4, 2016 to October 4, 2018	TTC and KGI Bank signed a two-year medium-term lending and foreign exchange credit comprehensive limit contract worth NT$300 million, where it can be used cyclically.	Based on its consolidated annual report / semi-annual report, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 250%.

Chapter 6 Financial Summary

I. Condensed balance sheet, statement of comprehensive income, as well as name and audit opinions of CPAs in the most recent five years

(I) Condensed Balance Sheet and Statement of Comprehensive Income - Consolidated Financial Statements

Condensed Balance Sheet - Consolidated Financial Statement

Unit: NT$ thousands

Item / Year		Financial information in the most recent five fiscal years					Current year to March 31, 2018 (Note 1)
		2017	2016	2015	2014	2013	
Current assets		5,313,224	4,926,613	5,658,976	7,267,345	8,636,080	5,543,668
Property, plant and equipment		2,418,756	2,444,205	2,503,719	2,595,052	2,614,121	2,417,118
Intangible assets		11,068	16,159	23,096	22,367	9,725	11,081
Other assets		1,068,387	1,089,843	1,035,896	1,108,013	1,140,525	1,047,910
Total assets		8,811,435	8,476,820	9,221,687	10,992,777	12,400,451	9,019,777
Current liabilities	Before distribution	3,132,553	3,260,740	4,025,885	5,406,511	6,519,758	3,441,623
	After distribution	Note 2	3,260,740	4,025,885	5,406,511	6,519,758	Note 2
Non-current liabilities		1,773,332	1,836,962	1,820,719	2,115,692	1,788,500	1,466,694
Total liabilities	Before distribution	4,905,885	5,097,702	5,846,604	7,522,203	8,308,258	4,908,317
	After distribution	Note 2	5,097,702	5,846,604	7,522,203	8,308,258	Note 2
Equity attributable to owners of parent company		3,905,550	3,379,118	3,375,083	3,470,574	4,092,193	4,111,460
Capital		3,276,518	3,276,518	3,276,518	3,276,518	3,276,518	3,276,518
Capital surplus		469	469	469	483	493	765
Retained earnings	Before distribution	505,981	18,182	(69,113)	(115,424)	522,674	704,486
	After distribution	Note 2	18,182	(69,113)	(115,424)	522,674	Note 2
Other equity		122,582	83,949	167,209	308,997	292,508	129,691
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,905,550	3,379,118	3,375,083	3,470,574	4,092,193	4,111,460
	After distribution	Note 2	3,379,118	3,375,083	3,470,574	4,092,193	Note 2

* If the Company has prepared parent company only financial statements, condensed parent company only balance sheet and statement of comprehensive income shall also be prepared for the most recent five fiscal years.

* Where financial information are prepared for less than five years using the International Financial Reporting Standards (IFRS), financial information in Table 2 below shall also be prepared using our country's Financial

Accounting Standards.

Note 1: Financial information for the first quarter of 2018 were reviewed by CPAs.

Note 2: The 2017 earnings distribution plan is still pending approval from the Shareholders' Meeting.

Note 3: Financial information for years that are yet to be audited by CPAs shall be noted.

Note 4: Where asset revaluation was performed in the current year, the date of asset revaluation and the amount of asset revaluation shall be noted.

Note 5: As of the publication date of the annual report, a Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that have been audited and attested or reviewed by CPAs.

Note 6: The abovementioned figures after distribution shall be filled based on the resolutions passed by the Shareholders' Meeting in the following year.

Note 7: Where a Company is notified by the competent authority that its financial information have to be corrected or re-prepared, the Company shall compile its financial information using the corrected or re-prepared figures, and indicate related circumstances and reasons.

Condensed Statement of Comprehensive Income - Consolidated Financial Statement

Unit: NT$ thousands

Item \ Year	Financial information in the most recent five fiscal years					Financial information from the current year up to March 31, 2018 (Note)
	2017	2016	2015	2014	2013	
Operating Revenue	19,821,042	16,419,055	17,028,115	20,933,816	21,438,961	4,842,167
Gross profit	1,433,704	945,256	872,281	78,664	508,877	375,252
Operating profit (loss)	675,946	231,431	145,303	(647,947)	(171,348)	193,828
Non-operating income and expenses	1,906	(34,112)	(50,838)	9,737	186,222	29,453
Net income (loss) before taxes	677,852	197,319	94,465	(638,210)	14,874	223,281
Net income (loss) from continuing operations for the period	502,079	120,877	67,525	(631,186)	17,383	189,651
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) for the period	502,079	120,877	67,525	(631,186)	17,383	189,651
Other comprehensive income for the period (net amount after taxes)	24,353	(116,842)	(163,002)	9,577	47,866	13,566
Total comprehensive income for the period	526,432	4,035	(95,477)	(621,609)	65,249	203,217
Net income attributable to owners of the parent company	502,079	120,877	67,525	(631,186)	17,383	189,651
Net income attributable to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	526,432	4,035	(95,477)	(621,609)	65,249	203,217
Comprehensive income (loss) attributable to non-controlling interests	0	0	0	0	0	0
Earnings (loss) per share	1.53	0.37	0.21	(1.93)	0.05	0.58

* If the Company has prepared parent company only financial statements, condensed parent company only balance sheet and statement of comprehensive income shall also be prepared for the most recent five fiscal years.
* Where financial information are prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using our country's Financial Accounting Standards.

Note 1: Financial information for the first quarter of 2018 were reviewed by CPAs.
Note 2: Financial information for years that are yet to be audited by CPAs shall be noted.
Note 3: As of the publication date of the annual report, a Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that have been audited and attested or reviewed by CPAs.
Note 4: Loss from discontinued operations is shown in net amount after deducting income tax.
Note 5: Where a Company is notified by the competent authority that its financial

information have to be corrected or re-prepared, the Company shall compile its financial information using the corrected or re-prepared figures, and indicate related circumstances and reasons.

(II) Condensed Balance Sheet and Statement of Comprehensive Income - Parent Company Only Financial Statements

Condensed Balance Sheet - Parent Company Only Financial Statements Financial Statement

Unit: NT$ thousands

Item \ Year		Financial information in the most recent five fiscal years				
		2017	2016	2015	2014	2013
Current assets		3,165,533	2,842,828	2,702,333	3,339,276	3,592,505
Property, plant and equipment		1,947,650	1,937,859	1,960,962	1,984,182	1,960,274
Intangible assets		11,068	16,159	23,096	22,367	9,725
Other assets		2,404,645	2,254,021	2,257,063	2,343,279	2,803,462
Total assets		7,528,896	7,050,867	6,943,454	7,689,104	8,365,966
Current liabilities	Before distribution	1,856,117	1,841,248	1,753,667	2,109,615	2,492,434
	After distribution	Note 1	1,841,248	1,753,667	2,109,615	2,492,434
Non-current liabilities		1,767,229	1,830,501	1,814,704	2,108,915	1,781,339
Total assets	Before distribution	3,623,346	3,671,749	3,568,371	4,218,530	4,273,773
	After distribution	Note 1	3,671,749	3,568,371	4,218,530	3,060,778
Equity attributable to owners of parent company		3,905,550	3,379,118	3,375,083	3,470,574	4,092,193
Capital		3,276,518	3,276,518	3,276,518	3,276,518	3,276,518
Capital surplus		469	469	469	483	493
Retained earnings	Before distribution	505,981	18,182	(69,113)	(115,424)	522,674
	After distribution	Note 1	18,182	(69,113)	(115,424)	522,674
Other equity		122,582	83,949	167,209	308,997	292,508
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,905,550	3,379,118	3,375,083	3,470,574	4,092,193
	After distribution	Note 1	3,379,118	3,375,083	3,470,574	4,092,193

* If the Company has prepared parent company only financial statements, condensed parent company only balance sheet and statement of comprehensive income shall also be prepared for the most recent five fiscal years.
* Where financial information are prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using our country's Financial Accounting

Standards.

Note 1: The 2017 earnings distribution plan is still pending approval from the Shareholders' Meeting.

Note 2: Financial information for years that are yet to be audited by CPAs shall be noted.

Note 3: Where asset revaluation is performed in the current year, the date of asset revaluation and the amount of asset revaluation shall be noted.

Note 4: As of the publication date of the annual report, a Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that have been audited and attested or reviewed by CPAs.

Note 5: The abovementioned figures after distribution shall be filled based on the resolutions passed by the Shareholders' Meeting in the following year.

Note 6: Where a Company is notified by the competent authority that its financial information have to be corrected or re-prepared, the Company shall compile its financial information using the corrected or re-prepared figures, and indicate related circumstances and reasons.

Condensed Statement of Comprehensive Income - Parent Company Only Financial Statement

Unit: NT$ thousands

Item / Year	Financial information in the most recent five fiscal years				
	2017	2016	2015	2014	2013
Operating Revenue	13,132,796	9,697,443	10,346,640	11,839,993	11,081,664
Gross profit	1,077,059	556,144	468,855	323,471	420,802
Operating profit (loss)	477,608	10,710	(59,642)	(208,975)	(77,543)
Non-operating income and expenses	96,941	112,468	126,308	(438,229)	96,456
Net income (loss) before taxes	574,549	123,178	66,666	(647,204)	18,913
Net income (loss) from continuing operations for the period	502,079	120,877	67,525	(631,186)	17,383
Loss from discontinued operations	0	0	-	-	-
Net income (loss) for the period	502,079	120,877	67,525	(631,186)	17,383
Other comprehensive income for the period (net amount after taxes)	24,353	(116,842)	(163,002)	9,577	47,866
Total comprehensive income for the period	526,432	4,035	(95,477)	(621,609)	65,249
Net income (loss) attributable to owners of the parent company	502,079	120,877	67,525	(631,186)	17,383
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	526,432	4,035	(95,477)	(621,609)	65,249
Comprehensive income (loss) attributable to non-controlling interests	0	0	0	0	0
Earnings (loss) per share	1.53	0.37	0.21	(1.93)	0.05

* If the Company has prepared parent company only financial statements, condensed parent company only balance sheet and statement of comprehensive income shall also be prepared for the most recent five fiscal years.

* Where financial information are prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using our country's Financial Accounting Standards.

Note 1: Financial information for years that are yet to be audited and attested by CPAs shall be noted.

Note 2: As of the publication date of the annual report, a Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that have been audited and attested or reviewed by CPAs.

Note 3: Loss from discontinued operations is shown in net amount after deducting income tax.

Note 4: Where a Company is notified by the competent authority that its financial information have to be corrected or re-prepared, the Company shall compile its financial information using the corrected or re-prepared figures, and indicate related circumstances and reasons.

(IV) Name and Audit Opinions of CPAs

Year	Name of CPA	Audit Opinion
2017	Shih-Tsung Wu Tzu-Jung Kuo	Unqualified opinion
2016	Shih-Tsung Wu Tzu-Jung Kuo	Unqualified opinion
2015	Shih-Tsung Wu Tzu-Jung Kuo	Unqualified opinion
2014	Shih-Tsung Wu Tzu-Jung Kuo	Modified unqualified opinion
2013	Hsiu-Chun Huang Shih-Tsung Wu	Unqualified opinion

II. Financial analysis in the most recent five fiscal years

(I) Financial Analysis - Consolidated Financial Statements

Analysis item (Year)		Financial analysis in the most recent five fiscal years					Current year up to March 31, 2018
		2017	2016	2015	2014	2013	
Financial structure (%)	Debt-to-assets ratio	55.68	60.14	63.40	68.43	67.00	54.42
	Ratio of long-term capital to property, plant and equipment	234.79	213.41	207.52	215.27	224.96	230.78
Solvency (%)	Current ratio	169.61	151.09	140.56	134.42	132.46	161.08
	Quick ratio	125.74	104.27	107.99	100.76	87.40	114.77
	Interest coverage ratio	14.85	5.20	2.35	(5.19)	1.26	18.87
Operating ability	Receivables turnover ratio (times)	7.76	6.92	5.61	5.70	6.21	7.03
	Average collection days	47	53	65	64	59	52
	Inventory turnover ratio (times)	13.78	11.78	10.96	9.26	9.19	13.05
	Payables turnover ratio (times)	13.87	14.22	16.93	13.49	12.52	13.20
	Average days for sale	26	31	33	39	40	28
	Property, plant, and equipment (PP&E) turnover ratio (times)	8.15	6.64	6.68	8.04	8.97	8.01
	Total asset turnover ratio (times)	2.29	1.86	1.68	1.79	1.93	2.15
Profitability	Return on assets (%)	6.28	1.81	1.24	(4.67)	0.58	8.97
	Return on equity (%)	13.78	3.58	1.97	(16.69)	0.43	18.92
	Net income before income tax-to-paid-in capital ratio (%) (Note 7)	20.69	6.02	2.88	(194.78)	0.45	13.63
	Net profit margin (%)	2.53	0.74	0.40	(3.02)	0.08	3.92
	Earnings per share (NT$)	1.53	0.37	0.21	(1.93)	0.05	0.58
Cash flow	Cash flow ratio (%)	13.42	30.15	35.23	(5.79)	(7.52)	(9.15)
	Cash flow adequacy ratio (%)	79.86	76.59	49.95	(6.85)	6.91	-
	Cash reinvestment ratio (%)	4.00	9.93	14.29	(3.09)	(4.82)	(3.01)
Leverage	Degree of operating leverage (DOL)	3.38	5.76	12.45	(2.57)	(3.12)	0.45
	Degree of financial leverage (DFL)	1.08	1.25	1.93	0.86	0.75	1.07

Reasons for changes in various financial ratios in the most recent two fiscal years. (Analysis is not be required if such changes are within 20%.) In 2017, the increase in quick ratio was resulted mainly from the increase in accounts receivable for the current period. In 2017, the increases in both interest coverage ratio and profitability-related ratios were due mainly to the increase in net profit for the current period. In 2017, the increases in PP&E turnover ratio and total asset turnover ratio were caused mainly by the increase in net sales. In 2017, the decreases in cash flow ratio and cash reinvestment ratio were resulted mainly from the decrease in net cash inflows from operating activities. In 2017, the decrease in degree of operating leverage was due mainly to the increase in operating profit.

Note: The Company began adopting IFRS since 2012. Consolidated financial statements for each fiscal year have been audited and attested by CPAs.

(II) Financial Analysis - Parent Company Only Financial Statements

Analysis item	Year	Financial analysis in the most recent five fiscal years				
		2017	2016	2015	2014	2013
Finance structure (%)	Debt-to-assets ratio	48.13	52.08	51.39	54.86	51.09
	Ratio of long-term capital to property, plant and equipment	291.26	268.83	264.66	281.20	299.63
Solvency (%)	Current ratio	170.55	154.40	154.10	158.29	144.14
	Quick ratio	117.69	96.14	103.15	107.05	66.27
	Interest coverage ratio	23.84	6.34	3.34	(17.45)	2.23
Operating ability	Receivables turnover ratio (times)	10.12	8.66	6.96	8.36	11.78
	Average collection days	36	42	52	44	31
	Inventory turnover ratio (times)	12.59	9.87	10.63	8.01	7.44
	Payables turnover ratio (times)	10.80	10.63	14.78	11.23	10.21
	Average days for sale	29	37	34	46	49
	Property, plant, and equipment (PP&E) turnover ratio (times)	6.76	4.97	5.25	6.00	6.43
	Total asset turnover ratio (times)	1.80	1.39	1.41	1.47	1.47
Profitability	Return on assets (%)	7.17	2.00	1.25	(7.50)	0.40
	Return on equity (%)	13.78	3.58	1.97	(16.69)	0.43
	Net income before income tax-to-paid-in capital ratio (%) (Note 7)	17.54	3.76	2.03	(197.53)	0.58
	Net profit margin (%)	3.82	1.25	0.65	(5.33)	0.16
	Earnings per share (NT$)	1.53	0.37	0.21	(1.93)	0.05
Cash flow	Cash flow ratio (%)	18.40	15.35	55.02	(31.64)	(6.65)
	Cash flow adequacy ratio (%)	35.64	54.09	48.62	5.58	40.40
	Cash reinvestment ratio (%)	3.66	3.23	11.12	(7.46)	(1.81)
Leverage	Degree of operating leverage (DOL)	4.91	127.75	(31.92)	(8.89)	(4.18)
	Degree of financial leverage (DFL)	1.06	(0.87)	0.68	0.86	0.83
Reasons for changes in various financial ratios in the most recent two fiscal years. (Analysis is not be required if uch changes are within 20%.)						

In 2017, the increase in quick ratio was resulted mainly from the increase in accounts receivable for the current period.
In 2017, the increases in both interest coverage ratio and profitability-related ratios were due mainly to the increase in net profit for the current period.
In 2017, the decrease in average days for sale was caused mainly by the increase in cost of goods sold which led to the increase in inventory turnover ratio.
In 2017, the increases in PP&E turnover ratio and total asset turnover ratio were caused mainly by the increase in net sales.
In 2017, the increase in cash flow ratio was resulted mainly from the increase in net cash inflow from operating activities.
In 2017, the decrease in cash flow adequacy ratio was due mainly to the decrease in average net cash inflow from operating activities over a five-year period.
In 2017, the decrease in degree of operating leverage was due mainly to the increase in operating profit.

* If the Company has prepared parent company only financial statements, parent company only financial ratio analysis shall also be prepared.

Note 1: The Company began adopting IFRS since 2012 and parent company only consolidated financial statements for each fiscal year have been audited and attested by CPAs.

Note 2: Financial statements for years that are yet to be audited and attested by CPAs shall be noted.

Note 3: As of the publication date of this annual report, a Company whose shares are listed on the stock exchange or traded over the counter shall disclose their most recent financial information that have been audited and attested or reviewed by CPAs.

Note 4: The following formulas shall be indicated at the end of the annual report:

1. Financial structure
   (1) Liabilities-to-asset ratio = Total liabilities / Total assets.
   (2) Ratio of long-term fund to property, plant and equipment = (Total equity + non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current assets - inventory - prepaid expenses) / Current liabilities
   (3) Interest coverage ratio = Income before income tax and interest expense / Interest expense of the current period
3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable due to business operations) turnover = Net sales / Remaining balance of average receivables for various periods (including accounts receivable and notes receivable due to business operations)
   (2) Average collection days = 365 / Receivables turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Payables (including accounts payable and notes payable due to business operations) turnover ratio = Cost of goods sold / Balance of average payables of various periods (including accounts payable and notes payable due to business operations)
   (5) Average days for sale = 365 / Inventory turnover ratio
   (6) Property, plant and equipment turnover = Net sales / Average property, plant and equipment
   (7) Total asset turnover = Net sales / Average total assets
4. Profitability
   (1) Return on assets = [Net income after tax + interest expense x (1 - tax rate)] / Average total assets
   (2) Return on equity = Net profit (loss) after tax / Average equity
   (3) Net profit margin = Net profit (loss) after tax / Net sales
   (4) Earnings per share = (Net income attributable to owners of the parent company - preferred stock dividend) / Weighted average number of shares outstanding (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five fiscal years / (Capital expenditures + inventory increase + cash dividend) for the most recent five fiscal years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other non-current assets + working capital) (Note 5)
6. Leverage:

(1) Degree of operating leverage (DOL) = (Net operating revenue - variable operating cost and expenses) / Operating profit (Note 6)

(2) Degree of financial leverage (DFL) = Operating profit / (Operating profit - interest expense)

Note 5: Special attention shall be paid to the following matters when using the above calculation formula of earnings per share:

1. Use the weighted average number of common shares, not the number of shares outstanding at the end of the year.
2. Shares from cash capital increase or treasury stock transactions shall be considered when calculating the weighted average number of shares.
3. Capital increase by retained earnings or capital surplus shall be retrospectively adjusted by the proportion of capital increase when calculating the earnings per share for previous annual and semi-annual periods. The issue period for capital increase does not have to be considered.
4. For preferred shares that are not non-convertible cumulative preferred shares, dividends (regardless of whether they are distributed) shall be deducted from net income after taxes or included as net loss after taxes. If the preferred shares are non-cumulative in nature, where net income after taxes is available, preferred share dividends shall be deducted from net income after taxes. No adjustment is required if the Company generates loss after tax.

Note 6: Special attention shall be paid to the following when considering cash flow analysis:

1. Net cash provided by operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflows for capital investments.
3. The increase in inventory is included only if the balance at the end of period is greater than the balance at the beginning of period. If it is the other way around, the number used should be zero.
4. Cash dividends include cash dividends from common and preferred shares.
5. Gross value of PP&E refers to the total value of PP&E minus accumulated depreciation.

Note 7: The issuer shall classify the operating costs and operating expenses as fixed or variable in accordance with their nature. If it involves estimation or subjective judgment, attention shall be paid to its rationality and consistency.

Note 8: Where Company shares have no par value or where the par value per share is not NT$10, any calculation involving paid-in capital and its ratio shall be replaced with the calculation of ratio of equity attributable to the owner of the parent company in the balance sheet.

III. Review reports from supervisors or the Audit Committee on the most recent annual financial statements

(I) Audit Report from Supervisors: Not applicable

(II) Review Report from the Audit Committee

Audit Report by the Audit Committee of Taita Chemical Company, Ltd.

The Audit Committee has completed the review of the 2017 financial statements (including parent company only financial statements and consolidated financial statements) and earnings distribution plan produced by the Board of Directors and audited by CPAs Tzu-Jung Kuo and Shih-Tsung Wu from Deloitte & Touche in accordance with the law, and found no inconsistencies. Please review the Report which has been prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,

2018 Annual General Meeting, Taita Chemical Company, Ltd.

Audit Committee,

Taita Chemicals Co., Ltd.

Independent Director: Tien-Wen Chen

Independent Director: I-Kung Ma

Independent Director: Chi-Ying Juan

March 12, 2018

IV.Financial statements in the most recent fiscal year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Taita Chemical Co., Ltd. as of and for the year ended December 31, 2017, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of Taita Chemical Co., Ltd. and subsidiaries. Consequently, we do not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

TAITA CHEMICAL CO., LTD.

By:

YI-GUI WU
Chairman

March 12, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taita Chemical Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Taita Chemical Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Appropriateness of Revenue Recognition

For the year ended December 31, 2017, the Group's consolidated sales revenue was NT$19,821,042 thousand, which was approximately 21% higher than the consolidated sales revenue for the year ended December 31, 2016 of NT$16,419,055 thousand. The growth of sales revenue is affected by the market demand and rising prices in the international crude oil market. The Group recognized sales revenue based on the delivery of goods and the transfer of significant risks and rewards of ownership. According to the limited concentration of customers and the large volume of transactions, the Group's consolidated financial statement would be influenced by the material misstatement of revenue recognition. Thus, the recognition of revenue is identified as one of the key audit matters.

For the accounting policy and judgments related to revenue recognition, refer to Note 4 to the consolidated financial statements.

Our main audit procedures performed in respect of the above key audit matter included the following:

1. Understood and tested the design and operating effectiveness of revenue recognition, and evaluated the appropriateness of accounting policies of revenue recognition used by the Group's management;

2. Sampled the transaction documents of sales revenue, including purchase orders, shipping documents, billings of orders, and receipt documents, to confirm whether the significant risks and rewards of ownership of the goods had been transferred to the buyer and to confirm the rationality of the timing of revenue recognition on specific sales;

3. Sampled the collections after the balance sheet date to confirm the reasonableness of revenue recognition and consistency between the sales target and recipient.

Recognition of Net Defined Benefit Liabilities

As of December 31, 2017, the carrying amount of net defined benefit liabilities was estimated to be NT$604,347 thousand and account for 12% of the total liabilities for the consolidated financial statements as a whole. The amount of net defined benefit liabilities comes from actuaries' reports. The underlying assumptions utilized in the actuarial report were dependent on management's judgment and estimates, which are highly uncertain. Thus, the recognition of net defined benefit liabilities, in our professional judgment, is identified as one of the key audit matters.

For the estimates and judgments related to the recognition of net defined benefit liabilities, refer to Notes 4, 5 and 23 to the consolidated financial statements.

Our main audit procedures performed in respect of the above key audit matter included the following:

1. Evaluated the professional capacity, competency, objectivity and qualification of the independent actuaries engaged by management.

2. Understood and tested the reasonability of the information which management used in the actuarial analyses.

3. Compared the methodology and major assumption, including discount rates and expected wage growth rates, along with market sensitive information and specific historical data, used by management in order to assess the appropriateness of management's judgment.

Other Matter

We have also audited the parent company only financial statements of Taita Chemical Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih-Tsung Wu and Tzu-Jung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2018

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

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 504,846	6	$ 606,623	7
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	306,110	4	405,241	5
Debt investments with no active market - current (Notes 10 and 31)	92,292	1	99,224	1
Notes receivable (Notes 5 and 11)	680,817	8	558,126	7
Accounts receivable (Notes 5 and 11)	2,226,772	25	1,622,533	19
Accounts receivable from related parties (Notes 11 and 30)	4,058	-	13,630	-
Other receivables (Note 11)	117,172	1	84,493	1
Other receivables from related parties (Notes 11 and 30)	5,803	-	6,970	-
Current tax assets (Note 26)	778	-	1,849	-
Inventories (Note 12)	1,263,858	14	1,404,896	17
Prepayments (Notes 18, 19 and 31)	110,466	1	121,635	1
Other current assets	252	-	1,393	-
Total current assets	5,313,224	60	4,926,613	58
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 8)	242,944	3	233,686	3
Financial assets measured at cost - non-current (Note 9)	2,683	-	6,016	-
Investments accounted for using the equity method (Note 14)	524,732	6	491,902	6
Property, plant and equipment (Notes 15, 19 and 31)	2,418,756	28	2,444,205	29
Investment properties (Notes 16, 19 and 31)	108,178	1	108,178	1
Other intangible assets (Note 17)	11,068	-	16,159	-
Deferred tax assets (Notes 5 and 26)	129,546	2	187,292	2
Long-term prepayments for leases (Notes 18, 19 and 31)	37,082	-	39,119	1
Other non-current assets (Note 31)	23,222	-	23,650	-
Total non-current assets	3,498,211	40	3,550,207	42
TOTAL	$ 8,811,435	100	$ 8,476,820	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15, 16, 18, 19 and 31)	$ 1,071,568	12	$ 1,380,376	16
Short-term bills payable (Note 19)	189,923	2	349,908	4
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	624	-	1,593	-
Accounts payable (Note 20)	1,443,241	17	1,207,219	14
Accounts payable from related parties (Notes 20 and 30)	495	-	489	-
Other payables (Note 21)	327,767	4	254,742	3
Other payables from related parties (Note 30)	8,588	-	22,258	-
Current tax liabilities (Note 26)	74,505	1	27,608	1
Provisions - current (Note 22)	1,179	-	1,102	-
Other current liabilities	14,663	-	15,445	-
Total current liabilities	3,132,553	36	3,260,740	38
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15, 16, 18, 19 and 31)	1,000,000	11	1,000,000	12
Deferred tax liabilities (Note 26)	161,402	2	160,776	2
Net defined benefit liabilities - non-current (Notes 5 and 23)	604,347	7	667,294	8
Other non-current liabilities	7,583	-	8,892	-
Total non-current liabilities	1,773,332	20	1,836,962	22
Total liabilities	4,905,885	56	5,097,702	60
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 24)				
Share capital	3,276,518	37	3,276,518	39
Capital surplus	469	-	469	-
Retained earnings				
Special reserve	308,061	4	308,061	4
Unappropriated earnings (accumulated deficits)	197,920	2	(289,879)	(4)
Total retained earnings	505,981	6	18,182	-
Other equity	122,582	1	83,949	1
Total equity	3,905,550	44	3,379,118	40
TOTAL	$ 8,811,435	100	$ 8,476,820	100

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 22 and 30)	$ 19,821,042	100	$ 16,419,055	100
OPERATING COSTS (Notes 12, 15, 23, 25 and 30)	18,387,338	92	15,473,799	94
GROSS PROFIT	1,433,704	8	945,256	6
OPERATING EXPENSES (Notes 11, 15, 23, 25 and 30)				
Selling and marketing expenses	523,996	3	475,748	3
General and administrative expenses	212,471	1	219,600	2
Research and development expenses	21,291	-	18,477	-
Total operating expenses	757,758	4	713,825	5
PROFIT FROM OPERATIONS	675,946	4	231,431	1
NON-OPERATING INCOME AND EXPENSES (Notes 7, 8, 9, 10, 14, 15, 16, 25 and 30)				
Other income	89,154	-	65,344	-
Other gains and losses	(75,913)	-	(73,835)	-
Share of profit of associates	37,599	-	21,379	-
Finance costs	(48,934)	-	(47,000)	-
Total non-operating income and expenses	1,906	-	(34,112)	-
PROFIT BEFORE INCOME TAX	677,852	4	197,319	1
INCOME TAX EXPENSE (Note 26)	175,773	1	76,442	-
NET PROFIT FOR THE YEAR	502,079	3	120,877	1
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 14, 23, 24 and 26):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(16,836)	-	(36,316)	-
Share of the other comprehensive loss of associates accounted for using the equity method	(306)	-	(3,440)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,862	-	6,174	-
	(14,280)	-	(33,582)	-

(Continued)

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ 17,342	-	$ (156,886)	(1)
Unrealized gain on available-for-sale financial assets	12,684	-	41,824	-
Share of the other comprehensive income of associates accounted for using the equity method	11,630	-	4,189	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(3,023)	-	27,613	-
	38,633	-	(83,260)	(1)
Other comprehensive income (loss) for the year, net of income tax	24,353	-	(116,842)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 526,432	3	$ 4,035	-
EARNINGS PER SHARE (Note 27)				
Basic	$ 1.53		$ 0.37	
Diluted	$ 1.53		$ 0.37	

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 8, 14, 23 and 24)									
				Retained Earnings (Accumulated Deficits)			Other Equity			
	Share Capital - Ordinary Shares									
	Shares (In Thousands)	Amount	Capital Surplus	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Total	Total Equity
BALANCE AT JANUARY 1, 2016	327,652	$ 3,276,518	$ 469	$ 308,061	$ (377,174)	$ (69,113)	$ 45,413	$ 121,796	$ 167,209	$ 3,375,083
Net profit for the year ended December 31, 2016	-	-	-	-	120,877	120,877	-	-	-	120,877
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(33,582)	(33,582)	(137,708)	54,448	(83,260)	(116,842)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	87,295	87,295	(137,708)	54,448	(83,260)	4,035
BALANCE, DECEMBER 31, 2016	327,652	3,276,518	469	308,061	(289,879)	18,182	(92,295)	176,244	83,949	3,379,118
Net profit for the year ended December 31, 2017	-	-	-	-	502,079	502,079	-	-	-	502,079
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(14,280)	(14,280)	13,911	24,722	38,633	24,353
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	487,799	487,799	13,911	24,722	38,633	526,432
BALANCE, DECEMBER 31, 2017	327,652	$ 3,276,518	$ 469	$ 308,061	$ 197,920	$ 505,981	$ (78,384)	$ 200,966	$ 122,582	$ 3,905,550

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 677,852	$ 197,319
Adjustments for:		
Depreciation expenses	180,844	186,413
Amortization expenses	5,091	7,177
Impairment losses on accounts receivable	8,113	4,027
Net loss on fair value change of financial assets and liabilities held for trading	28,343	11,019
Finance costs	48,934	47,000
Interest income	(12,461)	(18,525)
Dividend income	(7,262)	(7,262)
Share of profit of associates	(37,599)	(21,379)
Loss on disposal of property, plant and equipment	1,155	584
Amortization of prepayments for leases	1,229	1,325
Gain on disposal of investments	(3,311)	(5,069)
Impairment loss recognized on financial assets	3,035	-
Write-down of inventories	5,400	-
(Gain) loss on foreign exchange, net	(7,614)	14,302
Recognition of provisions	9,490	8,243
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	67,739	367,326
Notes receivable	(133,031)	205,216
Accounts receivable	(636,562)	48,368
Accounts receivable from related parties	9,572	(7,044)
Other receivables	(33,415)	21,291
Other receivables from related parties	1,106	(2,770)
Inventories	119,695	(223,149)
Prepayments	11,963	(39,241)
Other current assets	788	381
Accounts payable	241,234	261,501
Accounts payable from related parties	6	(715)
Other payables	72,316	1,792
Other payables from related parties	(13,321)	(1,662)
Other current liabilities	(960)	(4,584)
Net defined benefit liabilities	(79,783)	7,022
Cash generated from operations	528,586	1,058,906
Interest received	12,667	18,756
Interest paid	(51,506)	(48,139)
Income tax paid	(69,380)	(46,284)
Net cash generated from operating activities	420,367	983,239

(Continued)

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	$ -	$ (172)
Proceeds from sale of available-for-sale financial assets	6,737	190
Increase in debt investments with no active market	-	(1,000)
Decrease in debt investments with no active market	9,956	204,405
Proceeds from return of capital of financial assets measured at cost	-	7,914
Payments for property, plant and equipment	(162,378)	(184,789)
Proceeds from disposal of property, plant and equipment	194	200
Decrease (increase) in refundable deposits	356	(5,792)
Payments for intangible assets	-	(240)
Dividends received	23,356	16,543
Net cash (used in) generated from investing activities	(121,779)	37,259
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(237,534)	(1,023,901)
(Decrease) increase in short-term bills payable	(160,000)	50,000
Proceeds from long-term borrowings	8,100,000	3,400,000
Repayments of long-term borrowings	(8,100,000)	(3,400,000)
(Decrease) increase in other non-current liabilities	(1,178)	1,082
Net cash used in financing activities	(398,712)	(972,819)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(1,653)	(27,096)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(101,777)	20,583
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	606,623	586,040
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 504,846	$ 606,623

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taita Chemical Co., Ltd. (the "Company") was established and began operations in April 1960. The Company designs, develops, and sells chemical products like EPS, ABS and PS plastic resins. Other products include SAN resins, glasswool and cubic printing, all of which are widely used in consumer-oriented and industrial applications. The Company's parent company is USI Corporation, which held indirectly 36.79% of the ordinary shares of the Company as of December 31, 2017 and 2016. USI Corporation has operational control over the Company.

The ordinary shares of the Company has been listed on the Taiwan Stock Exchange since 1986.

The functional currency of the Company is the New Taiwan dollar, and the consolidated financial statements of the Company and its subsidiaries, collectively referred to as the "Group", are presented in the Company's functional currency.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 12, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

<u>Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 30 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

<u>IFRS 9 "Financial Instruments" and related amendments</u>

<u>Classification, measurement and impairment of financial assets</u>

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

1) For debt instruments held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

2) For debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

1) Listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead; and

2) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for accounts receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for accounts receivables. In relation to debt instrument investments, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Debt investments with no active market	$ 92,292	$ (92,292)	$ -
Financial assets measured at amortized cost - current	-	92,292	92,292
Available-for-sale financial assets - non-current	242,944	(242,944)	-
Financial assets measured at cost - non-current	2,683	(2,683)	-
Financial assets at fair value through other comprehensive income - non-current	-	248,047	248,047
Total effect on assets	$ 337,919	$ 2,420	$ 340,339
Retained earnings	$ -	$ 35,762	$ 35,762
Unrealized gain on available-for-sale financial assets	200,966	(200,966)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments	-	167,624	167,624
Total effect on equity	$ 200,966	$ 2,420	$ 203,386

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed and determined that the application of other standards and interpretations will not have a significant influence on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

(Concluded)

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 13 and Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, production supplies, finished goods, inventory in transit and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to Group.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent that the interests in the associate are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost and include transaction costs for land. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 29.

ii. Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

For financial assets measured at amortized cost, such as notes receivable, accounts receivable, and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment as follow:

i. Significant financial difficulty of the issuer or counterparty;

ii. Breach of contract, such as a default or delinquency in interest or principal payments;

iii. It becoming probable that the borrower will enter bankruptcy or financial re-organization; or

iv. The disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of notes receivable, accounts receivable, and other receivables, where the carrying amount is reduced through the use of an allowance account. When notes receivable, accounts receivable, and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable notes receivable, accounts receivable, and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except financial assets at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The provision for sales returns and allowances is an estimate, based on previous experience, management judgment, and relevant factors, of the possible amounts needed to settle sales returns and provisions and is treated as a reduction of sales revenues in the period in which the corresponding sales are made.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar provisions.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Impairment of tangible and intangible assets

The impairment of tangible and intangible assets is based on the impact of plastic industry and the recoverable amounts of those assets, which is the higher of their fair values less costs of disposal and their values in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to recognition of additional impairment losses or reversals of impairment losses.

b. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities. Refer to Note 23 for the carrying amount of retirement benefit costs and net defined benefit liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand and petty cash	$ 805	$ 946
Checking accounts and demand deposits	504,041	457,505
Cash equivalents		
Time deposits with original maturities of less than 3 months	-	135,773
Reverse repurchase agreements collateralized by bonds	-	12,399
	$ 504,846	$ 606,623

The market rate or interval of market rates of cash equivalents at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Time deposits	-	0.08%-1.50%
Repurchase agreements collateralized by bonds	-	0.32%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) - CURRENT

	December 31	
	2017	**2016**
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 1,828	$ -
Non-derivative financial assets		
Beneficiary securities	231,282	260,825
Mutual funds and beneficiary certificates	73,000	144,416
	304,282	405,241
Financial assets at FVTPL	$ 306,110	$ 405,241
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 624	$ 1,593

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017			
Sell	USD/NTD	2018.01.03-2018-04.03	USD19,000/NTD566,338
December 31, 2016			
Sell	USD/NTD	2017.01.13-2017.01.25	USD2,800/NTD88,596

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. As these contracts did not meet the criteria of hedge accounting, and therefore, the Group did not apply hedge accounting treatments for these derivative contracts.

The net loss arising from financial assets at FVTPL for the years ended December 31, 2017 and 2016 was $11,942 thousand and $1,389 thousand, respectively. The net loss arising from financial liabilities at FVTPL for the years ended December 31, 2017 and 2016 was $1,505 thousand and $4,306 thousand, respectively.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2017	2016
Domestic investments		
Listed shares		
USI Corporation	$ 242,944	$ 230,192
Wafer Works Corporation ("WAFER")	-	3,494
	$ 242,944	$ 233,686

The Group sold 243 thousand shares and 15 thousand shares of WAFER in 2017 and 2016, and the gain (loss) on the disposal of investments was $3,311 thousand and $(24) thousand, respectively.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted ordinary shares		
Harbinger Venture Capital ("HARBINGER")	$ 1,700	$ 1,700
Overseas unlisted ordinary shares		
Budworth Investment Ltd. ("BUDWORTH")	983	1,065
Teratech Corporation ("TERATECH")	-	3,251

(Continued)

	December 31	
	2017	2016
Overseas unlisted preference shares		
Sohoware Inc. ("SOHOWARE")	-	-
	$ 2,683	$ 6,016
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 2,683	$ 6,016

(Concluded)

Management believes that the above unlisted equity investments held by the Group had fair values that cannot be reliably measured because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Group received a return on capital from HARBINGER in the amount of $1,050 thousand in July 2016.

The Group received a return on capital from BUDWORTH in the amount of $6,864 thousand in July 2016.

The Group recognized a $3,035 thousand impairment loss on TERATECH after evaluating its financial position, which caused the carrying amount of the investment to be zero in 2017.

The Group recognized impairment losses on SOHOWARE over the years, which caused the carrying amount of the investment to be zero at the years end of 2017 and 2016.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2017	2016
Pledged deposits (a)	$ 89,292	$ 44,734
Structured deposits (b)	-	46,490
Pledged time deposits (c)	3,000	8,000
	$ 92,292	$ 99,224

a. As of December 31, 2017 and 2016, the market interest rate of pledged deposits was 0.35% per annum.

b. Structured deposits are a means to lift the efficiency of working capital. As of December 31, 2016, outstanding structured deposits were as follows (As of December 31, 2017: None):

	Maturity Date	Foreign Amount (In Thousands)	Interest Rate	Amount (In Thousands)
December 31, 2016				
Structure deposits	2017/02	RMB 10,000	2.65%	$ 46,490

Interest revenue on structure deposits for the years ended December 31, 2017 and 2016 were $765 thousand and $3,960 thousand, respectively.

c. As of December 31, 2017 and 2016, the range of market interest rates on the pledged time deposits were 0.62%-0.94% and 0.62%-1.01% per annum, respectively.

d. Refer to Note 31 for information related to pledged debt investments with no active market.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable (a)		
Notes receivable - operating	$ 680,817	$ 558,126
Accounts receivable (a)		
Accounts receivable	$ 2,298,428	$ 1,687,515
Less: Allowance for impairment loss	(71,656)	(64,982)
	$ 2,226,772	$ 1,622,533
Accounts receivable from related parties (a) (Note 30)	$ 4,058	$ 13,630
Other receivables		
VAT refund receivables	$ 61,945	$ 58,854
Compensation receivables (b)	54,654	25,438
Others	573	201
	$ 117,172	$ 84,493
Other receivables from related parties (Note 30)	$ 5,803	$ 6,970

a. Notes receivable and accounts receivable

The average credit period of sales of goods is between 30 and 90 days. No interest is charged on receivables. In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period. The amounts that were overdue more than 60 days might not be recoverable based on historical experience, so the Group evaluates its allowance for doubtful amounts according to its past default experience with the counterparties and based on an analysis of their current financial positions. For part of the accounts receivable, the Group entered into a credit insurance contract to enhance its guarantee. Therefore, the Group considered the recoverable amount of the insurance contract when determining the amount of allowance for impairment loss.

Before accepting new customers, the Group takes client evaluation results generated by the internal system into consideration to measure the potential customer's credit quality and define the customer's credit limit. Customer credit limits and ratings are reviewed periodically. Thus, the accounts receivable that have not been overdue and impaired are mainly from customers who have long-term relationships and good credit records with the Group.

The aging of receivables (including related parties) was as follows:

	December 31 2017	December 31 2016
Not past due	$ 2,839,610	$ 2,132,764
Past due within 60 days	83,557	43,860
Past due over 60 days	60,136	82,647
	$ 2,983,303	$ 2,259,271

The above aging schedule was based on the number of days past due from the end of the credit term.

The aging of receivables that were past due but not impaired was as follows:

	December 31 2017	December 31 2016
Past due within 60 days	$ 83,557	$ 43,860
Past due over 60 days	6,846	21,784
	$ 90,403	$ 65,644

The above aging schedule was based on the number of days past due from the end of the credit term.

For the accounts receivable that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality of those receivables and the amounts were considered recoverable.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 58,973	$ 7,263	$ 66,236
Add: Impairment losses recognized on receivables	205	3,822	4,027
Less: Amounts written off during the year as uncollectible	(4,592)	-	(4,592)
Effect of exchange rate changes	(35)	(654)	(689)
Balance at December 31, 2016	$ 54,551	$ 10,431	$ 64,982
Balance at January 1, 2017	$ 54,551	$ 10,431	$ 64,982
Add: Impairment losses recognized on receivables	230	7,883	8,113
Less: Amounts written off during the year as uncollectible	(1,494)	-	(1,494)
Effect of exchange rate changes	3	52	55
Balance at December 31, 2017	$ 53,290	$ 18,366	$ 71,656

The carrying amount of impairment losses on the receivables individually assessed for impairment mainly stem from difficulties with fund dispatching of customers and from receivables which were past due over a long time. The Group didn't hold any collateral for these receivables.

As of December 31, 2017 and 2016, no single customer's receivables exceeded 10% of the total amount of all receivables.

The concentration of credit risk is limited because the Group's customer base is vast and unrelated to each other.

b. Compensation receivables

The subsidiary, Taita Chemical (Tianjin) Co., Ltd. ("TTC (TJ)"), was involved in a fire in August 2015. The Group conducted an investigation and loss estimation after the local Public Security Bureau lifted the accident site blockade. In December 2016, the Group received a prepaid compensation of RMB3,000 thousand (around $13,947 thousand) from the insurance company. According to the final acceptance arrangement signed by TTC (TJ) and the insurance company, the final compensation was RMB15,000 thousand, including a prepaid compensation of RMB3,000 thousand, which was around $68,319 thousand. Thus, TTC (TJ) recognized the related insurance compensation income of $29,872 thousand in 2017 (refer to Note 25-a. "Other income").

12. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 600,588	$ 707,296
Work in progress	124,099	131,042
Raw materials	496,349	404,629
Production supplies	48,822	42,816
Inventory in transit	-	119,113
	$ 1,263,858	$ 1,404,896

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016, was $18,387,338 thousand and $15,473,799 thousand, respectively.

The cost of goods sold included inventory write-downs of $5,400 thousand for the year ended December 31, 2017.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Proportion of Ownership December 31		
Investor	Investee	Nature of Activities	2017	2016	Remark
The Company	Taita (BVI) Holding Co., Ltd. ("TTC (BVI)")	Reinvestment	100%	100%	a
TTC (BVI)	Taita Chemical (Zhongshan) Co., Ltd. ("TTC (ZS)")	Production and marketing of polystyrene derivatives	100%	100%	b
	Taita Chemical (Tianjin) Co., Ltd. ("TTC (TJ)")	Production and marketing of polystyrene derivatives	100%	100%	c

Remark:

a. As of December 31, 2017, the capital of TTC (BVI) was US$61,738 thousand.

b. As of December 31, 2017, the amount invested in TTC (ZS) was US$43,000 thousand. TTC (ZS) distributed share dividends of US$3,250 thousand from retained earnings in 2007. As of December 31, 2017, the capital of TTC (ZS) was US$46,250 thousand.

c. As of December 31, 2017, the amount invested in TTC (TJ) was US$26,000 thousand. TTC (TJ) distributed share dividends of US$1,350 thousand from retained earnings in 2012. As of December 31, 2017, the capital of TTC (TJ) was US$27,350 thousand.

Subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the subsidiaries' financial statements which have been audited for the same years.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in associates that are not individually material		
Listed shares		
China General Plastics Corporation ("CGPC")	$ 154,719	$ 146,179
Acme Electronics Corp. ("ACME")	33,212	35,992
Unlisted shares		
China General Terminal & Distribution Co ("CGTD")	272,509	243,047
Acme Electronics (Cayman) Corp. ("ACME (Cayman)")	61,788	64,093
Thintec Materials Corporation ("TMC")	2,504	2,591
	$ 524,732	$ 491,902

Aggregate information of associates that are not individually material as follows:

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Profit from continuing operations	$ 37,599	$ 21,379
Other comprehensive income	11,324	749
Total comprehensive income for the year	$ 48,923	$ 22,128

The proportion of the Group's ownership and voting rights of the associates were as follows:

	December 31	
Name of Associate	2017	2016
CGPC	1.98%	1.98%
ACME	2.44%	2.44%
CGTC	33.33%	33.33%
ACME (Cayman)	5.39%	5.39%
TMC	10.00%	10.00%

Refer to Table 7 "Information on Investees" for the nature of activities, major areas of business and countries of registration of the associates.

The Group with its affiliates jointly held more than 20% of the shareholdings of CGPC, ACME, ACME (Cayman) and TMC and had significant influence over each entity. Therefore, the Group adopted the equity method to evaluate the above investments.

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

	December 31	
Name of Associate	**2017**	**2016**
CGPC	$ 315,940	$ 226,740
ACME	$ 81,788	$ 54,229

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the associates' financial statements which have been audited for the same years.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost							
Balance at January 1, 2016	$ 634,432	$ 1,359,608	$ 4,669,319	$ 48,992	$ 369,027	$ 154,931	$ 7,236,309
Additions	-	-	829	-	2,022	179,547	182,398
Disposals	-	(10,990)	(128,056)	(2,012)	(4,230)	-	(145,288)
Internal transfers	-	18,362	128,551	1,314	5,808	(154,035)	-
Effects of foreign currency exchange differences	-	(41,183)	(90,553)	(1,586)	(5,316)	(2,842)	(141,480)
Balance at December 31, 2016	$ 634,432	$ 1,325,797	$ 4,580,090	$ 46,708	$ 367,311	$ 177,601	$ 7,131,939
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 774,429	$ 3,607,636	$ 40,045	$ 310,480	$ -	$ 4,732,590
Disposals	-	(5,148)	(122,619)	(1,608)	(3,760)	-	(133,135)
Depreciation expenses	-	47,048	117,614	2,977	18,774	-	186,413
Effects of foreign currency exchange differences	-	(20,885)	(71,897)	(1,184)	(4,168)	-	(98,134)
Balance at December 31, 2016	$ -	$ 795,444	$ 3,530,734	$ 40,230	$ 321,326	$ -	$ 4,687,734
Carrying amounts at December 31, 2016	$ 634,432	$ 530,353	$ 1,049,356	$ 6,478	$ 45,985	$ 177,601	$ 2,444,205
Cost							
Balance at January 1, 2017	$ 634,432	$ 1,325,797	$ 4,580,090	$ 46,708	$ 367,311	$ 177,601	$ 7,131,939
Additions	-	-	3,013	-	2,587	161,687	167,287
Disposals	-	-	(16,895)	(2,662)	(1,468)	-	(21,025)
Internal transfers	-	6,473	136,098	-	3,110	(145,681)	-
Effects of foreign currency exchange differences	-	(9,607)	(21,340)	(372)	(1,201)	(854)	(33,374)
Balance at December 31, 2017	$ 634,432	$ 1,322,663	$ 4,680,966	$ 43,674	$ 370,339	$ 192,753	$ 7,244,827
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 795,444	$ 3,530,734	$ 40,230	$ 321,326	$ -	$ 4,687,734
Disposals	-	-	(15,701)	(2,662)	(1,312)	-	(19,675)
Depreciation expenses	-	45,101	120,355	2,211	13,177	-	180,844
Effects of foreign currency exchange differences	-	(4,849)	(16,761)	(261)	(961)	-	(22,832)
Balance at December 31, 2017	$ -	$ 835,696	$ 3,618,627	$ 39,518	$ 332,230	$ -	$ 4,826,071
Carrying amounts at December 31, 2017	$ 634,432	$ 486,967	$ 1,062,339	$ 4,156	$ 38,109	$ 192,753	$ 2,418,756

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Factories	20, 30, 35, 40 and 55 years
Offices and laboratories	26 to 35 years
Storage rooms	20 to 25 years
Storage tank rooms	8 to 20 years
Others	2 to 9 years
Machinery and equipment	
Environment protection equipment	15 to 20 years
Monitoring equipment	11 to 15 years
Storage tank and pipeline systems	10 to 15 years
Production and packaging equipment	8 to 15 years
Power systems	7 to 15 years
Others	2 to 8 years
Transportation equipment	5 to 15 years
Other equipment	2 to 15 years

Property, plant and equipment pledged as collateral for bank borrowing are set out in Notes 19 and 31.

16. INVESTMENT PROPERTIES

	December 31	
	2017	**2016**
Land	$ 108,178	$ 108,178

Management was unable to reliably measure the fair value of investment properties located in Qianzhen District, Xingbang Section and Linyuan Industrial Park, because the fair value for comparable properties is inactive and alternative reliable measurements of fair value are not available. Therefore, the Group concluded that the fair value of the investment properties is not reliably measurable.

The property located in Qianzhan District has been leased to CGTD. The rental was $1,512 thousand per month, which is based on the actual usable area. Refer to Notes 25 and 30.

Part of above investment properties pledged as collateral for bank borrowing are set out in Notes 19 and 31.

17. INTANGIBLE ASSETS

	December 31	
	2017	**2016**
Carrying amount by function		
Information systems	$ 1,066	$ 4,557
Design expenses for factories	10,002	11,602
	$ 11,068	$ 16,159

Intangible assets were amortized using the straight-line basis over their estimated useful lives of 3 to 10 years.

18. PREPAYMENTS FOR LEASES

	December 31	
	2017	2016
Current assets (included in prepayments)	$ 1,242	$ 1,268
Non-current assets	$ 37,082	$ 39,119

The carrying amount of prepared lease payments include land use rights located in mainland China.

Part of the land use rights pledged as collateral for borrowings are set out in Notes 19 and 31.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Secured borrowings		
Bank loans (1)	$ 230,781	$ 322,501
Unsecured borrowings		
Line of credit borrowings (2)	840,787	1,057,875
	$ 1,071,568	$ 1,380,376

1) The range of interest rates on bank loans was 2.91%-4.79% and 1.95%-2.38% per annum as of December 31, 2017 and 2016, respectively.

2) The range of interest rates on line of credit borrowings was 0.85%-2.55% and 0.91%-2.05% per annum as of December 31, 2017 and 2016, respectively.

TTC (ZS) entered into a short-term financing contract with Bank of China Limited to increase working capital. The credit limit was RMB130,000 thousand and matured on May 31, 2017. The contract has been extended to April 30, 2018 and the credit limit has been adjusted to RMB100,000 thousand. Refer to property, plant and equipment and land use rights pledged as collateral in Notes 15, 18 and 31. As of December 31, 2017, TTC (ZS) has borrowed RMB18,000 thousand (As of December 31, 2016: None).

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper	$ 190,000	$ 350,000
Less: Unamortized discount on bills payable	(77)	(92)
	$ 189,923	$ 349,908

Outstanding short-term bills payables were as follows:

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
International Bills Finance Corporation	$ 100,000	$ 36	$ 99,964	0.66%
Taiwan Finance Corporation	90,000	41	89,959	0.70%
	$ 190,000	$ 77	$ 189,923	

December 31, 2016

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
China Bills Finance Corporation	$ 100,000	$ 20	$ 99,980	0.49%
MEGA Bills Finance Co., Ltd.	100,000	22	99,978	0.60%
Taiwan Cooperative Bills Finance Corporation	100,000	34	99,966	0.70%
Ta Ching Bills Finance Corporation	50,000	16	49,984	0.56%
	$ 350,000	$ 92	$ 349,908	

c. Long-term borrowings

	December 31	
	2017	2016
Secured borrowings		
Chang Hwa Commercial Bank - interest rates were 1.10% and 1.20% as of December 31, 2017 and 2016, respectively. During the 5-years contract validity period, the limit is used cyclically, and the principal is paid at maturity.	$ 900,000	$ 700,000
Unsecured borrowings		
O-Bank - interest rates were 1.20% as of both December 31, 2017 and 2016. During the 3-years contract validity period, the limit is used cyclically, and the principal is paid at maturity.	100,000	300,000
	$ 1,000,000	$ 1,000,000

The Group entered into a long-term financing contract in November 2012 with Chang Hwa Commercial Bank for 5 years to increase working capital. The contract was extended to July 2018 in 2015 and was further extended to June 2021 in 2017 with a credit limit of $1,000,000 thousand, which is used cyclically during the validity period. The Group provided property located in Qianzhen District pledged as collateral (refer to Notes 15, 16 and 31). As of December 31, 2017, the Group has borrowed $900,000 thousand.

The Group entered into a long-term financing contract in October 2013 with O-Bank, formerly Taiwan Industrial Bank, for 3 years. The contract was extended to October 2018 in 2015 and was further extended to October 2020 in 2017 with a credit limit of $300,000 thousand, which is used cyclically during the validity period. As of December 31, 2017, the Group has borrowed $100,000 thousand.

20. ACCOUNTS PAYABLE

	December 31	
	2017	2016
Accounts payable (including related parties)		
Operating (Note 30)	$ 1,443,736	$ 1,207,708

The average payment period for the Group's accounts payable is between 30 and 45 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. OTHER PAYABLES

	December 31	
	2017	2016
Payables for salaries and bonuses	$ 143,070	$ 102,976
Payables for transportation fees	54,116	41,284
Payables for utilities	32,356	31,015
Payables for purchases of equipment	21,303	16,667
Payables for taxes	21,128	4,294
Payables for insurance	9,593	7,807
Payables for professional service expenses	7,450	7,604
Others	38,751	43,095
	$ 327,767	$ 254,742

22. PROVISIONS - CURRENT

	December 31	
	2017	2016
Customer returns and rebates	$ 1,179	$ 1,102

Customer returns and rebates are as follows:

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 1,102	$ 1,305
Additional provisions recognized	9,490	8,243
Usage	(9,413)	(8,446)
Balance at December 31	$ 1,179	$ 1,102

The provision for customer returns and rebates is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the year. The provision is recognized as a reduction of operating income in the periods in which the related goods are sold.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries, TTC (ZS) and TTC (TJ), in mainland China are members of a state-managed retirement benefit plans operated by the government of mainland China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries over the 6 months before retirement. Since November 1986, the Company contributed a specific rate (currently 12%) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 722,583	$ 764,835
Fair value of plan assets	(118,236)	(97,541)
Net defined benefit liabilities	$ 604,347	$ 667,294

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2016	$ 753,879	$ (129,923)	$ 623,956
Service cost			
Current service cost	8,357	-	8,357
Net interest expense (income)	10,230	(1,721)	8,509
Recognized in profit or loss	18,587	(1,721)	16,866

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 905	$ 905
Actuarial loss - changes in demographic assumptions	1,921	-	1,921
Actuarial loss - changes in financial assumptions	22,918	-	22,918
Actuarial loss - experience adjustments	10,572	-	10,572
Recognized in other comprehensive income	35,411	905	36,316
Contributions from the employer	-	(9,844)	(9,844)
Benefits paid	(43,042)	43,042	-
Balance at December 31, 2016	$ 764,835	$ (97,541)	$ 667,294
Balance at January 1, 2017	$ 764,835	$ (97,541)	$ 667,294
Service cost			
Current service cost	7,188	-	7,188
Net interest expense (income)	7,399	(791)	6,608
Recognized in profit or loss	14,587	(791)	13,796
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(224)	(224)
Actuarial loss - changes in demographic assumptions	478	-	478
Actuarial loss - experience adjustments	16,582	-	16,582
Recognized in other comprehensive income	17,060	(224)	16,836
Contributions from the employer	-	(93,579)	(93,579)
Benefits paid	(73,899)	73,899	-
Balance at December 31, 2017	$ 722,583	$ (118,236)	$ 604,347

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 10,937	$ 13,475
Selling and marketing expenses	1,419	1,676
General and administrative expenses	1,012	1,229
Research and development expenses	428	486
	$ 13,796	$ 16,866

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate of a 2-year time deposit with local banks.

2) Interest risk: A decrease in government bond interest rates will increase the present value of the defined benefit obligation, however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate	1.000%	1.000%
Expected rate of salary increase	2.250%	2.250%

If possible reasonable changes in each of the significant actuarial assumptions were to occur and all other assumptions were to remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	**2016**
Discount rate		
0.25% increase	$ (14,084)	$ (15,406)
0.25% decrease	$ 14,526	$ 15,905
Expected rate of salary increase		
0.25% increase	$ 14,093	$ 15,433
0.25% decrease	$ (13,737)	$ (15,029)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company expects to make contributions of $342,121 thousand to the defined benefit plans in the next year starting from December 31, 2017. The weighted average duration of the defined benefit obligation is 8.1 years.

24. EQUITY

a. Share capital

	December 31	
	2017	2016
Number of shares authorized and issued (in thousands)	327,652	327,652
Shares issued and fully paid	$ 3,276,518	$ 3,276,518

The ordinary shares issued have a denomination of $10 per share. Each share carries the rights to vote and receive dividends.

b. Capital surplus

Capital surplus arising from the issuance of ordinary shares (including share premiums) and donated capital may be used to offset a deficit, in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and once a year).

Capital surplus arising from investments in subsidiaries and associates accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 13, 2016 and, in that meeting, resolved amendments to the Company’s Articles of Incorporation (the “Articles”), particularly the amendment to the policy on dividends distribution and the addition of the policy on the distribution of employees’ compensation.

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees’ compensation and remuneration of directors after the amendment, refer to “Employees’ compensation and remuneration of directors” in Note 25-g.

According to the provisions of the Company's Articles, the Company in order to take R&D needs and diversification of operations into consideration, dividends shall not be less than 10% of the distributable earnings in the current year, of which the cash dividends shall not be less than 10% of the total dividends. However, if the distributable earnings for the current year is less than $0.1 per share, it shall not be distributed.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company.

The board of directors held regular meetings on June 16, 2017 and June 13, 2016 and resolved to offset accumulated deficits of previous years with net profit in the amount of $120,877 thousand and $67,525 thousand for the years ended December 31, 2016 and 2015, respectively.

The appropriation of earnings for 2017 was proposed by the Company's board of directors on March 12, 2018. After evaluating the Company's business conditions and operating needs, excluding the decision to offset accumulated deficits of $289,879 thousand with net profit in the amount of $502,079 thousand and appropriate a legal reserve in the amount of $21,220 thousand, in accordance with the laws and regulations, no cash dividends or share dividends will be distributed.

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 22, 2018.

d. Special reserve

The Company reserved a special reserve on the first-time adoption of IFRSs as follows:

	December 31	
	2017	**2016**
Special reserve	$ 308,061	$ 308,061

The Company's amount of unrealized revaluation gain and cumulative adjustments transferred into retained earnings were $279,270 thousand and $160,233 thousand, respectively. The increase in retained earnings arising from the first-time adoption of IFRSs was not sufficient for the special reserve appropriation; thus, the Company appropriated a special reserve in the amount of $308,061 thousand which was the net increase of retained earnings arising from the first-time adoption of IFRSs. As of December 31, 2017, there was no change in the special reserve.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (92,295)	$ 45,413
Exchange differences on translating foreign operations	17,342	(156,886)
Share of exchange differences of associates accounted for using the equity method	(408)	(8,435)
Related income tax	(3,023)	27,613
Balance at December 31	$ (78,384)	$ (92,295)

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar. The resulting currency translation differences are recognized in other comprehensive income as exchange differences on translating foreign operations in the respective period.

2) Unrealized gain on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 176,244	$ 121,796
Unrealized gain on revaluation of available-for-sale financial assets	13,699	41,800
Cumulative (gain) loss reclassified to profit or loss on sale of available-for-sale financial assets	(1,015)	24
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	12,038	12,624
Balance at December 31	$ 200,966	$ 176,244

Revaluation gains or losses of available-for-sale financial assets were recognized in other comprehensive income as unrealized gain on available-for-sale financial assets in the respective period.

25. NET PROFIT

Net profit includes the following:

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 2,145	$ 2,610
Financial assets at FVTPL (Note 7)	8,177	10,403
Structured deposits (Note 10)	765	3,960
Others	1,374	1,552
	12,461	18,525
Dividend income	7,262	7,262
Rental income (Notes 16 and 30)	30,316	29,529
Compensation income (Note 11)	34,438	10
Others	4,677	10,018
	$ 89,154	$ 65,344

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Loss on disposal of property, plant and equipment (Note 15)	$ (1,155)	$ (584)
Gain (loss) on disposal available-for-sale financial assets (Note 8)	3,311	(24)
Net foreign exchange losses	(43,208)	(47,988)
Net loss on financial assets held for trading (Note 7)	(20,119)	(9,014)
Net loss on financial liabilities held for trading (Note 7)	(1,505)	(4,306)
Impairment loss on financial assets measured at cost (Note 9)	(3,035)	-
Expenses from rental assets	(6,928)	(6,636)
Others	(3,274)	(5,283)
	$ (75,913)	$ (73,835)

c. Net foreign exchange gains and losses

	For the Year Ended December 31	
	2017	2016
Gross foreign exchange gains	$ 106,610	$ 73,819
Gross foreign exchange losses	(149,818)	(121,807)
Net loss	$ (43,208)	$ (47,988)

d. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 49,762	$ 48,095
Less: Capitalized interest (included in construction in progress)	(828)	(1,095)
	$ 48,934	$ 47,000

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 828	$ 1,095
Capitalization rate	0.986%-1.200%	1.20%-1.24%

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment (Note 15)	$ 180,844	$ 186,413
Intangible assets (Note 17)	5,091	7,177
Prepayments for leases (Note 18)	1,229	1,325
	$ 187,164	$ 194,915
An analysis of depreciation by function		
Operating costs	$ 167,646	$ 171,719
Operating expenses	9,521	11,323
Non-operating income and expenses	3,677	3,371
	$ 180,844	$ 186,413
An analysis of amortization by function		
Operating costs	$ 1,600	$ 1,600
General and administrative expenses	4,720	6,902
	$ 6,320	$ 8,502

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (Note 23)		
Defined contribution plans	$ 20,982	$ 21,633
Defined benefit plans	13,796	16,866
	34,778	38,499
Insurance expenses	35,351	35,260
Other employee benefits	572,851	531,798
Total employee benefits expense	$ 642,980	$ 605,557
An analysis of employee benefits expense by function		
Operating costs	$ 482,239	$ 439,573
Operating expenses	160,741	165,984
	$ 642,980	$ 605,557

g. Employees' compensation and remuneration of directors

In accordance with the amendments to the ROC Company Act in May 2015 and the amended Company's Articles of Incorporation approved by the shareholders in their meeting held in June 2016, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively. However, the Company's accumulated deficits should be offset in advance. The employees' compensation can be distributed in the form of shares or cash. When the employees of the Company's subsidiaries meet specific requirements they are also entitled to receive compensation in shares or cash. These requirements are set by the board of directors.

The Company did not propose a distribution of employee's compensation and remuneration of directors in 2016 because the Company still had accumulated deficits which were to be offset as of December 31, 2016.

The employees' compensation and remuneration of directors for the year ended December 31, 2017 which were approved by the Company's board of directors on March 12, 2018, were as follows:

	For the Year Ended December 31, 2017	
	Accrual Rate	Amount
Employees' compensation	1%	$ 2,875
Remuneration of directors	-	$ -

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

No employee's compensation and remuneration of directors was resolved for 2016 and 2015 in the board of directors meetings dated March 14, 2017 and March 11, 2016, respectively, because there were accumulated deficits which needed to be resolved for the respective years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 118,917	$ 73,023
Adjustments for prior years	(700)	1,367
	118,217	74,390
Deferred tax		
In respect of the current year	38,783	5,457
Adjustments for prior years	18,773	(3,405)
	57,556	2,052
Income tax expense recognized in profit or loss	$ 175,773	$ 76,442

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2017	**2016**
Income before tax	$ 677,852	$ 197,319
Income tax expense calculated at the statutory rate	$ 160,455	$ 65,637
Nondeductible expenses in determining taxable income	304	278
Tax-exempt income	(3,968)	(3,259)
Unrecognized deductible temporary differences	(17,957)	(15,718)
Unrecognized loss carryforwards	18,702	31,324
Adjustments for prior years' tax	18,073	(2,038)
Others	164	218
Income tax expense recognized in profit or loss	$ 175,773	$ 76,442

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate use by subsidiaries in mainland China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $20,930 thousand and $3,096 thousand, respectively, in 2018.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
In respect of the current year		
Exchange differences on translating foreign operations	$ (3,023)	$ 27,613
Remeasurement on defined benefit plans	2,862	6,174
	$ (161)	$ 33,787

c. Current income tax assets and liabilities

	December 31	
	2017	**2016**
Current income tax assets		
Tax refund receivables	$ 778	$ 1,849
Current income tax liabilities		
Income tax payable	$ 74,505	$ 27,608

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for inventory valuation	$ 3,170	$ (1,801)	$ -	$ (12)	$ 1,357
Allowance for impaired receivables	12,128	1,171	-	(215)	13,084
Unrealized foreign exchange losses	-	3,315	-	-	3,315
Defined benefit plans	113,145	(13,563)	2,862	-	102,444
Payables for annual leave	3,297	(10)	-	-	3,287
Deferred revenue	7,463	(6,827)	-	(180)	456
Others	1,732	(201)	-	(9)	1,522
	140,935	(17,916)	2,862	(416)	125,465
Operating loss carryforwards	46,357	(42,037)	-	(239)	4,081
	$ 187,292	$ (59,953)	$ 2,862	$ (655)	$ 129,546
Deferred tax liabilities					
Temporary differences					
Exchange differences on translating foreign operations	$ 13,718	$ -	$ 3,023	$ -	$ 16,741
Differences on depreciation periods between finance and tax	784	(188)	-	-	596
Reserve for Land Revaluation Increment Tax	143,860	-	-	-	143,860
Unrealized foreign exchange gains	2,414	(2,414)	-	-	-
Others	-	205	-	-	205
	$ 160,776	$ (2,397)	$ 3,023	$ -	$ 161,402

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for inventory valuation	$ 13,251	$ (9,743)	$ -	$ (338)	$ 3,170
Allowance for impaired receivables	8,574	1,078	-	2,476	12,128
Unrealized impairment loss on property, plant and equipment	18	(18)	-	-	-
Defined benefit plans	105,777	1,194	6,174	-	113,145
Payables for annual leave	2,778	519	-	-	3,297
Deferred revenue	7,369	607	-	(513)	7,463
Others	1,520	240	-	(28)	1,732
	139,287	(6,123)	6,174	1,597	140,935
Operating loss carryforwards	44,074	4,002	-	(1,719)	46,357
	$ 183,361	$ (2,121)	$ 6,174	$ (122)	$ 187,292
Deferred tax liabilities					
Temporary differences					
Exchange differences on translating foreign operations	$ 41,331	$ -	$ (27,613)	$ -	$ 13,718
Differences on depreciation periods between finance and tax	998	(214)	-	-	784
Reserve for Land Revaluation Increment Tax	143,860	-	-	-	143,860
Unrealized foreign exchange gains	1,999	415	-	-	2,414
Others	270	(270)	-	-	-
	$ 188,458	$ (69)	$ (27,613)	$ -	$ 160,776

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2017	December 31 2016
Loss carryforwards		
Expiry in 2017	$ -	$ 78,216
Expiry in 2018	73,559	56,191
Expiry in 2019	299,375	299,375
Expiry in 2020	157,042	157,042
Expiry in 2021	139,745	145,539
Expiry in 2022	75,873	-
	$ 745,594	$ 736,363
Deductible temporary differences		
Share of loss of subsidiaries accounted for using the equity method	$ 672,278	$ 794,714
Allowance for inventory valuation	15,492	-
Others	1,228	2,666
	$ 688,998	$ 797,380

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised:

Unused Amount	Expiry Year
$ 92,132	2018
299,375	2019
157,042	2020
139,745	2021
75,873	2022
$ 764,167	

g. Integrated income tax

There are no unappropriated earnings generated before January 1, 1998 as of December 31, 2017.

	December 31 2017	December 31 2016
Shareholder-imputed credits account	$ - (Note)	$ 62,014

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

The Company did not disclose the creditable ratio for the distribution of earnings for 2016, because the Company had accumulated deficits as of December 31, 2016.

h. Income tax assessments

The income tax returns of the Company through 2015 has been assessed by the tax authorities.

i. Income tax related to subsidiaries

1) TTC (BVI) had no income tax expense due to the relevant tax exemptions in compliance with the regulations of the location where it was established, except for a paid tax expense to receive the share dividends from earnings of TTC (TJ) in 2012.

2) TTC (ZS) and TTC (TJ), both located in mainland China, use the applicable income tax rate of 25%.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	$ 1.53	$ 0.37
Diluted earnings per share	$ 1.53	$ 0.37

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 502,079	$ 120,877

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares used in the computation of basic earnings per share	327,652	327,652
Effect of potentially dilutive ordinary shares:		
Employees' compensation issued to employees	189	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	327,841	327,652

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

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the past year.

The capital structure of the Group consists of net debt and equity.

The senior management of the Group regularly reviews the Group's capital structure. The review includes the consideration of the cost of various types of capital and related risks. The Group balances its overall capital structure by paying dividends, borrowing new debt or repaying old debt, based on the recommendations of the senior management.

29. FINANCIAL INSTRUMENTS

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

The Group's management believes that the carrying amount of financial assets and financial liabilities that are not measured at fair value approximates their fair value. Otherwise, the fair value cannot be measured appropriately.

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 1,828	$ -	$ 1,828
Non-derivative financial assets held for trading	304,282	-	-	304,282
	$ 304,282	$ 1,828	$ -	$ 306,110
Available-for-sale financial assets				
Securities listed in the ROC	$ 242,944	$ -	$ -	$ 242,944
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 624	$ -	$ 624

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 405,241	$ -	$ -	$ 405,241
Available-for-sale financial assets				
Securities listed in the ROC	$ 233,686	$ -	$ -	$ 233,686
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 1,593	$ -	$ 1,593

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2017	**2016**
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	$ 306,110	$ 405,241
Loans and receivables (1)	3,585,866	2,948,848
Available-for-sale financial assets (2)	245,627	239,702
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	624	1,593
Financial liabilities measured at amortized cost (3)	3,876,433	4,106,521

1) The balance includes loans and receivables measured at amortized cost, which includes cash and cash equivalents, debt investments with no active market, notes and accounts receivable (including related parties), other receivables (including related parties and excluding VAT refund receivables) and other non-current assets (pledged deposits).

2) The balance includes the carrying amount of financial assets measured at cost.

3) The balance includes financial liabilities measured at amortized cost, which includes short-term and long-term loans, short-term bills payable, accounts payable (including related parties) and other payables (including related parties and excluding payables for taxes).

d. Financial risk management objectives and policies

The Group's conduct of risk controlling and hedging strategy is influenced by the operational environment. The Group monitors and manages the financial risk by business nature and risk dispersion.

These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's operating activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group conducted foreign currency sales and purchases, which exposed the Group to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Group used foreign exchange forward contracts to eliminate foreign currency exposure and thus mitigate the impact of the risk. The use of foreign exchange forward contracts is regulated by the policies passed by the Group's board of directors. Internal auditors focus on reviewing the observance of the policies and the quota of risk exposures. The trade of derivative financial instruments that the Group engaged in was not for speculation purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 33 and of the derivatives exposing the Group to foreign currency risk are set out in Note 7.

Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2017 and 2016 would have increased/decreased by $25,845 thousand and $17,791 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to the fair value risk of interest rate fluctuations for the fixed interest rate bearing financial assets and financial liabilities; the Group was exposed to the cash flow risk of interest rate fluctuations for the floating interest rate bearing financial assets and financial liabilities. The Group's management regularly monitors the fluctuations on market rates and then adjusted its balance of floating rate bearing financial liabilities to make the Group's interest rates more closely approach market rates in response to the interest rate risk.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 19,051	$ 218,765
Financial liabilities	1,030,710	1,407,783
Cash flow interest rate risk		
Financial assets	589,152	500,808
Financial liabilities	1,230,781	1,322,501

Sensitivity analysis

The fixed-rate financial assets and liabilities held by the Group are not included in the analysis as they are all measured at amortized cost. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 point fluctuation in interest rate was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by $3,208 thousand and $4,108 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in domestic listed shares, beneficiary securities and mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a specific team to monitor price risk.

Sensitivity analysis

The Group's sensitivity analysis focuses on equity price risks at the end of the reporting period. If equity prices had been a 5% higher/lower, the net profit before tax for the years ended December 31, 2017 and 2016 would have increased/decreased by $15,214 thousand and $20,262 thousand, respectively; the other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by $$12,147 thousand and $11,684 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure to and credit ratings for its counterparties are continuously monitored.

The counterparties of the Group's accounts receivable included numerous clients distributed over a variety of areas, and were not centered on a single client or location. Furthermore, the Group continuously assesses the financial condition of its clients, and then the Group's credit risk was limited. As at the end of the reporting period, the Group's largest exposure of credit risk approximates to the carrying amount of financial assets.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and bank loan facilities deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods based on the probable earliest repayment dates. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2017

	Weighted Average Interest Rate	**On Demand or Less than 1 Year**	**1-5 Years**
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 1,625,842	$ 26,950
Floating interest rate liabilities	1.573	230,781	1,000,000
Fixed interest rate liabilities	1.888	1,030,787	-
		$ 2,887,410	$ 1,026,950

December 31, 2016

	Weighted Average Interest Rate	**On Demand or Less than 1 Year**	**1-5 Years**
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 1,388,237	$ 10,900
Floating interest rate liabilities	1.533	322,501	1,000,000
Fixed interest rate liabilities	1.335	1,407,875	-
		$ 3,118,613	$ 1,010,900

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2017 and 2016, the unused amounts of bank loan facilities were as follows:

	December 31	
	2017	**2016**
Bank loan facilities		
Amount unused	$ 4,178,157	$ 3,006,764

30. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2017 and 2016, USI Corporation held indirectly 36.79% of the Company's outstanding ordinary shares.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

Related Party	Related Party Category
USI Corporation ("USI")	Parent company
China General Plastics Corporation	Associate
Continental General Plastics (Zhongshan) Co., Ltd.	Subsidiary of associate
CGPC Consumer Products Corporation	Subsidiary of associate
CGPC Polymer Corporation	Subsidiary of associate
Taiwan VCM Corporation ("TVCM")	Subsidiary of associate
China General Terminal & Distribution Co. ("CGTD")	Associate
Acme Electronics Corp.	Associate
Asia Polymer Corporation ("APC")	Fellow subsidiary
USI Trading (Shanghai) Co., Ltd.	Subsidiary of fellow subsidiary
USI International Corporation	Subsidiary of fellow subsidiary
Swanson Plastics Corp.	Fellow subsidiary
Swanson Plastics (Kunshan) Co., Ltd.	Subsidiary of fellow subsidiary
USI Management Consulting Corp. ("UM")	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
USIG (Shanghai) Co., Ltd.	Fellow subsidiary
INOMA Corporation	Fellow subsidiary

b. Sales of goods

	For the Year Ended December 31	
Related Party Category/Name	2017	2016
Fellow subsidiary	$ 42,646	$ 52,004

The Group's credit period of sales of goods to related parties was 90 days after delivering the products. The sales of goods between the Company and its related parties had no material differences from those of general sales transactions.

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category/Name	2017	2016
Associate	$ 2,787	$ 3,587
Fellow subsidiary	197	781
	$ 2,984	$ 4,368

The average credit period on purchases of goods from related parties was 30 days after acceptance. The purchases of goods between the Company and its related parties had no material differences from those of general purchase transactions.

d. Receivables from related parties (excluding loans to related parties)

Related Party Category/Name	December 31 2017	December 31 2016
Fellow subsidiary	$ 4,058	$ 13,630

The outstanding accounts receivable from related parties were unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for accounts receivable from related parties.

e. Payables to related parties (excluding loans from related parties)

Related Party Category/Name	December 31 2017	December 31 2016
Associate	$ 469	$ 476
Fellow subsidiary	26	13
	$ 495	$ 489

The outstanding accounts payable from related parties are not overdue.

f. Other transactions with related parties

1) Rental income (classified as other income, see Notes 15, 16 and 25)

Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associate		
CGTD	$ 19,100	$ 19,100
TVCM	9,426	9,360
	28,526	28,460
Parent company	1,530	836
Fellow subsidiary	260	233
	$ 30,316	$ 29,529

2) Rental expenses (classified as operating costs, selling and marketing expenses and general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Fellow subsidiary		
APC	$ 6,265	$ 7,043
Others	8	2
	6,273	7,045
Parent company		
USI	5,325	5,129
Associate	116	88
	$ 11,714	$ 12,262

The Group leased land in Linyuan from fellow subsidiaries. The rentals were set according to the Announced Land Values and paid on a monthly basis. The Group leased offices in Neihu from the parent company. The rental was paid on a monthly basis.

3) Storage tank operating expenses (classified as operating cost)

Related Party Category/Name	For the Year Ended December 31 2017	2016
Associate		
CGTD	$ 16,546	$ 13,648

The Company appointed CGTD to handle the storage tank operating procedures of vinyl chloride monomer, ethylene and dichloromethane, such as transportation, storage and loading. The storage tank operating expenses were paid on a monthly basis.

4) Management service expenses (classified as general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2017	2016
Fellow subsidiary		
UM	$ 47,866	$ 39,706
Others	120	120
	47,986	39,826
Parent company		
USI	9,912	10,630
	$ 57,898	$ 50,456

The related contracts stated that the fellow subsidiary and parent company should provide labor support, equipment and other related services to the Group, and the service expenses were based on the actual quarterly expenses.

5) Other expense (classified as operating costs and general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2017	2016
Associate	$ 2,730	$ 1,978
Parent company		
USI	-	227
	$ 2,730	$ 2,205

6) Other receivables from related parties

Related Party Category/Name	December 31 2017	2016
Associate	$ 5,393	$ 6,594
Parent company	310	266
Fellow subsidiary	100	110
	$ 5,803	$ 6,970

Other receivables included reimbursed expense receivables and land and equipment rental receivables.

7) Other payables to related parties

Related Party Category/Name	December 31 2017	December 31 2016
Associate	$ 5,355	$ 18,263
Parent company	2,829	3,688
Fellow subsidiary	404	307
	$ 8,588	$ 22,258

Other payables included storage tank operating expense payables, management service expense payables and the allocation of service department costs payables.

8) Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2017	Purchase Price For the Year Ended December 31 2016
Fellow subsidiary	$ 437	$ -

g. Compensation of key management personnel

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Salaries and others	$ 29,479	$ 24,346
Post-employment benefits	243	309
	$ 29,722	$ 24,655

The remuneration of directors and key executives of the Company was determined by the remuneration committee based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for line of credit borrowings, the tariffs of imported raw materials and good guarantees and borrowing credit amounts (Notes 10, 15, 16, 18 and 19):

	December 31 2017	December 31 2016
Pledged deposits (classified as debt investments with no active market - current)	$ 89,292	$ 44,734
Pledged time deposits		
Classified as debt investments with no active market - current	3,000	8,000
Classified as other assets - non-current	16,051	16,103
Property, plant and equipment, net	490,322	496,193
Investment properties, net	108,178	108,178
Land use rights (classified as prepayments for leases)	24,899	26,260
	$ 731,442	$ 699,468

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

a. As of December 31, 2017 and 2016, unused letters of credit amounted to approximately $1,383,752 thousand and $952,937 thousand, respectively.

b. Contingencies

Regarding China General Terminal & Distribution Corporation (hereinafter "CGTD"), who had been commissioned to operate LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014, the Kaohsiung District Prosecutor Office instituted a public prosecution against the related personnel of the Kaohsiung Government, LCY Chemical Corp. and CGTD employees on December 18, 2014. As of the reporting date, the attribution of responsibility for the gas explosion and the subsequent impact is still pending the conclusion of the in-progress trial of the Kaohsiung District Court.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $226,983 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 2018, the provisionally attached property was worth $151,229 thousand.

As for the victims, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 32 victims' families on July 17, 2015. Each victim's family received $12,000 thousand, and the compensation was $384,000 thousand in total, which was paid in four annual payments by LCY Chemical Corp., LCY Chemical Corp. was in charge of negotiating the compensation with the victims' families and signing the settlement agreement on behalf of the three parties.

As for the seriously injured, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 65 seriously injured victims' families on October 25, 2017. Compensation was paid by CGTD and the Kaohsiung City Government, and CGTD was in charge of negotiating the compensation with the seriously injured victims' families and signing the settlement agreement on behalf of the three parties.

Up to February 2018, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. Along with the formerly mentioned compensation, the accumulated amount of compensation is $4,038,198 thousand, and the actual payment of CGTD depends on the verdict of the civil procedures. The date of the criminal procedures is estimated to be on May 11, 2018 and part of the civil procedures will be held on June 22, 2018.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: Foreign and Functional Currencies in Thousands

	December 31, 2017				
	Foreign Currency	**Exchange Rate (In Single Dollars)**		**Functional Currency**	**NTD**
Foreign currency assets					
Monetary items					
USD	$ 54,488	29.7600	(USD:NTD)	$ 1,621,550	$ 1,621,550
USD	2,387	6.5342	(USD:RMB)	15,597	71,039
HKD	1,062	3.8070	(HKD:NTD)	4,044	4,044
RMB	284	0.1530	(RMB:NTD)	43	1,295
EUR	32	35.5700	(EUR:USD)	1,150	1,150
					$ 1,699,078
Foreign currency liabilities					
Monetary items					
USD	17,518	29.7600	(USD:NTD)	521,344	521,344
USD	10,408	6.5342	(USD:RMB)	68,007	309,738
					$ 831,082

Unit: Foreign and Functional Currencies in Thousands

	December 31, 2016				
	Foreign Currency	**Exchange Rate (In Single Dollars)**		**Functional Currency**	**NTD**
Foreign currency assets					
Monetary items					
USD	$ 36,354	32.2500	(USD:NTD)	$ 1,172,428	$ 1,172,428
USD	1,332	6.9370	(USD:RMB)	9,242	42,967
HKD	547	4.1580	(HKD:NTD)	2,273	2,273
RMB	284	0.1442	(RMB:NTD)	41	1,318
					$ 1,218,986
Foreign currency liabilities					
Monetary items					
USD	15,417	6.9370	(USD:RMB)	106,946	497,189
USD	3,881	32.2500	(USD:USD)	125,169	125,169
					$ 622,358

The unrealized and realized foreign exchange gains and losses were a gain of $43,208 thousand and a loss of $47,988 thousand for the years ended December 31, 2017 and 2016, respectively. Due to the numerous foreign currency transactions and functional currencies of each individual entity of the Group, foreign exchange gains and losses cannot be disclosed on the respective significant foreign currency.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (not including investment subsidiary and affiliated companies). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 9)

11) Information on investees. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 9)

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 5, 6 and 9)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)

e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Tables 1 and 9)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. According to IFRS 8 "Operating Segments", the Group should disclose the segment information of styrenic products and glasswool products (including cubic printing products).

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

December 31, 2017

	Styrenic Products	Glasswool Products (Including Cubic Printing Products)	Total
Segment revenue	$ 19,276,484	$ 544,558	$ 19,821,042
Segment income	$ 644,068	$ 31,878	$ 675,946
Other revenue			89,154
Other gains and losses			(75,913)
Share of profit of associates accounted for using the equity method			37,599
Finance costs			(48,934)
Profit before tax			$ 677,852

December 31, 2016

	Styrenic Products	Glasswool Products (Including Cubic Printing Products)	Total
Segment revenue	$ 15,853,909	$ 565,146	$ 16,419,055
Segment income	$ 188,334	$ 43,097	$ 231,431
Other revenue			65,344
Other gains and losses			(73,835)
Share of profit of associates accounted for using the equity method			21,379
Finance costs			(47,000)
Profit before tax			$ 197,319

Segment profit represents the profit before tax earned by each segment without allocation of central administrative expenses and directors' salaries, the share of profit of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, foreign exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Because the segment information reported to the chief operating decision maker didn't include assets and liabilities of individual segments, the operating segment assets and liabilities are not disclosed.

b. Other segment information

	Depreciation and Amortization For the Year Ended December 31 2017	2016
Styrenic products	$ 172,712	$ 177,187
Glasswool products (including cubic printing products)	14,452	17,728
	$ 187,164	$ 194,915

c. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products.

	For the Year Ended December 31 2017	2016
EPS	$ 9,731,355	$ 9,077,685
ABS	6,045,151	3,701,759
GPS	3,463,039	3,030,683
Glasswool products	444,719	453,482
Cubic printing products	99,839	111,664
IPS	36,939	43,782
	$ 19,821,042	$ 16,419,055

d. Geographical information

The amounts of the Group's revenue from continuing operations from external customers and non-current assets by location are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Asia	$ 17,695,129	$ 14,792,190	$ 2,575,084	$ 2,607,661
USA	1,354,480	832,616	-	-
Africa	342,854	304,229	-	-
Europe	121,600	114,961	-	-
Others	306,979	375,059	-	-
	$ 19,821,042	$ 16,419,055	$ 2,575,084	$ 2,607,661

Non-current assets included property, plant and equipment, investment assets, intangible assets, and prepayments for leases.

e. Major customers

No single customer contributed 10% or more to the Group’s revenue for both 2017 and 2016.

TABLE 1

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Notes 4 and 5)	Actual Borrowing Amount (Note 4)	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1, 2 and 4)	Aggregate Financing Limit (Notes 1, 2 and 4)
													Item	Value		
1	Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	$ 910,900 (RMB 200,000 thousand)	$ 455,450 (RMB 100,000 thousand)	$ 273,270 (RMB 60,000 thousand)	5.22	b	$ -	Operating capital	$ -	-	$ -	$ 1,918,118	$ 1,918,118

Note 1: The total amount of lending to the Company for funding for a short-term period shall not exceed 40% of the net worth of the Company. As of December 31, 2017, the Company didn’t loan funds to anyone and has no financing provided to others.

Note 2: The total amount of financing provided by Taita Chemical (Zhongshan) Co., Ltd. to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of its financing provided to any subsidiary which is wholly-owned by the Company shall not exceed 100% of the recently audited net worth of the Company as audited by an independent auditor. As December 31, 2017, the audited net worth of Taita Chemical (Zhongshan) Co., Ltd. is RMB421,148 thousand.

Note 3: The alphabetic indications are described as follows:

a. Business and trade.
b. Shot-term financing.

Note 4: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2017.

Note 5: The amount was eliminated upon consolidation and based on audited financial statements.

TABLE 2

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 1)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 1)	Actual Borrowing Amount (Note 1)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	100% voting shares directly owned by the Company	$ 7,811,100	$ 1,482,080 (US$ 33,000 thousand) (NT$ 500,000 thousand)	$ 1,482,080 (US$ 33,000 thousand) (NT$ 500,000 thousand)	$ 720,787 (US$ 24,220 thousand)	$ -	37.95	$ 7,811,100	Yes	No	No
		Taita Chemical (Zhongshan) Co., Ltd.	100% voting shares indirectly owned by the Company	7,811,100	239,890 (US$ 5,000 thousand) (RMB 20,000 thousand)	239,890 (US$ 5,000 thousand) (RMB 20,000 thousand)	-	-	6.14	7,811,100	Yes	No	Yes
		Taita Chemical (Tianjin) Co., Ltd.	100% voting shares indirectly owned by the Company	7,811,100	297,600 (US$ 10,000 thousand)	148,800 (US$ 5,000 thousand)	148,800 (US$ 5,000 thousand)	-	3.81	7,811,100	Yes	No	Yes

Note 1: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2017.

Note 2: The maximum total endorsement/guarantee shall not exceed 200% of the equity attributable to owners of the Company. The maximum of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2017.

TABLE 3

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND AFFILIATED COMPANIES)
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taita Chemical Co., Ltd.	Ordinary shares							
	USI Corporation	Parent company	Available-for-sale financial assets - non-current	14,813,629	$ 242,944	1.27	$ 242,944	Note 1
	Harbinger Venture Capital	-	Financial assets measured at cost - non-current	170,000	1,700	0.50	-	-
	Beneficiary securities							
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial instruments at fair value through profit or loss (FVTPL)	4,900,000	64,925	-	64,925	Note 1
	Cathay No. 2 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	2,500,000	33,275	-	33,275	Note 1
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	4,000,000	58,040	-	58,040	Note 1
	Fubon No. 2 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	6,600,000	75,042	-	75,042	Note 1
	Mutual funds and beneficiary certificates							
	Franklin Templeton SinoAm Money Market Fund	-	Financial instruments at FVTPL	4,866,985	50,000	-	50,000	Note 2
	TCB Taiwan Money Market Fund	-	Financial instruments at FVTPL	2,276,912	23,000	-	23,000	Note 2
Taita (BVI) Holding Co., Ltd.	Shares							
	Budworth Investment Ltd. - ordinary shares	-	Financial assets measured at cost - non-current	127,980	983 (US$ 33 thousand)	2.22	-	-
	Teratech Corporation - ordinary shares	-	Financial assets measured at cost - non-current	112,000	-	0.72	-	Note 3
	Sohoware Inc. - preference stock	-	Financial assets measured at cost - non-current	100,000	-	-	-	Note 3

Note 1: Fair value was based on the closing price of the Taiwan Stock Exchange as of December 31, 2017.

Note 2: Fair value was based on the carrying amount as of December 31, 2017.

Note 3: The carrying amount was zero as of December 31, 2017 due to the impairment loss recognized over the years.

TABLE 4

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
Taita Chemical Co., Ltd.	Fund beneficiary certificates													
	FSITC Money Market Fund	Financial instruments at fair value through profit or loss (FVTPL)	-	-	73,571	$ 13,000	3,141,155	$ 556,000	3,214,726	$ 569,066	$ 569,000	$ 66	-	$ -
	FSITC Taiwan Money Market Fund	Financial instruments at FVTPL	-	-	-	-	24,758,506	375,800	24,758,506	375,837	375,800	37	-	-
	Jih Sun Money Market Fund	Financial instruments at FVTPL	-	-	2,386,049	35,000	48,802,637	717,500	51,188,686	752,592	752,500	92	-	-
	Franklin Templeton SinoAm Money Market Fund	Financial instruments at FVTPL	-	-	-	-	30,575,310	313,500	25,708,325	263,533	263,500	33	4,866,985	50,000
	TCB Taiwan Money Market Fund	Financial instruments at FVTPL	-	-	-	-	64,170,053	647,200	61,893,141	624,248	624,200	48	2,276,912	23,000

Note: The original investment amount is shown without adjustments for fair values.

TABLE 5

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance	% of Total	
Taita Chemical Co., Ltd.	Taita Chemical (Zhongshan) Co., Ltd.	Subsidiary	Sales	$ (619,497) (US$ 20,294 thousand)	(4.72)	30 days	Note 1	Note 1	Accounts Receivable from related Parties $ 58,796 (US$ 1,976 thousand)	3.74	Note 2

Note 1: The sales price and payment terms of the intercompany and related party sales and purchases were not significantly different from those with third parties.

Note 2: The amount was eliminated upon consolidation and based on audited financial statements.

TABLE 6

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance (Note 4)	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
Taita Chemical Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Accounts receivable $ 18 Other receivables 160,928 (US$ 5,408 thousand) (Note 1)	-	$ -	-	$ -	$ -
Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Other receivables 283,076 (RMB 62,153 thousand) (Note 2)	-	-	-	57 (RMB 13 thousand)	-

Note 1: The total amount of other receivables of Taita Chemical Co., Ltd. stems from selling raw materials to Taita Chemical (Tianjin) Co., Ltd.

Note 2: The total amount of other receivables of Taita Chemical (Zhongshan) Co., Ltd. from Taita Chemical (Tianjin) Co., Ltd. includes the amount of financing provided, interest receivables and rental receivables.

Note 3: The amount received in the subsequent period means the collection made from January 1, 2018 to March 12, 2018.

Note 4: The amount was eliminated upon consolidation and based on audited financial statements.

TABLE 7

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note 1
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 1,837,323 (US$ 61,738 thousand)	$ 1,837,323 (US$ 61,738 thousand)	61,738,000	100.00	$ 1,447,102 (US$ 48,646 thousand)	$ 122,436 (US$ 4,021 thousand)	$ 122,436 (US$ 4,021 thousand)	Subsidiary (Note 2)
	China General Plastics Corporation	Taiwan	Manufacture and marketing of PVC plastic cloth and three time processed products	65,365	65,365	9,751,224	1.98	154,719	1,269,808	25,168	Investments accounted for using the equity method
	China General Terminal & Distribution Co.	Taiwan	Warehousing and transportation of petro chemical raw materials	41,082	41,082	17,079,107	33.33	272,509	53,358	17,786	Investments accounted for using the equity method
	Acme Electronics Corp.	Taiwan	Manufacture and marketing of manganese-zinc and ferrite core	44,771	44,771	4,445,019	2.44	33,212	(103,454)	(2,521)	Investments accounted for using the equity method
	Thintec Materials Corporation	Taiwan	Manufacture and marketing of reinforced plastic products	15,000	15,000	600,000	10.00	2,504	(866)	(87)	Investments accounted for using the equity method
Taita (BVI) Holding Co., Ltd.	Acme Electronics (Cayman) Corp.	Cayman Islands	Reinvestment	50,593 (US$ 1,700 thousand)	50,593 (US$ 1,700 thousand)	2,695,619	5.39	61,788 (US$ 2,076 thousand)	$ (50,915) (US$ (1,699) thousand)		Investments accounted for using the equity method

Note 1: The amount of the investee was based on audited financial statements.

Note 2: The amount was eliminated upon consolidation and based on audited financial statements.

Note 3: Investments in mainland China are included in Table 8.

TABLE 8

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017 (Note 5)	Accumulated Repatriation of Investment Income as of December 31, 2017 (Note 5)
					Outflow	Inflow						
Taita Chemical (Zhongshan) Co., Ltd. ("TTC (ZS)")	Production and marketing of polystyrene derivatives	$ 1,376,400 (US$ 46,250 thousand) (Note 1)	Investment through a holding company registered in a third region	$ 1,279,680 (US$ 43,000 thousand)	$ -	$ -	$ 1,279,680 (US$ 43,000 thousand)	$ 234,197 (US$ 7,716 thousand)	100.00	$ 234,197 (US$ 7,716 thousand) (Note 6)	$ 1,918,118 (US$ 64,453 thousand) (Note 6)	$ -
Taita Chemical (Tianjin) Co., Ltd. ("TTC (TJ)")	Production and marketing of polystyrene derivatives	813,936 (US$ 27,350 thousand) (Note 2)	Investment through a holding company registered in a third region	773,760 (US$ 26,000 thousand)	-	-	773,760 (US$ 26,000 thousand)	$ (86,042) (US$ -2,848 thousand)	100.00	$ (86,042) (US$ -2,848 thousand) (Note 6)	188,852 (US$ 6,346 thousand) (Note 6)	-
ACME Electronics (Kunshan) Co., Ltd. ("ACME (KS)")	Manufacturing and marketing of manganese-zinc soft ferrite core	914,376 (US$ 30,725 thousand)	Investment through a holding company registered in a third region	40,295 (US$ 1,354 thousand)	-	-	40,295 (US$ 1,354 thousand)	$ (77,699) (US$ -2,574 thousand)	5.39	$ (4,191) (US$ -139 thousand)	38,754 (US$ 1,302 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 2,093,735 (US$ 70,354 thousand)	$ 2,256,323 (US$ 75,817 thousand) (Note 3)	$ 2,343,330 (Note 4)

Note 1: TTC (ZS) resolved to issue share dividends of US$3,250 thousand in 2007.

Note 2: TTC (TJ) resolved to issue share dividends of US$1,350 thousand in 2012.

Note 3: The amount distributed from share dividends included US$3,250 thousand from TTC (ZS), US$1,350 thousand from TTC (TJ) and US$802 thousand from ACME (KS).

Note 4: The limit cannot exceed 60% of Taita Chemical Co., Ltd.'s net asset value.

Note 5: The basis for investment income (loss) recognition is from financial statements audited and attested by the parent company's ROC-based CPA.

Note 6: The amount was eliminated upon consolidation and based on audited financial statements.

TABLE 9

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Direction of Transaction by Relationship	Transactions Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 1)	% of Total Sales or Assets (Note 2)
0	Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	The Company to subsidiary	Other receivables from related parties	$ 1,399	-	0.02
		Taita Chemical (Zhongshan) Co., Ltd.	The Company to subsidiary	Accounts receivables from related parties	58,796	-	0.67
				Revenue	619,497	-	3.13
		Taita Chemical (Tianjin) Co., Ltd.	The Company to subsidiary	Accounts receivables from related parties	18	-	-
				Other receivables from related parties	160,928	-	1.83
				Operating revenue	18	-	-
				Operating costs	19,068	-	0.10
1	Taita (BVI) Holding Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	The Company to subsidiary	Other payables from related parties	4,464	-	0.05
2	Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary to subsidiary	Other receivables to related parties	283,076	-	3.21
				Accounts payable to related parties	2,688	-	0.03
				Operating revenue	87	-	-
				Operating costs	7,046	-	0.04
				Interest income	10,818	-	0.05
				Rental income	216	-	-

Note 1: The sales price and payment terms of the intercompany and related party sales and purchases were not significantly different from those with third parties.

Note 2: For assets and liabilities, the amount is shown as a percentage of the consolidated total assets as of December 31, 2017, while revenue, costs and expenses are shown as a percentage of the consolidated revenues for the year ended December 31, 2017.

Note 3: The amount was eliminated upon consolidation and based on audited financial statements.

V. Parent company only financial statements audited and attested by CPAs in the most recent fiscal year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taita Chemical Co., Ltd.

Opinion

We have audited the accompanying financial statements of Taita Chemical Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2017 are stated as follows:

<u>Appropriateness of Revenue Recognition</u>

For the year ended December 31, 2017, the Company's sales revenue was NT$13,132,796 thousand, which was approximately 35% higher than the sales revenue for the year ended December 31, 2016 of NT$9,697,443 thousand. The growth of sales revenue is affected by the market demand and rising prices in the international crude oil market. The Company recognized sales revenue based on the delivery of goods and the transfer of significant risks and rewards of ownership. According to the limited concentration of customers and the large volume of transactions, the Company's financial statement would be influenced by the material misstatement of revenue recognition. Thus, the recognition of revenue is identified as one of the key audit matters.

For the accounting policy and judgments related to revenue recognition, refer to Note 4 to the financial statements.

Our main audit procedures performed in respect of the above key audit matter included the following:

1. Understood and tested the design and operating effectiveness of revenue recognition, and evaluated the appropriateness of accounting policies of revenue recognition used by the Company's management;

2. Sampled the transaction documents of sales revenue, including purchase orders, shipping documents, billings of orders, and receipt documents, to confirm whether the significant risks and rewards of ownership of the goods had been transferred to the buyer and to confirm the rationality of the timing of revenue recognition on specific sales;

3. Sampled the collections after the balance sheet date to confirm the reasonableness of revenue recognition and consistency between the sales target and recipient.

<u>Recognition of Net Defined Benefit Liabilities</u>

As of December 31, 2017, the carrying amount of net defined benefit liabilities was estimated to be NT$604,347 thousand and account for 17% of the total liabilities for the financial statements as a whole. The amount of net defined benefit liabilities comes from actuaries' reports. The underlying assumptions utilized in the actuarial report were dependent on management's judgment and estimates, which are highly uncertain. Thus, the recognition of net defined benefit liabilities, in our professional judgment, is identified as one of the key audit matters.

For the estimates and judgments related to the recognition of net defined benefit liabilities, refer to Notes 4, 5 and 21 to financial statements.

Our main audit procedures performed in respect of the above key audit matter included the following:

1. Evaluated the professional capacity, competency, objectivity and qualification of the independent actuaries engaged by management.

2. Understood and tested the reasonability of the information which management used in the actuarial analyses.

3. Compared the methodology and major assumption, including discount rates and expected wage growth rates, along with market sensitive information and specific historical data, used by management in order to assess the appropriateness of management's judgment.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities

Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities

or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih-Tsung Wu and Tzu-Jung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2018

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

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and the financial statements shall prevail.

TAITA CHEMICAL CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 72,610	1	$ 175,048	2
Financial assets at fair value through profit or loss - current (Notes 7 and 27)	306,110	4	324,829	5
Debt investments with no active market - current (Notes 10 and 29)	3,000	-	8,000	-
Notes receivable (Notes 5 and 11)	37,929	-	47,458	1
Accounts receivable (Notes 5 and 11)	1,472,047	20	961,340	14
Accounts receivable from related parties (Notes 11 and 28)	62,872	1	13,630	-
Other receivables (Note 11)	62,542	1	59,056	1
Other receivables from related parties (Notes 11 and 28)	165,599	2	177,581	2
Current tax assets (Notes 5 and 24)	778	-	1,849	-
Inventories (Note 12)	899,437	12	1,014,962	14
Prepayments	81,713	1	57,702	1
Other current assets	896	-	1,373	-
Total current assets	3,165,533	42	2,842,828	40
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 8)	242,944	3	233,686	3
Financial assets measured at cost - non-current (Note 9)	1,700	-	1,700	-
Investments accounted for using the equity method (Note 13)	1,910,046	25	1,735,298	25
Property, plant and equipment (Notes 14, 17 and 29)	1,947,650	26	1,937,859	28
Investment properties (Notes 15, 17 and 29)	108,178	2	108,178	2
Other intangible assets (Note 16)	11,068	-	16,159	-
Deferred tax assets (Notes 5 and 24)	118,601	2	152,931	2
Other non-current assets (Note 29)	23,176	-	22,228	-
Total non-current assets	4,363,363	58	4,208,039	60
TOTAL	$ 7,528,896	100	$ 7,050,867	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 14, 15, 17 and 29)	$ 120,000	2	$ 300,000	4
Short-term bills payable (Note 17)	189,923	3	349,908	5
Financial liabilities at fair value through profit or loss - current (Notes 7 and 27)	624	-	1,593	-
Accounts payable (Note 18)	1,238,591	16	992,737	14
Accounts payable from related parties (Notes 18 and 28)	495	-	489	-
Other payables (Note 19)	247,530	3	178,577	3
Other payables from related parties (Note 28)	8,385	-	7,411	-
Current tax liabilities (Note 24)	37,888	1	957	-
Provisions - current (Note 20)	1,179	-	1,102	-
Other current liabilities	11,502	-	8,474	-
Total current liabilities	1,856,117	25	1,841,248	26
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 14, 15, 17 and 29)	1,000,000	13	1,000,000	14
Deferred tax liabilities (Note 24)	161,402	2	160,776	2
Net defined benefit liabilities - non-current (Notes 5 and 21)	604,347	8	667,294	10
Other non-current liabilities	1,480	-	2,431	-
Total non-current liabilities	1,767,229	23	1,830,501	26
Total liabilities	3,623,346	48	3,671,749	52
EQUITY (Note 22)				
Share capital	3,276,518	43	3,276,518	47
Capital surplus	469	-	469	-
Retained earnings				
Special reserve	308,061	4	308,061	4
Unappropriated earnings (accumulated deficits)	197,920	3	(289,879)	(4)
Total retained earnings	505,981	7	18,182	-
Other equity	122,582	2	83,949	1
Total equity	3,905,550	52	3,379,118	48
TOTAL	$ 7,528,896	100	$ 7,050,867	100

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

TAITA CHEMICAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 20 and 28)	$ 13,132,796	100	$ 9,697,443	100
OPERATING COSTS (Notes 12, 14, 21, 23 and 28)	12,055,131	92	9,141,299	94
GROSS PROFIT	1,077,665	8	556,144	6
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(606)	-	-	-
REALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES	-	-	(1,556)	-
OPERATING EXPENSES (Notes 11, 14, 21, 23 and 28)				
Selling and marketing expenses	443,763	4	385,344	4
General and administrative expenses	134,397	1	140,057	2
Research and development expenses	21,291	-	18,477	-
Total operating expenses	599,451	5	543,878	6
PROFIT FROM OPERATIONS	477,608	3	10,710	-
NON-OPERATING INCOME AND EXPENSES (Notes 7, 8, 13, 14, 15, 23 and 28)				
Other income	51,276	1	48,007	-
Other gains and losses	(91,966)	(1)	(25,763)	-
Share of profit of subsidiaries and associates	162,782	1	113,271	1
Finance costs	(25,151)	-	(23,047)	-
Total non-operating income and expenses	96,941	1	112,468	1
PROFIT BEFORE INCOME TAX	574,549	4	123,178	1
INCOME TAX EXPENSE (Note 24)	(72,470)	-	(2,301)	-
NET PROFIT FOR THE YEAR	502,079	4	120,877	1

(Continued)

TAITA CHEMICAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (Notes 13, 21, 22 and 24):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	$ (16,836)	-	$ (36,316)	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method - remeasurement of defined benefit plans	(306)	-	(3,440)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,862	-	6,174	-
	(14,280)	-	(33,582)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	17,783	-	(162,428)	(2)
Unrealized gain on available-for-sale financial assets	12,684	-	41,824	1
Share of the other comprehensive income of associates accounted for using the equity method	11,189	-	9,731	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(3,023)	-	27,613	-
	38,633	-	(83,260)	(1)
Other comprehensive income (loss) for the year, net of income tax	24,353	-	(116,842)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 526,432	4	$ 4,035	-
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.53		$ 0.37	
Diluted	$ 1.53		$ 0.37	

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

TAITA CHEMICAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Share Capital - Ordinary Shares (Note 22)			Retained Earnings (Accumulated Deficits) (Notes 21 and 22)			Other Equity (Note 22)			
	Shares (In Thousands)	Amount	Capital Surplus (Note 22)	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Total	Total Equity
BALANCE AT JANUARY 1, 2016	327,652	$ 3,276,518	$ 469	$ 308,061	$ (377,174)	$ (69,113)	$ 45,413	$ 121,796	$ 167,209	$ 3,375,083
Net profit for the year ended December 31, 2016	-	-	-	-	120,877	120,877	-	-	-	120,877
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(33,582)	(33,582)	(137,708)	54,448	(83,260)	(116,842)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	87,295	87,295	(137,708)	54,448	(83,260)	4,035
BALANCE, DECEMBER 31, 2016	327,652	3,276,518	469	308,061	(289,879)	18,182	(92,295)	176,244	83,949	3,379,118
Net profit for the year ended December 31, 2017	-	-	-	-	502,079	502,079	-	-	-	502,079
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(14,280)	(14,280)	13,911	24,722	38,633	24,353
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	487,799	487,799	13,911	24,722	38,633	526,432
BALANCE, DECEMBER 31, 2017	327,652	$ 3,276,518	$ 469	$ 308,061	$ 197,920	$ 505,981	$ (78,384)	$ 200,966	$ 122,582	$ 3,905,550

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

TAITA CHEMICAL CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 574,549	$ 123,178
Adjustments for:		
Depreciation expenses	134,935	137,888
Amortization expenses	5,091	7,177
Reversal of impairment losses on accounts receivable	-	(383)
Net loss on fair value change of financial assets and liabilities held for trading	28,343	11,019
Finance costs	25,151	23,047
Interest income	(7,449)	(8,273)
Dividend income	(7,262)	(7,262)
Share of profit of subsidiaries and associates	(162,782)	(113,271)
Loss on disposal of property, plant and equipment	100	27
(Gain) loss on disposal of investments	(3,311)	24
Unrealized gain on the transactions with subsidiaries	606	-
Realized loss on the transactions with subsidiaries	-	1,556
Recognition of provisions	9,490	8,243
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(10,593)	(1,411)
Notes receivable	9,529	(9,393)
Accounts receivable	(520,120)	124,794
Accounts receivable from related parties	(49,242)	(6,924)
Other receivables	(3,662)	(640)
Other receivables from related parties	11,982	(95,633)
Inventories	115,525	(177,036)
Prepayments	(24,011)	(2,282)
Other current assets	477	579
Accounts payable	245,854	268,000
Accounts payable from related parties	6	(715)
Other payables	61,710	9,888
Other payables from related parties	974	(417)
Other current liabilities	3,028	(1,156)
Net defined benefit liabilities	(79,783)	7,022
Cash generated from operations	359,135	297,646
Interest received	7,625	8,101
Interest paid	(25,594)	(23,166)
Income tax received	327	92
Net cash generated from operating activities	341,493	282,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	-	(172)
Proceeds from return of capital of available-for-sale financial assets	6,737	190
Increase in debt investments with no active market	-	(1,000)
Decrease in debt investments with no active market	5,000	-

(Continued)

TAITA CHEMICAL CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from sale of financial assets measured at cost	$ -	$ 1,050
Payments for property, plant and equipment	(137,319)	(120,061)
Proceeds from disposal of property, plant and equipment	194	-
Increase in refundable deposits	(948)	(6,125)
Payments for intangible assets	-	(240)
Dividends received	23,356	16,543
Net cash used in investing activities	(102,980)	(109,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(180,000)	(234,041)
Decrease (increase) in short-term bills payable	(160,000)	50,000
Proceeds from long-term borrowings	8,100,000	3,400,000
Repayments of long-term borrowings	(8,100,000)	(3,400,000)
Decrease (increase) in other non-current liabilities	(951)	141
Net cash used in financing activities	(340,951)	(183,900)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,438)	(11,042)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	175,048	186,090
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 72,610	$ 175,048

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

TAITA CHEMICAL CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taita Chemical Co., Ltd. (the “Company”) was established and began operations in April 1960. The Company designs, develops, and sells chemical products like EPS, ABS and PS plastic resins. Other products include SAN resins, glasswool and cubic printing, all of which are widely used in consumer-oriented and industrial applications. The Company’s parent company is USI Corporation, which held indirectly 36.79% of the ordinary shares of the Company as of December 31, 2017 and 2016. USI Corporation has operational control over the Company.

The ordinary shares of the Company has been listed on the Taiwan Stock Exchange since 1986.

The functional currency of the Company is the New Taiwan dollar, and the financial statements are presented in the Company’s functional currency.

2. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Company’s board of directors on March 12, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

<u>Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Company, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Company’s respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

1) For debt instruments held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

2) For debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the

cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

1) Listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead; and

2) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for accounts receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for accounts receivables. In relation to debt instrument investments, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Debt investments with no active market	$ 3,000	$ (3,000)	$ -
Financial assets measured at amortized cost - current	-	3,000	3,000
Available-for-sale financial assets - non-current	242,944	(242,944)	-
Financial assets measured at cost - non-current	1,700	(1,700)	-
Financial assets at fair value through other comprehensive income – non-current	-	244,976	244,976
Total effect on assets	$ 247,644	$ 332	$ 247,976
Unrealized gain on available-for-sale financial assets	$ 200,966	$ (200,966)	$ -
Unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments	-	201,298	201,298
Total effect on equity	$ 200,966	$ 332	$ 201,298

Except for the above impact, as of the date the financial statements were authorized for issue, the Company has assessed and determined that the application of other standards and interpretations will not have significant influence on the Company's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

b. Basis of preparation

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

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

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

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

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements, transactions in currencies other than the Company’s functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, production supplies, finished goods, inventory in transit and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company’s share of equity of subsidiaries.

Changes in the Company’s ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company’s share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements only to the extent of the interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to Company.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent that the interests in the associate are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost and include transaction costs for land. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 27.

ii. Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

For financial assets measured at amortized cost, such as notes receivable, accounts receivable, and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between such an asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment as follow:

i. Significant financial difficulty of the issuer or counterparty;

ii. Breach of contract, such as a default or delinquency in interest or principal payments;

iii. It becoming probable that the borrower will enter bankruptcy or financial re-organization; or

iv. The disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of notes receivable, accounts receivable, and other receivables, where the carrying amount is reduced through the use of an allowance account. When notes receivable, accounts receivable, and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable notes receivable, accounts receivable, and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except financial assets at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The provision for sales returns and allowances is an estimate, based on previous experience, management judgement, and relevant factors, of the possible amounts needed to settle sales returns and provisions and is treated as a reduction of sales revenues in the period in which the corresponding sales are made.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar provisions.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder’s right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company’s defined benefit plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Impairment of tangible and intangible assets

The impairment of tangible and intangible assets is based on the impact of plastic industry and the recoverable amounts of those assets, which is the higher of their fair values less costs of disposal and their values in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to recognition of additional impairment losses or reversals of impairment losses.

b. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities. Refer to Note 21 for the carrying amount of retirement benefit costs and net defined benefit liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand and petty cash	$ 669	$ 806
Checking accounts and demand deposits	71,941	26,070
Cash equivalents		
Time deposits with original maturities of less than 3 months	-	135,773
Reserve repurchase agreements collateralized by bonds	-	12,399
	$ 72,610	$ 175,048

The market rate or interval of market rates of cash equivalents at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Time deposits	-	0.98%-1.50%
Repurchase agreements collateralized by bonds	-	0.32%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) - CURRENT

	December 31	
	2017	**2016**
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 1,828	$ -
Non-derivative financial assets		
Beneficiary securities	231,282	260,825
Mutual funds and beneficiary certificates	73,000	64,004
	304,282	324,829
Financial assets at FVTPL	$ 306,110	$ 324,829
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 624	$ 1,593

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017			
Sell	USD/NTD	2018.01.03-2018-04.03	USD19,000/NTD566,338
December 31, 2016			
Sell	USD/NTD	2017.01.13-2017.01.25	USD2,800/NTD88,596

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. As there contracts did not meet the criteria of hedge accounting, and therefore, the Company did not apply hedge accounting treatments for these derivative contracts.

The net loss arising from financial assets at FVTPL for the years ended December 31, 2017 and 2016 was $12,939 thousand and $1,552 thousand, respectively. The net loss arising from financial liabilities at FVTPL for the years ended December 31, 2017 and 2016 was $1,505 thousand and $4,306 thousand, respectively.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2017	2016
Domestic investments		
Listed shares		
USI Corporation	$ 242,944	$ 230,192
Wafer Works Corporation (“WAFER”)	-	3,494
	$ 242,944	$ 233,686

The Company sold 243 thousand shares and 15 thousand shares of WAFER in 2017 and 2016, and the gain (loss) on the disposal of investments was $3,311 thousand and $(24) thousand, respectively.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted ordinary shares		
Harbinger Venture Capital (“HARBINGER”)	$ 1,700	$ 1,700
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 1,700	$ 1,700

Management believes that the above unlisted equity investments held by the Company had fair values that cannot be reliably measured because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Company received a return on capital from HARBINGER in the amount of $1,050 thousand in July 2016.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2017	2016
Pledged time deposits	$ 3,000	$ 8,000

As of December 31, 2017 and 2016, the range of market interest rates on the pledged time deposits were 0.62%-0.94% and 0.62%-1.01% per annum, respectively.

Refer to Note 29 for information related to pledged debt investments with no active market.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable (a)		
Notes receivable - operating	$ 37,929	$ 47,458
Accounts receivable (a)		
Accounts receivable	$ 1,525,337	$ 1,014,630
Less: Allowance for impairment loss	(53,290)	(53,290)
	$ 1,472,047	$ 961,340
Accounts receivable from related parties (a) (Note 28)	$ 62,872	$ 13,630
Other receivables		
VAT refund receivables	$ 61,945	$ 58,854
Others	597	202
	$ 62,542	$ 59,056
Other receivables from related parties (Note 28)	$ 165,599	$ 177,581

a. Notes receivable and accounts receivable

The average credit period of sales of goods is between 30 and 90 days. No interest is charged on receivables. In determining the recoverability of a receivable, the Company considers any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period. The amounts that were overdue more than 60 days might not be recoverable based on historical experience, so the Company evaluates its allowance for doubtful amounts according to its past default experience with the counterparties and based on an analysis of their current financial positions. For part of the accounts receivable, the Company entered into a credit insurance contract to enhance its guarantee. Therefore, the Company considered the recoverable amount of the insurance contract when determining the amount of allowance for impairment loss.

Before accepting new customers, the Company takes client evaluation results generated by the internal system into consideration to measure the potential customer's credit quality and define the customer's credit limit. Customer credit limits and ratings are reviewed periodically. Thus, the accounts receivable that have not been overdue and impaired are mainly from customers who have long-term relationships and good credit records with the Company.

The aging of receivables (including related parties) was as follows:

	December 31	
	2017	2016
Not past due	$ 1,515,072	$ 1,012,160
Past due within 60 days	57,723	7,865
Past due over 60 days	53,343	55,693
	$ 1,626,138	$ 1,075,718

The above aging schedule was based on the number of days past due from the end of the credit term.

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2017	2016
Past due within 60 days	$ 57,723	$ 7,865
Past due over 60 days	53	2,403
	$ 57,776	$ 10,268

The above aging schedule was based on the number of days past due from the end of the credit term.

For the accounts receivable that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality of those receivables and the amounts were considered recoverable.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 52,750	$ 923	$ 53,673
Add: Impairment losses recognized on receivables	540	-	540
Less: Amounts written off during the year as uncollectible	-	(923)	(923)
Balance at December 31, 2016	$ 53,290	$ -	$ 53,290
Balance at January 1 and December 31, 2017	$ 53,290	$ -	$ 53,290

The carrying amount of impairment losses on the receivables individually assessed for impairment mainly stem from difficulties with fund dispatching of customers and from receivables which were past due over a long time. The Company didn't hold any collateral for these receivables.

As of December 31, 2017 and 2016, no single customer's receivables exceeded 10% of the total amount of all receivables.

The concentration of credit risk is limited because the Company's customer base is vast and unrelated to each other.

12. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 399,725	$ 472,427
Work in progress	124,099	131,042
Raw materials	353,517	268,467
Production supplies	22,096	23,913
Inventory in transit	-	119,113
	$ 899,437	$ 1,014,962

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016, was $12,055,131 thousand and $9,141,299 thousand, respectively.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries (a)	$ 1,447,102	$ 1,307,489
Investments in associates (b)	462,944	427,809
	$ 1,910,046	$ 1,735,298

a. Investments in subsidiaries

	December 31	
	2017	2016
Non-listed company		
Taita (BVI) Holding Co., Ltd. ("TTC (BVI)")	$ 1,447,102	$ 1,307,489

			Proportion of Ownership	
			December 31	
Investor	**Investee**	**Nature of Activities**	**2017**	**2016**
The Company	TTC (BVI)	Reinvestment	100%	100%

The investments in subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates

	December 31	
	2017	2016
Investments in associates that are not individually material		
Listed company		
China General Plastics Corporation ("CGPC")	$ 154,719	$ 146,179
Acme Electronics Corp. ("ACME")	33,212	35,992
Unlisted shares		
China General Terminal & Distribution Co ("CGTD")	272,509	243,047
Thintec Materials Corporation ("TMC")	2,504	2,591
	$ 462,944	$ 427,809

Aggregate information of associates that are not individually material as follows:

	For the Year Ended December 31	
	2017	2016
The Company's share of:		
Profit from continuing operations	$ 40,346	$ 20,812
Other comprehensive income	10,883	6,291
Total comprehensive income for the year	$ 51,229	$ 27,103

The proportion of the Company's ownership and voting right of the associates were as follows:

	December 31	
Name of Associate	**2017**	**2016**
CGPC	1.98%	1.98%
ACME	2.44%	2.44%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

Refer to Table 7 "Information on Investees" for the nature of activities, major areas of business and countries of registration of the associates.

The Company with its affiliates jointly held more than 20% of the shareholdings of CGPC, ACME and TMC and had significant influence over each entity. Therefore, the Company adopted the equity method to evaluate the above investments.

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

	December 31	
Name of Associate	**2017**	**2016**
CGPC	$ 315,940	$ 226,740
ACME	$ 81,788	$ 54,229

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the associates' financial statements which have been audited for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings Improvements	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost							
Balance at January 1, 2016	$ 634,432	$ 839,618	$ 3,543,279	$ 28,426	$ 302,472	$ 101,350	$ 5,449,577
Additions	-	-	-	-	-	114,812	114,812
Disposals	-	(511)	(81,807)	-	(2,707)	-	(85,025)
Internal transfers	-	14,082	66,783	-	5,808	(86,673)	-
Balance at December 31, 2016	$ 634,432	$ 853,189	$ 3,528,255	$ 28,426	$ 305,573	$ 129,489	$ 5,479,364

(Continued)

	Freehold Land	Buildings Improvements	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 521,662	$ 2,680,660	$ 25,461	$ 260,832	$ -	$ 3,488,615
Disposals	-	(511)	(81,782)	-	(2,705)	-	(84,998)
Depreciation expenses	-	24,646	97,761	1,230	14,251	-	137,888
Balance at December 31, 2016	$ -	$ 545,797	$ 2,696,639	$ 26,691	$ 272,378	$ -	$ 3,541,505
Carrying amounts at December 31, 2016	$ 634,432	$ 307,392	$ 831,616	$ 1,735	$ 33,195	$ 129,489	$ 1,937,859
Cost							
Balance at January 1, 2017	$ 634,432	$ 853,189	$ 3,528,255	$ 28,426	$ 305,573	$ 129,489	$ 5,479,364
Additions	-	-	-	-	-	145,020	145,020
Disposals	-	-	(7,083)	(2,662)	(864)	-	(10,609)
Internal transfers	-	6,473	131,313	-	3,110	(140,896)	-
Balance at December 31, 2017	$ 634,432	$ 859,662	$ 3,652,485	$ 25,764	$ 307,819	$ 133,613	$ 5,613,775
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 545,797	$ 2,696,639	$ 26,691	$ 272,378	$ -	$ 3,541,505
Disposals	-	-	(6,875)	(2,662)	(778)	-	(10,315)
Depreciation expenses	-	24,173	99,653	1,026	10,083	-	134,935
Balance at December 31, 2017	$ -	$ 569,970	$ 2,789,417	$ 25,055	$ 281,683	$ -	$ 3,666,125
Carrying amounts at December 31, 2017	$ 634,432	$ 289,692	$ 863,068	$ 709	$ 26,136	$ 133,613	$ 1,947,650

(Concluded)

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Factories	20, 30, 35, 40 and 55 years
Office and laboratories	26 to 35 years
Storage rooms	20 to 25 years
Storage tank rooms	8 to 20 years
Others	2 to 9 years
Machinery and equipment	
Environmental protection equipment	15 to 20 years
Monitoring equipment	11 to 15 years
Storage tank and pipeline systems	10 to 15 years
Production and packaging equipment	8 to 15 years
Power systems	7 to 15 years
Others	2 to 8 years
Transportation equipment	5 to 15 years
Other Equipment	2 to 15 years

Property, plant and equipment pledged as collateral for bank borrowing are set out in Notes 17 and 29.

15. INVESTMENT PROPERTIES

	December 31	
	2017	2016
Land	$ 108,178	$ 108,178

Management was unable to reliably measure the fair value of investment properties located in Qianzhen District, Xingbang Section and Linyuan Industrial Park, because the fair value for comparable properties is inactive and alternative reliable measurements of fair value are not available. Therefore, the Company concluded that the fair value of the investment properties is not reliably measurable.

The property located in Qianzhan District has been leased to CGTD. The rental was $1,512 thousand per month, which is based on the actual usable area. Refer to Notes 23 and 28.

Part of above investment properties pledged as collateral for bank borrowing are set out in Notes 17 and 29.

16. INTANGIBLE ASSETS

	December 31	
	2017	2016
Carrying amount by function		
Information systems	$ 1,066	$ 4,557
Design expenses for factories	10,002	11,602
	$ 11,068	$ 16,159

Intangible assets were amortized using the straight-line basis over their estimated useful lives of 3 to 10 years.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Line of credit borrowings	$ 120,000	$ 300,000

The interest rate and range of interest rates on line of credit borrowings was 0.85% and 0.91%-0.95% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	December 31 2017	December 31 2016
Commercial paper	$ 190,000	$ 350,000
Less: Unamortized discount on bills payable	(77)	(92)
	$ 189,923	$ 349,908

Outstanding short-term bills payables were as follows:

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
International Bills Finance Corporation	$ 100,000	$ 36	$ 99,964	0.66%
Taiwan Finance Corporation	90,000	41	89,959	0.70%
	$ 190,000	$ 77	$ 189,923	

December 31, 2016

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
China Bills Finance Corporation	$ 100,000	$ 20	$ 99,980	0.49%
MEGA Bills Finance Co., Ltd.	100,000	22	99,978	0.60%
Taiwan Cooperative Bills Finance Corporation	100,000	34	99,966	0.70%
Ta Ching Bills Finance Corporation	50,000	16	49,984	0.56%
	$ 350,000	$ 92	$ 349,908	

c. Long-term borrowings

	December 31 2017	December 31 2016
Secured borrowings		
Chang Hwa Commercial Bank - interest rates were 1.10% and 1.20% as of December 31, 2017 and 2016, respectively. During the 5-years contract validity period, the limit is used cyclically, and the principal is paid at maturity.	$ 900,000	$ 700,000
Unsecured borrowings		
O-Bank - interest rates were 1.20% as of both December 31, 2017 and 2016. During the 3-years contract validity period, the limit is used cyclically, and the principal is paid at maturity.	100,000	300,000
	$ 1,000,000	$ 1,000,000

The Company entered into a long-term financing contract in November 2012 with Chang Hwa Commercial Bank for 5 years to increase working capital. The contract was extended to July 2018 in 2015 and was further extended to June 2021 in 2017 with a credit limit of $1,000,000 thousand, which is used cyclically during the validity period. The Company provided property located in Qianzhen District pledged as collateral (refer to Notes 14, 15 and 29). As of December 31, 2017, the Group has borrowed $900,000 thousand.

The Company entered into a long-term financing contract in October 2013 with O-Bank, formerly Taiwan Industrial Bank, for 3 years. The contract was extended to October 2018 in 2015 and was further extended to October 2020 in 2017 with a credit limit of $300,000 thousand, which is used cyclically during the validity period. As of December 31, 2017, the Company has borrowed $100,000 thousand.

18. ACCOUNTS PAYABLE

	December 31	
	2017	2016
Accounts payable (including related parties)		
Operating (Note 28)	$ 1,239,086	$ 993,226

The average payment period for the Company’s accounts payable is between 30 and 45 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	December 31	
	2017	2016
Payables for salaries or bonuses	$ 122,084	$ 80,402
Payables for transportation fees	45,191	30,641
Payables for utilities	24,084	21,500
Payables for purchases of equipment	16,875	9,174
Payables for insurance	9,593	7,807
Payables for professional service expenses	6,843	6,643
Payables for taxes	1,702	1,592
Others	21,158	20,818
	$ 247,530	$ 178,577

20. PROVISIONS - CURRENT

	December 31	
	2017	2016
Customer returns and rebates	$ 1,179	$ 1,102

Customer returns and rebates are as follows:

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 1,102	$ 1,305
Additional provisions recognized	9,490	8,243
Usage	(9,413)	(8,446)
Balance at December 31	$ 1,179	$ 1,102

The provision for customer returns and rebates is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the year. The provision is recognized as a reduction of operating income in the periods in which the related goods are sold.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries over the 6 months before retirement. Since November 1986, the Company contributed a specific rate (currently 12%) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 722,583	$ 764,835
Fair value of plan assets	(118,236)	(97,541)
Net defined benefit liabilities	$ 604,347	$ 667,294

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2016	$ 753,879	$ (129,923)	$ 623,956
Service cost			
Current service cost	8,357	-	8,357
Net interest expense (income)	10,230	(1,721)	8,509
Recognized in profit or loss	18,587	(1,721)	16,866
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	905	905
Actuarial loss - changes in demographic assumptions	1,921	-	1,921
Actuarial loss - changes in financial assumptions	22,918	-	22,918
Actuarial loss - experience adjustments	10,572	-	10,572
Recognized in other comprehensive income	35,411	905	36,316
Contributions from the employer	-	(9,844)	(9,844)
Benefits paid	(43,042)	43,042	-
Balance at December 31, 2016	$ 764,835	$ (97,541)	$ 667,294
Balance at January 1, 2017	$ 764,835	$ (97,541)	$ 667,294
Service cost			
Current service cost	7,188	-	7,188
Net interest expense (income)	7,399	(791)	6,608
Recognized in profit or loss	14,587	(791)	13,796
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(224)	(224)
Actuarial loss - changes in demographic assumptions	478	-	478
Actuarial loss - experience adjustments	16,582	-	16,582
Recognized in other comprehensive income	17,060	(224)	16,836
Contributions from the employer	-	(93,579)	(93,579)
Benefits paid	(73,899)	73,899	-
Balance at December 31, 2017	$ 722,583	$ (118,236)	$ 604,347

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 10,937	$ 13,475
Selling and marketing expenses	1,419	1,676
General and administrative expenses	1,012	1,229
Research and development expenses	428	486
	$ 13,796	$ 16,866

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate of a 2-year time deposit with local banks.

2) Interest risk: A decrease in government bond interest rates will increase the present value of the defined benefit obligation, however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate	1.000%	1.000%
Expected rate of salary increase	2.250%	2.250%

If possible reasonable changes in each of the significant actuarial assumptions were to occur and all other assumptions were to remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	**2016**
Discount rate		
0.25% increase	$ (14,084)	$ (15,406)
0.25% decrease	$ 14,526	$ 15,905
Expected rate of salary increase		
0.25% increase	$ 14,093	$ 15,433
0.25% decrease	$ (13,737)	$ (15,029)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company expects to make contributions of $342,121 thousand to the defined benefit plans in the next year starting from December 31, 2017. The weighted average duration of the defined benefit obligation is 8.1 years.

22. EQUITY

a. Share capital

	December 31	
	2017	2016
Number of shares authorized and issued (in thousands)	327,652	327,652
Shares issued and fully paid	$ 3,276,518	$ 3,276,518

The ordinary shares issued have a denomination of $10 per share. Each share carries the rights to vote and receive dividends.

b. Capital surplus

Capital surplus arising from the issuance of ordinary shares (including share premiums) and donated capital may be used to offset a deficit, in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and once a year).

Capital surplus arising from investments in subsidiaries and associates accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 13, 2016 and, in that meeting, resolved amendments to the Company’s Articles of Incorporation (the “Articles”), particularly the amendment to the policy on dividends distribution and the addition of the policy on the distribution of employees’ compensation.

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees’ compensation and remuneration of directors after the amendment, refer to “Employees’ compensation and remuneration of directors” in Note 23-g.

According to the provisions of the Company's Articles, the Company in order to take R&D needs and diversification of operations into consideration, dividends shall not be less than 10% of the distributable earnings in the current year, of which the cash dividends shall not be less than 10% of the total dividends. However, if the distributable earnings for the current year is less than $0.1 per share, it shall not be distributed.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company.

The board of directors held regular meetings on June 16, 2017 and June 13, 2016 and resolved to offset accumulated deficits of previous years with net profit in the amount of $120,877 thousand and $67,525 thousand for the years ended December 31, 2016 and 2015, respectively.

The appropriation of earnings for 2017 was proposed by the Company's board of directors on March 12, 2018. After evaluating the Company's business conditions and operating needs, excluding the decision to offset accumulated deficits of $289,879 thousand with net profit in the amount of $502,079 thousand and appropriate a legal reserve in the amount of $21,220 thousand, in accordance with the laws and regulations, no cash dividends or share dividends will be distributed.

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 22, 2018.

d. Special reserve

The Company reserved a special reserve on the first-time adoption of IFRSs as follows:

	December 31	
	2017	**2016**
Special reserve	$ 308,061	$ 308,061

The Company's amount of unrealized revaluation gain and cumulative adjustments transferred into retained earnings were $279,270 thousand and $160,233 thousand, respectively. The increase in retained earnings arising from the first-time adoption of IFRSs was not sufficient for the special reserve appropriation; thus, the Company appropriated a special reserve in the amount of $308,061 thousand which was the net increase of retained earnings arising from the first-time adoption of IFRSs. As of December 31, 2017, there was no change in the special reserve.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (92,295)	$ 45,413
Exchange differences on translating foreign operations	17,783	(162,428)
Share of exchange differences of associates accounted for using the equity method	(849)	(2,893)
Related income tax	(3,023)	27,613
Balance at December 31	$ (78,384)	$ (92,295)

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar. The resulting currency translation differences are recognized in other comprehensive income as exchange differences on translating foreign operations in the respective period.

2) Unrealized gain on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 176,244	$ 121,796
Unrealized gain on revaluation of available-for-sale financial assets	13,699	41,800
Cumulative (gain) loss reclassified to profit or loss on sale of available-for-sale financial assets	(1,015)	24
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	12,038	12,624
Balance at December 31	$ 200,966	$ 176,244

Revaluation gains or losses of available-for-sale financial assets were recognized in other comprehensive income as unrealized gain on available-for-sale financial assets in the respective period.

23. NET PROFIT

Net profit includes the following:

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 211	$ 753
Financial assets at FVTPL (Note 7)	7,180	7,462
Others	58	58
	7,449	8,273
Dividend income	7,262	7,262
Rental income (Notes 15 and 28)	30,056	29,296
Compensation income	3,204	10
Others	3,305	3,166
	$ 51,276	$ 48,007

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Loss on disposal of property, plant and equipment (Note 14)	$ (100)	$ (27)
Gain (loss) on disposal of available-for-sale financial assets (Note 8)	3,311	(24)
Net foreign exchange losses	(64,269)	(3,148)
Net loss on financial assets held for trading (Note 7)	(20,119)	(9,014)
Net loss on financial liabilities held for trading (Note 7)	(1,505)	(4,306)
Expenses from rental assets	(6,928)	(6,636)
Others	(2,356)	(2,608)
	$ (91,966)	$ (25,763)

c. Net foreign exchange gains and losses

	For the Year Ended December 31	
	2017	2016
Gross foreign exchange gains	$ 59,091	$ 73,110
Gross foreign exchange losses	(123,360)	(76,258)
Net loss	$ (64,269)	$ (3,148)

d. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 25,979	$ 24,142
Less: Capitalized interest (included in construction in progress)	(828)	(1,095)
	$ 25,151	$ 23,047

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 828	$ 1,095
Capitalization rate	0.986%-1.200%	1.20%-1.24%

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment (Note 14)	$ 134,935	$ 137,888
Intangible assets (Note 16)	5,091	7,177
	$ 140,026	$ 145,065
An analysis of depreciation by function		
Operating costs	$ 130,390	$ 133,286
Operating expenses	868	1,231
Non-operating income and expenses	3,677	3,371
	$ 134,935	$ 137,888
An analysis of amortization by function		
Operating costs	$ 1,600	$ 1,600
General and administrative expenses	3,491	5,577
	$ 5,091	$ 7,177

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (Note 21)		
Defined contribution plans	$ 12,171	$ 11,433
Defined benefit plans	13,796	16,866
	25,967	28,299
Insurance expenses	32,703	31,095
Other employee benefits	478,212	430,873
Total employee benefits expense	$ 536,882	$ 490,267
An analysis of employee benefits expense by function		
Operating costs	$ 418,714	$ 369,933
Operating expenses	118,168	120,334
	$ 536,882	$ 490,267

As of December 31, 2017 and 2016, the number of employees of the Company was 437 and 427, respectively, and the calculation basis was the same as that of employee benefits expense.

g. Employees' compensation and remuneration of directors

In accordance with the amendments to the ROC Company Act in May 2015 and the amended Company's Articles of Incorporation approved by the shareholders in their meeting held in June 2016, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively. However, the Company's accumulated deficits should be offset in advance. The employees' compensation can be distributed in the form of shares or cash. When the employees of the Company's subsidiaries meet specific requirements they are also entitled to receive compensation in shares or cash. These requirements are set by the board of directors.

The Company did not propose a distribution of employee's compensation and remuneration of directors in 2016 because the Company still had accumulated deficits which were to be offset as of December 31, 2016.

The employees' compensation and remuneration of directors for the year ended December 31, 2017 which were approved by the Company's board of directors on March 12, 2018, were as follows:

	For the Year Ended December 31, 2017	
	Accrual Rate	Amount
Employees' compensation	1%	$ 2,875
Remuneration of directors	-	$ -

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

No employee's compensation and remuneration of directors was resolved for 2016 and 2015 in the board of directors meetings dated March 14, 2017 and March 11, 2016, respectively, because there were accumulated deficits which needed to be resolved for the respective years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	**2016**
Current tax		
In respect of the current year	$ 38,632	$ -
Adjustments for prior years	(957)	-
	37,675	-
Deferred tax		
In respect of the current year	34,795	2,281
Adjustments for prior years	-	20
	37,795	2,301
Income tax expense recognized in profit or loss	$ 72,470	$ 2,301

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2017	**2016**
Profit before tax from continuing operations	$ 574,549	$ 123,178
Income tax expense calculated at the statutory rate	$ 97,673	$ 20,940
Nondeductible expenses in determining taxable income	120	93
Tax-exempt income	(3,716)	(3,252)
Unrecognized loss carryforwards	(20,814)	(15,718)
Adjustments for prior years' tax	(957)	20
Others	164	218
Income tax expense recognized in profit or loss	$ 72,470	$ 2,301

The applicable corporate income tax rate used by the corporate in the ROC is 17%.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $20,930 thousand and $3,096 thousand, respectively, in 2018.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
In respect of the current year		
Exchange differences on translating foreign operations	$ (3,023)	$ 27,613
Remeasurement on defined benefit plans	2,862	6,174
	$ (161)	$ 33,787

c. Current income tax assets and liabilities

	December 31	
	2017	**2016**
Current income tax assets		
Tax refund receivables	$ 778	$ 1,849
Current income tax liabilities		
Accrued income tax expense	$ 37,888	$ 957

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income (Loss)**	**Closing Balance**
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 2,641	$ (1,359)	$ -	$ 1,282
Allowance for impaired receivables	7,231	(936)	-	6,295
Loss on supplies	970	(193)	-	777
Defined benefit plans	113,145	(13,563)	2,862	102,444
Payables for annual leave	3,297	(10)	-	3,287
Unrealized foreign exchange losses	-	3,315	-	3,315
Others	2,053	(852)	-	1,201
	129,337	(13,598)	2,862	118,601
Operating loss carryforwards	23,594	(23,594)	-	-
	$ 152,931	$ (37,192)	$ 2,862	$ 118,601

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax liabilities				
Temporary differences				
Exchange differences on translating foreign operations	$ 13,718	$ -	$ 3,023	$ 16,741
Differences on depreciation periods between finance and tax	784	(188)	-	596
Reserve for land Revaluation Increment Tax	143,860	-	-	143,860
Unrealized foreign exchange gains	2,414	(2,414)	-	-
Others	-	205	-	205
	$ 160,776	$ (2,397)	$ 3,023	$ 161,402

(Concluded)

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 5,106	$ (2,465)	$ -	$ 2,641
Allowance for impaired receivables	6,963	268	-	7,231
Loss on supplies	967	3	-	970
Unrealized impairment loss on property, plant and equipment	18	(18)	-	-
Defined benefit plans	105,777	1,194	6,174	113,145
Payables for annual leave	2,778	519	-	3,297
Others	1,209	844	-	2,053
	122,818	345	6,174	129,337
Operating loss carryforwards	26,309	(2,715)	-	23,594
	$ 149,127	$ (2,370)	$ 6,174	$ 152,931

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax liabilities				
Temporary differences				
Exchange differences on translating foreign operations	$ 41,331	$ -	$ (27,613)	$ 13,718
Differences on depreciation periods between finance and tax	998	(214)	-	784
Reserve for Land Revaluation Increment Tax	143,860	-	-	143,860
Unrealized foreign exchange gains	1,999	415	-	2,414
Others	270	(270)	-	-
	$ 188,458	$ (69)	$ (27,613)	$ 160,776

(Concluded)

e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31 2017	December 31 2016
Deductible temporary differences		
Share of loss of subsidiaries accounted for using the equity method	$ 672,278	$ 794,714

f. Integrated income tax

There are no unappropriated earnings generated before January 1, 1998 as of December 31, 2017.

	December 31 2017	December 31 2016
Shareholder-imputed credits account	$ - (Note)	$ 62,014

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

The Company did not disclose the creditable ratio for the distribution of earnings for 2016, because the Company had accumulated deficits as of December 31, 2016.

h. Income tax assessments

The income tax returns of the Company through 2015 has been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic earnings per share	$ 1.53	$ 0.37
Diluted earnings per share	$ 1.53	$ 0.37

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	**2016**
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 502,079	$ 120,877

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares used in the computation of basic earnings per share	327,652	327,652
Effect of potentially dilutive ordinary shares:		
Employees' compensation issued to employees	189	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	327,841	327,652

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

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the past year.

The capital structure of the Company consists of net debt and equity.

The senior management of the Company regularly reviews the Company's capital structure. The review includes the consideration of the cost of various types of capital and related risks. The Company balances its overall capital structure by paying dividends, borrowing new debt or repaying old debt, based on the recommendations of the senior management.

27. FINANCIAL INSTRUMENTS

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

The Company's management believes that the carrying amount of financial assets and financial liabilities that are not measured at the fair value approximately their fair value. Otherwise, the fair value cannot be measured appropriately.

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 1,828	$ -	$ 1,828
Non-derivative financial assets held for trading	304,282	-	-	304,282
	$ 304,282	$ 1,828	$ -	$ 306,110
Available-for-sale financial assets				
Securities listed in the ROC	$ 242,944	$ -	$ -	$ 242,944
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 624	$ -	$ 624

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 324,829	$ -	$ -	$ 324,829
Available-for-sale financial assets				
Securities listed in the ROC	$ 233,686	$ -	$ -	$ 233,686
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 1,593	$ -	$ 1,593

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2017	**2016**
Financial assets		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	$ 306,110	$ 324,829
Loans and receivables (1)	1,830,705	1,399,362
Available-for-sale financial assets (2)	244,644	235,386
Financial liabilities		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	624	1,593
Financial liabilities measured at amortized cost (3)	2,680,626	2,746,376

1) The balance includes loans and receivables measured at amortized cost, which includes cash and cash equivalents, debt investments with no active market, notes and accounts receivables (including related parties), other receivables (including related parties and excluding VAT refund receivables) and other non-current assets (pledged deposits).

2) The balance includes the carrying amount of financial assets measured at cost.

3) The balance includes financial liabilities measured at amortized cost, which includes short-term and long-term loans, short-term bills payable, accounts payable (including related parties) and other payables (including related parties and excluding payables for taxes).

d. Financial risk management objectives and policies

The Company's conduct of risk controlling and hedging strategy is influenced by the operational environment. The Company monitors and manages the financial risk by business nature and risk dispersion.

These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company's operating activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company conducted foreign currency sales and purchases, which exposed the Company to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Company used foreign exchange forward contracts to eliminate foreign currency exposure and thus mitigate the impact of the risk. The use of foreign exchange forward contracts is regulated by the policies passed by the Company's board of directors. Internal auditors focus on reviewing the observance of the policies and the quota of risk exposures. The trade of derivative financial instruments that the Company engaged in was not for speculation purposes.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 31 and of the derivatives exposing the Company to foreign currency risk are set out in Note 7.

Sensitivity analysis

The Company's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2017 and 2016 would have increased/decreased by $33,006 thousand and $31,418 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Company was exposed to the fair value risk of interest rate fluctuations for the fixed interest rate bearing financial assets and financial liabilities; the Company was exposed to the cash flow risk of interest rate fluctuations for the floating interest rate bearing financial assets and financial liabilities. The Company's management regularly monitors the fluctuations on market rates and then adjusted its balance of floating rate bearing financial liabilities to make the Company's interest rates more closely approach market rates in response to the interest rate risk.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 19,051	$ 172,275
Financial liabilities	309,923	649,908
Cash flow interest rate risk		
Financial assets	67,761	24,639
Financial liabilities	1,000,000	1,000,000

Sensitivity analysis

The fixed-rate financial assets and liabilities held by the Company are not included in the analysis as they are all measured at amortized cost. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 point fluctuation in interest rate was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by $4,661 thousand and $4,877 thousand, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in domestic listed shares, beneficiary securities and mutual funds. The Company manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Company has appointed a specific team to monitor price risk.

Sensitivity analysis

The Company's sensitivity analysis focuses on equity price risks at the end of the reporting period. If equity prices had been a 5% high/lower on the trading instrument, the net profit before tax for the years ended December 31, 2017 and 2016 would have increased/decreased by $15,214 thousand and $16,241 thousand, respectively; the other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by $$12,147 thousand and $11,684 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets.

b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. In addition, the Company provided endorsement guarantees for the borrowings of subsidiaries. The guarantee amounts provided by the Company for endorsements were $1,870,770 thousand and $1,867,375 thousand, respectively, as of December 31, 2017 and 2016. However, according to the expectations on the balance sheet date, it is unlikely that the Company will pay the endorsement guarantees when the endorsee breaches the contract.

The counterparties of the Company's accounts receivable included numerous clients distributed over a variety of areas, and were not centered on a single client or location. Furthermore, the Company continuously assesses the financial condition of its clients, and then the Company's credit risk was limited. As at the end of the reporting period, the Company's largest exposure of credit risk approximates to the carrying amount of financial assets.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and bank loan facilities deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods based on the probable earliest repayment dates. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

December 31, 2017

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 1,381,603	$ 26,950
Floating interest rate liabilities	1.110	-	1,000,000
Fixed interest rate liabilities	0.747	310,000	-
		$ 1,691,603	$ 1,026,950

December 31, 2016

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 1,108,468	$ 10,900
Floating interest rate liabilities	1.200	-	1,000,000
Fixed interest rate liabilities	0.745	650,000	-
		$ 1,758,468	$ 1,010,900

c) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2017 and 2016, the unused amounts of bank loan facilities were as follows:

	December 31	
	2017	2016
Bank loan facilities		
Amount unused	$ 3,040,341	$ 1,956,952

28. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2017 and 2016, USI Corporation held indirectly 36.79% of the Company’s outstanding ordinary shares.

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related parties' names and categories

Related Parties	Related Party Category
USI Corporation ("USI")	Parent company
Taita (BVI) Holding Co., Ltd. ("TTC (BVI)")	Subsidiary
Taita Chemical (Zhongshan) Co., Ltd. ("TTC (ZS)")	Subsidiary
Taita Chemical (Tianjin) Co., Ltd. ("TTC (TJ)")	Subsidiary
China General Plastics Corporation	Associate
CGPC Polymer Corporation	Subsidiary of associate
Taiwan VCM Corporation ("TVCM")	Subsidiary of associate
China General Terminal & Distribution Co. ("CGTD")	Associate
Acme Electronics Corporation	Associate
Asia Polymer Corp. ("APC")	Fellow subsidiary
USI Trading (Shanghai) Co., Ltd.	Subsidiary of fellow subsidiary
USI International Corporation	Subsidiary of fellow subsidiary
Swanson Plastics Corporation	Fellow subsidiary
USI Management Consulting Corporation ("UM")	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
Usig (Shanghai) Co., Ltd.	Fellow subsidiary
INOMA Corporation	Fellow subsidiary

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiary	$ 619,515	$ 404,004
Fellow subsidiary	42,646	52,004
	$ 662,161	$ 456,008

The Company's credit period of sales of goods to related parties was 90 days after delivering the products. The sales of goods between the Company and its related parties had no material differences from those of general sales transactions.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiary	$ 19,068	$ 17,468
Associate	2,787	3,587
Fellow subsidiary	197	781
	$ 22,052	$ 21,836

The average credit period on purchases of goods from related parties was 30 days after acceptance. The purchases of goods between the Company and its related parties had no material differences from those of general purchase transactions.

d. Receivables from related parties (excluding loans to related parties)

Related Party Category/Name	December 31 2017	December 31 2016
Subsidiary	$ 58,814	$ -
Fellow subsidiary	4,058	13,630
	$ 62,872	$ 13,630

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for accounts receivable from related parties.

e. Payables to related parties (excluding loans from related parties)

Related Party Category/Name	December 31 2017	December 31 2016
Associate	$ 469	$ 476
Fellow subsidiary	26	13
	$ 495	$ 489

The outstanding accounts payable from related parties are not overdue.

f. Endorsements and guarantees

Related Party Category/Name	December 31 2017	December 31 2016
TTC (BVI)	$ 1,482,080	$ 1,544,875
TTC (ZS)	239,890	-
TTC (TJ)	148,800	322,500
	$ 1,870,770	$ 1,867,375

g. Other transactions with related parties

1) Rental income (classified as other income, see Notes 14, 15 and 23)

Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associate		
CGTD	$ 19,100	$ 19,100
TVCM	9,426	9,360
	28,526	28,460
Parent company	1,530	836
	$ 30,056	$ 29,296

2) Rental expenses (classified as operating costs, selling and marketing expenses and general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2017	2016
Fellow subsidiary		
APC	$ 6,265	$ 7,043
Others	8	2
	6,273	7,045
Parent company		
USI	5,325	5,129
Associate	116	88
	$ 11,714	$ 12,262

The Company leased land in Linyuan from fellow subsidiaries. The rentals were according to the Announced Land Values and paid on a monthly basis. The Company leased offices in Neihu from the parent company. The rental was paid on a monthly basis.

3) Storage tank operating expenses (classified as operating costs)

Related Party Category/Name	For the Year Ended December 31 2017	2016
Associate		
CGTD	$ 16,546	$ 13,648

The Company appointed CGTD to handle the storage tank operating procedures of vinyl chloride monomer, ethylene and dichloromethane, such as transportation, storage and loading. The storage tank operating expenses were paid on a monthly basis.

4) Management service expenses (classified as general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2017	2016
Fellow subsidiary		
UM	$ 47,866	$ 39,706
Others	120	120
	47,986	39,826
Parent company		
USI	9,912	10,630
	$ 57,898	$ 50,456

The related contracts stated that the fellow subsidiary and parent company should provide labor support, equipment and other related services to the Company, and the service expenses were based on the actual quarterly expenses.

5) Other expenses (classified as operating costs and general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Associate	$ 2,730	$ 1,978
Parent company	-	227
	$ 2,730	$ 2,205

6) Other receivables from related parties

Related Party Category/Name	December 31	
	2017	2016
Subsidiary		
TTC (TJ)	$ 160,928	$ 174,393
Others	1,399	356
	162,327	174,749
Associate	2,934	2,512
Parent company	310	267
Fellow subsidiary	28	53
	$ 165,599	$ 177,581

Other receivables included raw material receivables and land and equipment rental receivables.

7) Other payables to related parties

Related Party Category/Name	December 31	
	2017	2016
Associate	$ 5,152	$ 3,416
Parent company	2,829	3,688
Fellow subsidiary	404	307
	$ 8,385	$ 7,411

Other payables included storage tank operating expense payables, management service expense payables and the allocation of service department costs payables.

8) Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31	
	2017	2016
Fellow subsidiary	$ 437	$ -

h. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Salaries and others	$ 29,479	$ 24,346
Post-employment benefits	243	309
	$ 29,722	$ 24,655

The remuneration of directors and key executives of the Company was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for line of credit borrowings, the tariffs of imported raw materials and good guarantees and borrowing credit amounts (Notes 10, 14, 15 and 17):

	December 31	
	2017	2016
Pledged time deposits		
Classified as debt investments with no active market - current	$ 3,000	$ 8,000
Classified as other assets - non-current	16,051	16,103
Property, plant and equipment, net	459,730	470,789
Investment properties, net	108,178	108,178
	$ 586,959	$ 603,070

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company were as follows:

a. As of December 31, 2017 and 2016, unused letters of credit amounted to approximately $1,306,298 thousand and $912,435 thousand.

b. Contingencies

Regarding China General Terminal & Distribution Corporation (hereinafter "CGTD"), who had been commissioned to operate LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014, the Kaohsiung District Prosecutor Office instituted a public prosecution against the related personnel of the Kaohsiung Government, LCY Chemical Corp. and CGTD employees on December 18, 2014. As of the reporting date, the attribution of responsibility for the gas explosion and the subsequent impact is still pending the conclusion of the in-progress trial of the Kaohsiung District Court.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $226,983 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 2018, the provisionally attached property was worth $151,229 thousand.

As for the victims, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 32 victims' families on July 17, 2015. Each victim's family received $12,000 thousand, and the compensation was $384,000 thousand in total, which was paid in four annual payments by LCY Chemical Corp. LCY Chemical Corp. was in charge of negotiating the compensation with the victims' families and signing the settlement agreement on behalf of the three parties.

As for the seriously injured, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 65 seriously injured victims' families on October 25, 2017. Compensation was paid by CGTD and the Kaohsiung City Government, and CGTD was in charge of negotiating the compensation with the seriously injured victims' families and signing the settlement agreement on behalf of the three parties.

Up to February 2018, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. Along with the formerly mentioned compensation, the accumulated amount of compensation is $4,038,198 thousand, and the actual payment of CGTD depends on the verdict of the civil procedures. The date of the criminal procedures is estimated to be on May 11, 2018 and part of the civil procedures will be held on June 22, 2018.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: Foreign Currency In Thousands

	December 31, 2017		
	Foreign Currency	**Exchange Rate (Dollar; Note)**	**Carrying Amount**
Foreign currency assets			
Monetary items			
USD	$ 54,448	29.7600	$ 1,621,550
HKD	1,062	3.8070	4,044
EUR	32	35.5700	1,150
			$ 1,626,744
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	48,646	29.7600	$ 1,447,102
Foreign currency liabilities			
Monetary items			
USD	17,518	29.7600	$ 521,344

	December 31, 2016		
	Foreign Currency	Exchange Rate (Dollar; Note)	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 36,354	32.2500	$ 1,172,428
HKD	547	4.1580	2,273
			$ 1,174,701
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	40,542	32.2500	$ 1,307,489
Foreign currency liabilities			
Monetary items			
USD	3,881	32.2500	$ 125,169

Note: The exchange rate represents the number of NT dollars for which one foreign currency could be exchanged.

The unrealized and realized foreign exchange gains and losses were a gain of $64,269 thousand and a loss of $3,148 thousand for the years ended December 31, 2017 and 2016, respectively. Due to the numerous foreign currency transactions and functional currencies of each individual entity of the Company, foreign exchange gains and losses cannot be disclosed on the respective significant foreign currency.

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (not including investment subsidiary and affiliated companies). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments. (Note 7)

10) Information on investees. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Note 28)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 5 and 6)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)

e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

TABLE 1

TAITA CHEMICAL CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount (Note 4)	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1, 2 and 4)	Aggregate Financing Limit (Notes 1, 2 and 4)
													Item	Value		
1	Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	$ 910,900 (RMB 200,000 thousand)	$ 455,450 (RMB 100,000 thousand)	$ 273,270 (RMB 60,000 thousand)	5.22	b	$ -	Operating capital	$ -	-	$ -	$ 1,918,118	$ 1,918,118

Note 1: The total amount of lending to the Company for funding for a short-term period shall not exceed 40% of the net worth of the Company. As of December 31, 2017, the Company didn’t loan funds to anyone and has no financing provided to others.

Note 2: The total amount of financing provided by Taita Chemical (Zhongshan) Co., Ltd. to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of its financing provided to any subsidiary which is wholly-owned by the Company shall not exceed 100% of the recently audited net worth of the Company as audited by an independent auditor. As December 31, 2017, the audited net worth of Taita Chemical (Zhongshan) Co., Ltd. is RMB421,148 thousand.

Note 3: Types of financing were as follows:

a. Business and trade.
b. Shot-term financing.

Note 4: The foreign currency amount is calculated based on the spot exchange rate as on December 31, 2017.

TABLE 2

TAITA CHEMICAL CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 1)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 1)	Actual Borrowing Amount (Note 1)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	100% voting shares directly owned by the Company	$ 7,811,100	$ 1,482,080 (US$ 33,000 thousand) (NT$ 500,000 thousand)	$ 1,482,080 (US$ 33,000 thousand) (NT$ 500,000 thousand)	$ 720,787 (US$ 24,220 thousand)	$ -	37.95	$ 7,811,100	Yes	No	No
		Taita Chemical (Zhongshan) Co., Ltd.	100% voting shares indirectly owned by the Company	7,811,100	239,890 (US$ 5,000 thousand) (RMB 20,000 thousand)	239,890 (US$ 5,000 thousand) (RMB 20,000 thousand)	-	-	6.14	7,811,100	Yes	No	Yes
		Taita Chemical (Tianjin) Co., Ltd.	100% voting shares indirectly owned by the Company	7,811,100	297,600 (US$ 10,000 thousand)	148,800 (US$ 5,000 thousand)	148,800 (US$ 5,000 thousand)	-	3.81	7,811,100	Yes	No	Yes

Note 1: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2017.

Note 2: The maximum total endorsement/guarantee shall not exceed 200% of the equity attributable to owners of the Company. The maximum of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2017.

TABLE 3

TAITA CHEMICAL CO., LTD.

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND AFFILIATED COMPANIES)
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taita Chemical Co., Ltd.	Ordinary shares							
	USI Corporation	Parent company	Available-for-sale financial assets - non-current	14,813,629	$ 242,944	1.27	$ 242,944	Note 1
	Harbinger Venture Capital	-	Financial assets measured at cost - non-current	170,000	1,700	0.50	-	-
	Beneficiary securities							
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial instruments at fair value through profit or loss (FVTPL)	4,900,000	64,925	-	64,925	Note 1
	Cathay No. 2 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	2,500,000	33,275	-	33,275	Note 1
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	4,000,000	58,040	-	58,040	Note 1
	Fubon No. 2 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	6,600,000	75,042	-	75,042	Note 1
	Mutual funds and beneficiary certificates							
	Franklin Templeton SinoAm Money Market Fund	-	Financial instruments at FVTPL	4,866,985	50,000	-	50,000	Note 2
	TCB Taiwan Money Market Fund	-	Financial instruments at FVTPL	2,276,912	23,000	-	23,000	Note 2
Taita (BVI) Holding Co., Ltd.	Shares							
	Budworth Investment Ltd. - ordinary shares	-	Financial assets measured at cost - non-current	127,980	983 (US$ 33 thousand)	2.22	-	-
	Teratech Corporation - ordinary shares	-	Financial assets measured at cost - non-current	112,000	-	0.72	-	Note 3
	Sohoware Inc. - preference shares	-	Financial assets measured at cost - non-current	100,000	-	-	-	Note 3

Note 1: Fair value was based on the closing price of the Taiwan Stock Exchange as of December 31, 2017.

Note 2: Fair value was based on the carrying amount as of December 31, 2017.

Note 3: The carrying amount was zero as of December 31, 2017 due to the impairment loss recognized over the years.

TABLE 4

TAITA CHEMICAL CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
Taita Chemical Co., Ltd.	Fund beneficiary certificates													
	FSITC Money Market Fund	Financial instruments at fair value through profit or loss (FVTPL)	-	-	73,571	$ 13,000	3,141,155	$ 556,000	3,214,726	$ 569,066	$ 569,000	$ 66	-	$ -
	FSITC Taiwan Money Market Fund	Financial instruments at FVTPL	-	-	-	-	24,758,506	375,800	24,758,506	375,837	375,800	37	-	-
	Jih Sun Money Market Fund	Financial instruments at FVTPL	-	-	2,386,049	35,000	48,802,637	717,500	51,188,686	752,592	752,500	92	-	-
	Franklin Templeton SinoAm Money Market Fund	Financial instruments at FVTPL	-	-	-	-	30,575,310	313,500	25,708,325	263,533	263,500	33	4,866,985	50,000
	TCB Taiwan Money Market Fund	Financial instruments at FVTPL	-	-	-	-	64,170,053	647,200	61,893,141	624,248	624,200	48	2,276,912	23,000

Note: The original investment amount is shown without adjustments for fair values.

TABLE 5

TAITA CHEMICAL CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance	% of Total	
Taita Chemical Co., Ltd.	Taita Chemical (Zhongshan) Co., Ltd.	Subsidiary	Sales	$ (619,497) (US$ 20,294 thousand)	(4.72)	30 days	Note 1	Note 1	Accounts receivable from related parties $ 58,796 (US$ 1,976 thousand)	3.74	

Note 1: The sales price and payment terms of the intercompany and related party sales and purchases were not significantly different from those with third parties.

TABLE 6

TAITA CHEMICAL CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance (Note 4)	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
Taita Chemical Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Accounts receivable $ 18 Other receivables 160,928 (US$ 5,408 thousand) (Note 1)	-	$ -	-	$ -	$ -
Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Other receivables 283,076 (RMB 62,153 thousand) (Note 2)	-	-	-	57 (RMB 13 thousand)	-

Note 1: The total amount of other receivables of Taita Chemical Co., Ltd. stems from selling raw materials to Taita Chemical (Tianjin) Co., Ltd.

Note 2: The total amount of other receivables of Taita Chemical (Zhongshan) Co., Ltd. from Taita Chemical (Tianjin) Co., Ltd. includes the amount of financing provided, interest receivables and rental receivables.

Note 3: The amount received in the subsequent period means the collection made from January 1, 2018 to March 12, 2018.

TABLE 7

TAITA CHEMICAL CO., LTD.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 1,837,323 (US$ 61,738 thousand)	$ 1,837,323 (US$ 61,738 thousand)	61,738,000	100.00	$ 1,447,102 (US$ 48,646 thousand)	$ 122,436 (US$ 4,021 thousand)	$ 122,436 (US$ 4,021 thousand)	Subsidiary
	China General Plastics Corporation	Taiwan	Manufacture and marketing of PVC plastic cloth and three-time processed products	65,365	65,365	9,751,224	1.98	154,719	1,269,808	25,168	Investments accounted for using the equity method
	China General Terminal & Distribution Corporation	Taiwan	Warehousing and transportation of petro chemical raw materials	41,082	41,082	17,079,107	33.33	272,509	53,358	17,786	Investments accounted for using the equity method
	Acme Electronics Corp.	Taiwan	Manufacture and marketing of manganese-zinc and ferrite core	44,771	44,771	4,445,019	2.44	33,212	(103,454)	(2,521)	Investments accounted for using the equity method
	Thintec Materials Corporation	Taiwan	Manufacture and marketing of reinforced plastic products	15,000	15,000	600,000	10.00	2,504	(866)	(87)	Investments accounted for using the equity method
Taita (BVI) Holding Co., Ltd.	ACME Electronics (Cayman) Corp.	Cayman Islands	Reinvestment	50,593 (US$ 1,700 thousand)	50,593 (US$ 1,700 thousand)	2,695,619	5.39	61,788 (US$ 2,076 thousand)	(50,915) (US$ (1,699) thousand)		Investments accounted for using the equity method

Note 1: The amount of the investee was based on audited financial statements.

Note 2: Investments in mainland China are included in Table 8.

TABLE 8

TAITA CHEMICAL CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017 (Note 5)	Accumulated Repatriation of Investment Income as of December 31, 2017 (Note 5)
					Outflow	Inflow						
Taita Chemical (Zhongshan) Co., Ltd. (“TTC (ZS)”)	Production and marketing of polystyrene derivatives	$ 1,376,400 (US$ 46,250 thousand) (Note 1)	Investment through a holding company registered in a third region	$ 1,279,680 (US$ 43,000 thousand)	$ -	$ -	$ 1,279,680 (US$ 43,000 thousand)	$ 234,197 (US$ 7,716 thousand)	100.00	$ 234,197 (US$ 7,716 thousand)	$ 1,918,118 (US$ 64,453 thousand)	$ -
Taita Chemical (Tianjin) Co., Ltd. (“TTC (TJ)”)	Production and marketing of polystyrene derivatives	813,936 (US$ 27,350 thousand) (Note 2)	Investment through a holding company registered in a third region	773,760 (US$ 26,000 thousand)	-	-	773,760 (US$ 26,000 thousand)	(86,042) (US$ -2,848 thousand)	100.00	(86,042) (US$ -2,848 thousand)	188,852 (US$ 6,346 thousand)	-
ACME Electronics (Kunshan) Co., Ltd. (“ACME (KS)”)	Manufacturing and marketing of manganese-zinc soft ferrite core	914,376 (US$ 30,725 thousand)	Investment through a holding company registered in a third region	40,295 (US$ 1,354 thousand)	-	-	40,295 (US$ 1,354 thousand)	(77,699) (US$ -2,574 thousand)	5.39	(4,191) (US$ -139 thousand)	38,754 (US$ 1,302 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 2,093,735 (US$ 70,354 thousand)	$ 2,256,323 (US$ 75,817 thousand) (Note 3)	$ 2,343,330 (Note 4)

Note 1: TTC (ZS) resolved to issue share dividends of US$3,250 thousand in 2007.

Note 2: TTC (TJ) resolved to issue share dividends of US$1,350 thousand in 2012.

Note 3: The amount distributed from share dividends included US$3,250 thousand from TTC (ZS), US$1,350 thousand from TTC (TJ) and US$802 thousand from ACME (KS).

Note 4: The limit cannot exceed 60% of Taita Chemical Co., Ltd.’s net asset value.

Note 5: The basis for investment income (loss) recognition is from financial statements audited and attested by the parent company’s ROC-based CPA

VI. Any financial difficulties experienced by the Company and its affiliated companies during the most recent year up to the publication date of this annual report, as well as the impact of the aforesaid difficulties on the financial position of the Company shall be listed: None

Chapter 7Review and Analysis of Financial Position and Financial Performance, and Risk Issues

I. Financial Position

Comparison Analysis of Financial Position

Unit: NT$ thousands

Item \ Year	End of 2017	End of 2016	Difference	
			Amount	%
Current assets	5,313,224	4,926,613	386,611	8
Property, plant and equipment	2,418,756	2,444,205	(25,449)	(1)
Intangible assets	11,068	16,159	(5,091)	(32)
Other assets	1,068,387	1,089,843	(21,456)	(2)
Total assets	8,811,435	8,476,820	334,615	4
Current liabilities	3,132,553	3,260,740	(128,187)	(4)
Non-current liabilities	1,773,332	1,836,962	(63,630)	(3)
Total liabilities	4,905,885	5,097,702	(191,817)	(4)
Capital	3,276,518	3,276,518	0	0
Capital surplus	469	469	0	0
Retained earnings	505,981	18,182	487,799	2,683
Other equity	122,582	83,949	38,633	46
Total equity	3,905,550	3,379,118	526,432	16

(I) Major reasons for material changes (changes by more than 20 percent between the beginning and the end of the period) in assets, liabilities and shareholders' equity in the most recent two fiscal years

1. The decrease in intangible assets was mainly resulted from amortization straight line basis.
2. The increase in retained earnings was due mainly to the profit for the current ye
3. The increase in other equity was caused mainly by the recognition of exchange differences in the translation of financial statements of foreign operating agencies and the unrealized valuation of available financial assets for sale.

(II) Impact: No material impact

(III) Future adaptation plan: Not applicable

II. Financial Performance

(I) Comparative analysis of financial performance

Unit: NT$ thousands

Item \ Year	2017	2016	Increase (decrease) amount	Increase (decrease) percentage of change (%)
Sales revenue	19,821,042	16,419,055	3,401,987	21
Cost of goods sold	18,387,338	15,473,799	2,913,539	19
Gross profit	1,433,704	945,256	488,448	52
Operating expenses	757,758	713,825	43,933	6
Net operating income	675,946	231,431	444,515	---
Non-operating revenue and expenses	1,906	(34,112)	36,018	---
Net income before taxes	677,852	197,319	480,533	---
Income tax benefits	175,773	76,442	99,331	---
Net income for the year	502,079	120,877	381,202	---

(I) Major reasons for material changes (changes by more than 20 percent between the beginning and the end of the period) in operating revenue, net operating income and income before tax in the most recent two fiscal years (where gross profit changes by more than 20 percent, fill the analysis of changes in gross profit (loss) as follows:)

The increase in revenue was caused by the increase in production and sales volume of ABS products due to the continuous demand growth in the home appliance market in Mainland China.

(II) Estimated sales volume and its basis

According to market supply and demand in 2018, it is estimated that the sales volume of petrochemical products, glass wool products and cubic printing products will be 438,376 tons, 12,936 tons and 132,000 jigs respectively.

(III) Potential impact on the Company's future financial operations: No significant impact

(IV) Response plan: Not applicable

(II) Analysis of changes in gross profit (loss)

Unit: NT$ thousands

	Change from the beginning to the end of the period	Reason for difference			
		Price difference	Cost difference	Sales mix difference	Quantity difference
Gross profit (loss)	488,448	2,304,657	(1,839,755)	395,799	(372,253)
Explanation	1. Due to the continuous growth in the demand for home appliances in Mainland China, the production and sales volume of ABS reached new record highs, thereby leading to significant growth in gross profit, which was an increase of NT$548,805 thousand from the previous year. On the other hand, GPS was affected by market competition and huge fluctuations in the price of styrene monomer, the main raw material for GPS. The decrease in price difference, along with losses resulted from output reduction, led to a decrease in gross profit of NT$41,905 thousand from the previous year. Although the production and sales volume of EPS products remained high and profit obtained from these products increased in TTC's Zhongshan branch, the overall gross profit obtained from EPS products decreased by NT$11,791 thousand from the previous year due to unsatisfactory demand for these products in the Tianjin market and the impact of fluctuations in styrene price at Cianjhen Plant, resulting in the decrease in price difference, compared to the previous year. 2. 2. The production and sales volume of glass wool products declined, and the gross profit obtained from these products decreased by NT$10,661 thousand from the previous year due to furnace reconstruction. Due to the reduction of transfer printing, the selling price of cubic printing products dropped and the gross profit obtained from these products decreased by NT$4,321 thousand from the previous year, while the gross profit obtained from the sale of its raw materials increased by NT$8,321 thousand.				

III. Cash Flows

(I) Analysis of changes in cash flow in the most recent fiscal year

Unit: NT$ thousands

Year	Beginning cash balance	Net cash inflow (outflow) from operating activities for the year	Other net cash inflow (outflow) for the year	Ending cash excess (inadequacy)	Cash inadequacy improvement plan
2017	606,623	420,367	(522,144)	504,846	Not applicable

1. The net cash inflow from operating activities was NT$420,367 thousand, which was mainly resulted from the increase in net profit before taxes and the decrease in inventory and accounts payable.
2. Other net cash outflows were mainly caused by repayment of borrowings and acquisition of property, plant and equipment.

(II) Cash inadequacy improvement plan: Not applicable

(III) Cash flow analysis for the coming fiscal year

Unit: NT$ thousands

Year	Beginning cash balance	Cash inflow for the year	Cash outflow for the year	Cash excess (inadequacy)	Cash inadequacy
2018	504,846	868,320	851,797	521,369	Not applicable

IV. Significant capital expenditure and its impact on the Company's financial operations in the most recent fiscal year

Uses of major capital expenditure and sources of funds: None

V. Investment policies, profit or loss analysis and improvement plans in the most recent fiscal year, as well as investment plans for the coming fiscal year

(I) Investment policies in the most recent fiscal year

There has been no investments exceeding five (5) percent of the Company's paid-in capital in the most recent fiscal year.

(II) Main reasons for profit or loss: Not applicable

(III) Improvement plan: Not applicable

(IV) Investment plan in the coming year: None

VI. Risk Analysis and Assessment

Risk management organizational structure

Key risk assessment items	Execution and responsible units	Supervision unit
1. Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future response measures	Finance Division	Audit Office
2. Policies on engaging in high-risk and high-leverage investments, provision of loans to others, making guarantees and endorsements, as well as derivative trading, major reasons for profits and losses, as well as future response measures		
3. Future R&D projects and R&D expenditure to be invested	Research and Development Division	
4. Impact of changes in local and overseas policies and laws on the Company's financial operations, and related response measures	Legal Division Accounting Division	
5. Impact of changes in technology and industry on the Company's financial operations, and related response measures	Information Systems Division ABS/PS Operations Division GW/Cubic Business Division	
6. Impact of changes in corporate image on the Company's risk management, and related response measures	Human Resources Division	
7. Expected benefits and possible risks of mergers and acquisitions, and related response measures	Finance Division	
8. Expected benefits and possible risks of plant expansion, and related response measures	ABS/PS Manufacturing Division GW/Cubic Business Division	
9. Risks caused by concentration of purchases and sales, and related response measures	Procurement and Logistics Division ABS/PS Operations Division GW/Cubic Business Division	
10. Impact and risks resulted from major equity transfer or replacement of Directors,	Finance Division	

Key risk assessment items		Execution and responsible units	Supervision unit
	Supervisors, or shareholders holding more than 10 percent of the Company's shares, and related response measures		
11.	Impact and risks related to any changes in management control in the Company, and related response measures	Board of Directors	
12.	For any litigious or non-litigious matters, the Company and its Directors, Supervisors, General Managers, person with actual responsibility in the Company, and major shareholders holding more than 10 percent of the Company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that has been finalized or has remained pending, the report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as of the publication date of this annual report:	Legal Division	

Risk management policy

(I) Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future response measures:

Item	2017 (NT$ thousands; %)
Net interest income (expense)	(36,473)
Net currency exchange gain (loss)	(43,208)
Ratio of net interest income (expense) to sales revenue	(0.18%)
Ratio of net interest income (expense) to net income (loss) before taxes	(5.38%)
Ratio of net currency exchange gain (loss) to sales revenue	(0.22%)
Ratio of net currency exchange gain (loss) to net income (loss) before taxes	(6.37%)

1. Interest rates: In order to increase working capital and avoid the risk of rising interest rates, the Company signed a three-year medium-term borrowing contract worth NT$300 million at a floating interest rate with O-Bank in 2017, while the Company also signed a five-year medium-term borrowing contract worth NT$1 billion at a floating interest rate with Chang Hwa Bank in 2017. Moreover, the Company signed a two-year medium-term borrowing contract worth NT$300 million at a floating interest rate or fixed interest rate with KGI Bank in 2016. The Company will undertake IRS at an appropriate time to avoid the risk of rising interest rates. In terms of short-term borrowing, in addition to making full use of the money market to issue commercial paper to obtain cheaper funds, the Company has also strengthened its bargaining power with respect to short-term financing rate with banks to reduce the overall cost of capital.

The current strategy of the Company is to apply excess funds to a diverse range of investments below, so that it not only mitigates the risk of interest rate fluctuation, but also contributes to the profitability of the Company:

(1) Money market fund beneficiary certificates:

The amount of investment in this instrument is NT$73,000 thousand, with a return rate of 0.39%.

(2) Domestic real estate investment trusts (REITs):

The average amount of investment is approximately NT$101,258 thousand, which not only earns a fixed return rate of 3.98%, but is also better than the long-term bond yield.

2. Exchange rates: The Company adopts a hedging approach to net foreign exchange position in order to avoid the risk of exchange rate changes.

3. Inflation: No significant impact on the Company

(1) There has been no significant inflation in certain countries (including Taiwan), and inflation is considered moderate.

(2) The Company's main cost is raw material cost, while product prices and raw material cost fluctuate in the same direction. Therefore, inflation has no major impact on the Company.

(II) Policies on engaging in high-risk and high-leverage investments, provision of loans to others, making guarantees and endorsements, as well as derivative trading, major reasons for profits and losses, as well as future response measures:

1. Engaging in high-risk and high-leverage investments, and provision of loans to others:

The Company's Regulations Governing the Acquisition and Disposal of Assets stipulates that it shall not engage in high-risk and high-leverage investments. On the other hand, the Company has also established the Procedures for Loaning of Funds to Others. Only 100 percent foreign subsidiaries engage in such operations, which are handled according to the relevant operating procedures.

2. Endorsements and guarantees: Endorsements or guarantees are handled in accordance with the Company's Regulations Governing

Endorsements and Guarantees, and no loss has occurred since the implementation of such regulations.

3. Derivative trading: The Company engages in derivative trading, with the purpose of avoid risk. Trading instruments are primarily selected with the aim of avoiding risks resulted from businesses managed by the Company. The counterparties for hedging transactions are reputable financial institutions in response to the Company's operational needs to avoid credit risks.

3.1. Hedging transactions: Forward foreign exchange contracts are used mainly on hedging the currency fluctuation of existing or future transactions. The Company does not participate in speculative trading.

(III)Future R&D projects and R&D expenditure to be invested

Category	R&D item	Current progress	R&D expenditure to be invested (NT$ thousands)	Expected year of completion	Factors affecting R&D results in the future
ABS	Development of high-strength safety helmet-grade acrylonitrile-butadiene-styerne (ABS) copolymer	75%	500	2018	Customer-end product design based on formula design and costs of raw materials
	Development of acrylonitrile-butadiene-styrene (ABS) polymerization emulsion for low VOC ABS materials	80%	500	2018	Rectification of SAN process equipment for ABSL reaction formula flow
	Development of acrylonitrile-butadiene-styrene (ABS) copolymer for electroplating-grade materials for high-end automobiles	75%	200	2018	Customer-end electroplating process parameters based on formula design and costs of raw materials

Category	R&D item	Current progress	R&D expenditure to be invested (NT$ thousands)	Expected year of completion	Factors affecting R&D results in the future
SAN	Rectification of SAN blue tin addition system	40%	4,000	2018	Process change design and cost of investment in quality yield
EPS	Development of low odor expanded polystyrene (EPS)	80%	500	2018	Partner cooperation, formula development, downstream market demand, optimum conditions for technology mass production
	Continuous development of expanded polystyrene (EPS) products for panel packaging materials	70%	200	2018	Integration between formula design and formulas based on customer needs, as well as process stability
	Development of low molding cycle expanded polystyrene (EPS)	70%	200	2018	Integration between formula design and formulas based on customer needs, process stability, as well as methods for customizing specifications and eliminating different grades
GPPS	Customized background color for disposable polystyrene (GPPS) tableware	60%	200	2018	Partner cooperation and formula development Dye and process compatibility
	Equipment rectification project for enhancing NOVA GPPS production capacity	40%	1,000	2018	Process change design and cost of investment in quality yield

Category	R&D item	Current progress	R&D expenditure to be invested (NT$ thousands)	Expected year of completion	Factors affecting R&D results in the future
-	RTI-certified acrylonitrile-butadiene-styrene (ABS) polymer materials	70%	1,000	2018	Reference sample obtainment and the comparative analysis target, RTI > 80℃ for demand for high-end home electrical appliances
	Water material application-certified acrylonitrile-butadiene-styrene (ABS) polymer materials	50%	500	2018	Compliance with the WRAS specifications in the UK within the limits of production process optimization

(IV) Impact of changes in local and overseas policies and laws on the Company’s financial operations, and related response measures:

1. Refer to Item (3) - “In response to the European Union's Restriction of Hazardous Substances Directive (RoHS)” under Section 4 - “Information on Environmental Protection Expenditure” in Chapter V - “Operations Overview” in this annual report.
2. The Company continues to pay attention to the effects of the adoption of IFRS on corporate taxation.
3. The Company continues to assess the effects of the Anti-tax avoidance Clauses on taxation.

The Company has established the Legal Division to assess legal risks and formulate countermeasures, review important contracts in advance and provide legal advance to handle legal affairs where necessary. In addition, the Accounting Division assesses the changes in accounting and tax-related laws and regulations, and evaluate such the effects of such changes on the Company's financial operations and formulate related response measures. Besides, discussions are held with CPAs to make prior planning for related changes.

(V) Impact of changes in technology and industry on the Company’s financial operations, and related response measures:

1. Establish webcam system to make communication in the Company more mobile and save travel expenses and time.
2. Continuously enhance applications and upgrades through the enterprise resource planning (ERP) system and the consolidated financial statement system, in order to enhance the efficiency of the Company's overall management and financial operations.
3. Introduce the online signature system to optimize the official document processing speed and the process flow of the agent system, so as to simplify the process of tracking official documents, enhance efficiency, save paper and achieve environment protection targets.
4. Shorten the process and time of account operations through the development and integrated application of the payment flow system.
5. Implement web-based electronic form system on platforms for environmental protection, safety and health, procurement, sales, customs and credit, in order to provide platforms with fast and convenient operations and a safe information environment, thereby implementing the goal of technology-enabled management.
6. Promote social engineering exercises to enhance employees' awareness of information security, with the purpose of maintaining information security and protecting information from foreign intrusion.

(VI) Impact of changes in corporate image on the Company’s risk management, and related response measures

The Company always upholds the principles of professionalism and integrity. The Company pays close attention to corporate governance and fulfill corporate social responsibility. Therefore, there is no foreseeable risk associated with changes in corporate image.

(VII) Expected benefits and possible risks of mergers and acquisitions, and related response measures

There has been no merger and acquisition implemented by the Company in the most recent fiscal year up to the publication date of this annual report.

(VIII) Expected benefits and possible risks of plant expansion, and related response measures:

The Company had no plant expansion plan in the most recent fiscal year up to the publication date of this annual report.

(IX) Risks caused by concentration of purchases and sales, and related response measures

The Company had no customer whose sales of goods accounted for more than 10 percent of the total sales of goods in 2017.

With regard to Mainland China, TTC's Zhongshan branch sells its products directly to a higher number of customers, and the dependence on large-scale customers is relatively low, and thus there has been no concentration risk. In Northeast China and North China, due to the impact of market environment, most of the sales of EPS production companies are done through distributors. The rapid expansion of EPS-producing capacity in recent years has also led to oversupply in regional market, while the selections of distributors have also increased significantly. Under the circumstance in which it is not easy to build the advantage of quality characteristics, the unitary nature of sales channels is more likely to block the sales channels of EPS-producing companies. In view of the characteristics of the Northeast China and North China markets, TTC's Tianjin branch not only strives to cultivate distributor alliances, but also gradually transforms the sales structure to increase direct sales. At the same time, the Company has also selected rapid and ultra-light materials as its key products for market promotion, and made the market differentiation from small- and medium-sized peers. In addition, the Company also expands into the export market, to increase overall sales volume, and reduce production costs to enhance competitiveness.

Furthermore, the sources for purchasing bulk raw materials are scattered, while it is easy to purchase bulk raw materials in the spot market. .Therefore, there has been no concentration risk

(X) Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10 percent of the Company's shares, and related response measures

Other than the appointment of one independent Director in the Annual General Meeting held on June 16, 2017, there was no transfer of large amount of equity or change of equity among the Company's Directors or major shareholders whose shareholding percentage exceeds 10 percent of the total shares in the most recent fiscal year up to the publication date of this annual report. Therefore, there has been no impact on the Company's operations.

(XI) Impact and risks related to any changes in management control in the Company, and related response measures

There has been no change in management control at the Company in the .most recent fiscal year up to the publication date of this annual report

(XII) For any litigious or non-litigious matters, the Company and its Directors, Supervisors, General Managers, person with actual responsibility in the Company, and major shareholders holding more than 10 percent of the Company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that has been finalized or has remained pending during the most recent two fiscal years or during the current fiscal year up to the publication date of this annual report, the report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as of the publication date of this annual report

With regard to the gas explosion disaster on July 31, 2014 involving propylene pipelines whose operations were entrusted and contracted to the Company's investee company using the equity method, China General Terminal & Distribution Co. (hereinafter referred to as "CGTD") by LCY Chemical Corporation (hereinafter referred to as "LCY Chemical"), the Kaohsiung District Prosecutors Office has charged the relevant personnel from the Kaohsiung City Government, LCY Chemical and CGTD on December 18, 2014. As of the publication date of this annual report, the attribution of relevant responsibility for this gas explosion disaster and its subsequent effects are still pending with the Kaohsiung District Court.

CGTD reached an agreement with Kaohsiung City Government on February 12, 2015 and pledged a term deposit NT$226,983 thousand (including interests) to the Government as a guarantee for losses caused by the gas explosions. The Kaohsiung City Government has also filed civil lawsuits against LCY, CGTD and CPC Corporation. Taiwan Power Company applied to the court to execute provisional attachments on the assets of CGTD on August 27, 2015 and November 26, 2015 respectively. On the other hand, Taiwan Water Corporation applied to the court to execute provisional attachments on the assets of CGTD on February 3, 2017 and March 2, 2017 respectively, where these assets were worth NT$150,540 thousand as of April 30, 2018.

For the deceased, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement on July 17, 2015 agreeing to negotiate the compensation first with the 32 deceased's successors and persons entitled to the claims (hereinafter referred to as "family of the deceased"). Each family was entitled to NT$12,000 thousand and the total compensation was NT$384,000 thousand. The compensation was paid in installments over a maximum of four years. LCY will pay the bill first and also represent the three parties in the settlement negotiation and the signing of settlement agreements with family of the deceased.

For victims suffering from serious injuries, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement on October 25, 2017 agreeing to negotiate the compensation first with the 65 seriously injured victims. The compensation was first paid by CGTD and the Kaohsiung City Government. CGTD would represent the three parties in the settlement negotiation. It has signed the settlement agreements with 63 victims of serious injuries.

As of the publication date of this annual report, persons with rights or interests infringed, victims or their family of the Kaohsiung gas explosion have filed civil (including criminal and civil) lawsuits against LCY, CGTD and CPC Corporation, Taiwan, requesting for compensation. Claims for compensation, plus the settlement payable in the preceding paragraph amounted to NT$4,067,082 thousand. However, the actual amount of compensation paid by CGTD will be subject to the proportion of liability that will be assumed based on the future ruling of the civil suit. The court of the first instance handed out sentence concerning the Kaohsiung gas explosion on May 11, 2018. Three staff members of CGTD were sentenced to four years and six months prison terms each. CGTD will help its employees with appeal once the court verdict was received. Some civil cases are expected to receive the first ruling on June 22, 2018.

(XIII) Other material risks and response measures: None

There has been no other important risks faced by the Company in the most recent fiscal year up to the publication date of this annual report.

VII. Other Important Issues

The Company's Key Performance Indicators

(I) Disaster-free working hours

Cumulative disaster-free working hours at each plant as of December 31, 2017:
Cianjhen Plant: 1,398,410 hours; Linyuan Plant: 428,669 hours; Toufen Plant: 31,224 hours.

(II) Equipment operating rate

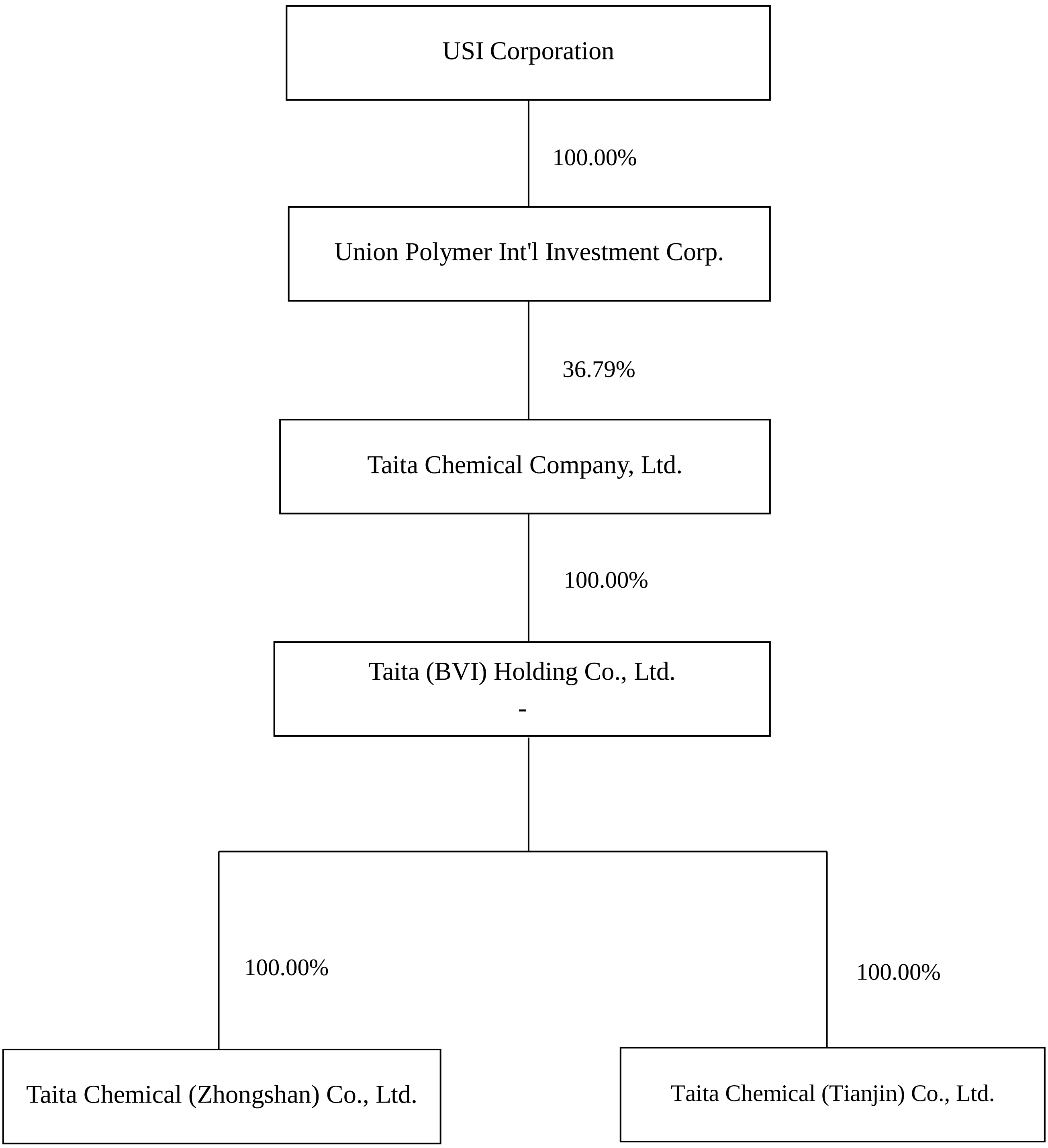
Equipment operating rate for various products in 2017:
ABS: 81.9%; GPS: 89.8%; EPS: 76.64%; Glass wool: 91%; Cubic: 23%。

Chapter 8 Special Notes

I. Information on Affiliated Companies

(I) Consolidated Business Report of Affiliated Companies

1. Organization structure of affiliated companies



2. Basic information of various affiliated companies

Unit: NT$ thousands

Name of Company	Date of Incorporation	Address	Paid-in Capital	Major Business or Production Items
1. Taita (BVI) Holding Co., Ltd.	1997.4.10	CITCO Building, Wickhams CAY.P.O Box 662 Road Town, Tortola, British Virgin Island	1,837,323 (US$61,738,000)	Investment holding Company
2. Taita Chemical (Zhongshan) Co., Ltd.	1999.03.24	Along Jiangdong 2nd Road, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan City, Guangdong Province, China	1,376,400 (US$46,250,000)	Production and sale of expanded polystyrene (EPS) derivatives
3. Taita Chemical (Tianjin) Co.,Ltd.	2003.11.27	No. 8, Hengshan Road, Tianjin Economic-Technological Development Area, Tianjin, China	813,936 (US$27,350,000)	Production and sale of expanded polystyrene (EPS) polymer derivatives

3. Information on shareholders with controlling power or subordination relationship while working in the Company: Not applicable

4. Businesses engaged by affiliated companies and their relationships

Industry	Name of Affiliated Company	Business relationship with other affiliated companies
Holding Company	Taita (BVI) Holding Co., Ltd.	None
Petrochemical industry	Taita Chemical (Zhongshan) Co., Ltd.	None
Petrochemical industry	Taita Chemical (Tianjin) Co., Ltd.	None

5. Information on the Directors, Supervisors, and General Managers of affiliated companies

Unit: shares; %

Name of Company	Title	Name or Representative	Number of shares held by the person / Shareholding percentage	Number of shares held by juristic persons represented
Taita (BVI) Holding Co., Ltd.	Director	Wu, I-Kuei	0/0	—
	Director	Matthew Miau	0/0	—
	Director	Pao-Luo Ying	0/0	—
	Director	Chen-Tu Liu	0/0	—
Taita Chemical (Zhongshan) Co., Ltd.	Chairman	Pao-Luo Ying (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	Capital contribution: US$46,250,000/ 100%
	Director	Te-Wei Chang (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director	Pei-Chi Wu (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director	Tai-Ming Yen (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director	Chen-Tu Liu (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	General Manager	Tai-Ming Yen	0/0	
Taita Chemical (Tianjin) Co., Ltd.	Chairman	Pao-Luo Ying (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	Capital Contribution US$27,350,000/ 100%
	Director	Pei-Chi Wu (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director	Tai-Ming Yen (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director	Yung-Hui Huang (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	General Manager	Tai-Ming Yen	0/0	

6. Operating status of affiliates:

Unit: NT$ thousands

Name of Company	Capital Contribution	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (Loss)	Profit and loss for the current period (After Taxes)	Dividend Per Share: NT$ (After Taxes)
Taita (BVI) Holding Co., Ltd.	1,837,323	2,175,339	728,237	1,447,102	---	(6,621)	122,436	1.98
Taita Chemical (Zhongshan) Co., Ltd.	1,376,400	2,359,946	441,828	1,918,118	6,509,861	298,208	234,197	-
Taita Chemical (Tianjin) Co., Ltd.	813,936	813,923	625,071	188,852	824,097	(93,467)	(86,042)	-

(II) Consolidated financial statements of affiliated companies

Statement of Consolidated Financial Statements of Affiliated Companies

It is hereby declared that for the year 2017 (from January 1, 2017 to December 31, 2017), the affiliated companies of the Company to be included in accordance with the Criteria Governing Preparation of Affiliation Reports, the Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are similar to those included in the consolidated financial statements of the parent company and its subsidiaries in accordance with the International Financial Reporting Standards No. 10 (IFRS 10). All the information to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the consolidated financial statement of the parent company and its subsidiaries. Hence, the consolidated financial statements of affiliated companies are not reported separately.

Company Name: Taita Chemical Co., Ltd.

Chairman: Wu, I-Kuei

March 12, 2018

(III) Affiliation report

1. Statement of Affiliation Report

Statement of Affiliation Report

It is hereby declared that the Company's 2015 Affiliation Report (from January 1, 2017 to December 31, 2017) has been prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. No material inconsistency has been found between the information disclosed and the relevant information disclosed in the notes to financial statements for the aforementioned period.

Company Name: Taita Chemical Co., Ltd.

Person-in-Charge: Wu, I-Kuei

March 12, 2018

2. CPA opinion on affiliation report

Letter with Ref. No. Chin Shen 10704085 dated April 12, 2018

Attn: Taita Chemical Company, Ltd.

Subject: CPA opinion on the 2017 Statement of Affiliation Report prepared by your Company, in which no material inconsistency has been found

Explanation:

I. Your Company has issued a statement on the 2017 Affiliation Report (from January 1, 2017 to December 31, 2017) prepared by your Company, on March 12, 2018 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. No material inconsistency has been found between the information disclosed and the relevant information disclosed in the notes to the financial statements for the abovementioned period. The statement is attached in this letter.

II. We have audited the affiliation report in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and compared the report to your Company's financial statements for year 2017. No material inconsistency has been found in the abovementioned statement.

Deloitte & Touche

CPA Shih-Tsung Wu

CPA Tzu-Jung Kuo

3. Overview of relationships between affiliated companies and holding Company

Unit: shares; %

Name of Holding Company	Reason for Control	Shares held and pledged by the holding Company			Appointment of personnel by the holding Company as Directors, Supervisors or managerial officers	
		Number of Shares Held	Shareholding Percentage	Pledged Shares	Title	Name
Shing Lee Enterprise (Hong Kong) Limited	The major shareholder and representative of USI was elected as Chairman	0	0%	0	-	None
USI Corporation	The major shareholder has the same parent company and Chairman as the Company	0	0%	0	-	None
Union Polymer International Investment Corporation	Substantial shareholder	120,535,750	36.79%	27,500,000	Chairman Director Director Director Director Director	Wu, I-Kuei Matthew Miau Pao-Luo Ying Liu Han-Tai Chen-Tu Liu I-Shao Ko

4. Status of purchase and sales transactions: None

5. Status of property transactions: None

6. Status of financial intermediation: None

7. Status of asset leasing:

Unit: NT$ thousands

Name of Holding Company	Type of Transaction (Lessor or Lessee)	Subject		Lease Term	Nature of Lease	Basis for Determining Rent (Merge)	Collection (Payment) Method	Comparison with general rent levels	Total rent for this period	Payment status for this period	Other Contractual Terms
		Name	Location								
USI Corporation	Lessor	Office, plant and equipment	No. 5, Gongye 1st Road, Linyuan District, Kaohsiung City	2016.10-2019.9	Operating lease	Market price	Semi-annual collection	Comparable	1,530	Normal	None
USI Corporation	Lessee	Office and parking spaces	6th to 12th Floor, No. 37 and No.39, Jihu Road, Taipei City	2012.5~2019.4	Operating lease	Market price	Monthly payment	Comparable	5,325	Normal	None

8. Endorsements and guarantees: None.

II. Private placement of securities of the most recent fiscal year up to the publication date of this annual report: None.

III. Holding or disposition of Company shares of the most recent fiscal year up to the publication date of this annual report: None.

IV. Other necessary supplementary items to be included: None.

V. Any event which has a material impact on shareholders' rights and interests or the Company’s securities price as prescribed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, that have occurred in the most recent fiscal year up to the publication date of this annual report: None

Taita Chemical Company, Ltd.

Representative: Wu, I-Kuei