Stock Code: 1309

Taita Chemical Company, Ltd.

2018 Annual Report

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

Market Observation Post System: http://mops.twse.com.tw

Date of Publication: April 30, 2019

I. Spokesperson and Acting Spokesperson

Spokesperson
Name: Tai-Ming Yen
Title: Executive Deputy General Manager
Telephone Number: (02)8751-6888 ext. 3278
Private Line: (02)2650-3278
E-mail Address: tmyenly@ttc.com.tw

Acting Spokesperson
Name: Chin-Tsai Lin
Title: Accounting Manager
Telephone Number: (02)8751-6888 ext. 3797
Private Line: (02)2798-3797
E-mail Address: tonylin@tvcm.com.tw

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

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

III. Stock Transfer Agent

Name: Taita Chemical Company, Ltd., Stock Affairs Department

Address: 6F, No. 17, Lane 120, Section 1, Neihu Road, Neihu District, Taipei City

Joint Stock Affairs Website: https://www.usig.com.tw/USIGStockHome.aspx

Telephone Number: (02)2650-3773

IV. CPAs Auditing the Financial Statements in the Most Recent Fiscal Year

Name: CPA Hsiu-Chun Huang and CPA Cheng-Chun Chiu

Accounting Firm: Deloitte Taiwan

Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City, Taiwan

Website: http://www.deloitte.com.tw

Telephone Number: (02)2725-9988

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

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

Taita Chemical Company, Ltd.
Table of Contents

Chapter 1 Letter to Shareholders

Dear Shareholders,

During 2018, the Company had a total consolidated net income before taxes of NT$331 million, a total net income after taxes of NT$208 million, and earnings per share of NT$0.63. Its operations in 2018 and business plan for 2019 are summarized here:

I. Business Performance in 2018

(I) Results of Business Plan

The Company's consolidated revenue for 2018 was NT$21.684 billion, an increase of NT$1.863 billion over 2017, achieving 108% of the budget forecast. Its consolidated operating income was NT$278 million, a decrease of NT$398 million from 2017, meeting 57% of the budget forecast.

1. Production and Sales of Petrochemical Products:

The Company's consolidated revenue from ABS/PS was NT$21.136 billion, achieving 114% of the forecast. Its production and sales volumes at Linyuan and Qianzhen Plants were 250,000 and 252,400 tons, respectively, meeting 98% and 99% of the forecast, respectively. The Company's production and sales volumes of EPS at Zhongshan Plant in Mainland China were 152,300 and 151,600 tons, respectively, achieving 95% of the forecast. The Company's production and sales volumes at Tianjin Plant were 29,700 and 29,400 tons, respectively, achieving 117% of the forecast. The Company's total operating income from petrochemical products was NT$243 million.

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

The Company's production and sales volume of glass wool products was 7,700 tons. After adding rock wool sales, the total revenue from glass wool products was NT$459 million, achieving 96% of the forecast. The annual profit from glass wool products was NT$35 million. The production and sales volume of cubic printing products was 113,000 JIG, achieving 85% of the forecast. The revenue from these products was NT$89 million, which means it broke even.

Gains and losses from non-operating items include rental income, financial asset valuation gain, profit on foreign exchange, interest expense and others, contributing to a profit of NT$54 million.

(II) Research and Development Overview:

1. Acrylonitrile-butadiene-styrene (ABS) polymer was reformulated to increase its low-temperature impact strength to meet the legal and strength requirements of European and American low-temperature tests for helmets.

2. Development of inhouse development for fast-molding expanded polystyrene (EPS). This shortens the EPS molding cycle, increases production efficiency by 30% and allows fast molding. It has been successfully applied to high-end electronic products and components, as well as panel packaging materials to add value to products.

3. Formula adjustment for new-type of disposable tableware (GPS). This allows the development of disposable GPPS tableware in special colors to improve

market demand and sales.

II. Overview of Business Plan in 2019:

(I) Operational Objectives and Production & Sales Strategies

In 2019, the expected sales volume of petrochemical products is 448,000 tons, an increase of 3% over the previous year. The expected sales volumes of glass wool products and cubic printing products are 14,000 tons and 121,000 JIG, respectively. The key operational objectives this year are:

1. Prudent response to the US-China trade war: Increase the ratio of direct customers for ABS, and increase the percentage of more profitable injection molding for PS.

2. In EPS, the Company will continue to develop markets with a relatively low market share and better profitability, as well as maintain low stocks of raw materials and finished products to maximize production and sales volume, and achieve maximum profitability.

3. In glass wool, the Company will continue to strengthen the sales of fireproof cotton products and develop six-sided coated products to increase the domestic sales. The Company will continue to increase the proportion of export sales to Australia, New Zealand and South Africa to boost profit. In curved printing, the Company will focus on the development of non-automotive parts.

(II) Research and Development

Developing electroplating-grade ABS polymer for water applications, ABS polymer with low-temperature impact strength, EPS with low molding cycle, non-absorbent antistatic EPS, low VOC EPS and new disposable GPS tableware.

The Company hopes to achieve its annual operational objectives by implementing various strategies for each product line, with a view to reward shareholders for their continued support to its activities.

I wish you all the best,

Chairman: Quintin Wu 

General Manager: Peichi Wu 

Chapter 2 Company Profile

I. Date of Founding

April 6th, 1960

II. Company History

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

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

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

In March 1967, the Company installed the first polystyrene and phenol formaldehyde resins production equipment in Taiwan, as well as 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 its 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 to Heng-Yu Co., Ltd., a Hong Kong company. 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 of 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, due to a policy change, Panama Gulf Oil Company transferred the shares it owned in the Company to another Panama Company, Asia Private Investment Company (the name was changed to Panama 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 installation 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 27th, 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, 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 13th, 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 a 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 with 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 with its earnings and NT$250,000,000 by cash. The paid-in capital reached 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, with its paid-in capital reaching 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 was put into production in October.

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 and put into production at the Company's Qianzhen plant.

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, with its paid-in capital reaching 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 completed in October of the same year with the production capacity of 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$8 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 Qianzhen Plant and Zhongshan Plant in Mainland China, thus increasing the production capacity to 66,000 tons and 180,000 tons respectively.

In 2008, the Company increased its capital by NT$81,150,150 with its earnings, and the paid-in capital reached NT$2,786,155,240.

In 2011, the Company increased its capital by NT$334,338,620 using its earnings, with its paid-in capital reaching NT$3,120,493,860.

In 2012, the Company increased its capital by NT$156,024,690 using its earnings, with its paid-in capital reaching 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.

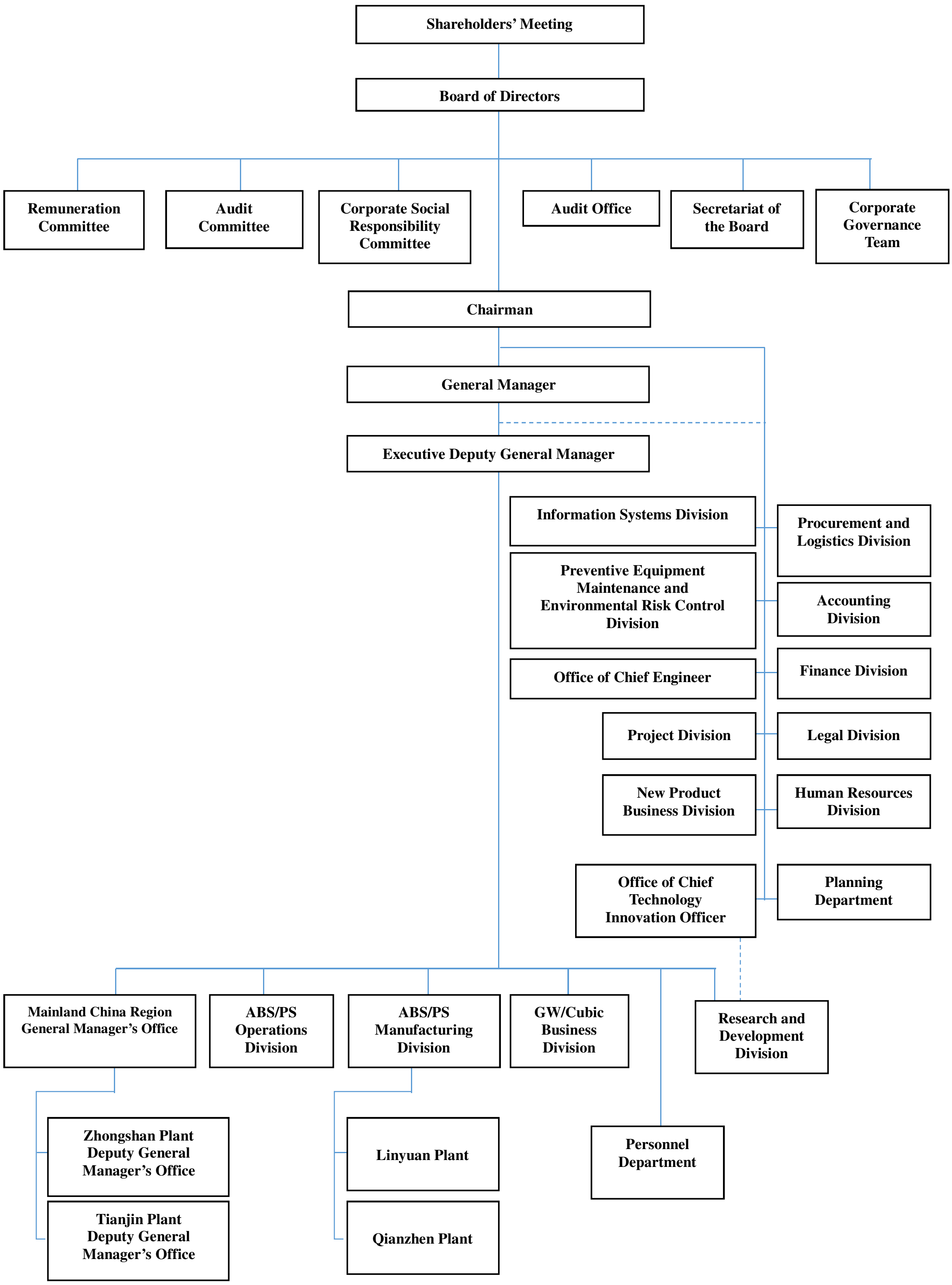
In 2012, the Company completed the EPS debottlenecking project at the Tianjin plant in Mainland China and increased its production capacity to 134,000 tons.

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 - May 9th, 2019



(II) Responsibilities and Functions of Major Departments

Unit	Main Responsibilities
General Manager	Management of the Company's operations.
ABS/PS Operations Division	1. Management of matters related to the sales of ABS/PS products. 2. Execution of matters related to domestic/overseas sales of ABS/PS products. 3. Administrative affairs related to business units.
ABS/PS Manufacturing Division	Linyuan Plant (ABS) / Qianzhen Plant (PS): Management of matters related to the manufacturing, R&D, storage, quality assurance, coordination of the Company's product deliveries and factory equipment maintenance, as well as occupational safety and environmental protection.
GW/Cubic Business Division	1. Management of matters related to the manufacturing, R&D, and sales of glass wool/cubic printing products. 2. Management of matters related to the sales of glass wool/cubic printing products. 3. Management of matters related to the production of glass wool/cubic printing products.
Mainland China Region	Responsible for handling matters related to the manufacturing, R&D, storage, quality assurance, product transportation coordination, plant equipment maintenance, occupational safety and environmental protection of Zhongshan and Tianjin, Guangdong.
Corporate Governance Team	1. Matters related to meetings of the Board of Directors and shareholders' meetings in accordance with the law 2. Minutes recording for meetings of the Board of Directors and shareholders' meetings 3. Assistance to the Directors with taking office and continuous education and training 4. Provision of the information required for the Directors to conduct business 5. Assisting Directors in legal compliance 6. Other matters stipulated in the Articles of Incorporation or the contract.
Personnel Department	Responsible for personnel affairs of the Company.
Audit Office	1. Implement internal audits and improve work flows. 2. Evaluate the soundness and reasonableness of the Company's internal control system, 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. Supervise and execute trading, 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. Plan and file taxes. 4. Regular announcement or reporting of financial performance.
Finance Division	1. Management of funds and financing. 2. Short-term financing and long-term investments. 3. Property insurance. 4. Credit control. 5. Collection of delayed payments. 6. Stock affairs-related matters.
Information Systems Division	Plan, build, develop and manage various information systems and facilities at the Company.

Unit	Main Responsibilities
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 personnel dispatch and training.
Legal Division	Provide legal advice, handle legal cases and affairs.
Office of Chief Engineer	1. Assist, participate or be in charge of the construction of new plants. 2. Assist, participate or be in charge of equipment or partial process improvement. 3. Integration of engineering personnel and engineering specifications.
Planning Department	1. Plan and evaluate future 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 Innovation 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, various announcements and reporting associated with such meetings, preparing handbooks and tracking information regarding shareholders presence 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 in order to increase revenue. 3. Integrate Company resources and generate synergy so as to successfully develop new businesses.
Project Division	Planning, preparation, supervision and implementation of plant construction in overseas investment projects.
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 audits, counseling and training. 5. Planning and technical supervision of environment risk management. 6. Plan and promote compliance with laws related to energy conservation and carbon reduction, as well as establishing relevant systems.

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

(I) Directors and Supervisors (I)

April 26th, 2019

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	Managerial 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			Title	Name	Relationship
Chairman and Chief Executive Officer	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	—	June 22, 2018	3 years	June 3, 2003	120,535,750	36.79%	120,535,750	36.79%	—	—	0	0%	Chairman of USI Corporation	Note 4	None		
	Taiwan (R.O.C.)	Representative: Quintin Wu	Male			March 1, 1997	-	-	0	0%	-	-	0	0%					
Director and General Manager	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	—	June 22, 2018	3 years	June 3, 2003	120,535,750	36.79%	120,535,750	36.79%	—	—	0	0%	Note 9	Note 5	None		
	Taiwan (R.O.C.)	Representative: Pei-Chi Wu	Male			June 22, 2018	—	—	0	0%	0	0%	0	0%					
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	—	June 22, 2018	3 years	June 3, 2003	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: Bao-Luo Ying	Male			November 1, 2008	—	—	26,448	0.01%	0	0%	0	0%					
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	—	June 22, 2018	3 years	June 3, 2003	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			March 6, 2013	—	—	0	0%	—	—	0	0%					
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp.	—	June 22, 2018	3 years	June 3, 2003	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			June 3, 2003	—	—	0	0%	0	0%	0	0%					
Director	Taiwan (R.O.C.)	Taiwan Union International Investment Co., Ltd.	—	June 22, 2018	3 years	June 22, 2018	29,951,137	9.14%	29,951,137	9.14%	—	—	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			March 1, 1997	—	—	0	0%	0	0%	0	0%					
Independent Director	Taiwan (R.O.C.)	I-Kung Ma	Female	June 22, 2018	3 years	June 9, 2015	0	0%	0	0%	—	—	0	0%	Note 10	Director of USI Education Foundation	None		

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	Managerial 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			Title	Name	Relationship
Independent Director	Taiwan (R.O.C.)	Tien-Wen Chen	Male	June 22, 2018	3 years	June 9, 2015	0	0%	0	0%	0	0%	0	0%	Note 11	Note 13	None		
Independent Director	Taiwan (R.O.C.)	Chi-Ying Juan	Male	June 22, 2018	3 years	June 16, 2017	0	0%	0	0%	–	–	0	0%	Note 12	Note 14	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, Acme Electronics Corporation and USI Optronics Corporation

Executive Director: Chinese National Federation of Industries

Note 5: Chairman: Taita Chemical (Zhongshan) Co., Taita Chemical (Tianjin) Co., USI Trading (Shanghai) Co., Ltd.

Director: Dynamic Ever Investments Ltd., Ever Victory Global Ltd., Taita (BVI) Holding Co., Ltd., Chong Loong Trading Co. Ltd., Swanson, INOMA Corporation, Thintec Materials Corporation and USI Education Foundation

Supervisor: USI Optronics Corporation

General Manager: APC and USI Trading (Shanghai) Co., Ltd.

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)

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

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., 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 and Wei Chen Investment Co., Ltd.

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.

President: 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: Department of Chemical Engineering, Dow Chemical Co., Ltd. Packaging and Special Plastics Business Unit Asia Pacific Value Chain, Director of Business Development and Sustainability, Commercial Director of Polyurethanes and Systems Materials, General Manager of Thermoset Materials Division in Asia Pacific, and Director of Basic Plastic Sales in Greater China

Note 10: 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 11: 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 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 Affairs and Senior Consultant, Mitac International Corporation (Taiwan)

Note 13: Chairman: Chia Shih Construction Co., Ltd.

Independent Director: Taiwan Secom Co., Ltd.

Consultant: Chinese National Association of Industry and Commerce, Taiwan

Note 14: President of the Taiwan Technology Industry Legal Officers Association; Associate Professor, Soochow University

Table 1: Major Institutional Shareholders

April 26th, 2019

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%
Taiwan Union International Investment Co., Ltd.	UPC Technology 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: Names of the major shareholders of these institutional shareholders (include top 10 major shareholders by shareholding percentage) and their shareholding percentages shall be filled in. If the major shareholder is a judicial person, the information shall be filled in Table 2 below.

Table 2: Main Shareholders of Institutional Shareholders

April 26th, 2019

Name of Judicial Person (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)	Shareholding Percentage
USI Corporation	Shing Lee Enterprise (Hong Kong) Limited	14.62%
	Bank of Taiwan as custodian of Wholegainer Company Limited investment account	9.25%
	Asia Polymer Corporation	8.53%
	Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	1.80%
	Yueh Hsing Hua Investment Co., Ltd.	1.73%
	Shan-Shan Lin Su	1.67%
	Wen-Hsuan Yu	1.41%
	Wen-Tsung Yu	1.41%
	Wen-Yu Yu	1.41%
	Taita Chemical Company, Ltd.	1.27%
UPC Technology Corporation	Lien Hwa Industrial Corp.	31.89%
	Synnex Technology International Corporation	5.18%
	Yi Yuan Investment Co., Ltd.	1.62%
	Liberty Stationery Corporation	1.55%
	Mei An Investment Co., Ltd.	1.29%
	Tung Ta Investment Co., Ltd.	1.24%
	Tsu Feng Investment Co., Ltd.	1.23%
	MiTac International Corp.	1.21%
	Fubon Life Insurance Co., Ltd.	1.20%
	Pornchai Engineering & Trading Company Limited	1.12%

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

Note 2: Names of the major shareholders of these institutional shareholders (include top 10 major shareholders by shareholding percentage) and their shareholding percentages shall be filled in.

Directors and Supervisors (II)

April 30th, 2019

Criteria / Name (Note 1)	Does the individual have over 5 years of professional experience and the following professional qualifications?			Independence criteria (Note 2)										Number of other public companies in which the individual is concurrently serving 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 the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Quintin Wu			✓			✓					✓	✓		0
Pei-Chi Wu			✓			✓	✓	✓		✓	✓	✓		0
Bao-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 tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

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

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified

company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Act.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

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

As of April 26th, 2019 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)	Other Position Held in Other Companies	Managerial Officers who are Spouses or Within Second Degrees 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.)	Quintin Wu	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%	Note 5	Note 4	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, Taita Chemical Co. Ltd., 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 (Cayman), 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: Chairman: Taita Chemical (Zhongshan) Co., Ltd., Taita Chemical (Tianjin) Co., Ltd. and USI Trading (Shanghai) Co., Ltd.

Director: Dynamic Ever Investments Ltd., Ever Victory Global Ltd., Taita (BVI) Holding Co., Ltd., Chong Loong Trading Co. Ltd., Swanson, INOMA Corporation, Thintec Materials Corporation and USI Education Foundation

Supervisor: USI Optronics Corporation

General Manager: APC and USI Trading (Shanghai) Co., Ltd.

Note 5: Department of Chemical Engineering, Dow Chemical Co., Ltd. Packaging and Special Plastics Business Unit Asia Pacific Value Chain, Director of Business Development and Sustainability, Commercial Director of Polyurethanes and Systems Materials, General Manager of Thermoset Materials Division in Asia Pacific, and Director of Basic Plastic Sales in Greater China

III. Remuneration paid to Directors, Independent Directors, General Manager and Deputy Manager during the most recent fiscal year 15

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 of 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</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 are Also 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">Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Severance 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, Bonuses, and Special Allowances (E) (Note 5)</th><th colspan="2">Severance Pay and Pension (F)</th><th colspan="4">Employee Compensation (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</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</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements</th><th colspan="2">The Company</th><th colspan="2">All the Companies Included in the Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements</th></tr>
<tr><th>Cash Amount</th><th>Stock Amount</th><th>Cash Amount</th><th>Stock A</th></tr>
<tr><td>Chairman and Chief Executive Officer</td><td>Quintin Wu</td><td rowspan="10">3,600</td><td rowspan="10">3,600</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">1,896</td><td rowspan="10">1,896</td><td rowspan="10">2.64%</td><td rowspan="10">2.64%</td><td rowspan="10">11,765</td><td rowspan="10">11,765</td><td rowspan="10">108</td><td rowspan="10">108</td><td rowspan="10">12</td><td rowspan="10">0</td><td rowspan="10">12</td><td rowspan="10">0</td><td rowspan="10">8.36%</td><td rowspan="10">8.36%</td><td rowspan="7">25,008</td></tr>
<tr><td>Director</td><td>Matthew Miau</td></tr>
<tr><td>Director and General Manager</td><td>Pei-Chi Wu</td></tr>
<tr><td>Director</td><td>Bao-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 9I	The Company (Note 8)	All the Investee Companies Included in the Financial Statements (note 9J
Under NT$2,000,000	Quintin Wu / Matthew Miau / Pei-Chi Wu / Bao-Luo Ying Han-Tai Liu / Chen-Tu Liu / I-Shao Ko / I-Kung Ma Tien-Wen Chen / Chi-Ying Juan	Quintin Wu / Matthew Miau / Pei-Chi Wu / Bao-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 / Bao-Luo Ying / I-Kung Ma / Tien-Wen Chen / Chi-Ying Juan	Matthew Miau / Chen-Tu Liu / I-Shao Ko / I-Kung Ma / Bao-Luo Ying /Tien-Wen Chen / Chi-Ying Juan
NT$2,000,000 (inclusive) to NT$5,000,000	-	-	Quintin Wu	-
NT$5,000,000 (inclusive) to NT$10,000,000	-	-	Pei-Chi Wu	Pei-Chi Wu / Han-Tai Liu
NT$10,000,000 (inclusive) to NT$15,000,000	-	-	-	-
NT$15,000,000 (inclusive) to NT$30,000,000	-	-	-	Quintin Wu
NT$30,000,000 (inclusive) to NT$50,000,000	-	-	-	-
NT$50,000,000 (inclusive) to NT$100,000,000	-	-	-	-
Over NT$10,000,000 (inclusive)	-	-	-	-
Total	NT$5,496,000	NT$5,496,000	NT$17,381,000	NT$42,389,000

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, severance 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: Allowances 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 rental 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 in a separate note (not included in the remuneration).

Note 5: Salary, job-related allowances, severance 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 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 in a separate note (not included in the remuneration). 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. The Company provided a company car to the General Manager. The cost of the vehicle was NT$2,013,000, the book value at the end of 2018 was NT$1,677,000, the driver's salary was NT$554,000, and fuel expenses were NT$93,000.

Note 6: For Directors concurrently serving as employees (including the 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 in the consolidated financial statements (including the Company) 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 in the consolidated financial statements (including the Company) shall be disclosed. The name of each Director shall be disclosed in the range of remuneration corresponding to the total amount.

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

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

b. If the Director receives remuneration from invested 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 Invested 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 invested 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)		Severance Pay and Pension (B)		Bonuses and Special Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Percentage of the Total of 4 items A, B, C and D on NIAT (Note 8)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (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	Quintin Wu	8,586	8,586	216	216	6,378	6,378	18	0	18	0	7.31%	7.31%	15,635
General Manager	Pei-Chi Wu													
Deputy General Manager	Tai-Ming Yen													

* Regardless of job titles, positions that are equivalent to the General Manager, Deputy General Manager (such as Director-General, CEO and Director) shall be disclosed.

Range of Remuneration

Range of Remuneration Paid to the General Manager and Deputy General Manager	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	All the Investee Companies Included in the Financial Statements (Note 7) E
Under NT$2,000,000	-	-
NT$2,000,000 (inclusive) to NT$5,000,000	Quintin Wu / Tai-Ming Yen	Tai-Ming Yen
NT$5,000,000 (inclusive) to NT$10,000,000	Pei-Chi Wu	Pei-Chi Wu
NT$10,000,000 (inclusive) to NT$15,000,000	-	-
NT$15,000,000 (inclusive) to NT$30,000,000	-	Quintin Wu
NT$30,000,000 (inclusive) to NT$50,000,000	-	-
NT$50,000,000 (inclusive) to NT$100,000,000	-	-
Over NT$10,000,000 (inclusive)	-	-
Total	NT$15,198,000	NT$30,833,000

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 severance 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 rental 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 in a separate note (not included in the remuneration). 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. A company car is provided to the General Manager and housing facility is provided to the Deputy General Manager. The housing rent for 2018 totaling at NT$518,000 has been included in the salary, bonus, and special allowance in the table above. The cost of the business vehicle was NT$2,013,000 and the book value as of the end of 2018 was NT$1,677,000. The salary of the driver was NT$554,000 and the fuel expenses amounted to NT$366,000.

Note 4: Fill the amount of employee bonuses (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 bonuses cannot be estimated, the calculation shall be calculated based on the ratio of the amount distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3. Net income after tax refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after tax refers to net income after taxes recorded in the parent company only or standalone 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 the companies listed in its consolidated financial statements (including the Company) 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 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 companies listed in its consolidated financial statements (including the Company) 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.

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

Note 9: a. The amount of remuneration received from invested 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 invested companies other than subsidiaries, the amount of remuneration received by the General Manager and Deputy General Manager from invested 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 Invested 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 invested companies.

∗ 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 Responsible for the Distribution of Employee Compensation and the Distribution

Unit: NT$ thousands

	Title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Percentage of Total Compensations on NIAT (%)
Managerial Officer	Chief Executive Officer	Quintin Wu	0	18	18	0%
	General Manager	Pei-Chi Wu				
	Deputy General Manager	Tai-Ming Yen				
	Head of Accounting Department	Chin-Tsai Lin				
	Head of Finance Department	Kai-Hui Chuang				

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 compensation (including shares and cash) that has been approved by the Board of Directors and proposed by the managerial officers in the most recent fiscal year. If this amount cannot be estimated, the calculation should based on the ratio of the amount distributed in the previous fiscal year. Net income after tax (NIAT) refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after tax refers to net income after tax recorded in the parent company only or standalone financial statements in the most recent fiscal year.

Note 3: The scope of application for the term "managerial officer" shall follow the official document with reference number 0920001301 dated March 27th, 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 the Finance Department

(5) Head of the 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 compensation (including shares and cash) shall be listed not only in Table 1-2, but also in this table.

(II) Analysis and comparison of percentages of remuneration paid to the Company's Directors, Supervisors, General Manager and Deputy General Manager by the Company and all companies listed in its consolidated financial statements in the most recent two fiscal years to the net income after tax recorded in its parent company only or standalone 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:

Year / Category	2018		2017	
	The Company	All the Companies Included in the Financial Statements	The Company	All the Companies Included in the Financial Statements
Director	2.64%	2.64%	0.98%	0.98%
Directors (Including Those Who Concurrently Serve as Employees and Receive Employees' Compensation)	8.36%	8.36%	3.68%	3.68%
Chief Executive Officer, General Manager and Deputy General Manager	7.31%	7.31%	4.94%	4.94%

2. Remuneration Policies, Standards and Packages, Procedures for Determining Remuneration and Correlation of Remuneration with Business Performance and Future Risks:

(1) According to Article 34 of the Company’s Articles of Incorporation, remuneration 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 risks, 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 (2018). The attendance of Directors was as follows:

Title	Name (Note 1)	2018 1st Meeting February 1st, 2018	2018 2nd Meeting March 12th, 2018	2018 3rd Meeting May 4th, 2018	2018 4th Meeting June 26th, 2018	2018 5th Meeting August 9th, 2018	2018 6th Meeting November 8th, 2018	Number of Attendance In Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) [B/A] (Note 2)	Remarks
Chairman	Quintin Wu (Representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Director	Pei-Chi Wu (Representative of Union Polymer Int'l Investment Corp.)	—	—	—	◎	◎	◎	3	0	100	Newly elected, required to attend 3 meetings
Director	Bao-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.)	◎	◎	◎	◎	◎	◎	5	1	83.33	Re-elected
Director	Chen-Tu Liu (Representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Director	Ko I-Shao (representative of Taiwan Union International Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Independent Director	I-Kung Ma	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Independent Director	Tien-Wen Chen	◎	◎	◎	◎	◎	◎	5	1	83.33	Re-elected
Independent Director	Chi-Ying Juan	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Director	Matthew Miau (Representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	—	—	—	2	1	66.67	Member of the previous board, required to attend 3 meetings

Note: Attendance in person: ◎; attendance by proxy:☆; absent: ✻.

Note: Directors (including three independent directors) were re-elected during the Annual General Meeting held on June 22nd, 2018.

Other matters to be noted:

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:

(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 in 2018 2018.2.1	Ratified the endorsements/guarantees made for Taita (BVI) Holding Co., Ltd. and Taita Chemical (Zhongshan) Co., Ltd.	Yes	None
	Opinions of Independent Directors: None		
	The Company's actions in response to the opinions of Independent Directors: None		
	Voting results: The Chair consulted all directors present. Except for independent director Tien-wen Chen who had to recuse himself from voting due to conflict of interest, all directors voted in favor of the resolution.		
2nd meeting in 2018 2018.3.12	Approved the amendment to certain provisions in the Operational Procedures Governing the Making of Endorsements/Guarantees	Yes	None
	Approved the remuneration of CPAs for 2017	Yes	None
	Approved the appointment of CPAs for 2018	Yes	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.		
3rd Meeting in 2018 2018.5.4	Approved the amendment to the internal control system	Yes	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.		
5th Meeting in 2018 2018.8.9	Ratified the endorsements/guarantees for the subsidiary companies Taita (BVI) Holding Co., Ltd., Taita Chemicals (Zhongshan) Co., Ltd. and Taita Chemicals (Tianjin) Co., Ltd.	Yes	None
	Approved the change of the chief auditor	Yes	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.		
6th Meeting in 2018 2018.11.8	Ratified the endorsements/guarantees made for Taita (BVI) Holding Co., Ltd.	Yes	None
	Approved the replacement of CPA	Yes	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. In regards 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 outcomes shall be stated:

Name of Director	Proposal	Reason for Recusal	Participation in Voting	Remarks
Tien-Wen Chen	Ratified the endorsements/guarantees made for Taita (BVI) Holding Co., Ltd. and Taita Chemical (Tianjin) Co.,Ltd.	The director 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.	1st meeting in 2018
Quintin Wu I-Kung Ma Chen-Tu Liu	Donations to the USI Education Foundation	The director recused himself due to conflict of interest as he serves as a director of the foundation	He did not participate in voting.	2nd meeting in 2018
I-Kung Ma Tien-Wen Chen Chi-Ying Juan	The appointment of the Independent Directors I-Kung Ma, Tien-Wen Chen and Chi-Ying Juan as members of the Remuneration Committee of the Company.	The directors had conflict of interest in the matter	He did not participate in voting.	4th meeting in 2018

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 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 12th, 2014, where these articles stipulate the appointment of Independent Directors and the establishment of an Audit Committee in accordance with the law. In addition, the Board of Directors approved the relevant supporting measures for setting up an audit committee on March 11th, 2015, and the formulation of the Audit Committee Charter on April 24th, 2015.

The Company constantly stays updated with changes in laws and regulations formulated by the competent authority, reviews its Rules of Procedure for Board of Directors' Meetings and Rules Governing the Scope of Power 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 2018

(1) Evaluation Period: January 1st to December 31st, 2018

(2) The Company has established a set of regulations governing the evaluation of performance of the Board of Directors and performance appraisal methods, proposing an annual self-evaluation based on indicators including degree of participation in the Company's operations, 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 overall appraisal results are as follows:

Evaluation Item	Results
Degree of participation in the Company's operations	Excellent
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 evaluation of the Board of Directors (Audit Committee) in 2018 have been disclosed on the Company's website on January 9th, 2019 as well as being reported during the first board meeting of 2019 (March 6th, 2019).

3. Conduct training courses for Directors and Supervisors, as well as encouraging Directors to attend corporate governance-related courses The directors' training records are as follows:

Title	Name	Date of Training	Organizer	Course Title	Training Hours
Chairman	Quintin Wu	March 21, 2018	Securities & Futures Institute	Corporate Social Responsibility that Progresses with the Times	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Director	Pei-Chi Wu	March 21, 2018	Securities & Futures Institute	Corporate Social Responsibility that Progresses with the Times	3
		July 10, 2018	Securities & Futures Institute	Workshop for Listed and Unlisted Public Companies' Equity Trading Legal Compliance	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
		December 14, 2018	Taiwan Corporate Governance Association	How to Effectively Exert the Directors' Functions and Implement Corporate Governance	3
Director	Bao-Luo Ying	March 21, 2018	Securities & Futures Institute	Corporate Social Responsibility that Progresses with the Times	3
		October 26, 2018	Securities & Futures Institute	2018 Annual Conference on the Prevention of Insider Trading	3
Director	Han-Tai Liu	March 21, 2018	Securities & Futures Institute	Corporate Social Responsibility that Progresses with the Times	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Director	Chen-Tu Liu	March 21, 2018	Securities & Futures Institute	Corporate Social Responsibility that Progresses with the Times	3
		June 26, 2018	Taiwan Corporate Governance Association	Introduction to the New Corporate Governance Blueprint	1
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Director	I-Shao Ko	April 25, 2018	Taiwan Academy for Banking and Finance	Corporate Governance Forum: Family Business Succession	3
		May 28, 2018	Taiwan Corporate Governance Association	AI and the "Customer to Business" Era	3

Title	Name	Date of Training	Organizer	Course Title	Training Hours
Independent Director	I-Kung Ma	March 21, 2018	Securities & Futures Institute	Corporate Social Responsibility that Progresses with the Times	3
		May 8, 2018	Taiwan Stock Exchange (TWSE)	Listed Companies' New Corporate Governance Blueprint Summit Forum	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	1 (Instructor)
Independent Director	Tien-Wen Chen	March 21, 2018	Securities & Futures Institute	Corporate Social Responsibility that Progresses with the Times	3
		April 20, 2018	Securities & Futures Institute	2018 Annual Conference on the Prevention of Insider Trading	3
Independent Director	Chi-Ying Juan	March 21, 2018	Securities & Futures Institute	Corporate Social Responsibility that Progresses with the Times	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Head of Accounting Department	Chin-Tsai Lin	October 4, 2018 - October 5, 2018	Accounting Research and Development Foundation	Continuing Training Class for Accounting Managers of Issuers, Securities Firms and Securities Exchanges	12
Head of the Auditing Department	Chien-Hsin Hsiao	October 16, 2018	Securities and Futures Institute	Auditing Practices of Production Cycle	6
		October 24, 2018	Internal Audit Association of the Republic of China	Auditing Practice for Logistics System of Manufacturing Industry	6

Note: The number of learning hours, scope of learning, learning systems, arrangements and information disclosure on the aforementioned training sessions comply with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies."

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 Remarks 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 Remarks 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

(1) Functional Authority

- Formulation or amendment to an internal control system pursuant to Article 14-1 of the Act.
- Evaluation of the effectiveness of the internal control system.
- Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- Matters involved Directors' self interest.
- Major assets or derivative trading.
- Major loaning of funds, making of endorsements or guarantees.
- Offering, issuance, or private placement of any equity securities.
- Appointment, dismissal and compensation of CPAs.
- Appointment and dismissal of finance manager, accounting manager and chief internal auditor.
- Annual and semi-annual financial statements.
- Other important items required by other companies or the competent authority

(2) Annual Work Summary

The Audit Committee comprises of three independent directors. A total of 5 (A) meetings were held in 2018. The attendance was as follows:

Title	Name	Number of Attendance in Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) (B/A) (Note)	Remarks
Independent Director	I-Kung Ma	5	0	100	
Independent Director	Tien-Wen Chen	4	1	80	
Independent Director	Chi-Ying Juan	5	0	100	

Main Items for Review:

1. Endorsements and guarantees.
2. Annual accounts review and earnings distribution.
3. Modification of the internal control system
4. CPA fees.

5. CPA appointment and independence evaluation.
6. Assessing the effectiveness of the internal control system.
7. Interim financial report.
8. Appointment and dismissal of the Audit Manager.
9. CPA replacement.
10. Audit plan.

- Review the annual accounts and earnings distribution and issue an audit report.
- Modification of the internal control system, amendment to the Operational Procedures for Making Endorsements and Guarantees, Standards for the Internal Control System of the Stock Affairs Unit, and the Operational Procedures for Handling Transactions with Related Parties, Specific Companies and Groups.
- Evaluate the effectiveness of the internal control system and make a statement of declaration on internal control system.
- Replacement of CPA and independence assessment in accordance with the accounting firm's internal rotation system.

(3) Implementation Status

I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Board of Directors	Resolution and Follow-up Actions	Matters referred to in Article 14-5 of the Securities and Exchange Act	Objections or expressed reservations expressed by Independent Directors
February 1, 2018: 1st meeting in 2018	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: (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.) 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.		
March 12, 2018: 2nd meeting in 2018	1. Preparation of the 2017 consolidated and parent company only financial statements.	V	None
	2. Amendment to provisions of the Operational Procedures for Making Endorsements and Guarantees.	V	None
	3. CPA fees for 2017	V	None
	4. CPA appointment for 2018	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.		
May 4, 2018: 3rd meeting in 2018	1. 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.		
August 9, 2018: 5th meeting in 2018	1. Ratify guarantees and endorsements.	V	None
	2. Preparation of the consolidated financial statements of the second quarter of 2018	V	None
	3. Change of chief internal auditor.	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.		
November 8, 2018: 6th meeting in 2018	1. Ratify guarantees and endorsements.	V	None
	2. CPA replacement.	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:

Motion: 13th meeting of the 1st Audit Committee

1st item on the agenda: Ratification of guarantees and endorsements

Recused Director: Tien-Wen Chen

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 the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(I) Besides submitting the monthly audit reports to independent directors for review, the head of the internal audit department also reports major audit findings to each independent director in the Audit Committee meeting.

(II) CPAs compile information on the audit of the Company's consolidated financial statements (annual financial statements including the standalone financial statements) or review of governance-related matters every quarter, and report them to the Audit

Committee in writing or through face-to-face communications in accordance with the Auditing Standards Bulletin No. 39 - “Communication with Those Charged with Governance”.

Summary of communications between the independent directors and he Company's chief internal auditor in 2018:

Date/Meeting	Key Communication Points	Suggestions/Execution Results
February 1, 2018 13th Meeting of the 1st Audit Committee	Audit execution report for November 2017 to March 2018	No dissenting opinion
March 12, 2018 14th meeting of the 1st Audit Committee	1. Audit execution report for February to March 2018 2. Approved the issuance of the "2017 Statement on Internal Control."	No dissenting opinion
May 4, 2018 15th Meeting of the 1st Audit Committee	1. Audit execution report for March to May 2018. 2. Approval of the amendment to the internal control system	No dissenting opinion
August 9, 2018 1st meeting of the 2nd Audit Committee	1. Audit execution report for May to August 2018 2. Approval of the change of chief internal auditor.	No dissenting opinion
November 8, 2018 2nd Meeting of the 2nd Audit Committee	1. Audit execution report for August to November 2018. 2. Approval of the 2019 audit plan.	No dissenting opinion

Communications between the independent directors and CPAs in 2018:

Date/Meeting	Key Communications Points	Suggestions/Execution Results
March 12, 2018 14th meeting of the 1st Audit Committee	Approved the 2017 consolidated and parent company only financial statements, reported the audit implementation status and results.	No dissenting opinion
May 4, 2018 15th Meeting of the 1st Audit Committee	Reviewed the consolidated financial statement for Q1 of 2018, implementation status and results.	No dissenting opinion
August 9, 2018 11th meeting of the 1st Audit Committee	Approved the Company's 2018 Quarter 2 consolidated financial statements, communicated the implementation status and reported results.	No dissenting opinion
November 8, 2018 2nd Meeting of the 2nd Audit Committee	Reported the implementation status and results of the audit of the Company's 2018 Q3 consolidated financial statements, and communicated the key audit items in the audit report according to the Auditing Standards Bulletin No. 58.	No dissenting opinion

* Where an independent Director resigns before the end of the fiscal year, the "Remarks" 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 "Remarks" 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 the member's term of office.

2. Participation of Supervisors at Board Meetings: Not applicable as the Company has an Audit Committee in place 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	Implementation Status (Note 1)			Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	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" in compliance with the "Corporate Governance Best-Practice Principles for TWSE or TPEx Listed Companies" to promote the implementation of corporate governance and disclosed the information on its website.	No significant deviation
II. Shareholding 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 dedicated personnel to be in charge of such matters.	No significant deviation
(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 maintains contact with its major shareholders as well as the ultimate owners of those shares.	No significant deviation
(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 significant deviation
(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 forbids insiders to use undisclosed information to trade securities.	No significant deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>III. Composition and Responsibilities of the Board of Directors
(I) Has the Board of Directors drawn up policies on diversity of its members and implemented them?</td><td>✓</td><td></td><td>According to Article 20 of the Company's "Corporate Governance Best-Practice Principles", diversity shall be taken into consideration in terms of the composition of the Company's Board of Directors. Moreover, 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 knowledge and experience in environmental protection to the criteria after taking the growing importance of corporate governance and environmental protection worldwide into consideration, in order to complete the functions of the Board of Directors. At present, existing members of the Board of Directors possess the knowledge, skills and qualities required to perform their duties on top of specializing in professional areas including accounting and finance, international markets, law and environmental protection. For details on the diversity of Board members, please refer to the table below in which I-kung Ma is a female Director:
<table>
<tr><th>Diversified Core Competences / Name of Director</th><th>Business judgment</th><th>Accounting and Finance</th><th>Business management</th><th>Crisis management</th><th>Knowledge of the industry</th><th>International markets</th><th>Leadership</th><th>Decision-making ability</th><th>Law</th><th>Environmental protection</th></tr>
</table>
</td><td>No significant deviation</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>Quintin Wu</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Pei-Chi Wu</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Bao-Luo Ying</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Han-Tai Liu</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Chen-Tu Liu</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>I-Shao Ko</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Tien-Wen Chen</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>I-Kung Ma</td><td>V</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td><td>V</td><td></td><td>V</td></tr>
<tr><td>Chi-Ying Juan</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td></td><td></td><td>V</td><td>V</td><td></td></tr>
</table>
The percentage of the directors concurrently serving as Company employees is 33%, and the percentage of independent directors is 33%. The ratio of female directors is 11%. One independent director has served for 2 years, and 2 have served for 4 years. Two directors are above the age of 70, 6 are between 60-69, and one is below 60.</td><td></td></tr>
<tr><td>(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</td><td>✓</td><td></td><td>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.</td><td>No significant deviation</td></tr>
<tr><td>(III) Does the company establish a standard to measure the performance of the Board, and implement it annually?</td><td>✓</td><td></td><td>The Company has established the Regulations Governing the Evaluation of the Performance of the Board of Directors on November 9th, 2017. At the end of each year, performance appraisal shall be conducted 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 assessment results shall be reviewed and improved upon at the Board meeting in the following year as soon as possible.</td><td>No significant deviation</td></tr>
<tr><td>(IV) Does the company regularly evaluate the</td><td>✓</td><td></td><td>The results of performance assessment results for the Board of Directors (Audit</td><td>No significant</td></tr>
</table>

Evaluation Item	Implementation Status (Note 1)			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
independence of CPAs?			Committee) in 2018 has been disclosed on the Company's website on January 9th, 2019 as well as being reported to the first Board meeting in 2019 (March 6th, 2019). 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. Moreover, a Declaration of Independence of the CPA is obtained and submitted to the Board of Directors for deliberation and approval during the first Board meeting in 2019 (March 6th, 2019).	deviation
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 Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, the Board of Directors expects to pass the resolution of appointing a "Corporate Governance Manager" in May 2019 in order to enhance the Company's corporate governance performance. (I) Terms of Reference: 1. Handling work related to meetings of the board of directors and the shareholders' meetings in accordance with laws and regulations. 2. Producing minutes of Board Meetings and Shareholders’ Meetings. 3. Assisting the Directors and Supervisors in continuing education. 4. Providing information necessary for the Directors and Supervisors for performing their duties. 5. Assisting Directors and Supervisors in complying with the laws and regulations. 6. Other matters stipulated in the Articles of Incorporation or contracts. (II) Task Execution Status in the Current Year: 1. The Board and Shareholders' Meetings are convened on a regular basis and the meeting minutes are produced.	No significant deviation

Evaluation Item	Implementation Status (Note 1)			Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			2. The 1st Board Meeting was convened on March 6th, 2019. Four Board Meetings are scheduled in May, June, August and November, 2019. One more Board Meeting will be convened in September or December depending on the situation to meet the standards for getting the score in the corporate governance evaluation. Total of 6 Board Meetings are expected to be convened during the year. 3. "Standard Operating Procedures for Handling Directors' Requests" are scheduled to be discussed and passed during the Board Meeting in May 2019. 4. The amendment to the Corporate Governance Best-Practice Principles is expected to be discussed during the Board Meeting in May 2019. 5. The Shareholders' Meeting will be held on June 24th, 2019. 6. Two director continuing education courses are scheduled in July and October 2019. 7. Assisting the directors to understand and comply with the relevant laws and regulations. (III) Continuing Education Status: Corporate governance courses will be taken in accordance with the number of hours stipulated in the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers" in 2019.	
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	✓		The Company has set up a stakeholders' section under Corporate Social Responsibility on its website featuring contact information and channels of communication, as well as disclosing information regarding the quality, environment, occupational safety and health policies, employee rights, as well as social and product liabilities.	No significant deviation

Evaluation Item	Implementation Status (Note 1)			Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?				
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 stockholder affairs and handles matters related to shareholders' meetings in accordance with the law.	The Company handles its own stockholder 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 significant deviation
(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 disclosing the process of investor conferences on the Company's website)?	✓		The Company has appointed dedicated personnel to be in charge of the collection and disclosure of Company information, as well as implementing a spokesperson system.	No significant deviation
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	✓		(I) The Company provides its employees with comprehensive healthcare. In addition to formulating guidelines related to employee assistance services and gender equality in the workplace, the Company 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	No significant deviation

Evaluation Item	Implementation Status (Note 1)			Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
purchase of liability insurance for its Directors and Supervisors)?			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 regards 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,. 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 of the Ministry of Labor and 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 assurance in order to create a better environment. Additionally, the Company 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) The Company has appointed a spokesperson to answer various types of questions raised by shareholders and serves as the bridge to connect the Company with its shareholders. The Company also maintains contact with its major shareholders.	

Evaluation Item	Implementation Status (Note 1)			Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			(VII) 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. (VIII) The Company encourages its directors to participate in continuing education. In addition to providing its directors with various information on continuing education, the Company also organizes such courses from time to time and invites its directors to attend courses related to corporate governance. (IX) The Company has purchased liability insurance for Directors 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)

No. 1.10: The Company discloses the English versions of the meeting agenda handbook and supplemental meeting materials 30 days before the day of the AGM in order to enhance the corporate governance evaluation performance.

No. 2.20: Arranging for at least two independent director to be personally in attendance at each board meeting of the Company in order to enhance the corporate governance evaluation performance.

No. 2.21: The Company has appointed a Corporate Governance Manager during the board meeting in 2019 to be responsible for corporate governance-related matters, with the terms of reference, key tasks carried out that fiscal year, and the status of continuing education on the Company's website and in the annual report.

No. 4.3: The Company discloses on the Company's website and in its annual report, its concrete plans for promoting corporate social responsibility and the results of the implementation of those plans.

No. 4.17: The Company discloses on its website, in its corporate social responsibility report and the annual report information regarding supplier management policies it adopted.

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

Title (Note 1)	Criteria / Name	Does the individual have over 5 years of professional experience and the following professional qualifications?			Independence criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		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	
Independent Director	Chi-Ying Juan			V	V	V	V	V	V	V	V	V	0	

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

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the f of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Act.

2. Responsibilities

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

(1) Regularly review the Committee 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 formulate the package 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. Term of the current committee: From June 26th, 2018 to June 21st, 2021. The Remuneration Committee has convened 3 times (A) in the most recent fiscal year. The qualifications and attendance of the members are set out as follows:

Title	Name	Number of Attendance in Person (B)	Number of Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	I-Kung Ma	3	0	100%	Re-elected on June 26, 2018
Committee Member	Tien-Wen Chen	2	1	66.7%	Re-elected on June 26, 2018
Committee Member	Yung-Tu Wei	1	0	100%	Previously Appointed
Committee Member	Chi-Ying Juan	2	0	100%	Elected on June 26, 2018

Other matters to be noted:

I. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

II. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: None.

Remuneration Committee	Resolution and Follow-up Actions	Objections or Reservations Expressed by the Remuneration Committee
3rd Term 6th Meeting 2018.3.12	1. Distribution of directors and employees' compensation for 2017.	None
	2. Proposal for annual bonuses for the managers in 2017.	None
	3. Review of the remuneration policy and the performance evaluation system for directors and managerial officers.	None
	Opinion of the remuneration committee: none	
	The Company's actions in response to the opinions of the Remuneration 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.	
4th Term 1st Meeting 2018.8.9	Annual salary adjustment report.	None
	Opinion of the remuneration committee: none	
	The Company's actions in response to the opinions of the Remuneration Committee: None.	
	Voting results: None	
4th Term 2nd Meeting 2018.11.8	Amendment to certain provisions of the "Organizational Charter of the Remuneration Committee".	None
	2. Formulating the Committee's 2019 Work Plan.	None
	Opinion of the remuneration committee: none	
	The Company's actions in response to the opinions of the Remuneration 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.	

Note:

(1) Where an member of the Remuneration Committee resigns before the end of the fiscal year, the "Remarks" column shall state 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 "Remarks" 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	Implementation Status (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. Corporate Governance Implementation (I) Has the Company established corporate social responsibility (CSR) policies or systems and reviewed their effectiveness? (II) Does the company provide educational training on corporate social responsibility on a regular basis? (III) Has the Company established a dedicated full-time (or part-time) unit to promote CSR? Has the Board of Directors authorized senior management to handle such matters and report its implementation to the Board of Directors?	✓ ✓ ✓		(I) The Company issued the "2017 TTC Corporate Social Responsibility Report" in August 2018. 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. (II) The Company regularly organizes CSR-related education and training to promote CSR. (III) The Company has established the Corporate Social Responsibility Committee, in which its Chairman and vice chairman are the Independent Director of the Board of Directors and the President respectively. Three promotional teams have been established under the Committee, namely the Corporate Governance Team, the Environmental Protection Team and the Social Relations Team. Each team is responsible for the promotion of CSR-related work. The main responsibilities and duties of this committee are described as follows: 1. Formulate the corporate social responsibility policy	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Evaluation Item	Implementation Status (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)	
			2. Corporate social responsibility strategy planning, annual plans and project plans formulation. 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 Board of Directors every year. 6. Any other matters 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 22nd, 2018. The Company has also formulated the "Corporate Social Responsibility Charter" in accordance with Article 23-3 of the Company's Articles of Incorporation and Article 26 of the Regulations for Corporate Governance, which is to be complied with by this committee. The Committee is composed of four members, including the Chairman, General Manager and two Independent Directors resolved by the Board of Directors.	

Evaluation Item	Implementation Status (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 assessment system and CSR policies? Has the Company established a clear reward and punishment system?	✓		(IV) The Company offers rewards or impose punishment based on performance evaluation to establish a clear and effective incentive and discipline system.	
II. Sustainable Environment Development (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 emphasizes the importance of environmental protection and responds to clean production and green environment movements. The Company enhances pollution prevention through process improvement, as well as tracking and reviewing the progress of implementation goals of annual plans formulated by the Company.	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 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 consolidates major emission sources by means of operational control. To comply with the government's GHG reduction policy, the Company has formulated	

Evaluation Item	Implementation Status (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)	
			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 jointly promote practical and effective energy conservation and carbon reduction plans and perform quarterly review of implementation results. In 2018 and 2017, the total volume of carbon dioxide emissions produced by the Company and its subsidiaries were 98,971 tons and 98,073 tons respectively, while the amount of carbon reduction were 1,664.4 tons and 2,861 tons respectively.	
III. Preserving Public Welfare (I) (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 implement CSR and human rights protection. Besides, the Company has formulated human rights policy to eliminate human rights violations so that our employees can enjoy a reasonable and dignified treatment.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Evaluation Item	Implementation Status (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)	
			Implementation Objectives 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 respecting the privacy and dignity of employees. 3. Prohibit child labor. 4. Prohibit forced labor. 5. Eliminate unlawful discrimination and ensure equal employment opportunities 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 staff can make complaints and voice their grievances with their direct Supervisors, human resources manager and chief auditor, as well as doing so via the employee complaint and grievance/sexual harassment mailbox and hotline. The procedure are 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	

Evaluation Item	Implementation Status (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)	
			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 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 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 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	✓		(IV) The Company and its employees have chosen their respective representatives to establish the Supervisory	

Evaluation Item	Implementation Status (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)	
appropriately notified its employees of operational changes that may result in material effects?			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 safeguard 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 with the external environment, its business principles, department performance goals and employees' career development needs, in order to provide training courses to develop 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 plans and budgets. At the same time, the Company has also set up a digital learning platform as the 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	

Evaluation Item	Implementation Status (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)	
			employee quality and overall competitiveness, courses are conducted using diverse methods. In addition to lectures, in-class activities are designed according to course 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 the employees 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, new applications and assist customers in improving manufacturing technologies. The Company has also established regulations concerning technical support, customer privacy, 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 relays 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 lays great emphasis on 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 joint hands in good risk management.	

Evaluation Item	Implementation Status (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)	
(VIII) Does the company evaluate the records of suppliers' existing impact on the environment and society before taking on business partnerships? (IX) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society?	✓ ✓		(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 has formulated "Operational Regulations for Supplier Evaluation" to perform evaluation prior to a transaction or on a yearly basis of suppliers according to aspects including quality, delivery dates, environmental protection and occupational safety and health, packaging, quality assurance and services in coordination with production operations and environmental protection policies. (IX) The Company continues to strengthen self-assessment of supply chain sustainability. Through the influence of the Company, suppliers will jointly implement social responsibilities and share the CSR experience. Experience-sharing and collaborating with quality suppliers is an important part of the Company's foundation for sustainability. The suppliers are required to sign the "Commitment to Supplier Social Responsibility" document to contribute to sustainable development through the four aspects including labor human rights, work safety, environmental protection and ethics.	
IV. Enhancing Information Disclosure (I) Does the Company disclose relevant and reliable	✓		The Company has set up the Corporate Social	Consistent with the Corporate Social Responsibility

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (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>information related to CSR on its official website and Market Observation Post System (MOPS)?</td><td></td><td></td><td>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 2018, where the content of the report was prepared according to the G4 Sustainability Reporting Guidelines published by the Global Reporting Initiative. The reports have been disclosed on the Company's website and shared on the MOPS where stakeholders can view and download the report.</td><td>Best-Practice Principles for TWSE or TPEx Listed Companies</td></tr>
<tr><td colspan="5">V. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation:
The Company established its "Corporate Social Responsibility Best-Practice Principles" on March 11th, 2015. There is no material discrepancy between these principles and their implementation.</td></tr>
<tr><td colspan="5">VI. Other important information to facilitate better understanding of the company’s corporate social responsibility practices:
TTC upholds the spirit of "giving back to the society what is taken from it" to care for the community, local groups and local schools, as well as continuing to interact with local communities to maintain good relations.
Giving back to the community: community development association, education, culture, volunteer police/firefighters, community clubs, local festivals and emergency rescue.
Provide job opportunities: local talents are prioritized for appropriate vacancies and contractors are encouraged hire local residents.
Community Engagement: including activities for local inhabitant, community representatives, environmental protection groups, religious activities.
2018 Community Care Activities and Implementation Results</td></tr>
</table>

Evaluation Item	Implementation Status (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)	

Unit: NTD

Events	Results/Implementation
Donations to the USI Education Foundation	The Company has donated NT$1 million to the USI Education Foundation since 2018, allowing the foundation to contribute more resources in public welfare such as rural education and environmental sustainability to give back to the society.
Caring for the Neighborhood in Linyuan District	The Company invested NT$344,000 in the project to fund festive activities, social networking and lectures.
Community Club in Linyuan District	The Company invested NT$243,000 to sponsor the social development association and workshops of various associations.
Donation to Temples in Linyuan District	The Company invested $77,000 to fund religious activities.
Other sponsorships in the Linyuan District	Invested NT$145,000.
USI Tennis Tournament	The Company invested NT$100,000 in the event. The tournament was held on September 29th, 2018. Eight employees from the Linyuan Plant participated.
The Linyuan Plant sponsored the replacement of the greenhouse gas reduction energy-saving equipment in the Wanggong Elementary School	On October 12th, 2018, the Company invested NT$10,000 in Wanggong Elementary School. In line with the co-operative greenhouse gas reduction activities, the Company helped the administrative departments in Kaohsiung City and received an excellent performance award.
The Toufen Plant participated in the Underwater Waste Cleanup Campaign in Miaoli	The campaign was held by the Environmental Protection Bureau of Miaoli on June 9th, 2018, and 4 people from the Toufen Plant was involved.
The Linyuan plant assisted students from Linyuan Elementary School to visit the Linyuan Industrial Zone Service Center	In August 2018, Ding-Fu Yeh, the Chief Executive of the Work Safety Office took charge of showing the elementary school students around and holding a Q&A session. Two people from the Service Center assisted, and a total of 55 students participated.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (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>
</table>

◆ Linyuan Community Care Sponsorship

Unit: NTD

Year	Neighborhood sponsorship	Donation to temples	Community club	Others	Subtotal
2016	328,000	65,000	300,000	35,000	728,000
2017	338,000	47,000	325,000	35,000	745,000
2018	344,000	77,000	343,000	145,000	909,000

Note: Community club expenses included sponsorship for the tennis tournament.

◆ USI Tennis Tournament Sponsorship

Each year, the Group's three factories in Linyuan (TTC/APC/TVCM) have commissioned the Linyuan Tennis Association to hold the USI Tennis Tournament. Each company donates NT$100,000 a year for the Kaohsiung Linyuan Tennis Association to organize the tournament. The Company has hosted 16 tournaments by 2018. In addition to promoting sports and fitness, the tournament increases the interactions among Group employees and local inhabitants.

The 16th tournament was held on September 29th, 2018 in Linyuan. Eight employees from the Linyuan Plant participated.

◆ Contributing to GHG Reduction

In order to actively promote cross-sectoral greenhouse gas reduction cooperation and carbon reduction, the Linyuan Plant of TTC donated NT$10,000 to Wanggong Elementary school in Linyuan to replace existing ACs to inverter ACs in the information center and computer classroom in order to reduce energy consumption and greenhouse gas emissions (with the annual carbon reduction of 11,160.24 kgCO2e).

The TTC Linyuan Plant cooperated with the Environmental Protection Bureau of the Kaohsiung City Government to promote the 2018 annual cross-sectoral greenhouse gas reduction, assisting the administrative department of Kaohsiung City and winning the excellent performance award.

◆ The Toufen Plant employees participated in the underwater waste cleanup campaign in Miaoli

On June 9th, 2018, the Water Quality Protection Division of the Miaoli Environmental Protection Bureau held the “No Plastics in the Ocean" campaign and hosted the Miaoli Underwater Waste Cleanup on World Ocean Day 2018. Four people from the Toufen Plant participated.

◆ Assisted students from Linyuan Elementary School to visit the Linyuan Industrial Zone Service Center

In August 2018, TTC Linyuan Plant assisted the students from Linyuan Elementary School to visit the Service Center of the Linyuan Industrial Zone. Ding-Fu Yeh, the Chief Executive of the Work Safety Office, took charge of showing the elementary school students around and holding a Q&A session. Two people from the Service Center assisted, and a total of 55 students participated.

The purpose and significance of this activity is to enable people in the Linyuan area to understand the raw materials and products produced by various manufacturers in the Linyuan Petrochemical Industrial Zone, as well as the importance of these products to each household and the contribution to the

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (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">national economic development since an early age. In addition, the students were made aware of the various pollution prevention devices each manufacturer invested in to have a cleaner environment and air. This allows the local inhabitants to find out know about the efforts each manufacturer makes in terms of pollution prevention and process improvement since an early age. Therefore, manufacturers in the zone take turns explaining the improvement of process, product and environmental pollution on a monthly basis.
◆ USI Education Foundation
USI Corporation established the USI Education Foundation on December 30th, 2011 based on the business philosophy of "Solid operations, professional management, seeking excellence and serving the society". The funding capital was NT$50 million. The USI Education Foundation engages in education-related charitable activities, and focuses on caring for the disadvantaged, people in rural areas and ecology. The foundation carries out the following activities in accordance with the relevant laws:
(1) Sponsor education in rural areas.
(2) Set up 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) Industry-academia collaboration
(6) (6) Other education-related charitable services that are consistent with the aims 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	Implementation Status (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	Abstract Illustration	
I. Establishment of ethical corporate management policies and programs				Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies
(I) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(I) The Group upholds the business philosophy of "solid operations, professional Management, seeking excellence and serving the society" and exercises its corporate culture that "seeks truth, honesty and comprehensiveness". The Company has established its "Code 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.	
(II) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(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 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 relevant training courses.	
(III) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(III) The Company effectively prevents 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				Consistent with the Ethical Corporate Management Best
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business	V		(I) The Company has requested for terms of ethical conduct to be clearly defined in commercial contracts in accordance with its	

Evaluation Item	Implementation Status (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	Abstract Illustration	
contracts?			"Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct."	Practice Principles for TWSE or TPEx Listed Companies
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(II) In order to enhance ethical corporate management, the Group's Human Resources Division is responsible for formulating ethical corporate management policies and prevention solutions, which are supervised by the Audit Office and the implementation is reported regularly to the Board of Directors.	
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(III) The Company has formulated the "Code of Ethical Conduct for Directors and Managerial Officers" to prevent conflict of interest and provide suitable channels for Directors, managerial officers, and employees to explain any potential conflict of interest with the Company.	
(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(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 educational trainings on operational integrity?	V		(V) The Company continues to organize awareness campaigns and training activities. In 2018, a total of 214 employees/549 training hours of ethical corporate management courses were held. The details are as follows: (1) Legal liabilities and case analysis of the breach of trust / 3 hours / 121 people (2) Social engineering exercise / 2 hours / 13 people (3) ISO27001 information security management system education and training / 2 hours / 1 person (4) Copyright protection and reasonable use / 2 hours / 44 people (5) Trade secret law and case analysis / 2 hours / 35 people	
III. Implementation of the Company's Whistleblowing				Consistent with the

Evaluation Item	Implementation Status (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	Abstract Illustration	
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 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?	V V V		(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. Audit Committee: accepts cases from shareholders, investors and other interested parties; Auditing Office: accepts reports from customers, suppliers, contractors, etc.; Personnel Department: accepts reports from employees of the company, who can report in person, by phone or in writing to the above units. (II) The procedures above specify the handling procedures 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.	Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies
IV. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The Company has placed the guidelines and information on ethical corporate management in the Ethical Corporate Management section on its website so that our employees 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
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation:				

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (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>Abstract Illustration</th></tr>
<tr><td colspan="5">The Company has established its Code 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 is 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 for inquiry shall be disclosed

1. The Company has formulated various corporate governance guidelines and rules:

   (1) Articles of Incorporation

   (2) Regulations Governing the Acquisition and Disposal of Assets

   (3) Regulations Governing Making of Endorsements/Guarantees

   (4) Regulations Governing 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) Code 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 Mailbox

   (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 (https://www.ttc.com.tw).

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

The Company regularly performs audits of its subsidiaries, as well as analyzing and reviewing 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

Date: March 6, 2019

According to our self-evaluation, the Company shall make the following statements on our internal control systems in 2018:

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 aforementioned 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 31st, 2018, 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 aforementioned 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 6th, 2019, 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: Quintin Wu

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
2018	June 22, 2018	The minutes of the Shareholders' Meeting were published on MOPS on July 9th, 2018. The resolutions and their status of implementation are as follows: 1. Approved the 2017 Account Book Implementation status: Resolution passed 2. Approved the 2017 earnings distribution plan Implementation status: The resolution has been passed for the earnings to be retained in full and not distributed. 3. Deliberated on the amendment to the Regulations Governing Making of Endorsements / Guarantees. Implementation status: The resolution was passed and has been implemented. 4. Re-election of nine Directors: Six Directors were elected, including Quintin Wu, Pei-Chi Wu, Bao-Luo Ying, Han-Tai Liu, Chen-Tu Liu and I-Shao Kuo Three independent Directors were elected, namely I-Kung Ma, Tien-Wen Chen and Chi-Ying Juan Implementation status: In this Annual General Meeting, 9 directors (including 3 independent directors) were elected with a term of office for three years, from June 22nd, 2018 to June 21st, 2021. The nine directors took office after this Annual General Meeting. 5. Deliberated on the permission for newly appointed Independent Directors to engage in competitions Implementation status: Resolution passed

Board of Directors Meeting

Session (Year) of Meeting	Date of Meeting	Key Resolutions
1st meeting in 2018	February 1, 2018	1. Ratified 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 to certain provisions in the Operational Procedures Governing the Making of Endorsements/Guarantees 5. Approved the re-election of Directors at the Annual General Meeting in this fiscal year 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 15th, 2018 to April 25th, 2018 9. Approved the remuneration of CPAs for 2017 10. Approved the 2018 Evaluation of the Independence of Appointed CPAs 11. Approved the appointment of CPAs for 2018 12. Approved the issuance of the 2017 Statement on the Internal Control System 13. Authorized the Chairman to sign and deliver short-term credit loan contracts and related documents with financial institutions 14. Approved donations to the USI Education Foundation
3rd Meeting in 2018	May 4, 2018	1. Permit managerial officers to engage in competitions 2. Review the list of candidates who are directors (including independent directors) with shareholding percentage exceeding one (1) percent at the Company 3. Approved the amendment to the internal control system
4th meeting in 2018	June 26, 2018	1. Nominated Mr. Quintin Wu as the Chairman of the Company 2. Appointed independent directors I-Kung Ma, Tien-Wen Chen and Chi-Ying Juan as members of the Remuneration Committee. 3. Appointed independent directors Chi-Ying Juan and I-Kung Ma as members of the Corporate Social Responsibility Committee.
5th Meeting in 2018	August 9, 2018	1. Ratified the endorsements/guarantees for the subsidiary companies Taita (BVI) Holding Co., Ltd., Taita Chemicals (Zhongshan) Co., Ltd. and Taita Chemicals (Tianjin) Co., Ltd. 2. Approved the second quarter of 2018 Consolidated Financial Statements. 3. Approved the amendment to certain provisions in the Operating Procedures for Transactions with Related Parties, Specific Companies and Groups. 4. Approved the change of the chief auditor
6th Meeting in 2018	November 8, 2018	1. Ratified the endorsements/guarantees made for Taita (BVI) Holding Co., Ltd. 2. Approved the 2019 budget

Session (Year) of Meeting	Date of Meeting	Key Resolutions
		3. Approved the replacement of CPA 4. Approved the 2019 audit plan 5. Approved the amendment to certain articles in the Rules Governing the Scope of Powers of Independent Directors 6. Approved the amendment to certain articles in the Remuneration Committee Charter
First meeting in 2019	March 6, 2019	1. Ratified endorsement/guarantee made for Taita (BVI) Holding Co., Ltd. (First Bank) 2. Ratified the endorsement/guarantee made for Taita (BVI) Holding Co., Ltd. (Taipei Fubon Bank) 3. Approved the 2018 Account Book 4. Approved the 2018 compensation distribution plan for Directors and employees 5. Approved the 2018 earnings distribution plan 6. Approved capital increase by retained earnings 7. Approve the amendment to certain articles in the Articles of Association 8. Approved the amendment to certain articles in the Rules of Procedure for Board of Directors' Meetings 9. Approve the amendment to certain articles in the Rules of Procedure for Shareholders' Meetings 10. Approved the amendment to certain articles in the Regulations Governing the Election of Board Members 11. Approved the amendment of certain articles in the Regulations Governing the Acquisition and Disposal of Assets 12. Approved the recommendation to lift competition restrictions against Directors at the Annual General Meeting 13. Approved matters related to the convening of the 2019 Annual General Meeting 14. Accepted and handled shareholders' proposals from April 17th to April 27th, 2019 15. Approved CPA fees for 2018 16. Approved the CPA appointment and evaluation of its independence for 2019 17. Authorized the Chairman to sign and deliver short-term credit loan contracts and related documents with financial institutions 18. Approved the issuance of the 2018 Statement on the Internal Control System 19. Approved donations to the USI Education Foundation 20. Permit managerial officers of the Company to concurrently hold other positions and engage in competitions

(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
R&D Manager	Chun-Hui Su	2017.10.2	2018.3.8	Voluntary resignation
Chief Internal Auditor	Tai-Feng Chang	2001.10.1	2018.9.18	Retirement

V. Information on CPA Professional Fees

CPA professional fees

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

<table>
<tr><th>Name of CPA Firm</th><th colspan="2">Name of CPA</th><th>Audit Period</th><th>Remarks</th></tr>
<tr><td rowspan="2">Deloitte & Touche</td><td>Shih-Tsung Wu</td><td>Tzu-Jung Kuo</td><td>First Quarter of 2018 to Third Quarter</td><td rowspan="2">Internal Rotation</td></tr>
<tr><td>Hsiu-Chun Huang</td><td>Cheng-Chun Chiu</td><td>Fourth Quarter of 2018</td></tr>
</table>

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 Items		Audit Fees	Non-Audit Fees	Total
1	Under NT$2,000,000		324	324
2	NT$ 2,000,000 (inclusive) to NT$4,000,000	3,250	0	3,250
3	NT$ 4,000,000 (inclusive) to NT$6,000,000	0	0	0
4	NT$ 6,000,000 (inclusive) to NT$8,000,000	0	0	0
5	NT$ 8,000,000 (inclusive) to NT$10,000,000	0	0	0
6	Over NT$ 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

<table>
<tr><th rowspan="2">Name of CPA Firm</th><th rowspan="2" colspan="2">Name of CPA</th><th rowspan="2">Audit Fees</th><th colspan="5">Non-Audit Fees</th><th rowspan="2">Audit Period</th><th rowspan="2">Remarks</th></tr>
<tr><th>System design</th><th>Business registration</th><th>Human resources</th><th>Others (Note 2)</th><th>Subtotal</th></tr>
<tr><td rowspan="2">Deloitte & Touche</td><td>Shih-Tsung Wu</td><td>Tzu-Jung Kuo</td><td rowspan="2">3,250</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">324</td><td rowspan="2">324</td><td>First Quarter of 2018 to Third Quarter</td><td rowspan="2">1. Internal rotation
2. Fees for investment consulting and consolidated financial reporting system maintenance</td></tr>
<tr><td>Hsiu-Chun Huang</td><td>Cheng-Chun Chiu</td><td>Fourth Quarter of 2018</td></tr>
</table>

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. 2. Where the accounting 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 replaced the accounting firm in 2018, 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) Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">Starting from the Fourth Quarter of 2018</td></tr>
<tr><td>Reason for Replacement and Explanation</td><td colspan="4">CPAs were replaced due to internal job rotation. Shih-Tsung Wu and Tzu-Jung Kuo were replaced by Hsiu-Chun Huang and Cheng-Chun Chiu.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">2018 and 2017 audit report with unqualified opinion</td></tr>
<tr><td rowspan="6">Differences with the Company</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">V</td></tr>
<tr><td colspan="4">Remarks/specify details: None</td></tr>
<tr><td>Other Revealed Matters (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">None</td></tr>
</table>

(II) Regarding the successor CPA: not applicable.

Name of accounting firm	Deloitte & Touche
Name of CPA	Hsiu-Chun Huang and Cheng-Chun Chiu
Date of Appointment	From the fourth quarter of 2018 of the financial statement
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None
Succeeding CPA’s written opinion of disagreement toward the former CPA	None

(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 10 percent in the Most Recent Fiscal Year up to the Publication Date of this Annual Report

(I) Changes in Shareholding of Directors, Supervisors, Managerial Officers and Major Shareholders

Changes in Shareholdings of Directors, Supervisors, Managerial Officers and Major Shareholders [Title (Note 1)]	Name	2018		Current fiscal 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 exceeding 10 percent	Union Polymer Int'l Investment Corp.	0	(8,000,000)	0	0
Director	Quintin Wu (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Matthew Miau (Representative of Union Polymer Int'l Investment Corp.) Released from duty on June 22nd, 2018	0	0	Not applicable	
	Pei-Chi Wu (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0

<table>
<tr><th rowspan="2">Changes in Shareholdings of Directors, Supervisors, Managerial Officers and Major Shareholders [Title (Note 1)]</th><th rowspan="2">Name</th><th colspan="2">2018</th><th colspan="2">Current fiscal year up to April 30, 2018</th></tr>
<tr><th>Increase (decrease) in number of shares held</th><th>Increase (decrease) in number of pledged shares</th><th>Increase (decrease) in number of shares held</th><th>Increase (decrease) in number of pledged shares</th></tr>
<tr><td rowspan="6"></td><td>Newly appointed on June 22nd, 2018</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Bao-Luo Ying (Representative of Union Polymer Int'l Investment Corp.)</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Han-Tai Liu (Representative of Union Polymer Int'l Investment Corp.)</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Chen-Tu Liu (Representative of Union Polymer Int'l Investment Corp.)</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>I-Shao Ko (Representative of Union Polymer Int'l Investment Corp.)
Released from duty on June 22nd, 2018</td><td>0</td><td>0</td><td colspan="2">Not applicable</td></tr>
<tr><td>I-Shao Ko (Representative of Taiwan Union International Investment Co.)
Newly appointed on June 22nd, 2018</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td rowspan="3">Independent Director</td><td>I-Kung Ma</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Tien-Wen Chen</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Chi-Ying Juan</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Chief Executive Officer</td><td>Quintin Wu</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>President</td><td>Pei-Chi Wu</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Vice President</td><td>Tai-Ming Yen</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Head of Finance Department</td><td>Kai-Hui Chuang</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Head of Accounting Department</td><td>Chin-Tsai Lin</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
</table>

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	Transferee	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 Pledge (Note 2)	Date of Transaction	Transferee	Relationship between the counterparty and the Company, its Directors, Supervisors and shareholders with shareholding percentage exceeding ten (10) percent	Shares	Shares holding %	Shares Pledged %	Pledged (Redeemed) 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 Company's 10 Largest Shareholders any one is a Related Party, Spouse or a Relative within the Second Degree of Kinship

April 26, 2019

Name (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		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		Remarks
	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: Quintin Wu	0	0%	—	—	0	0%			
Taiwan Union International Investment Co., Ltd.	29,951,137	9.14%	—	—	0	0%	None	—	
Representative: I-Shao Ko	0	0%	0	0%	0	0%	China General Terminal & Distribution Corporation	Director	
Li-Hua Wu	5,780,049	1.76%	No information has been provided by the shareholder						
Standard Chartered Bank (Taiwan) Limited Dunhua Branch as custodian of Arcadi Emerging Markets Equity Small Cap Fund Co., Ltd. Investment Account	4,916,000	1.50%							
Sheng-Lu Lin	3,000,000	0.92%	0		0		None	None	
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		None	None	
Citibank (Taiwan) as custodian of Dimension Emerging Market Assessment Fund Investment Account	1,611,864	0.49%							
Chia-Hsiang Yu	1,596,000	0.49%	58,000	0.02%	0		None	None	
Citibank (Taiwan) as custodian of Dimensional Fund Advisors'	1,483,609	0.45%							

Name (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		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		Remarks
	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)	
Emerging Markets Core Securities Portfolio Investment Account									
Standard Chartered Bank (Taiwan) Limited Dunhua Branch as custodian of Credit Suisse Group Renaissance Institutional Equities Fund	1,451,000	0.44%							

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. The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, its Directors and Supervisors, Managers, and Any Companies Controlled either Directly or Indirectly by the Company

December 31, 2018 Units: share / %

Ownership of Shares in Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/ Supervisors/ Managers		Total Ownership	
	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	10,043,760	1.98%	126,529,947	24.97%	136,573,707	26.95%
China General Terminal & Distribution Corporation	18,667,463	33.33%	0	0.00%	18,667,463	33.33%
Acme Electronics Corporation	4,445,019	2.44%	1,258,756	0.69%	5,703,775	3.13%
Thintec Materials Corporation	600,000	10.00%	0	0.00%	600,000	10.00%

Note: The equity method was employed for the investment.

Chapter 4 Funding 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 the 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.

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

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

Information on shelf registration: N/A.

(II) Shareholder Structure

As of April 26, 2019

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Juristic Persons	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	0	0	130	39,331	66	39,527
Number of Shares Held	0	0	155,539,870	154,591,700	17,520,285	327,651,855
Shareholding Percentage	0	0	47.47%	47.18%	5.35%	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, corporations, organizations, other institutions or companies invested in areas other than Taiwan and Mainland China as defined in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

(III) Distribution of Equity Ownership

As of April 26, 2019

Shareholding Range	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1 to 999	24,325	2,969,091	0.91%
1,000 to 5,000	10,504	23,807,015	7.24%
5,001 to 10,000	2,250	17,677,230	5.40%
10,001 to 15,000	793	9,899,027	3.02%
15,001 to 20,000	473	8,756,723	2.67%
20,001 to 30,000	396	10,188,191	3.11%
30,001 to 50,000	313	12,704,636	3.88%
50,001 to 100,000	271	19,512,705	5.96%
100,001 to 200,000	121	17,257,895	5.27%
200,001 to 400,000	39	11,368,514	3.47%
400,001 to 600,000	16	7,258,050	2.22%
600,001 to 800,000	7	5,014,836	1.53%
800,001 to 1,000,000	6	5,300,951	1.62%
1,000,001 and above	13	175,936,991	53.70%
Total	39,527	327,651,855	100.00%

(IV) List of Major Shareholders

As of April 26, 2019

Shares / Name of Major Shareholder	Number of Shares Held	Shareholding Percentage
Union Polymer Int'l Investment Corp.	120,535,750	36.79%
Taiwan Union International Investment Co., Ltd.	29,951,137	9.14%
Li-Hua Wu	5,780,049	1.76%
Standard Chartered Bank (Taiwan) Limited Dunhua Branch as custodian of Arcadi Emerging Markets Equity Small Cap Fund Co., Ltd. Investment Account	4,916,000	1.50%
Sheng-Lu Lin	3,000,000	0.92%
China General Terminal & Distribution Corporation	1,877,484	0.57%
Citibank (Taiwan) as custodian of Dimension Emerging Market Assessment Fund Investment Account	1,611,864	0.49%
Chia-Hsiang Yu	1,596,000	0.49%
Citibank (Taiwan) as custodian of Dimensional Fund Advisors' Emerging Markets Core Securities Portfolio Investment Account	1,483,609	0.45%
Standard Chartered Bank (Taiwan) Limited as custodian of Credit Suisse - Renaissance long-term sales	1,451,000	0.44%

(V) Market Price, Net Worth per Share, Earnings per Share, Dividends per Share, and Related Information in the Most Recent Two Years

Unit: Share / NT$ thousand

Year / Item			2018	2017	As of April 30, 2019
Market price per share (Note 1)	Highest		18.15	15.80	11.00
	Lowest		9.87	8.76	9.23
	Average		14.31	12.00	10.28
Net asset value per share (Note 2)	Before distribution		12.18	11.92	12.91
	After distribution		*	11.92	*
Earnings per share	Weighted average number of shares		327,651,855	327,651,855	327,651,855
	Before adjustment		0.63	1.53	0.60
	After adjustment (Note 3)		*	1.53	*
Dividends per share	Cash dividends		0.2*	0	-
	Stock dividends	Dividends from surplus earnings	0.2*	0	-
		Dividends from capital reserve	0	0	-
	Accumulated unpaid dividends (Note 4)		0	0	-
Return on investment	Price/earnings ratio (Note 5)		21.06*	7.09	17.05*
	Price/dividend ratio (Note 6)		66.35	-	-
	Cash dividend yield (Note 7)		1.51%	-	-

＊ The Board of Directors resolved to distribute dividends, which is yet to be approved in the shareholders' meeting.

＊ If the surplus earning or capital reserve is used for capital increase, market price and cash dividends that are retrospectively adjusted based on the number of shares after distribution shall be disclosed.

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

Note 2: Fill these rows based on the number of shares that have been issued at the end of the year and the distribution plan approved in the shareholders' meeting in the subsequent 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 year to be accumulated to subsequent years in which there is a profit, the Company shall separately disclose accumulated undistributed dividends up to that year.

Note 5: Price/earnings ratio = Average closing price per share for the year / Earnings per share after adjustment.

Note 6: Price/dividend ratio = Average closing price per share for the year / Cash dividends per share.

Note 7: Cash dividend yield = Cash dividends per share / Average closing price per share for the year.

Note 8: Net worth per share and earnings per share for the latest quarter up to the date of publication of the Annual Report as audited (reviewed) by CPAs shall be filled in. For all other columns, the Company shall fill information for the year up to the date of publication of the Annual Report.

(VI) Dividend Policy and Its Implementation

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

   If the Company records net income after tax (NIAT) as indicated in its final annual accounts for the year, it can use it to cover any accumulated losses in previous years. If there is a balance remaining, ten percent of it shall be set aside as legal reserve, while the rest shall be considered as distributable profit. This distributable profit shall then be combined with the undistributed earnings accumulated over the previous years. Part of this combined amount shall be considered as or transferred to special reserve as required by the law or the authority in charge, and the balance shall be treated as accumulated 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 the business performance of the Company.

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

2. Dividend payout plans proposed during the most recent shareholder's meeting

   Cash dividends/share: NT$0.2; stock dividends/share: NT$0.2.

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

   N/A.

(VII) Impacts on the Company's Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted in the Most Recent Shareholders' Meeting

No financial forecast was prepared for 2019; therefore, there is no need to disclose forecast information.

<table>
<tr><th colspan="3">Item / Year</th><th>2019 (Estimated)</th></tr>
<tr><td colspan="3">Beginning paid-in capital</td><td>NT$3,276,518,550</td></tr>
<tr><td rowspan="3">Distribution of dividends for the year</td><td colspan="2">Cash dividends per share</td><td>NT$0.2</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase from surplus earnings</td><td>0.02 share</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase from capital reserve</td><td>0 share</td></tr>
<tr><td rowspan="7">Changes in operating performance</td><td colspan="2">Operating income</td><td></td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in operating income YoY</td><td></td></tr>
<tr><td colspan="2">Net income after tax</td><td></td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in net income after tax YoY</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 YoY</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 from surplus earnings is entirely replaced by distribution of cash dividends</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 from surplus earnings is replaced by distribution of cash dividends</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 estimate or information prepared is based.

2. If capital increase from surplus earnings is fully replaced by distribution of cash dividends, dividends per share =

[Net income after tax - Interest expenses arising from cash dividends* x (1 - Tax rate)] / (Total number of shares issued at the end of the year - Number of

(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 compensation: Employee compensation shall not be less than one percent of the profit for the year.

   (2) Percentage or range of director compensation: Director compensation shall not be more than one percent of the profit for the 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 compensation, and accounting treatment for discrepancies between the actual and estimated amounts of compensation to be distributed for the year

   (1) Basis of estimation: The Company's compensation distributed to employees shall be no lower than one percent of the profit for the year, and director compensation shall be no higher than one percent of the profit for the year. However, when the Company has accumulated losses, it shall first use its profit to offset accumulated losses.

   (2) Accounting treatment for discrepancies: If there are still changes in 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 is distributed in the form of cash or shares, the amount, causes and treatment of discrepancies between the actual and estimated amounts of recognized expenses for the year shall be disclosed:

      a. Employee compensation and director compensation to be distributed: NT$2,560 thousand.

      b. Discrepancies between the actual and estimated amounts of recognized expenses for the year: None.

      c. Reason for discrepancies: N/A.

      d. Treatment of discrepancies: N/A.

   (2) Amount of employee compensation distributed in the form of shares and its proportion to net income after tax provided in the parent company only or individual financial statements, as well as its proportion to the total amount of employee compensation: N/A.

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 and share price) and the recognized amount of compensation for employees, directors and supervisors for the previous year, the amount, causes and treatment of such discrepancies shall be stated:

   (1) Employee compensation and director compensation distributed: NT$2,875 thousand.

(2) Discrepancies: None.

(3) Reason for discrepancies: N/A.

(4) Treatment of discrepancies: N/A.

(IX) Repurchase of the Company's Shares: N/A.

II. Issuance of Corporate Bonds

(I) Issuance of Corporate Bonds: None.

Type of corporate bonds		N/A
Issue (processing) date		
Par value		
Place of issue and trading		
Issue price		
Total		
Interest rate		
Maturity		
Guarantor		
Trustee		
Underwriter		
Certified lawyer		
Certified public accountant		
Repayment method		
Outstanding principal balance		
Terms of redemption or early repayment		
Restrictive provisions		
Name of credit rating agency, rating date and corporate bond ratings		
Additional rights	Amount of common shares already converted (swapped or warranted) and global depository receipts or other negotiable securities as of the publication date of the Annual Report	
	Issuance and conversion (swap or subscription) methods	
Possible dilution of equity or impact on shareholders' equity caused by regulations on the issuance and conversion, swap or subscription to stocks		
Name of commissioned custodian of exchangeable underlyings		

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 the 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 the 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 tabulated 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 Employee Stock Options 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 date of publication of the Annual Report, the Company has no securities issuance that is incomplete or completed over the past three years but not fully yielded the planned benefits.

(II) Implementation Status: N/A.

Chapter 5 Operations Overview

I. Business Activities

(I) Scope of Business

1. Principal business activities and revenue distribution

   (1) Production and sale of general polystyrene (GPS) resin and expandable polystyrene (EPS) resin.

   (2) Production and sale of acrylonitrile-butadiene-styrene (ABS) resin.

   (3) Production and sale of styrene-acrylonitrile (SAN) resin.

   (4) Production and sale of plastic raw materials and processed products.

   (5) Production and sale of glass wool and related products.

   (6) Production and sale of cubic printing and related products.

   (7) E303020 noise and vibration restricting engineering.

   (8) E801010 building maintenance and upholstery.

Main Product	Percentage
1. Expandable polystyrene (EPS)	50.73%
2.Acrylonitrile butadiene styrene (ABS) copolymer resin	28.52%
3. General purpose polystyrene (GPS)	18.07%
4. Glass wool products	2.12%
5. Cubic printing	0.41%
6. Impact-resistant polystyrene (IPS)	0.15%

2. New products planned for development

   (1) Development of high-strength heat-resistant ABS.

   (2) Development of newly improved high-liquidity ABS.

   (3) Development of non-absorbent, anti-static EPS.

   (4) Development of low molding cycle EPS.

   (5) Development of light guide plate polystyrene (GPS).

   (6) Development of Low VOC EPS.

   (7) Development of customized products (ABS, GPS, SAN and EPS).

   (8) Development of covered 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 four ABS manufacturers and five PS manufacturers, and five EPS manufacturers. The total production capacity far exceeds domestic demand. At present, over 85% of the annual production of products in Taiwan relies on export to maintain the normal operations. The main reasons are as follows: Many downstream processing plants in Taiwan have set up plants in Mainland China and southeast Asia due to cost competitiveness; areas such as Southeast Asia, the Middle East, Africa, and Central and South 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 have gradually accepted imported materials due to constantly high prices of plastic raw materials within the country.

The total production capacity of EPS manufacturers in Mainland China is far greater than domestic demand. At the end of 2018, the total domestic production capacity of EPS in Mainland China exceeded 6.7 million tons, while domestic demand was only 3 million tons. Demand for EPS is generally from four major areas based on application - packaging for electrical appliances, boxes for vegetables and fruits, ceramic packaging and building slabs. Building slabs currently account for approximately 35% of the total demand, while electrical appliances account for approximately 45%. Vegetable and fruit boxes and ceramic packaging account for roughly 10% each. Based on the market distribution, demand for EPS is mainly concentrated in South China (Guangdong), East China (Jiangsu and Zhejiang), North China (Shanxi, Hebei and Shandong), and Northeast China (Heilongjiang, Jilin and Liaoning). Demand in the South and East China regions is mainly for packaging of electrical appliances, while that in the North and Northeast China regions is concentrated on building slabs. With advancements in the Chinese government's policy for expanding the domestic market, the electrical appliance production sites in the South China and Eastern China regions have gradually relocated inland along the Yangtze river basin. The transfer is exemplified in the emerging appliance manufacturing bases in Hefei, Wuhan, Chongqing, and Chengdu. Demand in the North China and Northeast China regions, which has been affected by the severe overcapacity, 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 manufacturers were shut down in advance or collectively relocated to the surrounding areas of thermal power plants, at which customers and the production capacity were mainly concentrated.

2. Correlations between upstream, midstream and downstream industries

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

SM: SM manufacturers in Taiwan include Taiwan Styrene Monomer Corporation, Formosa Chemicals & Fibre Corporation, and Grand Pacific Petrochemical Corporation. They have an annual capacity of approximately 2 million MT, which is sufficient for overall domestic demand (approximately 1.85 million MT). SM can be transported under normal pressure and obtained relatively easily due to a large transaction volume in international trade. TTC purchases SM needed for its plants in Taiwan from the domestic market and through contracts with major foreign SM manufacturers. In June 2018, China started to impose an anti-dumping duty on SM imported from the U.S. and South Korea, causing SM manufacturers in the U.S. and South Korea to distribute sales markets; as a result, TTC was able to purchase SM overseas at a competitive price and therefore strategically increased the percentage of SM import to reduce costs. Currently, SM manufacturers in Mainland China have an annual capacity of approximately 8 million MT. Although existing plants are continuously expanded and new ones have been set up in recent years, they still do not meet domestic demand of Mainland China and require import to fill the shortfall. The primary raw material, SM, for EPS in TTC's Zhongshan Plant and Tianjin Plant is mainly obtained from Chinese SM manufacturers, while some are obtained through contracts with major foreign SM manufacturers for stable supply.

AN: AN manufacturers in Taiwan include China Petrochemical Development Corporation and Formosa Chemicals & Fibre Corporation. They have an annual capacity of approximately 510,000 MT, which is sufficient to meet overall domestic demand (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 a sufficient quantity of AN from domestic sources thus no need to import.

BD: BD manufacturers in Taiwan include CPC Corporation and Formosa Chemicals & Fibre Corporation. They have an annual capacity of approximately 600,000 MT, which equals overall domestic demand of 600,000 MTA. However, manufacturers sometimes import BD during the annual plant maintenance. The main users of BD 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. Reference prices of raw materials for SM/AN/BD are available globally for buyers and sellers.

Downstream customers are mainly small and medium enterprises with a 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 the downstream customers' needs for changes and provide technical services and material recommendations upon request.

3. Development trends of products

ABS/PS are mainly supplied to downstream processes for injection and molding of IT products, electrical appliances, household items, and toys. Among these products, IT products are still produced in Taiwan, while most other products are sourced from Mainland China or Southeast Asia. ABS has been driven by the booming global economy, which has led to an increase in demand. Besides, there have been only a few new production capacities in recent years. Hence, the market is still generally optimistic about its growth potential. The PS market has continued to grow due to stable demand for downstream food packaging materials and disposable tableware which is helpful to the PS sales. EPS is mainly used for packaging and construction applications. Its use also fluctuates based on the economic growth of each region, which leads to varying levels of demand.

4. Competition

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

Generally speaking, ABS resin is widely used in 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 home appliance industry, accounting for more than 60% of the total. In the home appliance industry, air-conditioners, vacuum cleaners, refrigerators, and washing machines have the largest demand for ABS. In the first half of 2018, demand for ABS continued to grow steadily; in the second half of 2018, demand for ABS fell sharply due to the China-US trade war. As the China-US trade war became less severe at the end of 2018, demand gradually recovered. Although there have been new ABS production capacities in the past few years, these new production capacities are expected to be immediately swallowed up by the market.

GPS is widely used plastic whose market value mainly fluctuates with the price of its raw material, SM. Due to the advantage of vertical integration, Taiwan's largest GPS manufacturer, Formosa Plastics Corporation has a lower GPS production cost than other manufacturers', and thus it can easily dominate the market. Other GPS manufacturers in Taiwan (including TTC) purchase SM to manufacture 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 manufacturering GPS with low-free monomers, and the quality of GPS enables the Company to compete in the market. The Company's GPS products are mainly sold in Taiwan and Mainland China. The principal market of GPS has stable demand for disposable tableware. There are no obvious seasonal differences. In recent years, there has been no capacity expansion or new players in the GPS market, resulting in the increasing operating rate of GPS. When the price of the main raw material, SM, is stable, GPS will show a reasonable profit. To avoid the valuation loss caused by great fluctuations in SM prices, the Company shall control the inventory of raw materials and finished products well.

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. The fire-retardant EPS, a heat-and sound-insulating building material, is replaced, because the traditional fire-retardant, HBCD, has gradually been restricted by all countries in the world (the EU has listed HBCD as SVHC), and thus the 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 has slightly increased. EPS is rarely used for insulation in Taiwanese construction works due to its subtropical climate. Hence, 90% of EPS products manufactured in Taiwan are exported. EPS products manufactured by TTS are mainly exported to countries all over the world.

(III) Technology, Research and Development Overview

1. Research and development (R&D) expenses in the most recent year up to the date of publication of the Annual Report

   In 2018, the total amount of R&D expenses was NT$23,077 thousand, while the total amount of R&D expenses from January to April 2019 was NT$8,165 thousand.

2. Successfully developed technologies or products

   (1) Development of ABS 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 and meet the WRAS specifications in the U.K.

   (2) Development of ABS for alloys

   Outcome: Formula correction improved the dispersion effect of ABS products in modified compounding, and degradation resistance technology was introduced to improve the recyclability, performance, and stability of plastic alloys.

   (3) Development of low temperature impact-resistant acrylonitrile-butadiene-styrene (ABS) polymer

   Outcome: Formula correction improved the low temperature impact resistance of ABS to meet the specifications and strength of low temperature helmets in Europe and the U.S.

   (4) Development of fast-molding grade EPS

   Outcome: The independently developed formula shortened the modeling cycle of general EPS and improved the production efficiency by 30%. Fast-molding grade EPS was successfully applied to high-end, high value-added electronics and components and panel packaging materials.

   (5) Development of GPS for disposable tableware

   Outcome: Formula correction met the demand and sales of the GPPS market for disposable tableware with special colors.

   (6) Case study on cost reduction

Outcome: Studies on the rationalization of substitutes for raw materials and formulas were completed in 2018, where the costs of raw materials were effectively reduced. A total of NT$200 thousand was saved at Cianjhen Plant and Linyuan Plant. These case studies are still ongoing.

(7) Improvement in ABS/GPS/EPS manufacturing processes

Outcome: In 2018, a total of 3 improvements were made, including major ABS/GPS/EPS equipments, energy and carbon reduction, and recycling and reuse.

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

1. Short-term business development plans

(1) The Company will increase the percentage of direct customers for ABS and injection-grade PS with better profitability and continuously develop EPS markets with lower market share and higher profitability.

(2) After the introduction of the Toyo SAN manufacturing process in the production of ABS, the background color and quality of ABS have been improved. In the future, the Company will actively make good use of these advantages to reach out to quality customers in need of electroplating-grade, low temperature impact resistant, and high-liquidity ABS.

(3) With the quality advantage of GPS due to the use of the 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.

(4) EPS at Cianjhen Plant: In recent years, international TFT-LCD panel manufacturers have changed their panel packaging materials from EPO to anti-static EPS. TTC's anti-static EPS has been approved by many panel manufacturers. Furthermore, the Company will continuously understand customers' needs and improve quality to increase sales.

(5) The Company will realize the integrated supply chain management to maximize production and sales and maintain the inventory of raw materials and finished products at a low level.

(6) The Company will strengthen the profit analysis of customers, select more favorable customers and products, and plan and implement market segmentation strategies to maximize benefits.

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

(8) 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.

(9) The Company will work with main customers in product development to launch new products and expand new markets.

(10) The main development targets for EPS in Mainland China are

concentrated in the South and North China regions.

South China

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

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

c. The Company will use the complementarity of market demand specifications to balance sales specifications. The Company will continue to increase and expand technical service capabilities and scope for customers to increase customer loyalty.

d. The Company will improve the pellet size and concentration to meet market demand.

North China

a. The Company will actively develop the customer base for packaging, stabilize product quality, and change its over-reliance on the building material market.

b. The Company will continuously enhance integration of market sales (South China/Anhui) and improve existing sales strategies to seek appropriate markets during traditional off-peak seasons, balance sales specifications, and enhance factory uptime.

2. Long-term business development plans

(1) The Company will conduct the feasibility evaluation of the establishment of a new EPS plant in Gulei, Fujian.

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

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

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

(5) The Company will also reduce its reliance on material suppliers and develop 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 products and materials.

II. Market, Production and Sales Overview

(I) Market Analysis

1. Sales regions and market share of main products

Products produced by TTC in Taiwan are mainly for export, which account for 89% of the ABS/PS turnover. 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, Central and South America, 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 the Company's 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 growing demand.

The Company's sales regions in 2018 were as follows:

(1) ABS/PS products

Mainland China and Hong Kong:	54%
Northeast Asia/Southeast Asia/South Asia, and Central Asia:	12%
Domestic market:	11%
North America/South America and Central South America:	10%
Europe and Africa:	4%
Middle East:	3%
New Zealand and Australia:	2%
Other regions:	2%

(2) Glass wool products

Domestic market:	58%
United States, Canada, Australia, and New Zealand:	32%
South Africa:	4%
Other regions (including Southeast Asia):	6%

The market share of the Company's main products in the domestic market is as follows: ABS: 8%, GPS:11%, and EPS: 8%.

The market share of Zhongshan Plant and Tianjin Plant in 2018 was as follows:

Sales Region	Province	Market Share
South China	Guangdong	23%
	Yunnan	28%
	Guangxi	8%
	Fujian	1%
	Sichuan	3%
North China	Tianjin-Beijing-Hebei	3%
	Liaoning (Northeast)	2%
	Inner Mongolia	6%
	East and South China	2%

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

(1) ABS/PS products

ABS: In the first half of 2018, demand for ABS continued to grow steadily; in the second half of 2018, demand for ABS fell sharply due to the China-US trade war. As the China-US trade war became less severe at the end of 2018, demand gradually recovered. The long-term demand for ABS remains growing. However, the China-US trade war will have an impact on major economies. The Company shall pay close attention to it and take action with prudence. Recently, LG's Huizhou Plant (CNOOC & LG Petrochemicals Co., Ltd.) has initiated an additional capacity of 150,000 MTA per year for ABS production since March 2019. This new production capacity is expected to be successfully absorbed by the market.

GPS: In recent years, there has been no capacity expansion or new players in the GPS market. There are no obvious seasonal differences in the main market of disposable tableware. With the increasing population of diner-out, demand for GPS increased in 2018. The Company's sales increased by 6% from 2017 and reported the growth of profits. From October to December 2018, the price of SM fell sharply by US$400/MT. Although TTC maintained the inventory of raw materials at a low level, it still suffered from the valuation loss. Therefore, the operation of GPS improved significantly in 2018, but it remained at a loss. The SM price fluctuations in 2019 are estimated to be small; with the properly controlled inventory of raw materials, the operation of GPS is expected to further improve.

EPS: In 2019, major TFT-LCD panel manufacturers will change their panel packaging materials to anti-static EPS, so the operation of EPS is expected to improve. EPS remains oversupply in the international market. In the future, the Company will continuously develop EPS markets with lower market share and higher profitability.

(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 the new EPS production capacity of 180,000 tons/year. Although there are changes in the overall market supply, such changes were still relatively healthy. In 2019, Longwang has started to build a new plant with a production capacity of 300,000 tons in Zhuhai, and this plant is estimated to begin operation in the second half of 2020, 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 factory uptime, reduce the inventory of raw materials and finished products, and achieve synergy with Tianjin Plant, so as 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 2018, the production capacity of EPS in North China, Northeast China and Northwest China remained at 2.25 million tons. Supply and demand of EPS in North China will continue to face the serious oversupply in a certain period of time. Therefore, Tianjin Plant has to increase its consolidated sales volume, solidify existing markets and develop new packaging material markets to enhance the overall production and sales, reduce costs, and ease operating pressure.

(3) Glass wool products

In 2018, domestic demand for glass wool grew by 3%. Glass wool imports accounted for 11% of the overall market, where glass wool was imported mainly from South Korea and India, accounting for 23% and 72% of the total glass wool imports, respectively. With the new development of steel plates market application, domestic demand for glass wool in 2019 is expected to grow between 7% and 8% from 2018.

Due to stiff competition and low unit prices in the Southeast Asian market, the Company has shifted its sales focus to markets with higher unit prices, such as New Zealand, Australia, and South Africa, as well as new potential markets, such as India, Sri Lanka, and Thailand. Along the way, the Company has successfully consolidated its position in New Zealand and Australia and is continuously developing the South African market to actively increase the marginal contribution of the export market, including New Zealand and Australia. It is estimated that the ratio of domestic sales to exports in 2019 is 57% to 43%.

3. Competitive niches

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

(1) Continuously maintain the inventory of raw materials and finished products at a low level to maximize the production and sales and profitability.

(2) Continuously increase the proportion of sales in overseas niche markets.

(3) Continuously develop customized products.

(4) Provide fast and timely customer services and implement regular customer visit plans to enhance the added value of products through enhanced 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, enhanced customer services, and implementation of management systems help increase customers' confidence in our products.

b. GPS using the NOVA manufacturing process technology is resistant to heat and has low residual monomers.

c. The development of new EPS products 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. Domestic demand in South China still has room for growth, and demand for EPS will continue to increase. This will benefit the operations of our EPS plant in Zhongshan.

e. Both Sekisui and BASF, two of the Company's EPS competitors, have shut down their EPS plants in Southeast Asia. This will benefit our sales in the region.

f. 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.

◆ 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 as well.

f. The conversion of CNS6532, the standard for non-combustibility testing, 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), an eco-friendly label, and became qualified to bid for New Zealand government projects in March 2018.

h. The market for fire-retardant glass wool for roof and exterior walls was continuously developed, where sales of such products in 2018 grew by 47% from 2017.

i. Regulations relating to floor impact sound will be implemented in July 2019. The newly developed product, Porter panel, has passed the test, thus facilitating new market development.

j. Value-added six-sided covered products have been newly developed.

(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:

- Enhance product quality, increase the added value of products, segment the market, and avoid competition in market prices.
- Maximize the capacity, reduce costs, and select and sell relatively favorable products.
- Analyze and keep abreast of market and economic developments to enter potential emerging markets as early as possible.

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 the inventory of raw materials and finished products, 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 the 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 ad hoc application.

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 Main Products

1. Important uses of main products

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

(2) SAN resin: External casing of blenders, powder boxes, coffee machine water tanks, transparent decorations, air conditioning axial fans, and electric fan blades.

(3) GPS: Lighting equipments, stationery, home appliance parts, everyday items, diffusion plates, insulation boards, disposable tableware, food and pharmaceutical packaging materials.

(4) EPS: Insulation boards for buildings, packaging materials, vegetable and fruit boxes, fishing boxes, installation materials, slabs, and building walls, and safety helmet cushion lining.

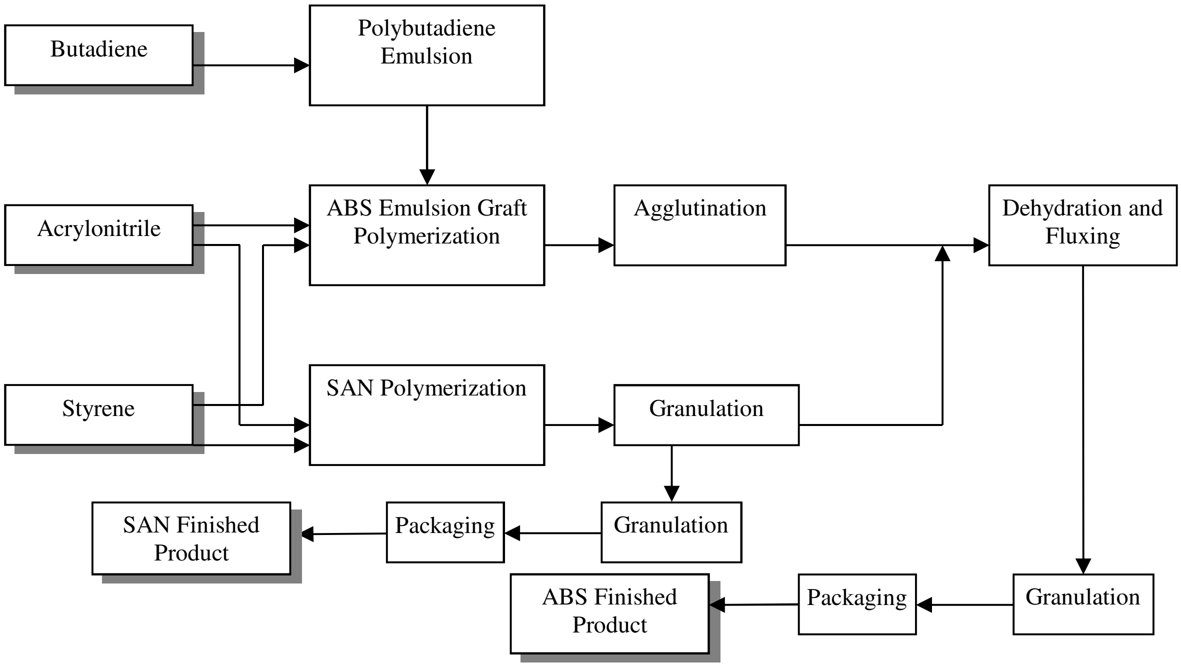
(5) Glass wool: Cooling materials for air-conditioning ducts, metal roofs, insulation materials for walls, dry partitions filled with sound-absorbing insulation materials, ceilings for interior decoration, wall panels, heat-insulating materials for the petrochemical industry, machinery and equipment,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

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

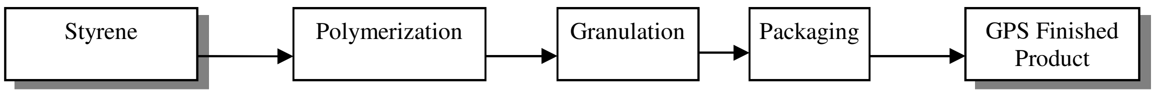
(7) Impact-resistant polystyrene: IT equipment, home appliances, toys, everyday items, stationery, electronic components, and menstrual cups.

2. Production processes of main products

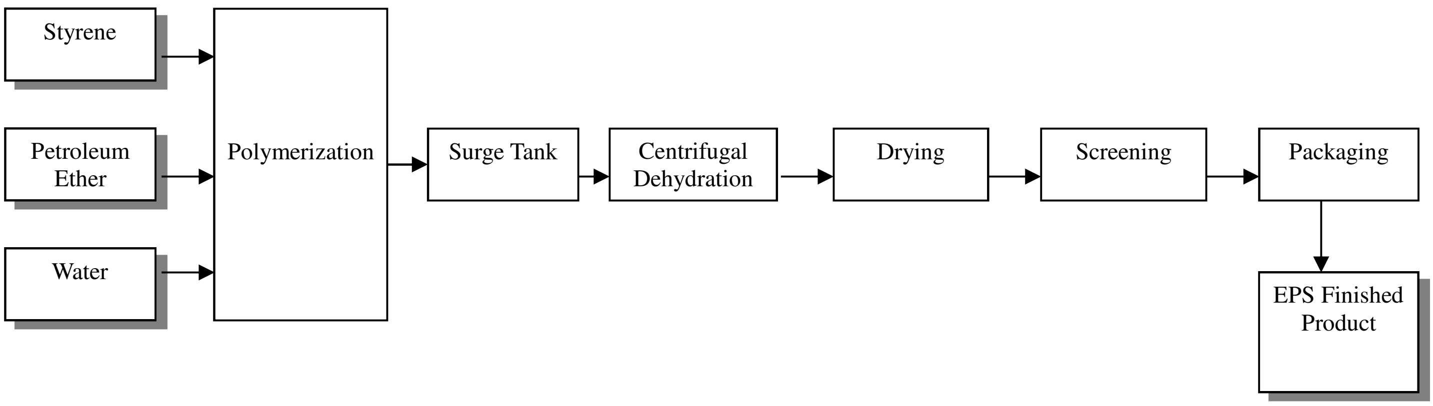
(1) Production processes of ABS and SAN resin



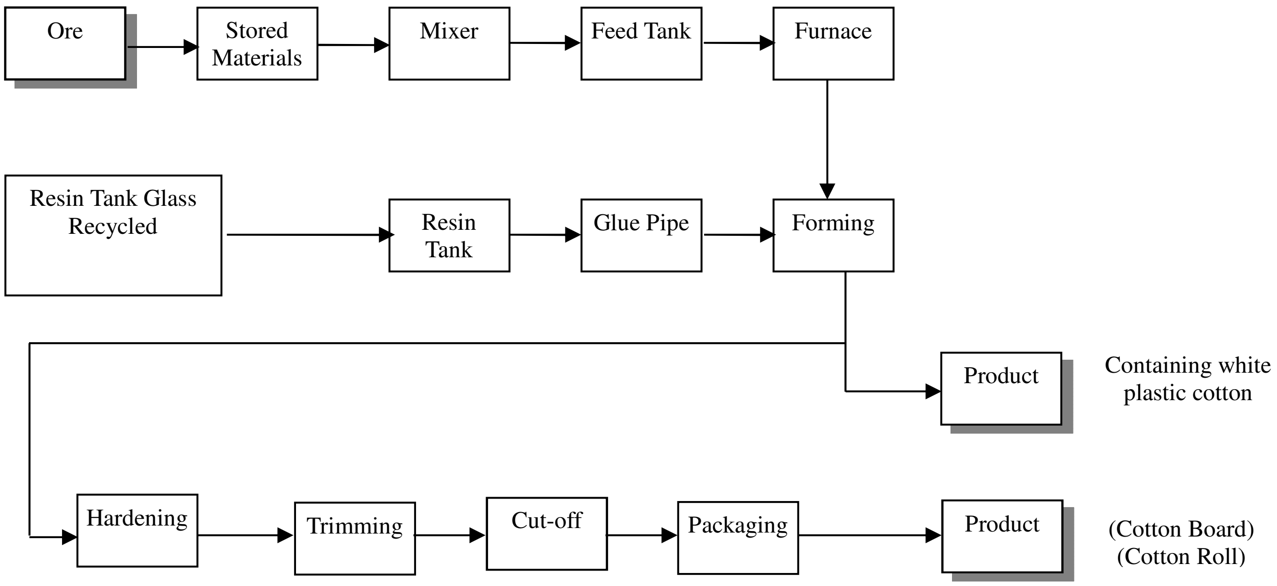
(2) Production process of GPS



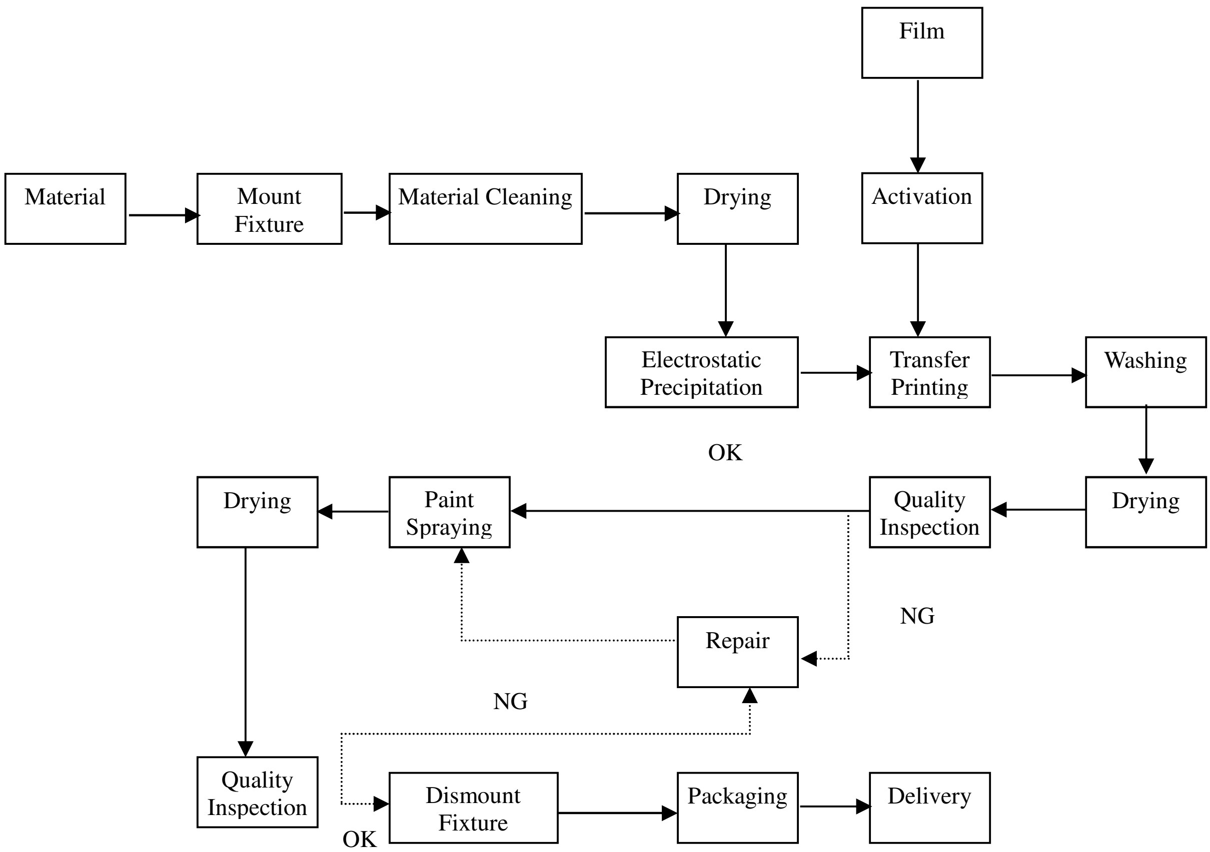
(3) Production process of EPS



(4) Production process of glass wool products



(5) Production process of cubic printing



(III) Supply of Main Raw Materials

1. Styrene monomer (SM)

The supply and demand for styrene monomer (SM) is balanced. The Company continuously purchases SM from Taiwan Styrene Monomer Corporation, Formosa Chemicals & Fibre Corporation, China Petrochemical Development Corporation and Shell Petrochemicals Company Limited, and directly imports SM from the foreign supplier, SABIC, to balance the price risk. Thus, there is no risk of shortages.

2. Acrylonitrile (AN)

The Company has signed a contract with SinoPec Chemical Commercial (Huanan) Holding Co., Ltd. with regard to the supply of this product. Besides, the Company also regularly purchases AN from Formosa Plastics Corporation, and imports AN from time to time according to supply and demand to increase dispatch flexibility. Hence, there is no concern regarding the 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 BD from time to time according to market supply and demand to meet its own demand.

4. Pentane

Pentane is mainly available in ready stock abroad. Pentane is partly purchased from CPC Corporation. The usage of pentane is stable, and there is no issue regarding the shortage of supply for 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 few changes in quantity and price, and thus the Company has full control over this material.

(IV) List of Customers who Account for More than 10% of the Total Purchases (Sales) of Goods and Their Amount and Proportion of Purchases (Sales) of Goods in Any One of the Most Recent Two Years, and Reasons for Changes

1. List of customers who account for more than 10% of the total purchases of goods and their amount and proportion of purchases of goods, and reasons for changes

Information on Major Suppliers in the Most Recent Two Years

Unit: NT$ thousands

	2018				2017				As of the Previous Quarter in 2019			
Item	Title	Amount	Percentage of Net Purchases of Goods (%)	Relationship with the Issuer	Title	Amount	Percentage of Net Purchases of Goods (%)	Relationship with the Issuer	Title	Amount	Percentage of Net Purchases of Goods in the Current Year up to the Previous Quarter (%)	Relationship with the Issuer
1	Formosa Chemicals & Fibre Corporation	4,319,565	25.44	None	Taiwan Styrene Monomer Corporation	2,711,539	15.53	None	Formosa Chemicals & Fibre Corporation	847,302	21.46	None
2	Taiwan Styrene Monomer Corporation	2,434,925	14.34	None	Shell Petrochemicals Co. Ltd.	2,374,750	13.60	None	SinoPec Chemical Commercial (Huanan) Holding Co., Ltd.	561,866	14.23	None
3	SinoPec Chemical Commercial (Huanan) Holding Co., Ltd.	2,121,685	12.49	None	Formosa Chemicals & Fibre Corporation	2,141,813	12.27	None	Taiwan Styrene Monomer Corporation	426,453	10.80	None
4	CNOOC and Shell	2,029,625	11.95	None	SinoPec Chemical Commercial (Huanan) Holding Co., Ltd.	2,033,789	11.65	None				
5					CNOOC and Shell	1,895,610	10.86	None				
6	Others	6,075,134	35.78	Note 3	Others	6,302,966	36.09	Note 3	Others	2,112,711	53.51	Note 3
	Net purchases of goods	16,980,934	100.00	-	Net purchases of goods	17,460,467	100.00	-	Net purchases of goods	3,948,332	100.00	-

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

Note 2: As of the date of publication of the Annual Report, if financial information of the Company that are publicly listed or whose shares are traded over the counter has recently been audited or reviewed by CPAs, such information shall be disclosed.

Note 3: The purchases of goods from other suppliers did not reach 10% of the total purchases of goods. In 2018, the amount of purchases of goods from related parties was NT$2,608 thousand, accounting for 0.02% of the total purchases of goods. In 2017, the amount of purchases of goods from related parties was NT$2,984 thousand, accounting for 0.02% of the total purchases of goods. In the first quarter of 2019, the amount of purchases of goods from related parties was NT$676 thousand, accounting for 0.01% of the total purchases of goods.

2. List of customers who account for more than 10% of the total sales of goods and their amount and proportion of sales of goods, and reasons for changes

Information on Major Customers in the Most Recent Two Years

Unit: NT$ thousands

	2018				2017				As of the Previous Quarter in 2019			
Item	Title	Amount	Percentage of Net Sales of Goods (%)	Relationship with the Issuer	Title	Amount	Percentage of Net Sales of Goods (%)	Relationship with the Issuer	Title	Amount	Percentage of Net Sales of Goods in the Current Year up to the Previous Quarter (%)	Relationship with the Issuer
	Others	21,683,702	100.00	Note 3	Others	19,821,042	100.00	Note 3	Others	4,600,156	100.00	Note 3
	Net sales	21,683,702	100.00	-	Net sales	19,821,042	100.00	-	Net sales	4,600,156	100.00	-

Note 1: List the name of customers who account for more than 10% of the total sales of goods and their amount and proportion of sales of goods in the most recent two years. However, if the name of customers or counterparties who are individuals or non-related parties cannot be revealed due to contractual agreements, their code shall be indicated.

Note 2: As of the date of publication of the Annual Report, if financial information of the Company that are publicly listed or whose shares are traded over the counter has recently been audited or reviewed by CPAs, such information shall be disclosed.

Note 3: The sales of goods to other customers did not reach 10% of the total sales of goods. In 2018, the amount of sales of goods to related parties was NT$121,992 thousand, accounting for 0.56% of the total sales of goods. In 2017, the amount of sales of goods to related parties was NT$42,646 thousand, accounting for 0.22% of the total sales of goods. In the first quarter of 2019, the amount of sales of goods to related parties was NT$21,560 thousand, accounting for 0.47% of the total sales of goods.

(V) Production Volume and Value in the Most Recent Two Years

Quantity: Metric tons

Amount: NT$ thousands

Year / Production Value / Main Product	2018			2017		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
ABS	100,000	111,472	5,789,855	100,000	111,229	5,272,860
GPS	100,000	87,047	3,676,783	100,000	81,525	3,214,593
EPS	380,000	233,507	9,483,460	380,000	217,710	8,606,225
Subtotal	580,000	432,026	18,950,098	580,000	410,464	17,093,678
Cubic printing (Note)	200,000	114,332	80,151	200,000	122,584	88,294
Glass wool products	8,600	7,670	255,885	8,600	7,294	256,032
Total	-	-	19,286,134	-	-	17,438,004

Note: Measurement unit of cubic printing: jig.

(VI) Sales Volume and Value in the Most Recent Two Years

Quantity: Metric tons

Amount: NT$ thousands

2018						
Product Category	Domestic Sales		Exports		Subtotal	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
ABS	7,178	439,115	104,890	5,744,311	112,068	6,183,426
GPS	12,089	528,207	76,472	3,389,366	88,561	3,917,573
Impact-resistant polystyrene (IPS)	19	954	635	32,846	654	33,800
EPS	184,703	8,787,771	47,431	2,212,990	232,134	11,000,761
Subtotal	203,988	9,756,047	229,428	11,379,513	433,416	21,135,560
Cubic printing (Note 1)	112,553	88,676	0	0	112,553	88,676
Glass wool products (Note 2)	9,483	338,052	3,157	121,414	12,640	459,466
Total	-	10,182,775	-	11,500,927	-	21,683,702

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

2017						
Product Category	Domestic Sales		Exports		Subtotal	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
ABS	8,059	484,119	104,405	5,561,032	112,464	6,045,151
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
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 imported stone wool and aluminum foil.

III. Information on Employees

Year		2018	2017	As of April 30, 2019
Number of employees	Staff	254	259	235
	Workmen	372	380	348
	Subtotal	626	639	583
Average age		42.1	42.3	45.4
Average year of services		14.3	14.4	15.6
Distribution of academic qualifications	PhD/Master's degree	9.0%	6.1%	9.1%
	Bachelor's degree	33.3%	26.5%	34.5%
	Junior college	25.9%	26.1%	26.7%
	High school/vocational high school	28.4%	37.6%	26.0%
	High school or lower	3.4%	3.7%	3.7%

IV. Information on Environmental Protection Expenditure

(I) Total Amount of Losses (including Compensation) and Penalties Incurred due to Environmental Pollution in the Most Recent Year up to the Date of Publication of the Annual Report

1. Linyuan Plant

Item	As of April 30, 2019	2018
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	351500
Other losses	None	None

2. Cianjhen Plant

Item	As of April 30, 2019	2018
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

3. Toufen Plant

Item	As of April 30, 2019	2018
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

4. Zhongshan Plant

Item	As of April 30, 2019	2018
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	As of April 30, 2019	2018
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 plans

Linyuan Plant:

(1) Cause: On January 24, 2018, Southern Branch of the Bureau of Environmental Inspection, Environmental Protection Administration identified the following defects and fined the Company NT$151,500:

- 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 for violating Paragraph 2, Article 24 of the Air Pollution Control Act.
- The water tank of the water tank exhaust combustion tower overflowed, and the flow was not registered in the water pollution control plan, which violated Paragraph 1, Article 14 of the Water Pollution Control Act. In addition, milky wastewater was found in the rainwater ditch at the manufacturing process area, which violated Article 18 of the Water Pollution Control Act (wastewater and rainwater did not diverge).
- Water feed (bag) around the wastewater treatment plan was disposed of outdoors without water seepage control, which violated Article 36 of the Waste Disposal Act.

The relevant improvement measures are explained as follows:

- On September 5, 2017, the Company proposed to change the operating license for the electrostatic precipitator to increase the range of related data. However, the change in the new data was still pending approval (the latest operating license has been obtained).

- On January 25, 2018, pollution was cleared. The Occupational Safety Office applied for a change in the water pollution control plan (approved in May 2018 to meet the current status).
- Water feed was placed on a tray or indoor to dry and then be stacked. Sludge is placed on a tray in a concentrated manner and covered with canvas. Other waste, such as domestic garbage, waste branches, and leaves, is prohibited from open storage, and shall be sent to the incinerator or storage.

(2) Cause: On May 11, 2018, the Environmental Protection Bureau of the Kaohsiung City Government conducted an inspection and testing of 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.

Improvement measures: Equipment components have been fixed and verified by the inspection company on May 14, 2018. In addition, the Company has purchased FLIR, an infrared thermal imaging camera, to conduct independent inspections on a regular basis.

(3) Cause: On December 9, 2018, power outage from Taiwan Power Company caused the abnormal discharge of the exhaust combustion tower and was not reported within one hour according to the regulations, which violated Paragraph 1, Article 33 of the Air Pollution Control Act. Therefore, the Company was fined NT$100,000 (the emergency response was proper, so there was only intermittent smoke for several seconds, which operators did not consider as material abnormal discharge and therefore did not report).

Improvement measures: The foreman has been instructed to report similar cases to the Occupational Safety Office immediately, regardless the severity of the cases, and the Occupational Safety Office will then determine whether to report to external agencies. Related regulations have also been posted in the control room.

2. Expected environmental protection expenditures

Unit: NT$ thousands

Expenditure Item	2019
Linyuan Plant	
1. Renewal of blower (B2482-2) in Area 24 to improve energy saving and carbon reduction	355
2. Replacement of water tank (D2587-2.3) leaking VOCs in Area 25	470
3. Installation of fire-fighting water pipelines as backup in Areas 21/22 (manufacturing process areas) to improve the emergency response to occupational safety incidents	450
4. Dike floor acid treatment of Sulfuric acid storage tank in Area 26	260
5. Change in pumping fan model and pipeline of Line C exhaust damper in Area 26	270
6. Installation of breather valve on exhaust pipe of EB tank (S2717) and hydraulic unit tank (D2719) in Area 27	400
7. Renewal of filter bags in the incinerator	200
8. Establishment of waste storage on the south wing of incinerator	700
9. Addition of air pollution control regenerative exhaust incinerator in Area 26	22,150

Expenditure Item	2019
10. Anti-rust painting of equipment, brackets, and pipelines in Areas 21/22	1,500
11. Maintenance and repair of incinerator	450
Subtotal	27,205
Cianjhen Plant	
1. Renewal of chain of fine powder collector in NOVA granulation area	350
2. Replacement of wastewater pump in Area NOVA 500	200
3. Renewal of heat transfer oil component leaking in NOVA manufacturing process	992
4. Replacement of 2 wastewater pumps in Area EPS 25	750
5. Replacement of hydrochloric acid liquid transfer pump with shaftless seal pump in pure water area	240
6. Addition of explosion-proof vacuum cleaner in EPS mixing tank area	260
7. Addition of butterfly valve to blower outlet for RTO system in Area EPS 29	140
8. Regular maintenance of air compressors (EPS C2901-3/4 and C7210-3/4 in public area).	800
9. Renewal of cooling tower radiating material in public area	500
Subtotal	4,232
Toufen Plant	
1. Chimney inspection in the glass wool factory	74
2. Agent fee for a new detention license for wash pond in the glass wool factory	48
3. Agent fee for a change in the license for wash pond in the glass wool factory	48
4. Repair of factory at Toufen Plant	1,380
5. Recycled wastewater testing	27
6. Replacement of filter bags	121
7. Replacement of #1 forming fan	800
8. Replacement of #2 forming fan	2,700
9. Addition of ice water machine in the control room	735
10. Improvement in glass wool washing system	1,920
Subtotal	7,853
Zhongshan Plant	
1. Operating expenses of environmental protection facilities	5,120
2. Hazardous waste disposal fees	124
3. Annual wastewater monitoring expenses	260
4. Annual exhaust monitoring expenses	232
5. Operating expenses for ISO14001 system	46
Subtotal	5,782
Tianjin Plant	
1. Environmental protection facilities operations (RTO + wastewater plant)	6,639
2. Hazardous waste disposal	3,600
3. Inspection costs for online wastewater monitoring and comparison	165
4. Annual environmental monitoring	350
5. ISO 14001 system attestation	100
Subtotal	10,854
Total	55,926

3. Effect after improvement: 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) Employee Welfare Measures, Continuing Education and Training, Retirement System and Implementation Status, as well as Agreements between the Company and Employees and Measures for Protecting Employees' 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 employees of 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 employees on business trips to provide full insurance coverage for employees. 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 examinations for 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 compensation shall not be less than 1% of the Company's net profit for the current year, while the performance bonus and year-end bonus shall also be distributed based on the Company's business performance and individual performance.

2. Continuing education and training

   (1) The Company has always valued employees' continuing education and training and formulated the employee training standards to provide pre-employment training, on-the-job training, work instructions, and online learning to improve the skills and quality 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 a year as a reference for improving training operations.

   (5) Continuing education and training at each plant

   In addition to assigning employees to participate in external professional training for finance and accounting managers, the Company 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 skill training programs to strengthen cohesion and improve management skills. The contents of these training programs are compiled as follows:

Total Number of Training Hours in 2018: 10,835.5 hours			
Course Type	Number of Participants	Hours	Percentage
Management skills	594	2,919.5	26.9%
Professional skills	976	2,554	23.6%
Occupational safety and environmental protection	1024	4,658	43.0%
Others	187	704	6.5%

(6) The Company spent a total of NT$1,025 thousand on employee training in 2018.

3. Retirement system and implementation status

(1) For employees eligible for the pension pursuant to the Labor Standards Act, the Company has contributed a pension preparatory fund equal to 12% of their monthly salary to a dedicated account and established the 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 an employee's total monthly salary as a retirement reserve fund to the dedicated personal account managed by the Bureau of Labor Insurance and notifies the employees in writing each month.

(3) Employees of the companies in Mainland China are given social security payment according to their average monthly income based on the average monthly salary 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. Agreements between the Company and employees and measures for protecting employees' rights and interests

The Company has set up 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 training, the Company conducts surveys on the needs of employee training and formulates education and training plans and budgets 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 to enhance employees' professional or management skills and balance their mental and physical development. For employees who have strong willingness to learn and develop their potential, the Company provides grants for continuing education in local universities, which is supplemented with career adjustments in their respective positions, to develop leading talents required by the Company.

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. With regard to the 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. To maintain good labor relations, the Company communicates with labor union representatives to exchange opinions, and has also established opinion mailboxes so that employees can fully express their opinions.

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

Department	Name	Certification
Audit Office	Chien-Hsin Hsiao	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
Audit Office	Ying-Chun Tu	1. Certified Internal Auditor (CIA) 2. Certification of Qualification for Enterprise Internal Control Basic Abilities Test 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. Code of Conduct or Code of Ethics

(1) The Company has formulated the Employee Work Rules which are given to employees while starting their job and are available for access on the company website (http://www.ttc.com.tw) for their reference. The Employee Work Rules are written regulations relating to employees' conduct and work ethics. 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 evaluation. Employees who violate this code in a serious manner will be punished according to the Employee Work Rules.

(3) The Company signs a letter of undertaking with each new employee to specify his or her obligations.

(4) To enhance ethical corporate management of the Company, the Human Resources Division has established ethical management policies and prevention plans, and regularly reports the implementation of such policies and plans 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) To ensure that the conduct of the Company's directors, supervisors and managerial officers meet the ethical standards, the Company refers to the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEx Listed Companies and includes these guidelines in the compulsory study materials for the related 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 contents of these guidelines include avoiding conflict of interests with the Company due to improper benefits provided by individuals holding the specific positions in the Company for their relatives. These guidelines serve to prevent: (1) competition with the Company, and (2) opportunities for personal gains or direct private gains through the use of the Company's properties and information or by virtue of the specific positions held in the Company.

Targets for the aforementioned guidelines shall assume confidentiality obligations to protect the Company's confidential information, including all undisclosed information that can damage the Company after 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 contents, visit the company website (http://www.ttc.com.tw).

7. Measures for protecting the 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 work 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 of 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 relating to manufacturing processes and operations and the environmental impact caused by products, services and activities.

(4) The Company participates in and supports activities relating to responsible care, and incorporates them into the operations of its management system. Besides, the Company also makes timely response to the demand of the public and other stakeholders, so as to gradually realize the concept of responsible care.

(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 communities.

(6) The Company continues to provide employees training and participate in communication and consultation with employees, encourages participation of all employees, and strengthens communication 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 inspections, audits 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 a labor union at Linyuan Plant, Cianjhen Plant and Toufen Plant, respectively; in addition, each plant has also established the Occupational Safety and Health Committee in accordance with the Regulations Governing Occupational Safety and Health. In the committee, labor representatives are elected by the labor union. The committee holds a meeting every quarter, where labor representatives speak for all employees and discuss issues relating to environmental protection, safety and healthy with the management of the Company.

(9) The Company implements occupational safety and health operations, participates in Taiwan Responsible Care Association (TRCA), the safety

and health promotion associations and pollution control coordination groups in industrial parks. With regard to work safety, health and environmental protection, the Company engages in mutual observation and learning to enhance the protection of employees' safety and health, and regularly conducts emergency drills, fire drills and occupational safety and health training, so as to train employees to respond to emergencies and manage their safety.

(II) Losses Arising from Labor disputes in the Most Recent Year up to the Date of Publication of the Annual Report, Potential Losses at Present or In the Future, and Response Measures

The Company enjoys harmonious labor relations, and there has been no material labor disputes or losses as of the date of publication of the Annual Report.

VI. Important Contracts

(I) Supply and Sales Contracts

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Clause
Purchase of material	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
Purchase of material	Formosa Chemicals & Fibre Corporation	January 1, 2018 to December 31, 2018 (renewed each year)	The Company purchases styrene from Formosa Chemicals & Fibre Corporation and the price is determined through negotiations.	None
Purchase of material	CPC Corporation	January 1, 2018 to December 31, 2018 (renewed each year)	CPC Corporation has agreed to supply butadiene to the Company every year at a price it sets. Payment for the material shall be made on the 15th of the following month after delivery.	None
Purchase of material	Formosa Petrochemical Corporation	January 1, 2018 to December 31, 2018 (renewed each year)	Formosa Petrochemical Corporation has agreed to supply butadiene to the Company every year at a price set by it. Payment for the material shall be made on the 15th of the following month after delivery.	None
Purchase of material	China Petrochemical Development Corporation	January 1, 2017 to December 31, 2018	China Petrochemical Development Corporation has agreed to supply acrylonitrile to the Company every year at a negotiated price. Payment for the material shall be made on the 15th of the following month after delivery.	None
Purchase of material	Binhai New Area Sales Branch, Tianjin Dagu Chemical Co., Ltd.	January 1, 2018 to December 31, 2018 (renewed each year)	Binhai New Area Sales Branch, Tianjin Dagu Chemical Co., Ltd. has agreed to supply styrene to the Company every year at a negotiated price. Payment for the material shall be made before delivery.	None
Purchase of material	CNOOC and Shell Petrochemical Co., Ltd (CSPC)	January 1, 2018 to December 31, 2018 (renewed each year)	The Company purchases styrene from CSPC and Shell Petrochemicals every year at a negotiated price. The Company is required to provide a domestic letter of credit before loading.	None
Purchase	SinoPec Chemical	January 1, 2018	SinoPec Chemical Commercial (Huanan)	None

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Clause
of material	Commercial (Huanan) Holding Co., Ltd.	to December 31, 2018 (renewed each year)	Holding Co., Ltd. has agreed to supply styrene to the Company every year at a negotiated price. Payment for the material shall be made before delivery.	
Purchase of material	CNOOC Oriental Petrochemical Co., Ltd.	January 1, 2018 to December 31, 2018 (renewed each year)	The Company purchases styrene from CNOOC Oriental Petrochemical Co., Ltd. every year at a negotiated price. The Company is required to provide a domestic letter of credit before loading.	None

(II) Technical Cooperation Contracts

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Clause
Technical cooperation	TAICA (Japanese Company)	Renewed automatically every five years from November 25, 1996 until any party requests termination	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 (American Company)	April 1, 2014 to March 31, 2024	Provision of expertise on the manufacture of glass wool insulation products for the Company	None

(III) Construction Contracts: None.

(IV) Long-term Loan Contracts

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Clause
Medium-term lending and medium-term secured lending limit contract	Chang Hwa Bank	July 27, 2017 to June 30, 2022	The Company and Chang Hwa Bank has signed a five-year medium-term lending and medium-term secured lending limit contract worth NT$1 billion, where it may be used cyclically.	None
Medium-term Lending and Commercial Paper Guarantee Comprehensive Limit Contract	O-Bank	October 17, 2017 to October 16, 2020	TTC and O-Bank has signed a three-year medium-term lending limit contract worth NT$ 300 million, where it can be used cyclically.	None
Mid-term lending and foreign exchange credit comprehensive limit contract	KGI Bank	March 4, 2019 to March 4, 2022 (based on the actual date of drawdown)	TTC and KGI Bank has signed a three-year medium-term lending and foreign exchange credit comprehensive limit contract worth NT$300 million, where it may 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 worth) shall not be more than 175%.

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 Statements

Unit: NT$ thousands

Item \ Year		Financial Information in the Most Recent Five Years					As of March 31, 2019 (Note 1)
		2018	2017	2016	2015	2014	
Current assets		5,391,600	5,313,224	4,926,613	5,658,976	7,267,345	5,173,844
Property, plant and equipment		2,373,653	2,418,756	2,444,205	2,503,719	2,595,052	2,354,002
Intangible assets		9,668	11,068	16,159	23,096	22,367	9,099
Other assets		952,625	1,068,387	1,089,843	1,035,896	1,108,013	990,613
Total assets		8,727,546	8,811,435	8,476,820	9,221,687	10,992,777	8,527,558
Current liabilities	Before distribution	3,316,710	3,132,553	3,260,740	4,025,885	5,406,511	2,834,629
	After distribution	Note 2	3,132,553	3,260,740	4,025,885	5,406,511	Note 2
Non-current liabilities		1,418,879	1,773,332	1,836,962	1,820,719	2,115,692	1,464,312
Total liabilities	Before distribution	4,735,589	4,905,885	5,097,702	5,846,604	7,522,203	4,298,941
	After distribution	Note 2	4,905,885	5,097,702	5,846,604	7,522,203	Note 2
Equity attributable to owners of parent company		3,991,957	3,905,550	3,379,118	3,375,083	3,470,574	4,228,617
Capital		3,276,518	3,276,518	3,276,518	3,276,518	3,276,518	3,276,518
Capital surplus		779	469	469	469	483	784
Retained earnings	Before distribution	731,393	505,981	18,182	(69,113)	(115,424)	923,563
	After distribution	Note 2	505,981	18,182	(69,113)	(115,424)	Note 2
Other equity		(16,733)	122,582	83,949	167,209	308,997	27,752
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,991,957	3,905,550	3,379,118	3,375,083	3,470,574	4,228,617
	After distribution	Note 2	3,905,550	3,379,118	3,375,083	3,470,574	Note 2

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

* Where financial information is prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using the Financial Accounting Standards of the Republic of China.

Note 1: Financial information for the first quarter of 2019 was reviewed by CPAs.

Note 2: The 2018 earnings distribution plan is yet to be approved by 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 is performed for the year, the date of asset revaluation and the amount of asset revaluation shall be noted.

Note 5: As of the date of publication of the Annual Report, the Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that has been audited or reviewed by CPAs.

Note 6: The aforementioned figures after distribution shall be filled in based on the resolutions passed by the shareholders' meeting in the following year.

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

Condensed Statement of Comprehensive Income - Consolidated Financial Statements

Unit: NT$ thousands

Item \ Year	Financial Information in the Most Recent Five Years					As of March 31, 2019 (Note)
	2018	2017	2016	2015	2014	
Operating revenue	21,683,702	19,821,042	16,419,055	17,028,115	20,933,816	4,600,156
Gross profit	1,043,743	1,433,704	945,256	872,281	78,664	393,182
Operating income	277,618	675,946	231,431	145,303	(647,947)	209,724
Non-operating revenue and expenses	53,634	1,906	(34,112)	(50,838)	9,737	40,365
Net income (loss) before tax	331,252	677,852	197,319	94,465	(638,210)	250,089
Net income (loss) from continuing operations	207,973	502,079	120,877	67,525	(631,186)	195,224
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss)	207,973	502,079	120,877	67,525	(631,186)	195,224
Other comprehensive income (net after tax)	(124,273)	24,353	(116,842)	(163,002)	9,577	44,485
Total comprehensive income	83,700	526,432	4,035	(95,477)	(621,609)	239,709
Net income attributable to owners of parent company	207,973	502,079	120,877	67,525	(631,186)	195,224
Net income attributable to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of parent company	83,700	526,432	4,035	(95,477)	(621,609)	239,709
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings (loss) per share	0.63	1.53	0.37	0.21	(1.93)	0.60

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

∗ Where financial information is prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using the Financial Accounting Standards of the Republic of China.

Note 1: Financial information for the first quarter of 2019 was 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 date of publication of the Annual Report, the Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that has been audited or reviewed by CPAs.

Note 4: Loss from discontinued operations is shown in net amount after deducting income tax.

Note 5: Where the Company is notified by the authority in charge that its financial information shall be corrected or re-prepared, the Company shall compile its financial information using the corrected or re-prepared figures, and shall 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

Unit: NT$ thousands

Item \ Year		Financial Information in the Most Recent Five Years				
		2018	2017	2016	2015	2014
Current assets		3,186,843	3,165,533	2,842,828	2,702,333	3,339,276
Property, plant and equipment		1,934,916	1,947,650	1,937,859	1,960,962	1,984,182
Intangible assets		9,668	11,068	16,159	23,096	22,367
Other assets		2,277,532	2,404,645	2,254,021	2,257,063	2,343,279
Total assets		7,408,959	7,528,896	7,050,867	6,943,454	7,689,104
Current liabilities	Before distribution	2,002,329	1,856,117	1,841,248	1,753,667	2,109,615
	After distribution	Note 1	1,856,117	1,841,248	1,753,667	2,109,615
Non-current liabilities		1,414,673	1,767,229	1,830,501	1,814,704	2,108,915
Total liabilities	Before distribution	3,417,002	3,623,346	3,671,749	3,568,371	4,218,530
	After distribution	Note 1	3,623,346	3,671,749	3,568,371	4,218,530
Equity attributable to owners of parent company		3,991,957	3,905,550	3,379,118	3,375,083	3,470,574
Capital		3,276,518	3,276,518	3,276,518	3,276,518	3,276,518
Capital surplus		779	469	469	469	483
Retained earnings	Before distribution	731,393	505,981	18,182	(69,113)	(115,424)
	After distribution	Note 1	505,981	18,182	(69,113)	(115,424)
Other equity		(16,733)	122,582	83,949	167,209	308,997
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,991,957	3,905,550	3,379,118	3,375,083	3,470,574
	After distribution	Note 1	3,905,550	3,379,118	3,375,083	3,470,574

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

＊ Where financial information is prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using the Financial Accounting Standards of the Republic of China.

Note 1: The 2018 earnings distribution plan is yet to be approved by 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 for the year, the date of asset revaluation and the amount of asset revaluation shall be noted.

Note 4: As of the date of publication of the Annual Report, the Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that has been audited or reviewed by CPAs.

Note 5: The aforementioned figures after distribution shall be filled in based on the resolutions passed by the shareholders' meeting in the following year.

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

Condensed Statement of Comprehensive Income - Parent Company Only Financial Statements

Unit: NT$ thousands

Item \ Year	Financial Information in the Most Recent Five Years				
	2018	2017	2016	2015	2014
Operating revenue	14,943,406	13,132,796	9,697,443	10,346,640	11,839,993
Gross profit	692,509	1,077,059	556,144	468,855	323,471
Operating income	87,929	477,608	10,710	(59,642)	(208,975)
Non-operating revenue and expenses	165,466	96,941	112,468	126,308	(438,229)
Net income (loss) before tax	253,395	574,549	123,178	66,666	(647,204)
Net income (loss) from continuing operations	207,973	502,079	120,877	67,525	(631,186)
Loss from discontinued operations	0	0	0	-	-
Net income (loss)	207,973	502,079	120,877	67,525	(631,186)
Other comprehensive income (net after tax)	(124,273)	24,353	(116,842)	(163,002)	9,577
Total comprehensive income	83,700	526,432	4,035	(95,477)	(621,609)
Net income (loss) attributable to owners of parent company	207,973	502,079	120,877	67,525	(631,186)
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of parent company	83,700	526,432	4,035	(95,477)	(621,609)
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings (loss) per share	0.63	1.53	0.37	0.21	(1.93)

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

＊ Where financial information is prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using the Financial Accounting Standards of the Republic of China.

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

Note 2: As of the date of publication of the Annual Report, the Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that has been audited or reviewed by CPAs.

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

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

(III) Name and Audit Opinions of CPAs

Year	Name of CPA		Audit Opinion
2018	Hsiu-Chun Huang	Cheng-Chun Chiu	Unqualified 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

II. Financial Analysis in the Most Recent Five Years

(I) Financial Analysis - Consolidated Financial Statements

Analysis Item	Year	Financial Analysis for the Most Recent Five Years 2018	2017	2016	2015	2014	As of March 31, 2019
Financial structure (%)	Debt-to-assets ratio	54.26	55.68	60.14	63.40	68.43	50.41
	Ratio of long-term capital to property, plant and equipment	227.95	234.79	213.41	207.52	215.27	241.84
Solvency (%)	Current ratio	162.56	169.61	151.09	140.56	134.42	182.52
	Quick ratio	125.07	125.74	104.27	107.99	100.76	143.38
	Interest coverage ratio	6.98	14.85	5.20	2.35	(5.19)	17.14
Operation ability	Receivables turnover ratio (times)	7.41	7.76	6.92	5.61	5.70	6.67
	Average collection days	49	47	53	65	64	55
	Inventory turnover ratio (times)	17.03	13.78	11.78	10.96	9.26	15.32
	Payables turnover ratio (times)	17.44	13.87	14.22	16.93	13.49	19.11
	Average days for sale	21	26	31	33	39	24
	Property, plant, and equipment turnover ratio (times)	9.05	8.15	6.64	6.68	8.04	7.82
	Total asset turnover ratio (times)	2.47	2.29	1.86	1.68	1.79	2.16
Profitability	Return on assets (%)	2.88	6.28	1.81	1.24	(4.67)	9.65
	Return on equity (%)	5.27	13.78	3.58	1.97	(16.69)	19.00
	Ratio of net income before tax to paid-in capital (%) (Note 7)	10.11	20.69	6.02	2.88	(194.78)	15.27
	Net profit margin (%)	0.96	2.53	0.74	0.40	(3.02)	4.24
	Earnings per share (NT$)	0.63	1.53	0.37	0.21	(1.93)	0.60
Cash flow	Cash flow ratio (%)	(15.18)	13.42	30.15	35.23	(5.79)	22.21
	Cash flow adequacy ratio (%)	187.87	79.86	76.59	49.95	(6.85)	-
	Cash reinvestment ratio (%)	(4.92)	4.00	9.93	14.29	(3.09)	5.94
Leverage	Operating leverage	6.32	3.38	5.76	12.45	(2.57)	2.10
	Financial leverage	1.25	1.08	1.25	1.93	0.86	1.08

Reasons for changes in financial ratios for the most recent two years: (Analysis is not be required if such changes are within 20%.)
In 2018, the decreases in both interest coverage ratio and profitability-related ratios were mainly due to the decrease in net income for the year.
In 2018, the increase in inventory turnover ratio was mainly due to the decrease in average inventory.
In 2018, the increase in payables turnover ratio was mainly due to the decrease in average accounts payable.
In 2018, negative cash flow ratio and negative cash reinvestment ratio were mainly due to net cash flows used in operating activities for the year.
In 2018, the increase in cash flow adequacy ratio was mainly due to the decreases in average inventory and capital expenditures.
In 2018, the increase in operating leverage was mainly due to the decrease in gains on sale of goods.

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

(II) Financial Analysis - Parent Company Only Financial Statements

Analysis Item		Financial Analysis for the Most Recent Five Years (2018)	2017	2016	2015	2014
Financial structure %	Debt-to-assets ratio	46.12	48.13	52.08	51.39	54.86
	Ratio of long-term capital to property, plant and equipment	279.42	291.26	268.83	264.66	281.20
Solvency %	Current ratio	159.16	170.55	154.40	154.10	158.29
	Quick ratio	123.33	117.69	96.14	103.15	107.05
	Interest coverage ratio	10.19	23.84	6.34	3.34	(17.45)
Operation ability	Receivables turnover ratio (times)	9.14	10.12	8.66	6.96	8.36
	Average collection days	40	36	42	52	44
	Inventory turnover ratio (times)	18.28	12.59	9.87	10.63	8.01
	Payables turnover ratio (times)	15.22	10.80	10.63	14.78	11.23
	Average days for sale	20	29	37	34	46
	Property, plant, and equipment turnover ratio (times)	7.70	6.76	4.97	5.25	6.00
	Total asset turnover ratio (times)	2.00	1.80	1.39	1.41	1.47
Profitability	Return on assets (%)	3.08	7.17	2.00	1.25	(7.50)
	Return on equity (%)	5.27	13.78	3.58	1.97	(16.69)
	Ratio of net income before tax to paid-in capital (%) (Note 7)	7.73	17.54	3.76	2.03	(197.53)
	Net profit margin (%)	1.39	3.82	1.25	0.65	(5.33)
	Earnings per share (NT$)	0.63	1.53	0.37	0.21	(1.93)
Cash flow	Cash flow ratio (%)	(33.03)	18.40	15.35	55.02	(31.64)
	Cash flow adequacy ratio (%)	30.51	35.64	54.09	48.62	5.58
	Cash reinvestment ratio (%)	(7.31)	3.66	3.23	11.12	(7.46)
Leverage	Operating leverage	34.06	4.91	127.75	(31.92)	(8.89)
	Financial leverage	1.46	1.06	(0.87)	0.68	0.86

Reasons for changes in financial ratios for the most recent two years: (Analysis is not be required if such hanges are within 20%.)
In 2018, the decreases in both interest coverage ratio and profitability-related ratios were mainly due to the decrease in net income for the year.
In 2018, the increase in inventory turnover ratio and the decrease in average days for sale were mainly due to the decrease in average inventory.
In 2018, the increase in payables turnover ratio was mainly due to the decrease in average accounts payable.
In 2018, negative cash flow ratio and negative cash reinvestment ratio were mainly due to net cash flows used in operating activities for the year.
In 2018, the increases in both operating leverage and financial leverage were mainly due to the decrease in operating income.

＊ 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 year have been audited by CPAs.

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

Note 3: As of the date of publication of the Annual Report, the Company whose shares are listed on the stock exchange or traded over the counter shall disclose its most recent financial information that has been audited or reviewed by CPAs.

Note 4: The following formulas shall be indicated at the end of the Annual Report:

1. Financial structure

   (1) Debt-to-assets ratio = Total liabilities / Total assets.

   (2) Ratio of long-term capital 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 expenses / Interest expenses.

3. Operating ability

   (1) Receivables (including accounts receivable and notes receivable due to business operations) turnover ratio = Net sales / Balance of average receivables (including accounts receivable and notes receivable due to business operations).

   (2) Average collection days = 365 / Receivables turnover ratio.

   (3) Inventory turnover ratio = 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 (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 ratio = Net sales / Average net property, plant and equipment.

   (7) Total asset turnover ratio = Net sales / Average total assets.

4. Profitability

   (1) Return on assets = [Net income after tax + Interest expenses x (1 - Tax rate)] / Average total assets.

   (2) Return on equity = Net income after tax / Average total equity.

   (3) Net profit margin = Net income after tax / Net sales.

   (4) Earnings per share = (Net income attributable to owners of parent company - Dividends on preferred shares) / Weighted average number of shares issued. (Note 5)

5. Cash flow

   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.

   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increase + Cash dividends) for the most recent five 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 6)

6. Leverage

   (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income (Note 7).

   (2) Financial leverage = Operating income / (Operating income - Interest expenses).

Note 5: Special attention shall be paid to the following matters when the above calculation formula for earnings per share is used:

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

Note 6: Special attention shall be paid to the following in the process of cash flow analysis:

1. Net cash flow from operating activities refers to net cash flow generated from operating activities in the statement of cash flows.
2. Capital expenditures refer to the annual cash flow used in capital investment.
3. The increase in inventory is included only if the balance at the end of the year is greater than the balance at the beginning of the year. If it is the other way around, the number used should be zero.
4. Cash dividends include cash dividends on common shares and preferred shares.
5. Gross property, plant and equipment refers to the total value of property, plant and equipment minus accumulated depreciation.

Note 7: The issuer shall classify the operating costs and operating expenses as fixed or variable based on 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 owners of parent company in the balance sheet.

III. Supervisors' or Audit Committee's Review Report for the Most Recent Financial Statements

(I) Supervisors' Review Report: N/A.

(II) Audit Committee's Review Report

Audit Committee's Review Report, Taita Chemical Company, Ltd.

The Audit Committee has completed the review of the 2018 financial statements (including parent company only financial statements and consolidated financial statements) and the earnings distribution plan produced by the Board of Directors and audited by CPAs Hsiu-Chun Huang and Cheng-Chun Chiu from Deloitte Taiwan 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,

2019 Annual Shareholders' Meeting, Taita Chemical Company, Ltd.

Audit Committee

Taita Chemical Company, Ltd.

Independent Director: Tien-Wen Chen

Independent Director: I-Kung Ma

Independent Director: Chi-Ying Juan

March 6, 2019

IV. Financial Statement for the Most Recent Fiscal Year

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 (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 (collectively referred to as the "consolidated financial statements").

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, 2018 and 2017, 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, 2018. 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, 2018 are stated as follows:

Occurrence of Revenue Recognition - Sales Revenue from Specific Customer

For the year ended December 31, 2018, the Group's combined sales revenue was NT$21,683,702 thousand, which was approximately 9% higher than the combined sales revenue for the year ended December 31, 2017, which was NT$19,821,042 thousand. The Group's sales revenue growth is affected by market demand and rising prices in the international crude oil market. The increase in sales revenue was primarily concentrated on specific customers. The sales revenue of these customers for the year ended December 31, 2018 was NT$6,025,712 thousand, accounting for approximately 28% of the total sales revenue. The Group recognized sales revenue from these customers when performance obligations of the contract are satisfied, which can have a significant influence on the consolidated financial statements. Thus, we identified sales revenue as one of the key audit matters.

For accounting policies and judgments related to revenue recognition, refer to Notes 4 and 27 to the consolidated financial statements.

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

1. We understood and tested the design and operating effectiveness of revenue recognition and evaluated the appropriateness of accounting policies on revenue recognition used by the Group's management.

2. We sampled the transaction documents of sales revenue from these specific customers, including purchase orders, shipping documents, export documents, and cash collection documents, to confirm the authenticity of revenue recognition.

3. We sampled sales returns and allowances and cash collections subsequent to the balance sheet date to verify whether they were normal or abnormal.

Estimation of Inventory Write-downs

As of December 31, 2018, the carrying amount of inventory was NT$1,159,524 thousand (i.e. the gross amount of inventory was NT$1,218,708 thousand with a deduction of NT$59,184 thousand for inventory valuation allowance) and was accounted for 13% of the total assets.

Inventories of the Group are stated on the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of styrene monomer. With volatile oil prices worldwide, such valuation of inventory requires significant judgment from management. Thus, we identified inventory write-downs as one of the key audit matters.

For accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Notes 4, 5 and 14 to the consolidated financial statements.

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

1. We understood and evaluated the reasonableness of the Group's policy and methods of the allowance for losses on inventory.

2. We obtained the evaluation documents of the allowance for losses on inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify the basis and appropriateness of the evaluation.

3. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for losses on inventory.

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, 2018 and 2017 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 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, 2018 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 Hsiu-Chun Huang and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2019

<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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 602,671	7	$ 504,846	6
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	404,219	5	306,110	4
Financial assets at amortized cost - current (Notes 3, 4, 9 and 34)	94,636	1	-	-
Debt investments with no active market - current (Notes 3, 4, 12 and 34)	-	-	92,292	1
Notes receivable (Notes 3, 4 and 13)	674,101	8	680,817	8
Accounts receivable (Notes 3, 4 and 13)	2,232,892	26	2,226,772	25
Accounts receivable from related parties (Notes 3, 4, 13 and 33)	32,876	-	4,058	-
Other receivables (Notes 3, 4 and 13)	100,356	1	117,172	1
Other receivables from related parties (Notes 3, 4, 13 and 33)	3,918	-	5,803	-
Current tax assets (Note 29)	2,560	-	778	-
Inventories (Notes 5 and 14)	1,159,524	13	1,263,858	14
Prepayments and other current assets (Notes 20, 21 and 34)	83,847	1	110,718	1
Total current assets	5,391,600	62	5,313,224	60
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	182,836	2	-	-
Available-for-sale financial assets - non-current (Notes 3, 4 and 10)	-	-	242,944	3
Financial assets measured at cost - non-current (Notes 3, 4 and 11)	-	-	2,683	-
Investments accounted for using the equity method (Notes 5 and 16)	498,990	6	524,732	6
Property, plant and equipment (Notes 17, 21, 33 and 34)	2,373,653	27	2,418,756	28
Investment properties (Notes 18, 21 and 34)	108,178	1	108,178	1
Other intangible assets (Note 19)	9,668	-	11,068	-
Deferred tax assets (Note 29)	103,757	1	129,546	2
Long-term prepayments for leases (Notes 20, 21 and 34)	35,217	1	37,082	-
Other non-current assets (Note 34)	23,647	-	23,222	-
Total non-current assets	3,335,946	38	3,498,211	40
TOTAL	$ 8,727,546	100	$ 8,811,435	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17, 18, 20, 21 and 34)	$ 2,004,800	23	$ 1,071,568	12
Short-term bills payable (Note 21)	20,000	-	189,923	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	624	-
Accounts payable (Note 22)	922,418	11	1,443,241	17
Accounts payable from related parties (Notes 22 and 33)	390	-	495	-
Other payables (Note 23)	314,760	4	327,767	4
Other payables from related parties (Note 33)	7,187	-	8,588	-
Current tax liabilities (Note 29)	7,746	-	74,505	1
Provisions - current (Note 24)	-	-	1,179	-
Refund liabilities - current (Note 24)	806	-	-	-
Other current liabilities	38,603	-	14,663	-
Total current liabilities	3,316,710	38	3,132,553	36
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17, 18, 20, 21 and 34)	1,000,000	11	1,000,000	11
Deferred tax liabilities (Note 29)	151,418	2	161,402	2
Net defined benefit liabilities - non-current (Note 25)	262,226	3	604,347	7
Other non-current liabilities	5,235	-	7,583	-
Total non-current liabilities	1,418,879	16	1,773,332	20
Total liabilities	4,735,589	54	4,905,885	56
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 26)				
Share capital	3,276,518	38	3,276,518	37
Capital surplus	779	-	469	-
Retained earnings				
Legal reserve	21,220	-	-	-
Special reserve	308,061	3	308,061	4
Unappropriated earnings	402,112	5	197,920	2
Total retained earnings	731,393	8	505,981	6
Other equity	(16,733)	-	122,582	1
Total equity	3,991,957	46	3,905,550	44
TOTAL	$ 8,727,546	100	$ 8,811,435	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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 24, 27 and 33)	$ 21,683,702	100	$ 19,821,042	100
OPERATING COSTS (Notes 14, 25, 28 and 33)	20,639,959	95	18,387,338	92
GROSS PROFIT	1,043,743	5	1,433,704	8
OPERATING EXPENSES (Notes 13, 25, 28 and 33)				
Selling and marketing expenses	543,956	2	523,996	3
General and administrative expenses	199,092	1	212,471	1
Research and development expenses	23,077	-	21,291	-
Total operating expenses	766,125	3	757,758	4
PROFIT FROM OPERATIONS	277,618	2	675,946	4
NON-OPERATING INCOME AND EXPENSES (Notes 7, 10, 11, 16, 17, 18, 28 and 33)				
Other income	64,920	-	89,154	-
Other gains and losses	34,813	-	(75,913)	-
Share of profit of associates	9,250	-	37,599	-
Finance costs	(55,349)	-	(48,934)	-
Total non-operating income and expenses	53,634	-	1,906	-
PROFIT BEFORE INCOME TAX	331,252	2	677,852	4
INCOME TAX EXPENSE (Note 29)	123,279	1	175,773	1
NET PROFIT FOR THE YEAR	207,973	1	502,079	3
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 16, 25, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	10,196	-	(16,836)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(64,111)	(1)	-	-
Share of the other comprehensive loss of associates accounted for using the equity method - unrealized loss on investments in equity instruments at fair value through other comprehensive income	(19,147)	-	-	-

(Continued)

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Share of the other comprehensive income (loss) of associates accounted for using the equity method - remeasurement of defined benefit plans	$ 619	-	$ (306)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	4,287	-	2,862	-
	(68,156)	(1)	(14,280)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statement of foreign operations	(64,480)	-	17,342	-
Unrealized gain on available-for-sale financial assets	-	-	12,684	-
Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating the financial statement of foreign operations	(1,852)	-	(408)	-
Share of the other comprehensive income of associates accounted for using the equity method - unrealized gain on available-for-sale financial assets	-	-	12,038	-
Income tax relating to items that may be reclassified subsequently to profit or loss	10,215	-	(3,023)	-
	(56,117)	-	38,633	-
Other comprehensive (loss) income for the year, net of income tax	(124,273)	(1)	24,353	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 83,700	-	$ 526,432	3
EARNINGS PER SHARE (Note 30)				
Basic	$ 0.63		$ 1.53	
Diluted	$ 0.63		$ 1.53	

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 3, 4, 16, 25 and 26)													
	Share Capital		Capital Surplus			Retained Earnings (Accumulated Deficits)				Other Equity				
	Shares (In Thousands)	Amount	Long-term Equity Investment	Unpaid Dividends	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE AT JANUARY 1, 2017	327,652	$ 3,276,518	$ 469	$ -	$ 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 for the year ended December 31, 2017	-	-	-	-	-	-	-	487,799	487,799	13,911	24,722	-	38,633	526,432
BALANCE AT DECEMBER 31, 2017	327,652	3,276,518	469	-	469	-	308,061	197,920	505,981	(78,384)	200,966	-	122,582	3,905,550
Effect of retrospective application	-	-	-	-	-	-	-	2,555	2,555	-	(200,966)	200,808	(158)	2,397
BALANCE AT JANUARY 1, 2018, AS RESTATED	327,652	3,276,518	469	-	469	-	308,061	200,475	508,536	(78,384)	-	200,808	122,424	3,907,947
Appropriation of 2017 earnings Legal reserve	-	-	-	-	-	21,220	-	(21,220)	-	-	-	-	-	-
Changes in capital surplus	-	-	14	296	310	-	-	-	-	-	-	-	-	310
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	207,973	207,973	-	-	-	-	207,973
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	14,884	14,884	(56,117)	-	(83,040)	(139,157)	(124,273)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	222,857	222,857	(56,117)	-	(83,040)	(139,157)	83,700
BALANCE AT DECEMBER 31, 2018	327,652	$ 3,276,518	$ 483	$ 296	$ 779	$ 21,220	$ 308,061	$ 402,112	$ 731,393	$ (134,501)	$ -	$ 117,768	$ (16,733)	$ 3,991,957

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 331,252	$ 677,852
Adjustments for:		
Depreciation expenses	194,604	180,844
Amortization expenses	3,167	5,091
Expected credit loss	1,434	8,113
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(22,937)	28,343
Finance costs	55,349	48,934
Interest income	(12,922)	(12,461)
Dividend income	(4,444)	(7,262)
Share of profit of associates	(9,250)	(37,599)
Loss on disposal of property, plant and equipment	1,054	1,155
Amortization of prepayments for leases	1,244	1,229
Gain on disposal of investments	-	(3,311)
Impairment loss recognized on financial assets	-	3,035
Write-down of inventories	35,632	5,400
Net loss (gain) on foreign currency exchange	2,879	(7,614)
Recognition of refund liabilities	10,493	-
Recognition of provisions	-	9,490
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	-	67,739
Financial assets at fair value through profit or loss	(75,296)	-
Notes receivable	(7,235)	(133,031)
Accounts receivable	(33,039)	(636,562)
Accounts receivable from related parties	(28,818)	9,572
Other receivables	17,463	(33,415)
Other receivables from related parties	1,878	1,106
Inventories	52,579	119,695
Prepayments	21,025	11,963
Other current assets	684	788
Accounts payable	(517,766)	241,234
Accounts payable from related parties	(105)	6
Other payables	(10,546)	72,316
Other payables from related parties	(1,395)	(13,321)
Other current liabilities	24,712	(960)
Net defined benefit liabilities	(331,925)	(79,783)
Cash (used in) generated from operations	(300,229)	528,586
Interest received	12,920	12,667
Interest paid	(55,000)	(51,506)
Income tax paid	(161,083)	(69,380)
Net cash (used in) generated from operating activities	(503,392)	420,367

(Continued)

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Reduction of capital by returning cash of financial assets at fair value through other comprehensive income	$ 1,185	$ -
Purchases of financial assets at amortized cost	(3,146)	-
Proceeds from disposal of available-for-sale financial assets	-	6,737
Decrease in debt investments with no active market	-	9,956
Payments for property, plant and equipment	(159,922)	(162,378)
Proceeds from disposal of property, plant and equipment	44	194
(Increase) decrease in refundable deposits	(425)	356
Payments for intangible assets	(1,767)	-
Dividends received	19,071	23,356
Net cash used in investing activities	(144,960)	(121,779)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	907,525	(237,534)
Decrease in short-term bills payable	(170,000)	(160,000)
Proceeds from long-term borrowings	3,400,000	8,100,000
Repayments of long-term borrowings	(3,400,000)	(8,100,000)
Decrease in other non-current liabilities	(2,276)	(1,178)
Net cash generated from (used in) financing activities	735,249	(398,712)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	10,928	(1,653)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	97,825	(101,777)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	504,846	606,623
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 602,671	$ 504,846

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(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, 2018 and 2017. 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 6, 2019.

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:

IFRS 9 "Financial Instruments" and related amendments

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

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 504,846	$ 504,846	1)
Derivatives	Held for trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	1,828	1,828	
Beneficiary Securities and Mutual Fund	Held for trading	Mandatorily at FVTPL	304,282	304,282	
Equity securities	Available for sale (including measure at cost)	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	245,627	248,024	2)
	Available for sale (including measured at cost)	FVTPL	-	-	2)
Notes receivable, accounts receivable (including related parties) and other receivables (including related parties)	Loans and receivables	Amortized cost	2,972,677	2,972,677	1)
Pledged financial assets	Loans and receivables	Amortized cost	92,292	92,292	3)
Refundable deposits	Loans and receivables	Amortized cost	16,051	16,051	1)

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassific-ations**	**Remeasur-ements**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
FVTOCI	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	242,944	-	242,944	-	-	2)
Add: Reclassification from measure at cost (IAS 39)	-	2,683	2,397	5,080	2,555	(158)	2)
	-	245,627	2,397	248,024	2,555	(158)	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from loans and receivables (IAS 39)	-	3,585,866	-	3,585,866	-	-	1) and 3)
	-	3,585,866	-	3,585,866	-	-	
	$ -	$ 3,831,493	$ 2,397	$ 3,833,890	$ 2,555	$ (158)	

1) Cash, cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), and refundable deposits that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $200,966 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTPL and designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $2,397 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

The Group recognized impairment loss on certain investments in equity securities previously classified as measured at cost under IAS 39 and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $2,555 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $2,555 thousand in retained earnings on January 1, 2018.

3) Pledged financial assets previously classified as debt investments with no active market and measured at amortized cost under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

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

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amounts as if IFRS 16 had been applied since the commencement date but discounted using the aforementioned incremental borrowing rate. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments	$ 1,220	$ (1,220)	$ -
Long-term prepayments for leases	35,217	(35,217)	-
Right-of-use assets	-	91,870	91,870
Total effect on assets	$ 36,437	$ 55,433	$ 91,870

(Continued)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Lease liabilities - current	$ -	$ 4,416	$ 4,416
Lease liabilities - non-current	-	51,915	51,915
Total effect on liabilities	$ -	$ 56,331	$ 56,331
Retained earnings	$ 402,112	$ (898)	$ 401,214
Total effect on equity	$ 402,112	$ (898)	$ 401,214

(Concluded)

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 consolidated 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 any 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 15 and Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the Group'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 (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 is not allocated to any asset, including goodwill, that 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 interests in the associate are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured 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 the Group 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 the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and derivatives and mutual fund that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, pledged financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits and reverse repurchase agreements collateralized by bonds 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.

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL 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 incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

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, or financial assets at FVTPL.

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 of such financial assets is recognized in other comprehensive income. 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 investment with no active market and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits and reverse repurchase agreements collateralized by bonds 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

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

2017

Financial assets, other than those at FVTPL, 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, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as notes receivable, accounts receivable and other receivables, 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 with 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 a financial assets 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 its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset 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 on which 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 gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income.

For a financial asset 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 its 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.

Before 2017, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except financial liabilities 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 32.

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 on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. 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

<u>2018</u>

The Group identifies contracts with customers, allocates transaction price to performance obligations and recognizes revenue when performance obligations are satisfied.

<u>Revenue from the sale of goods</u>

Revenue from the sale of goods comes from sales of PS, ABS, SAN, glasswool products, plastic raw materials and the related processed products. The sale of goods above is recognized as revenue when goods are delivered to a customer because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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 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 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, estimations 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 estimations 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. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. 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.

c. Income taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Associate's estimated damage compensation for Kaohsiung gas explosions

The associate, China General Terminal & Distribution Corporation ("CGTD"), should recognize a provision for civil damaged compensation caused by the Kaohsiung gas explosion. Management considers the progress of the relevant civil/criminal proceedings and settlements, and estimates the amount of the provision according to legal advice. However, the actual result probably differ from the current estimation.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand and petty cash	$ 844	$ 805
Checking accounts and demand deposits	576,827	504,041
Cash equivalents		
Reverse repurchase agreements collateralized by bonds	25,000	-
	$ 602,671	$ 504,846

The market rate or interval of market rates of cash equivalents at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Reverse repurchase agreements collateralized by bonds	0.53%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2018	**2017**
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	$ -	$ 1,828
Non-derivative financial assets		
Beneficiary securities	-	231,282
Mutual funds	-	73,000
	-	304,282
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	390	-
Non-derivative financial assets		
Beneficiary securities	253,829	-
Mutual funds	150,000	-
Domestic unlisted shares	-	-
	403,829	-
	$ 404,219	$ 306,110
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 624

a. 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, 2018			
Sell	USD/NTD	2019.01.15-2019.03.14	USD6,000/NTD184,171
December 31, 2017			
Sell	USD/NTD	2018.01.03-2018-04.03	USD19,000/NTD566,338

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.

b. As of December 31, 2018, the Group evaluated the fair value of Sohoware Inc.'s preference shares and Teratech Corporation's ordinary shares to be zero. These investments in equity instruments that were previously classified as financial assets were measured at cost under IAS 39. The fluctuations in these investments' fair value were recognized in profit or loss by management and were designated as at FVTPL under IFRS 9 and were remeasured at fair value. Refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

c. The net gain and loss arising from financial assets at FVTPL for the years ended December 31, 2018 and 2017 was $41,367 thousand and $11,942 thousand, respectively. The net loss arising from financial liabilities at FVTPL for the years ended December 31, 2018 and 2017 was $8,442 thousand and $1,505 thousand, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT - 2018

	December 31, 2018
Investments in equity instruments at FVTOCI	
Domestic investments	
Listed shares	
Ordinary shares - USI Corporation	$ 179,808
Unlisted shares	
Ordinary shares - Harbinger Venture Capital Corp. ("Harbinger") (a)	473
	180,281
Foreign investments	
Unlisted shares	
Ordinary shares - Budworth Investment Ltd.	2,555
	$ 182,836

a. The investee, Harbinger, announced a reduction of capital by returning cash in April 2018. The

Company received $1,185 thousand according to its ownership percentage.

b. These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 10 and 11 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT - 2018

	December 31, 2018
Pledged deposits (a)	$ 91,636
Pledged time deposits (b)	3,000
	$ 94,636

a. As of December 31, 2018, the market interest rate of pledged deposits was 0.35% per annum.

b. As of December 31, 2018, the range of market interest rates on the pledged time deposits was 0.62%-0.94% per annum.

c. The pledged time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.

d. Refer to Note 34 for information related to the pledged financial assets at amortized cost.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT - 2017

	December 31, 2017
Domestic investments	
Listed shares	
USI Corporation	$ 242,944
Wafer Works Corporation ("Wafer")	-
	$ 242,944

The Group sold 243 thousand shares of Wafer in 2017, and the gain on the disposal of investments was $3,311 thousand.

11. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic unlisted ordinary shares	
Harbinger Venture Capital Corp.	$ 1,700
Overseas unlisted ordinary shares	
Budworth Investment Ltd.	983
Teratech Corporation ("Teratech")	-
Overseas unlisted preference shares	
Sohoware Inc. ("Sohoware")	-
	$ 2,683
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 2,683

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 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 as of December 31, 2017.

The Group recognized impairment losses on Sohoware over the years, which caused the carrying amount of the investment to be zero as of December 31, 2017.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT - 2017

	December 31, 2017
Pledged deposits (a)	$ 89,292
Pledged time deposits (b)	3,000
	$ 92,292

a. As of December 31, 2017, the market interest rate of pledged deposits was 0.35% per annum.

b. As of December 31, 2017, the range of market interest rates on the pledged time deposits was 0.62%-0.94% per annum.

c. Refer to Note 34 for information related to the pledged debt investments with no active market.

13. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable (a)		
Notes receivable - operating	$ 674,101	$ 680,817
Accounts receivable (a)		
Amortized cost		
Gross carrying amount	$ 2,303,657	$ 2,298,428
Less: Allowance for impairment loss	(70,765)	(71,656)
	$ 2,232,892	$ 2,226,772
Accounts receivable from related parties (a) (Note 33)	$ 32,876	$ 4,058
Other receivables (c)		
VAT refund receivables	$ 100,257	$ 61,945
Compensation receivables (b)	-	54,654
Others	99	573
	$ 100,356	$ 117,172
Other receivables from related parties (Note 33)	$ 3,918	$ 5,803

a. Notes receivable and accounts receivable

In 2018

In the average credit period of sales of goods is between 30 and 90 days. No interest is charged on receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For part of the accounts receivable, the Group entered into a credit insurance contract or obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. 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. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2018

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	$ -	$ 519,892	$ 700,432	$ 1,790,310	$ 3,010,634
Loss allowance (Lifetime ECL)	-	-	(12,879)	(57,886)	(70,765)
Amortized cost	$ -	$ 519,892	$ 687,553	$ 1,732,424	$ 2,939,869

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

	2018
Balance at January 1, 2018 per IAS 39	$ 71,656
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	71,656
Add: Net remeasurement of loss allowance	1,434
Less: Amounts written off	(1,923)
Foreign exchange gains and losses	(402)
Balance at December 31, 2018	$ 70,765

The aging of receivables (including related parties) was as follows:

	December 31, 2018
Not past due	$ 2,895,700
Past due within 60 days	56,493
Past due over 60 days	58,441
	$ 3,010,634

The above aging schedule was based on the number of days past due from the end of the credit term.

In 2017

The Group applied the same credit policy in 2018 and 2017. 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
Not past due	$ 2,839,610
Past due within 60 days	83,557
Past due over 60 days	60,136
	$ 2,983,303

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
Past due within 60 days	$ 83,557
Past due over 60 days	6,846
	$ 90,403

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, 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)
Foreign exchange translation gains and losses	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 did not hold any collateral for these receivables.

As of December 31, 2018 and 2017, 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. The subsidiary Taita Chemical (Tianjin) Co., Ltd. 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 Taita Chemical (Tianjin) Co., Ltd. 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, Taita Chemical (Tianjin) Co., Ltd. recognized the difference of estimated compensation and actual claims and adjusted the amount to recognize the related insurance compensation of $29,872 thousand in 2017. The related insurance compensation was received in January 2018.

c. Other receivables

As of December 31, 2018, the Group assessed the impairment loss of other receivables using expected credit losses. There were no other receivables which were past due and for which there was an unrecognized allowance for the respective doubtful accounts as of December 31, 2017.

14. INVENTORIES

	December 31	
	2018	**2017**
Finished goods	$ 523,924	$ 600,588
Work in progress	92,470	124,099
Raw materials	394,219	496,349
Production supplies	42,639	48,822
Inventory in transit	106,272	-
	$ 1,159,524	$ 1,263,858

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017, was $20,639,959 thousand and $18,387,338 thousand, respectively.

The cost of goods sold included inventory write-downs for the year ended December 31, 2018 and 2017, were $35,632 thousand and $5,400 thousand, respectively.

15. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Proportion of Ownership December 31		
Investor	Investee	Nature of Activities	2018	2017	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, 2018, the capital of TTC (BVI) was US$61,738 thousand.

b. As of December 31, 2018, 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, 2018, the capital of TTC (ZS) was US$46,250 thousand.

c. As of December 31, 2018, 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, 2018, 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, 2018 and 2017 were based on the subsidiaries' financial statements which have been audited for the years then ended.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in associates that are not individually material		
Listed shares		
China General Plastics Corporation ("CGPC")	$ 165,982	$ 154,719
Acme Electronics Corp. ("ACME")	34,003	33,212
Unlisted shares		
China General Terminal & Distribution Co. ("CGTD")	228,250	272,509
Acme Electronics (Cayman) Corp. ("ACME (Cayman)")	69,303	61,788
Thintec Materials Corporation ("TMC")	1,452	2,504
	$ 498,990	$ 524,732

Aggregate information of associates that are not individually material as follows:

	For the Year Ended December 31	
	2018	2017
The Group’s share of:		
Profit from continuing operations	$ 9,250	$ 37,599
Other comprehensive (loss) income	(20,380)	11,324
Total comprehensive (loss)income for the year	$ (11,130)	$ 48,923

The proportion of the Group’s ownership and voting rights of the associates were as follows:

	December 31	
Name of Associate	**2018**	**2017**
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, principal places of business and countries of incorporation 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	**2018**	**2017**
CGPC	$ 220,963	$ 315,940
ACME	$ 59,119	$ 81,788

The investments were 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, 2018 and 2017 were based on the associates’ financial statements which have been audited for the same years.

17. 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, 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
Cost							
Balance at January 1, 2018	$ 634,432	$ 1,322,663	$ 4,680,966	$ 43,674	$ 370,339	$ 129,753	$ 7,244,827
Additions	-	-	6,995	644	1,533	149,173	158,345
Disposals	-	(626)	(157,403)	(4,422)	(12,992)	-	(175,443)
Internal transfers	-	2,261	219,842	8,173	5,262	(235,538)	-
Effects of foreign currency exchange differences	-	(8,051)	(18,003)	(312)	(1,110)	(1,241)	(28,717)
Balance at December 31, 2018	$ 634,432	$ 1,316,247	$ 4,732,397	$ 47,757	$ 363,032	$ 105,147	$ 7,199,012
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 835,696	$ 3,618,627	$ 39,518	$ 332,230	$ -	$ 4,826,071
Disposals	-	(626)	(156,601)	(4,202)	(12,917)	-	(174,345)
Depreciation expenses	-	44,468	135,901	2,201	12,034	-	194,604
Effects of foreign currency exchange differences	-	(5,025)	(14,828)	(194)	(924)	-	(20,971)
Balance at December 31, 2018	$ -	$ 874,514	$ 3,583,099	$ 37,323	$ 330,423	$ -	$ 4,825,359
Carrying amounts at December 31, 2018	$ 634,432	$ 441,733	$ 1,149,298	$ 10,434	$ 32,609	$ 105,147	$ 2,373,653

The above items of property, plant and equipment are 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	
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 21 and 34.

18. INVESTMENT PROPERTIES

	December 31	
	2018	**2017**
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 $1,628 thousand per month, which is based on the actual usable area. Refer to Notes 28 and 33.

Part of above investment properties pledged as collateral for bank borrowing are set out in Notes 21 and 34.

19. INTANGIBLE ASSETS

	December 31	
	2018	2017
Carrying amount by function		
Information systems	$ 1,266	$ 1,066
Design expenses for factories	8,402	10,002
	$ 9,668	$ 11,068

Intangible assets are amortized on a straight-line over their estimated useful lives as follows:

Information systems	3 to 5 years
Design expenses for factories	10 years

20. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current assets (included in prepayments)	$ 1,220	$ 1,242
Non-current assets	$ 35,217	$ 37,082

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 21 and 34.

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Secured borrowings		
Bank loans (1)	$ 153,239	$ 230,781
Unsecured borrowings		
Line of credit borrowings (2)	1,851,561	840,787
	$ 2,004,800	$ 1,071,568

1) The range of interest rates on bank loans was 4.45% and 2.91%-4.79% per annum as of December 31, 2018 and 2017, respectively.

2) The range of interest rates on line of credit borrowings was 0.90%-3.65% and 0.85%-2.55% per annum as of December 31, 2018 and 2017, 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 was extended to April 30, 2019 and the credit limit was adjusted to RMB100,000 thousand. Refer to property, plant and equipment and land use rights pledged as collateral in Notes 17, 20 and 34. As of December 31, 2018, TTC (ZS) has not borrowed from the bank.

b. Short-term bills payable

	December 31	
	2018	**2017**
Commercial paper	$ 20,000	$ 190,000
Less: Unamortized discount on bills payable	-	(77)
	$ 20,000	$ 189,923

Outstanding short-term bills payables were as follows:

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
Taiwan Finance Corporation	$ 20,000	$ -	$ 20,000	0.70%

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	

c. Long-term borrowings

	December 31	
	2018	**2017**
Secured borrowings	$ 900,000	$ 900,000
Unsecured borrowings	100,000	100,000
	$ 1,000,000	$ 1,000,000

The range of weighted average effective interest rates on long-term borrowings were as following:

	December 31	
	2018	2017
Secured borrowings	1.10%-1.15%	1.10%
Unsecured borrowings	1.15%	1.20%

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 17, 18 and 34). As of December 31, 2018, 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, 2018, the Group has borrowed $100,000 thousand.

The Group entered into a 3-year long-term financing contract in September 2016 with KGI Bank. The contract was extended to September 2019 in 2017 with a credit limit of $300,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, the Group has not borrowed.

22. ACCOUNTS PAYABLE

	December 31	
	2018	2017
Accounts payable (including related parties)		
Operating (Note 33)	$ 922,808	$ 1,443,736

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.

23. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries and bonuses	$ 122,172	$ 143,070
Payables for transportation fees	54,309	54,116
Payables for taxes	31,781	21,128
Payables for utilities	28,776	32,356
Payables for purchases of equipment	19,704	21,303
Payables for professional service expenses	9,463	7,450
Payables for insurance	8,885	9,593
Others	39,670	38,751
	$ 314,760	$ 327,767

24. PROVISIONS - CURRENT

	December 31	
	2018	2017
Customer returns and rebates	$ -	$ 1,179

Customer returns and rebates are as follows:

	For the Year Ended December 31, 2017
Balance at January 1	$ 1,102
Additional provisions recognized	9,490
Usage	(9,413)
Balance at December 31	$ 1,179

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 for the year ended December 31, 2017. The provision is recognized as a reduction of operating income in the periods in which the related goods are sold.

Starting from January 1, 2018, the Company recognized estimated sales returns and rebates as refund liabilities, which accounted to $806 thousand under IFRS 15.

Refund liability are as follows:

	For the Year Ended December 31, 2018
Balance at January 1	$ 1,179
Additional refund liabilities recognized	10,493
Usage	(10,866)
Balance at December 31	$ 806

25. 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	
	2018	**2017**
Present value of defined benefit obligation	$ 686,667	$ 722,583
Fair value of plan assets	(424,441)	(118,236)
Net defined benefit liabilities	$ 262,226	$ 604,347

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, 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
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
Balance at January 1, 2018	$ 722,583	$(118,236)	$ 604,347
Service cost			
Current service cost	6,369	-	6,369
Net interest expense (income)	7,103	(1,191)	5,912
Recognized in profit or loss	13,472	(1,191)	12,281
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,388)	(4,388)
Actuarial (gain) loss			
Changes in demographic assumptions	282	-	282
Changes in financial assumptions	6,398	-	6,398
Experience adjustments	(12,488)	-	(12,488)
Recognized in other comprehensive income	(5,808)	(4,388)	(10,196)
Contributions from the employer	-	(342,035)	(342,035)
Benefits paid	(43,580)	41,409	(2,171)
Balance at December 31, 2018	$ 686,667	$(424,441)	$ 262,226

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	
	2018	**2017**
Operating costs	$ 9,768	$ 10,937
Selling and marketing expenses	1,293	1,419
General and administrative expenses	819	1,012
Research and development expenses	401	428
	$ 12,281	$ 13,796

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	
	2018	**2017**
Discount rate	0.875%	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	
	2018	**2017**
Discount rate		
0.25% increase	$(12,702)	$(14,084)
0.25% decrease	$ 13,091	$ 14,526
Expected rate of salary increase		
0.25% increase	$ 12,686	$ 14,093
0.25% decrease	$(12,374)	$(13,737)

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 $26,000 thousand and $342,121 thousand to the defined benefit plans in the next year starting from December 31, 2018 and 2017, respectively. The weighted average duration of the defined benefit obligation are 7.6 and 8.1 years, respectively.

26. EQUITY

a. Share capital

	December 31	
	2018	**2017**
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 unpaid dividends due to overdue may be used to offset a deficit only. 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

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 28-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 in 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 resolved to offset accumulated deficits of previous years with net profit in the amount of $120,877 thousand for the years ended December 31, 2016.

The appropriation of earnings for 2017 was approved in the shareholders' meeting on June 22, 2018. After evaluating the Company's business conditions and operating needs, the decision to offset accumulated deficits of $289,879 thousand with net profit in the amount of $502,079 thousand was excluded and a legal reserve in the amount of $21,220 thousand was appropriated; in accordance with the laws and regulations, no cash dividends or share dividends were distributed.

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 6, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 20,797	$ -
Cash dividends	65,530	0.2
Share dividends	65,530	0.2

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 24, 2019.

d. Special reserve

The Company reserved a special reserve on the first-time adoption of IFRSs as follows:

	December 31	
	2018	2017
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, 2018, 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	
	2018	2017
Balance at January 1	$ (78,384)	$ (92,295)
Effect of change in tax rate	(2,954)	-
Recognized for the year		
Exchange differences on translating the financial statement of foreign operations	(64,480)	17,342
Share from associates accounted for using the equity method	(1,852)	(408)
Related income tax	13,169	(3,023)
Balance at December 31	$(134,501)	$ (78,384)

For the purpose of presenting the 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 (loss) on available-for-sale financial assets

Balance at January 1, 2017	$ 176,244
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	13,699
Share from associates accounted for using the equity method	12,038
Reclassification adjustment	
Disposal of available-for-sale financial assets	(1,015)
Balance at December 31, 2017	200,966
Adjustment on initial application of IFRS 9	(200,966)
Balance at January 1, 2018 per IFRS 9	$ -

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.

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	200,808
Balance at January 1 per IFRS 9	200,808
Effect of change in tax rate	15
Recognized for the year	
Unrealized gain (loss) - equity instruments	(64,111)
Share from subsidiaries and associates accounted for using the equity method	(19,147)
Related income tax	203
Balance at December 31	$ 117,768

27. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 21,683,702	$ 19,821,042

Refer to Note 4 for description related to contracts with customers. Refer to Note 38 for revenue of major products.

28. NET PROFIT

Net profit includes the following:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 3,953	$ 2,145
Financial assets at FVTPL (Note 7)	8,072	8,177
Structured deposits	-	765
Others	897	1,374
	12,922	12,461
Dividend income	4,444	7,262
Rental income (Notes 18 and 33)	34,908	30,316
Compensation income (Note 13)	3,415	34,438
Others	9,231	4,677
	$ 64,920	$ 89,154

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment (Note 17)	$ (1,054)	$ (1,155)
Gain on disposal of available-for-sale financial assets (Note 10)	-	3,311
Net foreign exchange gain (losses)	21,625	(43,208)
Gain (loss) on financial assets at FVTPL (Note 7)	33,295	(20,119)
Net loss on financial liabilities at FVTPL (Note 7)	(8,442)	(1,505)
Impairment loss on financial assets measured at cost (Note 11)	-	(3,035)
Expenses from rental assets	(7,360)	(6,928)
Others	(3,251)	(3,274)
	$ 34,813	$(75,913)

c. Net foreign exchange gains and losses

	For the Year Ended December 31	
	2018	2017
Gross foreign exchange gains	$ 157,792	$ 106,610
Gross foreign exchange losses	(136,167)	(149,818)
Net gain (loss)	$ 21,625	$ (43,208)

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 55,675	$ 49,762
Less: Capitalized interest (included in construction in progress)	(326)	(828)
	$ 55,349	$ 48,934

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 326	$ 828
Capitalization rate	1.105%-1.120%	0.986%-1.200%

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment (Note 17)	$ 194,604	$ 180,844
Intangible assets (Note 19)	3,167	5,091
Prepayments for leases (Note 20)	1,244	1,229
	$ 199,015	$ 187,164
An analysis of depreciation by function		
Operating costs	$ 181,603	$ 167,646
Operating expenses	8,836	9,521
Non-operating income and expenses	4,165	3,677
	$ 194,604	$ 180,844
An analysis of amortization by function		
Operating costs	$ 1,600	$ 1,600
General and administrative expenses	2,811	4,720
	$ 4,411	$ 6,320

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (Note 25)		
Defined contribution plans	$ 23,148	$ 20,982
Defined benefit plans	12,281	13,796
	35,429	34,778
Insurance expenses	36,724	35,351
Other employee benefits	572,090	572,851
Total employee benefits expense	$ 644,243	$ 642,980

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of employee benefits expense by function		
Operating costs	$ 488,914	$ 482,239
Operating expenses	155,329	160,741
	$ 644,243	$ 642,980

(Concluded)

g. Employees' compensation and remuneration of directors

According to Articles of Incorporation of the Company, the Company accrued 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 employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 6, 2019 and March 12, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	1%	$ 2,560	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 in the board of directors meetings dated March 14, 2017, because there were accumulated deficits which needed to be resolved for the respective year ended December 31, 2016.

There is no difference between the actual amount of employees' compensation and remuneration of directors paid and the amount recognized in the consolidated financial statements for the year ended December 31, 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

29. 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	
	2018	**2017**
Current tax		
In respect of the current year	$ 74,686	$ 118,917
Income tax on unappropriated earnings	17,670	-
Adjustments for prior years	683	(700)
	93,039	118,217
Deferred tax		
In respect of the current year	40,756	38,783
Adjustments to deferred tax attributable to changes in tax rates and laws	(14,681)	-
Adjustments for prior years	4,165	18,773
	30,240	57,556
Income tax expense recognized in profit or loss	$ 123,279	$ 175,773

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2018	**2017**
Profit before tax	$ 331,252	$ 677,852
Income tax expense calculated at the statutory rate	$ 88,164	$ 160,455
Nondeductible expenses in determining taxable income	829	304
Tax-exempt income	(5,526)	(3,968)
Income tax on unappropriated earnings	17,670	-
Unrecognized deductible temporary differences	(8,737)	(17,957)
Unrecognized loss carryforwards	32,486	18,702
Effect of tax rate changes	(14,681)	-
Adjustments for prior years' tax	4,848	18,073
Others	8,226	164
Income tax expense recognized in profit or loss	$ 123,279	$ 175,773

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%.

However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of change in tax rate	$ 3,169	$ -
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	13,169	(3,023)
Unrealized gain on financial assets at FVTOCI	203	-
Remeasurement on defined benefit plans	(2,039)	2,862
	$ 14,502	$ (161)

c. Current income tax assets and liabilities

	December 31	
	2018	**2017**
Current income tax assets		
Tax refund receivables	$ 2,560	$ 778
Current income tax liabilities		
Accrued income tax payable	$ 7,746	$ 74,505

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, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for inventory valuation	$ 1,357	$ 5,628	$ -	$ 4	$ 6,989
Allowance for impaired receivables	13,084	525	-	(133)	13,476
Unrealized foreign exchange losses	3,315	(2,621)	-	-	694
Defined benefit plans	102,444	(54,415)	4,069	-	52,098
Payables for annual leave	3,287	1,029	-	-	4,316
Deferred revenue	456	(74)	-	-	382
Others	1,522	1,341	218	-	3,081
	125,465	(48,587)	4,287	(129)	81,036
Operating loss carryforwards	4,081	18,578	-	62	22,721
	$ 129,546	$ (30,009)	$ 4,287	$ (67)	$ 103,757
Deferred tax liabilities					
Temporary differences					
Exchange differences on translating foreign operations	$ 16,741	$ -	$ (10,215)	$ -	$ 6,526
Differences on depreciation between finance and tax	596	109	-	-	705
Reserve for land revaluation increment tax	143,860	-	-	-	143,860
Others	205	122	-	-	327
	$ 161,402	$ 231	$ (10,215)	$ -	$ 151,418

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

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2018	December 31 2017
Loss carryforwards		
Expiry in 2018	$ -	$ 73,559
Expiry in 2019	299,375	299,375
Expiry in 2020	157,042	157,042
Expiry in 2021	139,745	139,745
Expiry in 2022	62,532	75,873
Expiry in 2023	127,554	-
	$ 786,248	$ 745,594
Deductible temporary differences		
Share of loss of subsidiaries accounted for using the equity method	$ 613,981	$ 672,278
Allowance for inventory valuation	26,186	15,492
Others	2,030	1,228
	$ 642,197	$ 688,998

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	**Expiry Year**
$ 299,375	2019
157,042	2020
139,745	2021
62,532	2022
127,554	2023
113,603	2028
$ 889,851	

g. Income tax assessments

The income tax returns of the Company through 2016 has been assessed by the tax authorities.

h. 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%.

30. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 0.63	$ 1.53
Diluted earnings per share	$ 0.63	$ 1.53

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	
	2018	**2017**
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 207,973	$ 502,079

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2018	**2017**
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	305	189
Weighted average number of ordinary shares used in the computation of diluted earnings per share	327,957	327,841

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.

31. 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.

32. 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 390	$ -	$ 390
Beneficiary securities	253,829	-	-	253,829
Mutual funds	150,000	-	-	150,000
Equity instrument investment				
Foreign unlisted shares	-	-	-	-
	$ 403,829	$ 390	$	$ 404,219
Financial assets at FVTOCI				
Equity instrument investment				
Domestic listed shares	$ 179,808	$ -	$ -	$ 179,808
Domestic unlisted shares	-	-	473	473
Foreign unlisted shares	-	-	2,555	2,555
	$ 179,808	$ -	$ 3,028	$ 182,836

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

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

Financial Assets at FVTOCI - Equity Instruments	For the Year Ended December 31, 2018
Balance at January 1	$ 5,080
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	(975)
Reduction of capital by returning cash	(1,185)
Net exchange differences	108
Balance at December 31	$ 3,028

3) 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.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

To determine the fair value for Level 3 financial instruments, the Group's investment department conducts independent fair value verification using external resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Group utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on December 31, 2018.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTPL		
Held for trading	$ -	$ 306,110
Mandatorily classified as at FVTPL	404,219	-
Loans and receivables (1)	-	3,585,866
Available-for-sale financial assets (2)	-	245,627
Financial assets at amortized cost (3)	3,657,394	-
Financial assets at FVTOCI		
Equity instruments	182,836	-
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	-	624
Financial liabilities measured at amortized cost (4)	4,114,945	3,876,433

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 assets at amortized cost, which includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties and excluding VAT refund receivables) and other non-current assets (pledged deposits).

4) The balance includes financial liabilities 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 other price risk.

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 36 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, 2018 and 2017 would have decreased/increased by $28,571 thousand and $25,845 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	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 42,201	$ 19,051
Financial liabilities	1,871,560	1,030,710
Cash flow interest rate risk		
Financial assets	662,828	589,152
Financial liabilities	1,153,239	1,230,781

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, 2018 and 2017 would have decreased/increased by $2,452 thousand and $3,208 thousand, respectively.

c) Other price risk

The Group was exposed to price risk through its investments in domestic listed shares, foreign and domestic unlisted 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 securities price risks at the end of the reporting period. If securities prices had been 5% higher/lower, the net profit before tax for the year ended December 31, 2018 would have increased/decreased by $20,191 thousand as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income before tax for the year ended December 31, 2018 would have increased/decreased by $9,142 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity analysis focuses on securities price risks at the end of the reporting period. If securities prices had been 5% higher/lower, the net profit before tax for the year ended December 31, 2017 would have increased/decreased by $15,214 thousand as a result of the changes in fair value of held-for-trading investment, and the other comprehensive income before tax for the year ended December 31, 2017 would have increased/decreased by $12,147 thousand, 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, 2018

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 1,101,155	$ 16,035
Floating interest rate liabilities	1.563	153,239	1,000,000
Fixed interest rate liabilities	2.022	1,871,560	-
		$ 3,125,954	$ 1,016,035

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

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2018 and 2017, the unused amounts of bank loan facilities were as follows:

	December 31	
	2018	2017
Bank loan facilities		
Amount unused	$ 4,176,198	$ 4,178,157

33. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2018 and 2017, 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
CGPC Consumer Products Corporation	Subsidiary
CGPC Polymer Corporation	Subsidiary
Taiwan VCM Corporation ("TVCM")	Subsidiary
China General Terminal & Distribution Co. ("CGTD")	Associate
Acme Electronics Corp.	Associate
Asia Polymer Corporation ("APC")	Fellow subsidiary
USI Trading (Shanghai) Co., Ltd.	Fellow subsidiary
USI International Corporation	Fellow subsidiary
Swanson Plastics Corp.	Fellow subsidiary
Swanson Plastics (Kunshan) Co., Ltd.	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
USI Education Foundation ("USIF")	Other related party

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Fellow subsidiary	$ 104,456	$ 42,646
Parent company	17,276	-
Associate	260	-
	$ 121,992	$ 42,646

The Group's credit period of sales of goods to related parties was from 30 days to 90 days after delivering the products. The sales of goods between the Group 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	
	2018	2017
Associate	$ 2,341	$ 2,787
Fellow subsidiary	267	197
	$ 2,608	$ 2,984

The average credit period on purchases of goods from related parties was 30 days after acceptance. The purchases of goods between the Group 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	
	2018	2017
Fellow subsidiary	$ 31,162	$ 4,058
Parent company	1,714	-
	$ 32,876	$ 4,058

The outstanding accounts receivable from related parties were unsecured. For the years ended December 31, 2018 and 2017, 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	
	2018	2017
Associate	$ 325	$ 469
Fellow subsidiary	65	26
	$ 390	$ 495

The outstanding accounts payable from related parties are not overdue and not guaranteed.

f. Other transactions with related parties

1) Rental income (classified as other income, see Notes 17, 18 and 28)

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Associate		
CGTD	$ 23,303	$ 19,100
TVCM	9,647	9,426
	32,950	28,526
Parent company	1,690	1,530
Fellow subsidiary	268	260
	$ 34,908	$ 30,316

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	
	2018	2017
Fellow subsidiary		
APC	$ 8,399	$ 6,265
Others	-	8
	8,399	6,273
Parent company		
USI	5,478	5,325
Associate	88	116
	$ 13,965	$ 11,714

The Group leased land in Linyuan from APC. The rentals were set according to the actual rental area and paid on a monthly basis. The Group leased offices in Neihu from USI. 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	
	2018	2017
Associate		
CGTD	$ 13,258	$ 16,546

The Group appointed CGTD to handle the storage tank operating procedures of styrene monomer and butadiene, such as transportation, storage and loading. The storage tank operating expenses were paid on a monthly basis.

4) Management service revenue (classified as other revenue)

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Parent company		
USI	$ 27	$ -

5) Management service expenses (classified as general and administrative expenses and other gains and losses)

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Fellow subsidiary		
UM	$ 54,816	$ 47,866
Others	120	120
	54,936	47,986
Parent company		
USI	1,117	9,912
	$ 56,053	$ 57,898

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.

6) Donation (classified as administrative expenses)

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Other related party		
USIF	$ 1,000	$ -

7) Other expense (classified as operating costs)

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Associate	$ 2,002	$ 2,730

8) Acquisitions of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Fellow subsidiary	$ 694	$ 437

9) Other receivables from related parties

Related Party Category/Name	December 31	
	2018	2017
Associate	$ 3,473	$ 5,393
Parent company	362	310
Fellow subsidiary	83	100
	$ 3,918	$ 5,803

Other receivables included land and equipment rental receivables and reimbursed expenses.

10) Other payables to related parties

Related Party Category/Name	December 31	
	2018	2017
Associate	$ 4,850	$ 5,355
Parent company	1,579	2,829
Fellow subsidiary	758	404
	$ 7,187	$ 8,588

Other payables included storage tank operating expense payables, management service expense payables and the allocation of service department costs payables.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Salaries and others	$ 20,460	$ 29,479
Post-employment benefits	216	243
	$ 20,676	$ 29,722

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.

34. 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 12, 17, 18, 20 and 21):

	December 31	
	2018	**2017**
Pledged deposits		
Classified as financial assets at amortized cost - current	$ 91,636	$ -
Classified as debt investments with no active market - current	-	89,292
Pledged time deposits		
Classified as financial assets at amortized cost - current	3,000	-
Classified as debt investments with no active market - current	-	3,000
Classified as other assets - non-current	16,201	16,051
Property, plant and equipment, net	501,140	490,322
Investment properties, net	108,178	108,178
Land use rights (classified as prepayments for leases)	23,652	24,899
	$ 743,807	$ 731,742

35. 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, 2018 and 2017, unused letters of credit amounted to approximately $463,979 thousand and $1,383,752 thousand, respectively.

b. Contingencies

Regarding the associate, China General Terminal & Distribution Corporation ("CGTD"), which was commissioned to operate LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014, the first instance of the criminal procedures reached a first instance judgment on May 11, 2018, whereby three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees to appeal against the judgment.

CGTD arrived at an agreement with Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,167 thousand, interest included, to Kaohsiung City Government as collateral for the loss caused by the gas explosion. 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. As of February 28, 2019, the provisionally attached property was worth $141,255 thousand.

As for the victims, CGTD, LCY Chemical Corp. and 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 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 victims, CGTD, LCY Chemical Corp. and 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 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 with the 64 seriously injured victim's families.

As of February 28, 2019, the families of the victims and seriously injured victims had written letters or filed civil (and criminal) procedures against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan for compensation. To minimize the lawsuit costs, CGTD already settled on the original claims of \$23,919 thousand, and the amount of the settlement was \$3,899 thousand. Along with the cases still under litigation and the above-mentioned compensation, the accumulated amount of compensation is \$3,881,291 thousand. Some related civil cases with a total amount of compensation of \$1,177,192 thousand were granted their first instance judgment as of June 22, 2018, and the proportion of fault liability of Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3. The total amount of compensation that LCY Chemical Corp., CGTD and the other defendants should pay is about \$383,831 thousand, among which \$6,194 thousand CGTD was exempted from and among which \$188,818 thousand was estimated to be the portion of compensation that CGTD should afford according to the judgment of the first instance. CGTD has appealed in the civil cases which were announced but were not settled and entered into the second instance. With regard to the above-mentioned compensation, CGTD estimated and recognized an amount of \$136,375 thousand based on its fault liability in the first instance judgment. The actual payment of CGTD depends on the judgment of the civil procedures of the remaining civil cases.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group' 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: In Thousands of Foreign and Functional Currencies

	December 31, 2018				
	Foreign Currency	**Exchange Rate**		**Functional Currency**	**NTD**
Foreign currency assets					
Monetary items					
USD	$ 55,418	30.7150	(USD:NTD)	$ 1,702,157	$ 1,702,157
RMB	7,065	4.4753	(RMB:NTD)	31,616	31,616
USD	828	6.8632	(USD:RMB)	5,683	25,432
HKD	558	3.9210	(HKD:NTD)	2,189	2,189
RMB	285	0.1457	(RMB:USD)	42	1,277
					$ 1,762,671
Non-monetary items					
Derivative instruments					
USD	6,000	30.7150	(USD:NTD)	390	$ 390
Foreign currency liabilities					
Monetary items					
USD	10,584	30.7150	(USD:NTD)	325,102	$ 325,102
USD	14,655	6.8632	(USD:RMB)	100,578	450,120
					$ 775,222

Unit: In Thousands of Foreign and Functional Currencies

	December 31, 2017				
	Foreign Currency	Exchange Rate		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
Non-monetary items					
Derivative instruments					
USD	14,000	29.7600	(USD:NTD)	1,828	$ 1,828

	December 31, 2017				
	Foreign Currency	Exchange Rate		Functional Currency	NTD
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
Non-monetary items					
Derivative instruments					
USD	5,000	29.7600	(USD:NTD)	624	$ 624

The unrealized and realized foreign exchange gains and losses were a gain of $21,625 thousand and a loss of $43,208 thousand for the years ended December 31, 2018 and 2017, 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.

37. 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, 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)

c. Intercompany relationships and significant intercompany transaction (Table 9)

38. 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, 2018

	Styrenic Products	Glasswool Products (Including Cubic Printing Products)	Total
Segment revenue	$ 21,135,560	$ 548,142	$ 21,683,702
Segment income	$ 242,515	$ 35,103	$ 277,618
Other revenue			64,920
Other gains and losses			34,813
Share of profit of associates accounted for using the equity method			9,250
Finance costs			(55,349)
Profit before tax			$ 331,252

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

The above of revenue reported is generated by trading with external customers. There were no inter-departmental transactions in 2018 and 2017.

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	
	2018	2017
Styrenic products	$ 177,101	$ 172,712
Glasswool products (including cubic printing products)	21,914	14,452
	$ 199,015	$ 187,164

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	
	2018	2017
EPS	$ 11,000,761	$ 9,731,355
ABS	6,183,426	6,045,151
GPS	3,917,573	3,463,039
Glasswool products	459,466	444,719
Cubic printing products	88,676	99,839
IPS	33,800	36,939
	$ 21,683,702	$ 19,821,042

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	
	2018	2017	2018	2017
Asia	$ 19,325,187	$ 17,695,129	$ 2,526,716	$ 2,575,084
USA	1,226,229	1,354,480	-	-
Africa	672,667	342,854	-	-
Europe	129,345	121,600	-	-
Others	330,274	306,979	-	-
	$ 21,683,702	$ 19,821,042	$ 2,526,716	$ 2,575,084

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 2018 and 2017.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Notes 4 and 5)	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	$ 895,060 (RMB 200,000 thousand)	$ 447,530 (RMB 100,000 thousand)	$ 268,518 (RMB 60,000 thousand)	5.22	b	$ -	Operating capital	$ -	-	$ -	$ 2,095,315	$ 2,095,315

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, 2018, the Company did not 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, 2018, the audited net worth of Taita Chemical (Zhongshan) Co., Ltd. is RMB 468,194 thousand.

Note 3: The alphabetic indications for the nature of financing 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, 2018.

Note 5: The amount was eliminated upon consolidation and based on audited financial statements.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

(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	$ 5,987,936	$ 1,613,595 (US$ 33,000 thousand) (NT$ 600,000 thousand)	$ 1,613,595 (US$ 33,000 thousand) (NT$ 600,000 thousand)	$ 771,561 (US$ 25,120 thousand)	$ -	40.42	$ 5,987,936	Yes	No	No
		Taita Chemical (Zhongshan) Co., Ltd.	100% voting shares indirectly owned by the Company	5,987,936	243,081 (US$ 5,000 thousand) (RMB 20,000 thousand)	223,765 (RMB 50,000 thousand)	-	-	5.61	5,987,936	Yes	No	Yes
		Taita Chemical (Tianjin) Co., Ltd.	100% voting shares indirectly owned by the Company	5,987,936	460,725 (US$ 15,000 thousand)	460,725 (US$ 15,000 thousand)	153,575 (US$ 5,000 thousand)	-	11.54	5,987,936	Yes	No	Yes

Note 1: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2018.

Note 2: The maximum total endorsement/guarantee shall not exceed 150% 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, 2018.

The maximum total endorsement/guarantee shall not exceed 200% of the equity attributable to owners of the entities. The maximum of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2018.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND AFFILIATED COMPANIES)
DECEMBER 31, 2018
(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, 2018					Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	The Highest Number of Shares in the Year	
Taita Chemical Co., Ltd.	Ordinary shares								
	USI Corporation	Parent company	Financial assets at FVTOCI - non-current	15,109,901	$ 179,808	1.27	$ 179,808	15,109,901	Note 1
	Harbinger Venture Capital Corp.	-	Financial assets at FVTOCI - non-current	51,500	473	0.50	473	170,000	Notes 3 and 5
	Beneficiary securities								
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial assets at FVTPL - current	4,900,000	72,814	-	72,814	4,900,000	Note 1
	Cathay No. 2 Real Estate Investment Trust Fund	-	Financial assets at FVTPL - current	2,500,000	37,575	-	37,575	2,500,000	Note 1
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	Financial assets at FVTPL - current	4,000,000	60,280	-	60,280	4,000,000	Note 1
	Fubon No. 2 Real Estate Investment Trust Fund	-	Financial assets at FVTPL - current	6,600,000	83,160	-	83,160	6,600,000	Note 1
	Mutual funds								
	Yuanta Wan Tat Money Market Fund	-	Financial assets at FVTPL - current	3,305,676	50,000	-	50,000	3,318,467	Note 2
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	3,379,863	50,000	-	50,000	5,425,743	Note 2
	Nomura Money Market Fund		Financial assets at FVTPL - current	3,068,821	50,000	-	50,000	3,070,329	Note 2
Taita (BVI) Holding Co., Ltd.	Shares								
	Teratech Corporation - ordinary shares	-	Financial assets at FVTPL - non-current	112,000	-	0.72	-	112,000	Note 4
	Sohoware Inc. - preference shares	-	Financial assets at FVTPL - non-current	100,000	-	-	-	100,000	Note 4
	Budworth Investment Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	127,980	2,555 (US$ 83 thousand)	2.22	2,555 (US$ 83 thousand)	127,980	Note 3

Note 1: Fair value was based on the closing price of the Taiwan Stock Exchange as of December 31, 2018.

Note 2: Fair value was based on the carrying amount as of December 31, 2018.

Note 3: The Group utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value.

Note 4: As of December 31, 2018, the Group evaluates the fair value of the equity instrument as $0.

Note 5: The investee, Harbinger, announced a reduction of capital by returning cash in April 2018. The Group received $1,185 thousand according to its ownership percentage.

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, 2018

(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.	Mutual funds Yuanta De-Bao Money Market Fund	Financial assets at FVTPL	-	-	-	$ -	27,822,544	$ 333,000	27,822,544	$ 333,038	$ 333,000	$ 38	-	$ -

Note: The original investment amount is shown without adjustments for fair values.

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, 2018
(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	$ (1,603,160) (US$ -53,509 thousand)	(10.73)	30 days	Note 1	Note 1	Accounts receivable from related parties $ -	-	Note 2
	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Sales	(201,301) (US$ -6,662 thousand)	(1.35)	30 days	Note 1	Note 1	Accounts receivable from related parties 122,547 (US$ 3,990 thousand)	7.22	Note 2
	USI Trading (Shanghai) Co., Ltd.	Subsidiary of fellow subsidiary	Sales	(104,456) (US$ -2,433 thousand) (RMB -6,963 thousand)	(0.70)	90 days	Note 1	Note 1	Accounts receivable from related parties 31,162 (RMB 6,963 thousand)	1.83	-

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.

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, 2018
(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 receivables 122,547 (US$ 3,990 thousand) (Note 1)	-	$ -	-	$ -	$ -
			Other receivables 173,988 (US$ 5,665 thousand) (Note 1)	-	-	-	-	-
Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Fellow subsidiary	Other receivables 279,905 (RMB 62,544 thousand) (Note 2)	-	-	-	-	-

Note 1: The total amount of accounts receivable and 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 is not received in the subsequent period means the collection made from January 1, 2019 to March 6, 2019.

Note 4: The amount was eliminated upon consolidation and based on audited financial statements.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2018

(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, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note 1
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 1,896,283 (US$ 61,738 thousand)	$ 1,896,283 (US$ 61,738 thousand)	61,738,000	100.00	$ 1,440,314 (US$ 46,852 thousand)	$ 55,742 (US$ 1,959 thousand)	$ 55,742 (US$ 1,959 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	10,043,760	1.98	165,982	1,276,156	25,293	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	18,667,463	33.33	228,250	(75,720)	(25,240)	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	34,003	56,187	1,369	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	1,452	(10,525)	(1,052)	Investments accounted for using the equity method
Taita (BVI) Holding Co., Ltd.	Acme Electronics (Cayman) Corp.	Cayman Islands	Reinvestment	52,217 (US$ 1,700 thousand)	52,217 (US$ 1,700 thousand)	2,695,619	5.39	69,303 (US$ 2,256 thousand)	164,621 (US$ 5,626 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.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2018

(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, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 5)	Carrying Amount as of December 31, 2018 (Note 5)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Taita Chemical (Zhongshan) Co., Ltd. (“TTC (ZS)”)	Production and marketing of polystyrene derivatives	$ 1,420,569 (US$ 46,250 thousand) (Note 1)	Investment through a holding company registered in a third region	$ 1,320,745 (US$ 43,000 thousand)	$ -	$ -	$ 1,320,745 (US$ 43,000 thousand)	$ 216,260 (US$ 7,219 thousand)	100.00	$ 216,260 (US$ 7,219 thousand) (Note 6)	$ 2,095,315 (US$ 68,218 thousand) (Note 6)	$ -
Taita Chemical (Tianjin) Co., Ltd. (“TTC (TJ)”)	Production and marketing of polystyrene derivatives	840,055 (US$ 27,350 thousand) (Note 2)	Investment through a holding company registered in a third region	798,590 (US$ 26,000 thousand)	-	-	798,590 (US$ 26,000 thousand)	(144,178) (US$ -4,729 thousand)	100.00	(144,189) (US$ -4,729 thousand) (Note 6)	42,749 (US$ 1,392 thousand) (Note 6)	-
ACME Electronics (Kunshan) Co., Ltd. (“ACME (KS)”)	Manufacturing and marketing of manganese-zinc soft ferrite core	943,718 (US$ 30,725 thousand)	Investment through a holding company registered in a third region	41,589 (US$ 1,354 thousand)	-	-	41,589 (US$ 1,354 thousand)	150,562 (US$ 5,163 thousand)	5.39	8,115 (US$ 278 thousand)	45,621 (US$ 1,485 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 2,160,924 (US$ 70,354 thousand)	$ 2,328,729 (US$ 75,817 thousand) (Note 3)	$ 2,395,174 (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 as of December 31, 2018.

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.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 287	-	-
		Taita Chemical (Zhongshan) Co., Ltd.	The Company to subsidiary	Operating revenue	1,603,160	-	7.39
		Taita Chemical (Tianjin) Co., Ltd.	The Company to subsidiary	Accounts receivables from related parties	122,547	-	1.40
				Other receivables from related parties	173,988	-	1.99
				Operating revenue	201,301	-	0.93
						-	
1	Taita (BVI) Holding Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	The Company to subsidiary	Other payables from related parties	4,607	-	0.05
2	Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary to subsidiary	Other receivables to related parties	279,905	-	3.21
				Accounts payable to related parties	1,978	-	0.02
				Operating cost	7,235	-	0.03
				Interest income	13,236	-	0.06
				Rental income	219	-	-

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, 2018, while revenue, costs and expenses are shown as a percentage of the consolidated revenues for the year ended December 31, 2018.

Note 3: The amount was eliminated upon consolidation and based on audited financial statements.

V. The Most Recent Year's Standalone Financial Statements Audited and Attested by CPAs

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, 2018 and 2017, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, 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, 2018. 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, 2018 are stated as follows:

Occurrence of Revenue Recognition - Sales Revenue from Specific Customer

For the year ended December 31, 2018, the Company's sales revenue was NT$14,943,406 thousand, which was approximately 14% higher than the sales revenue for the year ended December 31, 2017, which was NT$13,132,796 thousand. The Company's sales revenue growth is affected by market demand and rising prices in the international crude oil market. The increase in sales revenue was primarily concentrated on specific customers. The sales revenue of these customers for the year ended December 31, 2018 was NT$4,433,671 thousand, accounting for approximately 30% of the total sales revenue. The Company recognized sales revenue from these customers when performance obligations of the contract are satisfied, which can have significant influence on the financial statements. Thus, we identified sales revenue as one of the key audit matters.

For accounting policies and judgments related to revenue recognition, refer to Notes 4 and 25 to the financial statements.

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

1. We understood and tested the design and operating effectiveness of revenue recognition and evaluated the appropriateness of accounting policies on revenue recognition used by the Company's management.

2. We sampled the transaction documents of sales revenue from these specific customers, including purchase orders, shipping documents, export documents, and cash collection documents, to confirm the authenticity of revenue recognition.

3. We sampled sales returns and allowances and cash collections subsequent to the balance sheet date to verify whether they were normal or abnormal.

Estimation of Inventory Write-downs

As of December 31, 2018, the carrying amount of inventory was NT$659,525 thousand (i.e. the gross amount of inventory was NT$684,745 thousands with a deduction of NT$25,220 thousands for inventory valuation allowance) and was accounted for 9% of the total assets.

Inventories of the Company are stated on the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of styrene monomer. With volatile oil prices worldwide, such valuation of inventory requires significant judgment from management. Thus, we identified inventory write-downs as one of the key audit matters.

For accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Notes 4, 5 and 14 to the financial statements.

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

1. We understood and evaluated the reasonableness of the Company's policy and methods of the allowance for losses on inventory.

2. We obtained the evaluation documents of the allowance for losses on inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify the basis and appropriateness of the evaluation.

3. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for losses on inventory.

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 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, 2018 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 Hsiu-Chun Huang and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2019

Notice to Readers

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 financial statements shall prevail.

TAITA CHEMICAL CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 83,628	1	$ 72,610	1
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	404,219	6	306,110	4
Financial assets at amortized cost - current (Notes 3, 4, 9 and 32)	3,000	-	-	-
Debt investments with no active market - current (Notes 3, 4, 12 and 32)	-	-	3,000	-
Notes receivable (Notes 3, 4 and 13)	53,235	1	37,929	-
Accounts receivable (Notes 3, 4 and 13)	1,489,787	20	1,472,047	20
Accounts receivable from related parties (Notes 3, 4, 13 and 31)	155,423	2	62,872	1
Other receivables (Notes 3, 4 and 13)	100,376	1	62,542	1
Other receivables from related parties (Notes 3, 4, 13 and 31)	176,832	2	165,599	2
Current tax assets (Note 27)	2,560	-	778	-
Inventories (Notes 5 and 14)	659,525	9	899,437	12
Prepayments	57,943	1	81,713	1
Other current assets	315	-	896	-
Total current assets	3,186,843	43	3,165,533	42
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	180,281	3	-	-
Available-for-sale financial assets - non-current (Notes 3, 4 and 10)	-	-	242,944	3
Financial assets measured at cost - non-current (Notes 3, 4 and 11)	-	-	1,700	-
Investments accounted for using the equity method (Notes 5 and 15)	1,870,001	25	1,910,046	25
Property, plant and equipment (Notes 16, 19, 31 and 32)	1,934,916	26	1,947,650	26
Investment properties (Notes 17, 19 and 32)	108,178	2	108,178	2
Other intangible assets (Note 18)	9,668	-	11,068	-
Deferred tax assets (Note 27)	95,492	1	118,601	2
Other non-current assets (Note 32)	23,580	-	23,176	-
Total non-current assets	4,222,116	57	4,363,363	58
TOTAL	$ 7,408,959	100	$ 7,528,896	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16, 17 and 19)	$ 1,080,000	15	$ 120,000	2
Short-term bills payable (Note 19)	20,000	-	189,923	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	624	-
Accounts payable (Note 20)	632,911	9	1,238,591	16
Accounts payable from related parties (Notes 20 and 31)	390	-	495	-
Other payables (Note 21)	228,144	3	247,530	3
Other payables from related parties (Note 31)	6,978	-	8,385	-
Current tax liabilities (Note 27)	1,181	-	37,888	1
Provisions - current (Note 22)	-	-	1,179	-
Refund liabilities- current (Note 22)	806	-	-	-
Other current liabilities	31,919	-	11,502	-
Total current liabilities	2,002,329	27	1,856,117	25
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16, 17, 19 and 32)	1,000,000	13	1,000,000	13
Deferred tax liabilities (Note 27)	151,418	2	161,402	2
Net defined benefit liabilities - non-current (Note 23)	262,226	4	604,347	8
Other non-current liabilities	1,029	-	1,480	-
Total non-current liabilities	1,414,673	19	1,767,229	23
Total liabilities	3,417,002	46	3,623,346	48
EQUITY (Note 24)				
Share capital	3,276,518	44	3,276,518	43
Capital surplus	779	-	469	-
Retained earnings				
Legal reserve	21,220	-	-	-
Special reserve	308,061	4	308,061	4
Unappropriated earnings	402,112	6	197,920	3
Total retained earnings	731,393	10	505,981	7
Other equity	(16,733)	-	122,582	2
Total equity	3,991,957	54	3,905,550	52
TOTAL	$ 7,408,959	100	$ 7,528,896	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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 22, 25 and 31)	$ 14,943,406	100	$ 13,132,796	100
OPERATING COSTS (Notes 14, 23, 26 and 31)	14,252,749	95	12,055,131	92
GROSS PROFIT	690,657	5	1,077,665	8
UNREALIZED LOSS (GAIN) ON TRANSACTIONS WITH SUBSIDIARIES	1,852	-	(606)	-
OPERATING EXPENSES (Notes 13, 23, 26 and 31)				
Selling and marketing expenses	454,722	3	443,763	4
General and administrative expenses	126,781	1	134,397	1
Research and development expenses	23,077	-	21,291	-
Total operating expenses	604,580	4	599,451	5
PROFIT FROM OPERATIONS	87,929	1	477,608	3
NON-OPERATING INCOME AND EXPENSES (Notes 7, 10, 15, 17, 26 and 31)				
Other income	59,031	-	51,276	1
Other gains and losses	77,890	1	(91,966)	(1)
Share of profit of subsidiaries and associates	56,112	-	162,782	1
Finance costs	(27,567)	-	(25,151)	-
Total non-operating income and expenses	165,466	1	96,941	1
PROFIT BEFORE INCOME TAX	253,395	2	574,549	4
INCOME TAX EXPENSE (Note 27)	(45,422)	-	(72,470)	-
NET PROFIT FOR THE YEAR	207,973	2	502,079	4
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 15, 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	10,196	-	(16,836)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(63,510)	(1)	-	-

(Continued)

TAITA CHEMICAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method - unrealized loss on investments in equity instruments at fair value through other comprehensive income	$ (19,748)	-	$ -	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method - remeasurement of defined benefit plans	619	-	(306)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	4,287	-	2,862	-
	(68,156)	(1)	(14,280)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statement of foreign operations	(65,846)	-	17,783	-
Unrealized gain on available-for-sale financial assets	-	-	12,684	-
Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating the financial statement of foreign operations	(486)	-	(849)	-
Share of the other comprehensive income of associates accounted for using the equity method - unrealized gain on available-for-sale financial assets	-	-	12,038	-
Income tax relating to items that may be reclassified subsequently to profit or loss	10,215	-	(3,023)	-
	(56,117)	-	38,633	-
Other comprehensive (loss) income for the year, net of income tax	(124,273)	(1)	24,353	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 83,700	1	$ 526,432	4
EARNINGS PER SHARE (Note 28)				
Basic	$ 0.63		$ 1.53	
Diluted	$ 0.63		$ 1.53	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital - Ordinary (Note 24)		Capital Surplus (Note 24)			Retained Earnings (Notes 23 and 24)				Other Equity (Note 24)				
	Shares (In Thousands)	Amount	Long-term Equity Investment	Unpaid Dividends	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE AT JANUARY 1, 2017	327,652	$ 3,276,518	$ 469	$ -	$ 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 for the year ended December 31, 2017	-	-	-	-	-	-	-	487,799	487,799	13,911	24,722	-	38,633	526,432
BALANCE AT DECEMBER 31, 2017	327,652	3,276,518	469	-	469	-	308,061	197,920	505,981	(78,384)	200,966	-	122,582	3,905,550
Effect of retrospective application	-	-	-	-	-	-	-	2,555	2,555	-	(200,966)	200,808	(158)	2,397
BALANCE AT JANUARY 1, 2018 AS RESTATED	327,652	3,276,518	469	-	469	-	308,061	200,475	508,536	(78,384)	-	200,808	122,424	3,907,947
Appropriation of 2017 earnings Legal reserve	-	-	-	-	-	21,220	-	(21,220)	-	-	-	-	-	-
Changes in capital surplus	-	-	14	296	310	-	-	-	-	-	-	-	-	310
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	207,973	207,973	-	-	-	-	207,973
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	14,884	14,884	(56,117)	-	(83,040)	(139,157)	(124,273)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	222,857	222,857	(56,117)	-	(83,040)	(139,157)	83,700
BALANCE AT DECEMBER 31, 2018	327,652	$ 3,276,518	$ 483	$ 296	$ 779	$ 21,220	$ 308,061	$ 402,112	$ 731,393	$ (134,501)	$ -	$ 117,768	$ (16,733)	$ 3,991,957

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 253,395	$ 574,549
Adjustments for:		
Depreciation expenses	148,845	134,935
Amortization expenses	3,167	5,091
Expected credit loss	547	-
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(22,937)	28,343
Finance costs	27,567	25,151
Interest income	(8,672)	(7,449)
Dividend income	(4,444)	(7,262)
Share of profit of subsidiaries and associates	(56,112)	(162,782)
Loss on disposal of property, plant and equipment	368	100
Gain on disposal of investments	-	(3,311)
Write-down of inventories	17,679	-
Unrealized (loss) gain on the transactions with subsidiaries	(1,852)	606
Recognition of refund liabilities	10,493	-
Recognition of provisions	-	9,490
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(75,796)	(10,593)
Notes receivable	(15,306)	9,529
Accounts receivable	(29,153)	(520,120)
Accounts receivable from related parties	(92,551)	(49,242)
Other receivables	(37,832)	(3,662)
Other receivables from related parties	(11,233)	11,982
Inventories	222,233	115,525
Prepayments	23,770	(24,011)
Other current assets	581	477
Accounts payable	(605,680)	245,854
Accounts payable from related parties	(105)	6
Other payables	(20,836)	61,710
Other payables from related parties	(1,407)	974
Other current liabilities	20,417	3,028
Net defined benefit liabilities	(331,925)	(79,783)
Cash (used in) generated from operations	(586,779)	359,135
Interest received	8,670	7,625
Interest paid	(27,039)	(25,594)
Income tax (paid) received	(56,284)	327
Net cash (used in) generated from operating activities	(661,432)	341,493
CASH FLOWS FROM INVESTING ACTIVITIES		
Reduction of capital by returning cash of financial assets at fair value through other comprehensive income	1,185	-
Proceeds from disposal of available-for-sale financial assets	-	6,737

(Continued)

TAITA CHEMICAL CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Decrease in debt investments with no active market	$ -	$ 5,000
Payments for property, plant and equipment	(135,185)	(137,319)
Proceeds from disposal of property, plant and equipment	-	194
Increase in refundable deposits	(403)	(948)
Payments for intangible assets	(1,767)	-
Dividends received	19,071	23,356
Net cash used in investing activities	(117,099)	(102,980)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	960,000	(180,000)
Decrease in short-term bills payable	(170,000)	(160,000)
Proceeds from long-term borrowings	3,400,000	8,100,000
Repayments of long-term borrowings	(3,400,000)	(8,100,000)
Decrease in other non-current liabilities	(451)	(951)
Net cash generated from (used in) financing activities	789,549	(340,951)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,018	(102,438)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	72,610	175,048
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 83,628	$ 72,610

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

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, 2018 and 2017. 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 6, 2019.

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

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

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 72,610	$ 72,610	1)
Derivatives	Held for trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	1,828	1,828	
Beneficiary securities and mutual fund	Held for trading	Mandatorily at FVTPL	304,282	304,282	
Equity securities	Available for sale (including measure at cost)	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	244,644	244,976	2)
Notes receivable, accounts receivable (including related parties) and other receivables (including related parties)	Loans and receivables	Amortized cost	1,739,044	1,739,044	1)
Pledged financial assets	Loans and receivables	Amortized cost	3,000	3,000	3)
Refundable deposits	Loans and receivables	Amortized cost	16,051	16,051	1)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassific-ations	Remeasur-ements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	242,944	-	242,944	-	-	2)
Add: Reclassification from measure at cost (IAS 39)	-	1,700	322	2,032	-	332	2)
	-	244,644	332	244,976	-	332	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from loans and receivables (IAS 39)	-	1,830,705	-	1,830,705	-	-	1) and 3)
	-	1,830,705	-	1,830,705	-	-	
	$ -	$ 2,075,349	$ 332	$ 2,075,681	$ -	$ 332	

	IAS 39 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Investments accounted for using the equity method	$ 1,910,046	$ 2,065	$ 1,912,111	$ 2,555	$ (490)	3)

1) Cash, cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), and refundable deposits previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $200,966 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been classified at designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $332 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

3) Pledged financial assets previously classified as debt investments with no active market and measured at amortized cost under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

4) As a result of the retrospective application of IFRS 9 by subsidiaries, there was an increase in investments accounted for using the equity method of $3,048 thousand, a decrease in other equity - unrealized gain (loss) on financial assets at FVTOCI of $490 thousand and an increase in retained earnings of $2,555 thousand on January 1, 2018.

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

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Company as lessee

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

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amounts as if IFRS 16 had been applied since the commencement date but discounted using the aforementioned incremental borrowing rate. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 55,433	$ 55,433
Total effect on assets	$ -	$ 55,433	$ 55,433
Lease liabilities - current	$ -	$ 4,416	$ 4,416
Lease liabilities - non-current	-	51,915	51,915
Total effect on liabilities	$ -	$ 56,331	$ 56,331

(Continued)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Retained earnings	$ 402,112	$ (898)	$ 401,214
Total effect on equity	$ 402,112	$ (898)	$ 401,214

(Concluded)

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 Company’s 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's 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 a Company entity 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 measured at cost less accumulated depreciation and accumulated impairment loss.

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

1) Financial assets

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

a) Measurement categories

<u>2018</u>

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, pledged financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits and reverse repurchase agreements collateralized by bonds 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.

iii. Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL 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 incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 30.

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, or financial assets at FVTPL.

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 of such financial assets is recognized in other comprehensive income. 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 investment with no active market and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits and reverse repurchase agreements collateralized by bonds 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

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

<u>2017</u>

Financial assets, other than those at FVTPL, 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, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as notes receivable, accounts receivable, and other receivables, 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 with 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 a financial assets 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 its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset 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 on which 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 gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income.

For a financial asset 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 its 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.

Before 2017, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except financial liabilities 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 30.

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 on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. 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

<u>2018</u>

The Company identifies contracts with customers, allocates transaction price to performance obligations and recognizes revenue when performance obligations are satisfied.

<u>Revenue from the sale of goods</u>

Revenue from the sale of goods comes from sales of PS, ABS, SAN, glasswool products, plastic raw materials and the related processed products. The sale of goods above is recognized as revenue when goods are delivered to a customer because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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 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 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, estimations 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. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. 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.

c. Income taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Associate's estimated damage compensation for Kaohsiung gas explosions

The associate, China General Terminal & Distribution Corporation ("CGTD"), should recognize a provision for civil damaged compensation caused by the Kaohsiung gas explosion. Management considers the progress of the relevant civil/criminal proceedings and settlements, and estimates the amount of the provision according to legal advice. However, the actual result probably differ from the current estimation.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand and petty cash	$ 709	$ 669
Checking accounts and demand deposits	57,919	71,941
Cash equivalents		
Reverse repurchase agreements collateralized by bonds	25,000	-
	$ 83,628	$ 72,610

The market rate or interval of market rates of cash equivalents at the end of the reporting period were as follows:

	December 31	
	2018	2017
Reverse repurchase agreements collateralized by bonds	0.53%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2018	2017
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
Mutual funds	-	73,000
	-	304,282
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	390	-
Non-derivative financial assets		
Beneficiary securities	253,829	-
Mutual funds	150,000	-
	403,829	-
	$ 404,219	$ 306,110
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 624

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, 2018			
Sell	USD/NTD	2019.01.15-2019.03.14	USD 6,000/NTD184,171
December 31, 2017			
Sell	USD/NTD	2018.01.03-2018-04.03	USD19,000/NTD566,338

The Company 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 Company did not apply hedge accounting treatments for these derivative contracts.

The net gain and loss arising from financial assets at FVTPL for the years ended December 31, 2018 and 2017 was $40,536 thousand and $12,939 thousand, respectively. The net loss arising from financial liabilities at FVTPL for the years ended December 31, 2018 and 2017 was $8,442 thousand and $1,505 thousand, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT - 2018

	December 31, 2018
Investments in equity instruments at FVTOCI	
Domestic investments	
Listed shares	
Ordinary shares - USI Corporation	$ 179,808
Unlisted shares	
Ordinary shares - Harbinger Venture Capital Corp. ("HARBINGER") (a)	473
	$ 180,281

a. The investee, HARBINGER, announced a reduction of capital by returning cash in April 2018. The Company received $1,185 thousand according to its ownership percentage.

b. These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 10 and 11 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT - 2018

	December 31, 2018
Pledged time deposits	$ 3,000

The interest rate for the pledged time deposits was from 0.62% to 0.94% as at the end of the reporting period. The pledged time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.

Refer to Note 32 for information related to the pledged financial assets at amortized cost.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT - 2017

	December 31, 2017
Domestic investments	
Listed shares	
USI Corporation	$ 242,944
Wafer Works Corporation ("WAFER")	-
	$ 242,944

The Company sold 243 thousand shares of WAFER in 2017, and the gain on the disposal of investments was $3,311 thousand.

11. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic unlisted ordinary shares	
HARBINGER	$ 1,700
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 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.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT - 2017

	December 31, 2017
Pledged time deposits	$ 3,000

As of December 31, 2017, the range of market interest rates on the pledged time deposits was 0.62%-0.94% per annum.

Refer to Note 32 for information related to the pledged debt investments with no active market.

13. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable (a)		
Notes receivable - operating	$ 53,235	$ 37,929
Accounts receivable (a)		
Amortized cost		
Gross carrying amount	$ 1,543,084	$ 1,525,337
Less: Allowance for impairment loss	(53,297)	(53,290)
	$ 1,489,787	$ 1,472,047
Accounts receivable from related parties (a) (Note 31)	$ 155,423	$ 62,872
Other receivables (b)		
VAT refund receivables	$ 100,257	$ 61,945
Others	119	597
	$ 100,376	$ 62,542
Other receivables from related parties (Note 31)	$ 176,832	$ 165,599

a. Notes receivable and accounts receivable

In 2018

In the average credit period of sales of goods is between 30 and 60 days. No interest is charged on receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For part of the accounts receivable, the Company entered into a credit insurance contract or obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. 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. In this regard, the management believes the Company is credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Company's allowance matrix.

December 31, 2018

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	$ -	$ 259,391	$ 105,473	$ 1,386,878	$ 1,751,742
Loss allowance (Lifetime ECL)	-	-	(547)	(52,750)	(53,297)
Amortized cost	$ -	$ 259,391	$ 104,926	$ 1,334,128	$ 1,698,445

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

	2018
Balance at January 1, 2018 per IAS 39	$ 53,290
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	53,290
Add: Net remeasurement of loss allowance	547
Less: Amounts written off	(540)
Balance at December 31, 2018	$ 53,297

The aging of receivables (including related parties) was as follows:

	December 31, 2018
Not past due	$ 1,687,704
Past due within 60 days	11,270
Past due over 60 days	52,768
	$ 1,751,742

The above aging schedule was based on the number of days past due from the end of the credit term.

In 2017

The Company applied the same credit policy in 2018 and 2017. 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
Not past due	$ 1,515,072
Past due within 60 days	57,723
Past due over 60 days	53,343
	$ 1,626,138

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
Past due within 60 days	$ 57,723
Past due over 60 days	53
	$ 57,776

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 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 did not hold any collateral for these receivables.

As of December 31, 2018 and 2017, 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.

b. Other receivables

As of December 31, 2018, the Company assessed the impairment loss of other receivables using expected credit losses. There were no other receivables which were past due and for which there was an unrecognized allowance for the respective doubtful accounts as of December 31, 2017.

14. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 305,427	$ 399,725
Work in progress	92,470	124,099
Raw materials	242,786	353,517
Production supplies	18,842	22,096
	$ 659,525	$ 899,437

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017, was $14,252,749 thousand and $12,055,131 thousand, respectively.

The cost of goods sold included inventory write-downs and the reversals of previous write-downs, which resulted from inventory closeout for the year ended December 31, 2018 and 2017, were $17,679 thousand and $7,994 thousand, respectively.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries (a)	$ 1,440,314	$ 1,447,102
Investments in associates (b)	429,687	462,944
	$ 1,870,001	$ 1,910,046

a. Investments in subsidiaries

	December 31	
	2018	2017
Non-listed company		
Taita (BVI) Holding Co., Ltd. ("TTC (BVI)")	$ 1,440,314	$ 1,447,102

			Proportion of Ownership	
			December 31	
Investor	Investee	Nature of Activities	2018	2017
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, 2018 and 2017 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates

	December 31	
	2018	2017
Investments in associates that are not individually material		
Listed company		
China General Plastics Corporation ("CGPC")	$ 165,982	$ 154,719
Acme Electronics Corp. ("ACME")	34,003	33,212
Unlisted shares		
China General Terminal & Distribution Co. ("CGTD")	228,250	272,509
Thintec Materials Corporation ("TMC")	1,452	2,504
	$ 429,687	$ 462,944

Aggregate information of associates that are not individually material as follows:

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Profit from continuing operations	$ 370	$ 40,346
Other comprehensive (loss) income	(19,014)	10,883
Total comprehensive (loss) income for the year	$ (18,644)	$ 51,229

The proportion of the Company's ownership and voting right of the associates were as follows:

	December 31	
Name of Associate	**2018**	**2017**
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, principal places of business and countries of incorporation 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	**2018**	**2017**
CGPC	$ 220,963	$ 315,940
ACME	$ 59,119	$ 81,788

The investments were 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, 2018 and 2017 were based on the associates' financial statements which have been audited for the same years.

16. 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, 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
Cost							
Balance at January 1, 2018	$ 634,432	$ 859,662	$ 3,652,485	$ 25,764	$ 307,819	$ 133,613	$ 5,613,775
Additions	-	-	-	-	-	136,479	136,479
Disposals	-	(625)	(155,225)	(2,226)	(12,444)	-	(170,520)
Internal transfers	-	2,261	216,132	2,013	5,263	(225,669)	-
Balance at December 31, 2018	$ 634,432	$ 861,298	$ 3,713,392	$ 25,551	$ 300,638	$ 44,423	$ 5,579,734
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 569,970	$ 2,789,417	$ 25,055	$ 281,683	$ -	$ 3,666,125
Disposals	-	(625)	(154,857)	(2,226)	(12,444)	-	(170,152)
Depreciation expenses	-	23,474	115,137	950	9,284	-	148,845
Balance at December 31, 2018	$ -	$ 592,819	$ 2,749,697	$ 23,779	$ 278,523	$ -	$ 3,644,818
Carrying amounts at December 31, 2018	$ 634,432	$ 268,479	$ 963,695	$ 1,772	$ 22,115	$ 44,423	$ 1,934,916

The above items of property, plant and equipment are 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 19 and 32.

17. INVESTMENT PROPERTIES

	December 31	
	2018	**2017**
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 $1,628 thousand per month, which is based on the actual usable area. Refer to Notes 26 and 31.

Part of above investment properties pledged as collateral for bank borrowing are set out in Notes 19 and 32.

18. INTANGIBLE ASSETS

	December 31	
	2018	**2017**
Carrying amount by function		
Information systems	$ 1,266	$ 1,066
Design expenses for factories	8,402	10,002
	$ 9,668	$ 11,068

Intangible assets are amortized on a straight-line over their estimated useful lives as follows:

Information systems	3 to 5 years
Design expenses for factories	10 years

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Unsecured borrowings		
Line of credit borrowings	$ 1,080,000	$ 120,000

The interest rate and range of interest rates on line of credit borrowings was 0.90%-0.98% and 0.85% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	December 31 2018	December 31 2017
Commercial paper	$ 20,000	$ 190,000
Less: Unamortized discount on bills payable	-	(77)
	$ 20,000	$ 189,923

Outstanding short-term bills payables were as follows:

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
Taiwan Finance Corporation	$ 20,000	$ -	$ 20,000	0.70%

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	

c. Long-term borrowings

	December 31 2018	December 31 2017
Secured borrowings	$ 900,000	$ 900,000
Unsecured borrowings	100,000	100,000
	$ 1,000,000	$ 1,000,000

The range of weighted average effective interest rates on long-term borrowings were as following:

	December 31 2018	December 31 2017
Secured borrowings	1.10%-1.15%	1.10%
Unsecured borrowings	1.15%	1.20%

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 16, 17 and 32). As of December 31, 2018, the Company 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, 2018, the Company has borrowed $100,000 thousand.

The Company entered into 3-year a long-term financing contract in September 2016 with KGI Bank. The contract was extended to September 2019 in 2017 with a credit limit of $300,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, the Company has not borrowed.

20. ACCOUNTS PAYABLE

	December 31	
	2018	**2017**
Accounts payable (including related parties)		
Operating (Note 31)	$ 633,301	$ 1,239,086

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.

21. OTHER PAYABLES

	December 31	
	2018	**2017**
Payables for salaries or bonuses	$ 98,453	$ 122,084
Payables for transportation fees	47,225	45,191
Payables for utilities	25,677	24,084
Payables for purchases of equipment	18,169	16,875
Payables for professional service expenses	8,896	6,843
Payables for insurance	8,885	9,593
Payables for taxes	1,798	1,702
Others	19,041	21,158
	$ 228,144	$ 247,530

22. PROVISIONS - CURRENT

	December 31	
	2018	**2017**
Customer returns and rebates	$ -	$ 1,179

Customer returns and rebates are as follows:

	For the Year Ended December 31, 2017
Balance at January 1	$ 1,102
Additional provisions recognized	9,490
Usage	(9,413)
Balance at December 31	$ 1,179

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 for the year ended December 31, 2017. The provision is recognized as a reduction of operating income in the periods in which the related goods are sold.

Starting from January 1, 2018, the Company recognized estimated sales returns and rebates as refund liabilities, which accounted to $806 thousand under IFRS 15.

Refund liability are as follows:

	For the Year Ended December 31, 2018
Balance at January 1	$ 1,179
Additional refund liabilities recognized	10,493
Usage	(10,866)
Balance at December 31	$ 806

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.

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	
	2018	2017
Present value of defined benefit obligation	$ 686,667	$ 722,583
Fair value of plan assets	(424,441)	(118,236)
Net defined benefit liabilities	$ 262,226	$ 604,347

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, 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
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
Balance at January 1, 2018	$ 722,583	$ (118,236)	$ 604,347
Service cost			
Current service cost	6,369	-	6,369
Net interest expense (income)	7,103	(1,191)	5,912
Recognized in profit or loss	13,472	(1,191)	12,281
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,388)	(4,388)
Actuarial (gain) loss			
Changes in demographic assumptions	282	-	282
Changes in financial assumptions	6,398	-	6,398
Experience adjustments	(12,488)	-	(12,488)
Recognized in other comprehensive income	(5,808)	(4,388)	(10,196)
Contributions from the employer	-	(342,035)	(342,035)
Benefits paid	(43,580)	41,409	(2,171)
Balance at December 31, 2018	$ 686,667	$ (424,441)	$ 262,226

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	
	2018	2017
Operating costs	$ 9,768	$ 10,937
Selling and marketing expenses	1,293	1,419
General and administrative expenses	819	1,012
Research and development expenses	401	428
	$ 12,281	$ 13,796

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	
	2018	2017
Discount rate	0.875%	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	
	2018	2017
Discount rate		
0.25% increase	$ (12,702)	$ (14,084)
0.25% decrease	$ 13,091	$ 14,526
Expected rate of salary increase		
0.25% increase	$ 12,686	$ 14,093
0.25% decrease	$ (12,374)	$ (13,737)

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 $26,000 thousand and $342,121 thousand to the defined benefit plans in the next year starting from December 31, 2018 and 2017, respectively. The weighted average duration of the defined benefit obligation are 7.6 and 8.1 years, respectively.

24. EQUITY

a. Share capital

	December 31	
	2018	**2017**
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 unpaid dividends due to overdue may be used to offset a deficit only. 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

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 26-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 in 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 resolved to offset accumulated deficits of previous years with net profit in the amount of $120,877 thousand for the year ended December 31, 2016.

The appropriation of earnings for 2017 was approved in the shareholders' meeting on June 22, 2018. After evaluating the Company's business conditions and operating needs, the decision to offset accumulated deficits of $289,879 thousand with net profit in the amount of $502,079 thousand was excluded and a legal reserve in the amount of $21,220 thousand was appropriated; in accordance with the laws and regulations, no cash dividends or share dividends were distributed.

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 6, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 20,797	$ -
Cash dividends	65,530	0.2
Share dividends	65,530	0.2

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 24, 2019.

d. Special reserve

The Company reserved a special reserve on the first-time adoption of IFRSs as follows:

	December 31	
	2018	**2017**
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, 2018, 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	
	2018	**2017**
Balance at January 1	$ (78,384)	$ (92,295)
Effect of change in tax rate	(2,954)	-
Recognized for the year		
Exchange differences on translating the financial statement of foreign operations	(65,846)	17,783
Share from associates accounted for using the equity method	(486)	(849)
Related income tax	13,169	(3,023)
Balance at December 31	$ (134,501)	$ (78,384)

For the purpose of presenting the 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 (loss) on available-for-sale financial assets

Balance at January 1, 2017	$ 176,244
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	13,699
Share from associates accounted for using the equity method	12,038
Reclassification adjustment	
Disposal of available-for-sale financial assets	(1,015)
Balance at December 31, 2017	$ 200,966
Adjustment on initial application of IFRS 9	(200,966)
Balance at January 1, 2018 per IFRS 9	$ -

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.

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	200,808
Balance at January 1 per IFRS 9	200,808
Effect of change in tax rate	15
Recognized for the year	
Unrealized gain (loss) - equity instruments	(63,510)
Share from subsidiaries and associates accounted for using the equity method	(19,748)
Related income tax	203
Balance at December 31	$ 117,768

25. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 14,943,406	$ 13,132,796

Refer to Note 4 for description related to contracts with customers.

26. NET PROFIT

Net profit includes the following:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 1,212	$ 211
Financial assets at FVTPL (Note 7)	7,241	7,180
Others	219	58
	8,672	7,449
Dividend income	4,444	7,262
Rental income (Notes 17 and 31)	34,640	30,056
Compensation income	3,409	3,204
Others	7,866	3,305
	$ 59,031	$ 51,276

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment (Note 16)	$ (368)	$ (100)
Gain on disposal of available-for-sale financial assets (Note 10)	-	3,311
Net foreign exchange gain (losses)	63,951	(64,269)
Gain (loss) on financial assets at FVTPL (Note 7)	33,295	(20,119)
Net loss on financial liabilities at FVTPL (Note 7)	(8,442)	(1,505)
Expenses from rental assets	(7,360)	(6,928)
Others	(3,186)	(2,356)
	$ 77,890	$ (91,966)

c. Net foreign exchange gains and losses

	For the Year Ended December 31	
	2018	2017
Gross foreign exchange gains	$ 154,813	$ 59,091
Gross foreign exchange losses	(90,862)	(123,360)
Net gain (loss)	$ 63,951	$ (64,269)

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 27,893	$ 25,979
Less: Capitalized interest (included in construction in progress)	(326)	(828)
	$ 27,567	$ 25,151

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 326	$ 828
Capitalization rate	1.105%-1.120%	0.986%-1.200%

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment (Note 16)	$ 148,845	$ 134,935
Intangible assets (Note 18)	3,167	5,091
	$ 152,012	$ 140,026
An analysis of depreciation by function		
Operating costs	$ 143,598	$ 130,390
Operating expenses	1,082	868
Non-operating income and expenses	4,165	3,677
	$ 148,845	$ 134,935
An analysis of amortization by function		
Operating costs	$ 1,600	$ 1,600
General and administrative expenses	1,567	3,491
	$ 3,167	$ 5,091

f. Employee benefits expense (Schedule 16)

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (Note 23)		
Defined contribution plans	$ 12,846	$ 12,171
Defined benefit plans	12,281	13,796
	25,127	25,967
Insurance expenses	34,010	32,703
Other employee benefits	468,928	478,212
Total employee benefits expense	$ 528,065	$ 536,882
An analysis of employee benefits expense by function		
Operating costs	$ 417,312	$ 418,714
Operating expenses	110,753	118,168
	$ 528,065	$ 536,882

As of December 31, 2018 and 2017, the number of employees of the Company was 432 and 437, respectively, and the number of directors who did not served concurrently as employees were both 7. The calculation basis was the same as that of employee benefits expense.

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued 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 employees' compensation and remuneration of directors for the year ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 6, 2019 and March 12, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	1%	$ 2,560	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 in the board of directors meetings dated March 14, 2017, because there were accumulated deficits which needed to be resolved for the respective year ended December 31, 2016.

There is no difference between the actual amount of employees' compensation and remuneration of directors paid and the amount recognized in the financial statements for the year ended December 31, 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

27. 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	
	2018	2017
Current tax		
In respect of the current year	$ -	$ 38,632
Income tax on unappropriated earnings	17,670	-
Adjustments for prior years	125	(957)
	17,795	37,675
Deferred tax		
In respect of the current year	42,287	34,795
Adjustments to deferred tax attributable to changes in tax rates and laws	(14,681)	-
Adjustments for prior years	21	-
	27,627	34,795
Income tax expense recognized in profit or loss	$ 45,422	$ 72,470

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 253,395	$ 574,549
Income tax expense calculated at the statutory rate	$ 50,679	$ 97,673
Nondeductible expenses in determining taxable income	98	120
Tax-exempt income	(5,526)	(3,716)
Income tax on unappropriated earnings	17,670	-
Unrecognized loss carryforwards	(11,583)	(20,814)
Effect of tax rate changes	(14,681)	-
Adjustments for prior years' tax	146	(957)
Others	8,619	164
Income tax expense recognized in profit or loss	$ 45,422	$ 72,470

In 2017, the applicable corporate income tax rate used by the Company in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ 3,169	$ -
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	13,169	(3,023)
Unrealized gain on financial assets at FVTOCI	203	-
Remeasurement on defined benefit plans	(2,039)	2,862
	$ 14,502	$ (161)

c. Current income tax assets and liabilities

	December 31	
	2018	2017
Current income tax assets		
Tax refund receivables	$ 2,560	$ 778
Current income tax liabilities		
Accrued income tax expense	$ 1,181	$ 37,888

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, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 1,282	$ 3,762	$ -	$ 5,044
Allowance for impaired receivables	6,295	861	-	7,156
Loss on supplies	777	106	-	883
Defined benefit plans	102,444	(54,415)	4,069	52,098
Payables for annual leave	3,287	1,029	-	4,316
Unrealized foreign exchange losses	3,315	(2,621)	-	694
Others	1,201	1,161	218	2,580
	118,601	(50,117)	4,287	72,771
Operating loss carryforwards	-	22,721	-	22,721
	$ 118,601	$ (27,396)	$ 4,287	$ 95,492
Deferred tax liabilities				
Temporary differences				
Exchange differences on translating foreign operations	$ 16,741	$ -	$ (10,215)	$ 6,526
Differences on depreciation periods between finance and tax	596	109	-	705
Reserve for Land Revaluation Increment Tax	143,860	-	-	143,860
Others	205	122	-	327
	$ 161,402	$ 231	$ (10,215)	$ 151,418

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
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

e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2018	2017
Deductible temporary differences		
Share of loss of subsidiaries accounted for using the equity method	$ 613,981	$ 672,278

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
$ 113,603	2028

g. Income tax assessments

The income tax returns of the Company through 2016 has been assessed by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 0.63	$ 1.53
Diluted earnings per share	$ 0.63	$ 1.53

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	
	2018	**2017**
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 207,973	$ 502,079

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2018	**2017**
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	305	189
Weighted average number of ordinary shares used in the computation of diluted earnings per share	327,957	327,841

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.

29. 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.

30. 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 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 390	$ -	$ 390
Beneficiary securities	253,829	-	-	253,829
Mutual funds	150,000	-	-	150,000
	$ 403,829	$ 390	$ -	$ 404,219
Financial assets at FVTOCI				
Equity instrument investment				
List shares and emerging markets shares	$ 179,808	$ -	$ -	$ 179,808
Unlisted shares	-	-	473	473
	$ 179,808	$ -	$ 473	$ 180,281

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

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

Financial Assets at FVTOCI - Equity Instruments	For the Year Ended December 31, 2018
Balance at January 1	$ 2,032
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	(374)
Reduction of capital by returning cash	(1,185)
Balance at December 31	$ 473

3) 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.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

To determine the fair value for Level 3 financial instruments, the Company's investment department conducts independent fair value verification using external resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Company utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on December 31, 2018.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTPL		
Held for trading	$ -	$ 306,110
Mandatorily classified as at FVTPL	404,219	-
Loans and receivables (1)	-	1,830,705
Available-for-sale financial assets (2)	-	244,644
Financial assets at amortized cost (3)	1,978,225	-
Financial assets at FVTOCI		
Equity instruments	180,281	-

(Continued)

	December 31	
	2018	**2017**
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	$ -	$ 624
Financial liabilities measured at amortized cost (4)	2,867,948	2,680,626
		(Concluded)

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 assets at amortized cost, which includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties and excluding VAT refund receivables) and other non-current assets (pledged deposits).

4) The balance includes financial liabilities 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, interest rates and other price risk.

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 34 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, 2018 and 2017 would have decreased/increased by $41,312 thousand and $33,006 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	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 42,201	$ 19,051
Financial liabilities	1,100,000	309,923
Cash flow interest rate risk		
Financial assets	52,284	67,761
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, 2018 and 2017 would have decreased/increased by $4,739 thousand and $4,661 thousand, respectively.

c) Other price risk

The Company was exposed to 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 securities price risks at the end of the reporting period. If securities prices had been 5% higher/lower, the net profit before tax for the year ended December 31, 2018 would have increased/decreased by $20,191 thousand as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income before tax for the year ended December 31, 2018 would have increased/decreased by $9,014 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity analysis focuses on securities price risks at the end of the reporting period. If securities prices had been 5% higher/lower, the net profit before tax for the year ended December 31, 2017 would have increased/decreased by $15,214 thousand as a result of the changes in fair value of held-for-trading investment, and the other comprehensive income before tax for the year ended December 31, 2017 would have increased/decreased by $12,147 thousand, 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 maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Company provided endorsement guarantees for the borrowings of subsidiaries. The guarantee amounts provided by the Company for endorsements were $2,298,085 thousand and $1,870,770 thousand, respectively, as of December 31, 2018 and 2017. 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, 2018

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 778,957	$ 16,035
Floating interest rate liabilities	1.120	-	1,000,000
Fixed interest rate liabilities	0.935	1,100,000	-
		$ 1,878,957	$ 1,016,035

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

b) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2018 and 2017, the unused amounts of bank loan facilities were as follows:

	December 31	
	2018	2017
Bank loan facilities		
Amount unused	$ 2,622,860	$ 3,040,341

31. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2018 and 2017, 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	Associate
Taiwan VCM Corporation ("TVCM")	Associate
China General Terminal & Distribution Co. ("CGTD")	Associate
Acme Electronics Corporation	Associate
Asia Polymer Corp. ("APC")	Fellow subsidiary
USI Trading (Shanghai) Co., Ltd.	Fellow subsidiary
USI International Corporation	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
USI Education Foundation ("USIF")	Other related party

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Subsidiary		
TTC (ZS)	$ 1,603,160	$ 619,497
Other	201,301	18
	1,804,461	619,515
Fellow subsidiary	104,456	42,646
Parent company	17,276	-
Associate	260	-
	$ 1,926,453	$ 662,161

The Company's credit period of sales of goods to related parties was from 30 days to 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	
	2018	2017
Associate	$ 2,341	$ 2,787
Fellow subsidiary	267	197
Subsidiary	-	19,068
	$ 2,608	$ 22,052

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	
	2018	2017
Subsidiary	$ 122,547	$ 58,814
Fellow subsidiary	31,162	4,058
Parent company	1,714	-
	$ 155,423	$ 62,872

The outstanding accounts receivable from related parties were unsecured. For the years ended December 31, 2018 and 2017, 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	
	2018	2017
Associate	$ 325	$ 469
Fellow subsidiary	65	26
	$ 390	$ 495

The outstanding accounts payable from related parties are not overdue and not guaranteed.

f. Endorsements and guarantees

Related Party Category/Name	December 31	
	2018	2017
Subsidiary		
TTC (BVI)	$ 1,613,595	$ 1,482,080
TTC (TJ)	460,725	148,800
TTC (ZS)	223,765	239,890
	$ 2,298,085	$ 1,870,770

g. Other transactions with related parties

1) Rental income (classified as other income, see Notes 16, 17 and 26)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Associate		
CGTD	$ 23,303	$ 19,100
TVCM	9,647	9,426
	32,950	28,526
Parent company	1,690	1,530
	$ 34,640	$ 30,056

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 2018	2017
Fellow subsidiary		
APC	$ 8,399	$ 6,265
Others	-	8
	8,399	6,273
Parent company		
USI	5,478	5,325
Associate	88	116
	$ 13,965	$ 11,714

The Company leased land in Linyuan from APC. The rentals were set according to the actual rental area and paid on a monthly basis. The Company leased offices in Neihu from USI. 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 2018	2017
Associate		
CGTD	$ 13,258	$ 16,546

The Company appointed CGTD to handle the storage tank operating procedures of styrene monomer and butadiene, such as transportation, storage and loading. The storage tank operating expenses were paid on a monthly basis.

4) Management service revenue (classified as other revenue)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Parent company		
USI	$ 27	$ -

5) Management service expenses (classified as general and administrative expenses and other gains and losses)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Fellow subsidiary		
UM	$ 54,816	$ 47,866
Others	120	120
	54,936	47,986
Parent company		
USI	1,117	9,912
	$ 56,053	$ 57,898

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.

6) Donation (classified as administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Other related Party		
USIF	$ 1,000	$ -

7) Other expenses (classified as operating costs)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Associate	$ 2,002	$ 2,730

8) Acquisitions of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31 2018	2017
Fellow subsidiary	$ 694	$ 437

9) Other receivables from related parties

Related Party Category/Name	December 31 2018	2017
Subsidiary		
TTC (TJ)	$ 173,988	$ 160,928
Others	287	1,399
	174,275	162,327
Associate	2,183	2,934
Parent company	362	310
Fellow subsidiary	12	28
	$ 176,832	$ 165,599

Other receivables included raw material receivables and land and equipment rental receivables.

10) Other payables to related parties

Related Party Category/Name	December 31 2018	December 31 2017
Associate	$ 4,641	$ 5,152
Parent company	1,579	2,829
Fellow subsidiary	758	404
	$ 6,978	$ 8,385

Other payables included storage tank operating expense payables, management service expense payables and the allocation of service department costs payables.

h. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Salaries and others	$ 20,460	$ 29,479
Post-employment benefits	216	243
	$ 20,676	$ 29,722

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.

32. 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 9, 12, 16, 17 and 19):

	December 31 2018	December 31 2017
Pledged time deposits		
Classified as financial assets at amortized cost - current	$ 3000	$ -
Classified as debt investments with no active market - current	-	3,000
Classified as other assets - non-current	16,201	16,051
Property, plant and equipment, net	474,605	459,730
Investment properties, net	108,178	108,178
	$ 601,984	$ 586,959

33. 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, 2018 and 2017, unused letters of credit amounted to approximately $385,040 thousand and $1,306,298 thousand, respectively.

b. Contingencies

Regarding the associate, China General Terminal & Distribution Corporation ("CGTD"), which was commissioned to operate LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014, the first instance of the criminal procedures reached a first instance judgment on May 11, 2018, whereby three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees to appeal against the judgment.

CGTD arrived at an agreement with Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,167 thousand, interest included, to Kaohsiung City Government as collateral for the loss caused by the gas explosion. 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. As of February 28, 2019, the provisionally attached property was worth $141,255 thousand.

As for the victims, CGTD, LCY Chemical Corp. and 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 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 victims, CGTD, LCY Chemical Corp. and 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 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 with the 64 seriously injured victim's families.

As of February 28, 2019, the families of the victims and seriously injured victims had written letters or filed civil (and criminal) procedures against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan for compensation. To minimize the lawsuit costs, CGTD already settled on the original claims of $23,919 thousand, and the amount of the settlement was $3,899 thousand. Along with the cases still under litigation and the above-mentioned compensation, the accumulated amount of compensation is $3,881,291 thousand. Some related civil cases with a total amount of compensation of $1,177,192 thousand were granted their first instance judgment as of June 22, 2018, and the proportion of fault liability of Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3. The total amount of compensation that LCY Chemical Corp., CGTD and the other defendants should pay is about $383,831 thousand, among which $6,194 thousand CGTD was exempted from and among which $188,818 thousand was estimated to be the portion of compensation that CGTD should afford according to the judgment of the first instance. CGTD has appealed in the civil cases which were announced but were not settled and entered into the second instance. With regard to the above-mentioned compensation, CGTD estimated and recognized an amount of $136,375 thousand based on its fault liability in the first instance judgment. The actual payment of CGTD depends on the judgment of the civil procedures of the remaining civil cases.

34. 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, 2018		
	Foreign Currency	**Exchange Rate (Dollar; Note)**	**Carrying Amount**
Foreign currency assets			
Monetary items			
USD	$ 55,418	30.7150	$ 1,702,157
RMB	7,065	4.4753	31,616
HKD	558	3.9210	2,189
			$ 1,735,962
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	46,852	30.7150	$ 1,440,314
Derivative instruments			
USD	6,000	30.7150	$ 390
Foreign currency liabilities			
Monetary items			
USD	10,584	30.7150	$ 325,102

	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
Derivative instruments			
USD	14,000	29.7600	$ 1,828

(Continued)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar; Note)	Carrying Amount
Foreign currency liabilities			
Monetary items			
USD	17,518	29.7600	$ 521,344
Non-monetary items			
Derivative instruments			
USD	5,000	29.7600	$ 624

(Concluded)

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 $63,951 thousand and a loss of $64,269 thousand for the years ended December 31, 2018 and 2017, 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.

35. 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 31)

   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, 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)

TAITA CHEMICAL CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 895,060 (RMB 200,000 thousand)	$ 447,530 (RMB 100,000 thousand)	$ 268,518 (RMB 60,000 thousand)	5.22	b	$ -	Operating capital	$ -	-	$ -	$ 2,095,315	$ 2,095,315

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, 2018, the Company did not 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, 2018, the audited net worth of Taita Chemical (Zhongshan) Co., Ltd. is RMB468,194 thousand.

Note 3: The alphabetic indications for the nature of financing 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, 2018.

TABLE 2

TAITA CHEMICAL CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 5,987,936	$ 1,613,595 (US$ 33,000 thousand) (NT$ 600,000 thousand)	$ 1,613,595 (US$ 33,000 thousand) (NT$ 600,000 thousand)	$ 771,561 (US$ 25,120 thousand)	$ -	40.42	$ 5,987,936	Yes	No	No
		Taita Chemical (Zhongshan) Co., Ltd.	100% voting shares indirectly owned by the Company	5,987,936	243,081 (US$ 5,000 thousand) (RMB 20,000 thousand)	223,765 (RMB 50,000 thousand)	-	-	5.61	5,987,936	Yes	No	Yes
		Taita Chemical (Tianjin) Co., Ltd.	100% voting shares indirectly owned by the Company	5,987,936	460,725 (US$ 15,000 thousand)	460,725 (US$ 15,000 thousand)	153,575 (US$ 5,000 thousand)	-	11.54	5,987,936	Yes	No	Yes

Note 1: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2018.

Note 2: The maximum total endorsement/guarantee shall not exceed 150% 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, 2018.

The maximum total endorsement/guarantee shall not exceed 200% of the equity attributable to owners of the entities. The maximum of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2018.

TAITA CHEMICAL CO., LTD.

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND AFFILIATED COMPANIES)
DECEMBER 31, 2018
(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, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taita Chemical Co., Ltd.	Ordinary shares							
	USI Corporation	Parent company	Financial assets at fair value through other comprehensive income (FVTOCI) - non-current	15,109,901	$ 179,808	1.27	$ 179,808	Note 1
	Harbinger Venture Capital Corp.	-	Financial assets at FVTOCI - non-current	51,500	473	0.50	473	Notes 3 and 5
	Beneficiary securities							
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss (FVTPL) - current	4,900,000	72,814	-	72,814	Note 1
	Cathay No. 2 Real Estate Investment Trust Fund	-	Financial assets at FVTPL - current	2,500,000	37,575	-	37,575	Note 1
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	Financial assets at FVTPL - current	4,000,000	60,280	-	60,280	Note 1
	Fubon No. 2 Real Estate Investment Trust Fund	-	Financial assets at FVTPL - current	6,600,000	83,160	-	83,160	Note 1
	Mutual funds							
	Yuanta Wan Tat Money Market Fund	-	Financial assets at FVTPL - current	3,305,676	50,000	-	50,000	Note 2
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	3,379,863	50,000	-	50,000	Note 2
	Nomura Money Market Fund		Financial assets at FVTPL - current	3,068,821	50,000	-	50,000	Note 2
Taita (BVI) Holding Co., Ltd.	Shares							
	Teratech Corporation - ordinary shares	-	Financial assets at FVTPL - non-current	112,000	-	0.72	-	Note 4
	Sohoware Inc. - preference stock	-	Financial assets at FVTPL - non-current	100,000	-	-	-	Note 4
	Budworth Investment Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	127,980	2,555 (US$ 83 thousand)	2.22	2,555 (US$ 83 thousand)	Note 3

Note 1: Fair value was based on the closing price of the Taiwan Stock Exchange as of December 31, 2018.

Note 2: Fair value was based on the carrying amount as of December 31, 2018.

Note 3: The Company utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value.

Note 4: As of December 31, 2018, the Company evaluates the fair value of the equity instrument as $0.

Note 5: The investee, Harbinger, announced a reduction of capital by returning cash in April 2018. The Company received $1,185 thousand according to its ownership percentage.

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, 2018
(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.	Mutual funds													
	Yuanta De-Bao Money Market Fund	Financial assets at fair value through profit or loss (FVTPL)	-	-	-	$ -	27,822,544	$ 333,000	27,822,544	$ 333,038	$ 333,000	$ 38	-	$ -

Note: The original investment amount is shown without adjustments for fair values.

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, 2018
(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	$ (1,603,160) (US$ -53,509 thousand)	(10.73)	30 days	Note	Note	Accounts receivable from related parties $ -	-	-
	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Sales	(201,301) (US$ -6,662 thousand)	(1.35)	30 days	Note	Note	Accounts receivable from related parties 122,547 (US$ 3,990 thousand)	7.22	-
	USI Trading (Shanghai) Co., Ltd.	Subsidiary of fellow subsidiary	Sales	(104,456) (US$ -2,433 thousand) (RMB -6,963 thousand)	(0.70)	90 days	Note	Note	Accounts receivable from related parties 31,162 (RMB 6,963 thousand)	1.83	-

Note: The sales price and payment terms of the intercompany and related party sales and purchases were not significantly different from those with third parties.

TAITA CHEMICAL CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance		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 receivables	122,547 (US$ 3,990 thousand) (Note 1)	-	$ -	-	$ -	$ -
			Other receivables	173,988 (US$ 5,665 thousand) (Note 1)	-	-	-	-	-
Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Fellow subsidiary	Other receivables	279,905 (RMB 62,544 thousand) (Note 2)	-	-	-	-	-

Note 1: The total amount of accounts receivable and other receivable 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 is not received in the subsequent period means the collection made from January 1, 2019 to March 6, 2019.

TABLE 7

TAITA CHEMICAL CO., LTD.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note 1
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 1,896,283 (US$ 61,738 thousand)	$ 1,896,283 (US$ 61,738 thousand)	61,738,000	100.00	$ 1,440,314 (US$ 46,852 thousand)	$ 55,742 (US$ 1,959 thousand)	$ 55,742 (US$ 1,959 thousand)	Subsidiary
	China General Plastics Corporation	Taiwan	Manufacture and marketing of PVC plastic cloth and three-time processed products	65,365	65,365	10,043,760	1.98	165,982	1,276,156	25,293	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	18,667,463	33.33	228,250	(75,720)	(25,240)	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	34,003	56,187	1,369	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	1,452	(10,525)	(1,052)	Investments accounted for using the equity method
Taita (BVI) Holding Co., Ltd.	Acme Electronics (Cayman) Corp.	Cayman Islands	Reinvestment	52,217 (US$ 1,700 thousand)	52,217 (US$ 1,700 thousand)	2,695,619	5.39	69,303 (US$ 2,256 thousand)	164,621 (US$ 5,626 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.

TAITA CHEMICAL CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 5)	Carrying Amount as of December 31, 2018 (Note 5)	Accumulated Repatriation of Investment Income as of December 31, 2018 (Note 5)
					Outflow	Inflow						
Taita Chemical (Zhongshan) Co., Ltd. (“TTC (ZS)”)	Production and marketing of polystyrene derivatives	$ 1,420,569 (US$ 46,250 thousand) (Note 1)	Investment through a holding company registered in a third region	$ 1,320,745 (US$ 43,000 thousand)	$ -	$ -	$ 1,320,745 (US$ 43,000 thousand)	$ 216,260 (US$ 7,219 thousand)	100.00	$ 216,260 (US$ 7,219 thousand)	$ 2,095,315 (US$ 68,218 thousand)	$ -
Taita Chemical (Tianjin) Co., Ltd. (“TTC (TJ)”)	Production and marketing of polystyrene derivatives	840,055 (US$ 27,350 thousand) (Note 2)	Investment through a holding company registered in a third region	798,590 (US$ 26,000 thousand)	-	-	798,590 (US$ 26,000 thousand)	(144,189) (US$ -4,729 thousand)	100.00	(144,189) (US$ -4,729 thousand)	42,749 (US$ 1,392 thousand)	-
ACME Electronics (Kunshan) Co., Ltd. (“ACME (KS)”)	Manufacturing and marketing of manganese-zinc soft ferrite core	943,718 (US$ 30,725 thousand)	Investment through a holding company registered in a third region	41,589 (US$ 1,354 thousand)	-	-	41,589 (US$ 1,354 thousand)	150,562 (US$ 5,163 thousand)	5.39	8,115 (US$ 278 thousand)	45,621 (US$ 1,485 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 2,160,924 (US$ 70,354 thousand)	$ 2,328,729 (US$ 75,817 thousand) (Note 3)	$ 2,395,174 (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 as of December 31, 2018.

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 Publication Date of this Annual Report and the Impact of the Aforesaid Difficulties on the Financial Position of the Company shall be Listed: None.

Chapter 7 Review 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 2018	End of 2017	Difference	
			Amount	%
Current assets	5,391,600	5,313,224	78,376	1
Property, plant and equipment	2,373,653	2,418,756	(45,103)	(2)
Intangible assets	9,668	11,068	(1,400)	(13)
Other assets	952,625	1,068,387	(115,762)	(11)
Total assets	8,727,546	8,811,435	(83,889)	(1)
Current liabilities	3,316,710	3,132,553	184,157	6
Non-current liabilities	1,418,879	1,773,332	(354,453)	(20)
Total liabilities	4,735,589	4,905,885	(170,296)	(3)
Capital	3,276,518	3,276,518	0	0
Capital surplus	779	469	310	66
Retained earnings	731,393	505,981	225,412	45
Other equity	(16,733)	122,582	(139,315)	(114)
Total equity	3,991,957	3,905,550	86,407	2

(I) Main reasons for material changes in assets, liabilities and equity in the most recent two years (by more than 20% and NT$10 million):

1. The decrease in non-current liabilities was mainly due to the decrease in net defined benefit liabilit
2. The increase in retained earnings was mainly due to the profit for the year.
3. The decrease in other equity was mainly due to the decreases in unrealized losses on financial assets and exchange difference on translation of financial statements of foreign operations.

(II) Impact: No material impact.

(III) Future adaptation plan: N/A.

II. Financial Performance

(I) Comparative Analysis of Financial Performance

Unit: NT$ thousands

Item \ Year	2018	2017	Amount of Increase (Decrease)	Percentage of Increase (Decrease) (%)
Sales revenue	21,683,702	19,821,042	1,862,660	9
Cost of goods sold	20,639,959	18,387,338	2,252,621	12
Gross profit	1,043,743	1,433,704	(389,961)	(27)
Operating expenses	766,125	757,758	8,367	1
Operating income (loss)	277,618	675,946	(398,328)	(59)
Non-operating revenue and expenses	53,634	1,906	51,728	2,714
Net income (loss) before tax	331,252	677,852	(346,600)	(51)
Income tax expenses	123,279	175,773	(52,494)	(30)
Net income (loss) for the year	207,973	502,079	(294,106)	(59)

(I) Main reasons for material changes (by more than 20%) in operating revenue, operating income and income before tax in the most recent two years (where gross profit changes by more than 20%, the following analysis of changes in gross profit (loss) shall be disclosed:)

1. Decrease in gross profit, operating income, net income before tax and net income for the year: Refer to (II) Analysis of Changes in Gross Profit (Loss).
2. The increase in non-operating revenue and expenses was mainly due to the increase in gains on foreign exchange and gains on valuation of financial assets.
3. The decrease in income tax expenses was mainly due to the decrease in net income before tax.

(II) Estimated sales volume and its basis

According to market supply and demand in 2019, it is estimated that the sales volume of petrochemical products, glass wool products, and cubic printing products will be 448,000 tons, 14,000 tons and 121,000 jigs, respectively.

(III) Potential impact on the Company's future financial operations: No material impact.

(IV) Response plan: N/A.

(II) Analysis of Changes in Gross Profit (Loss)

Unit: NT$ thousands

	Amount of increase (decrease)	Reason for difference			
		Price difference	Cost difference	Sales mix difference	Quantity difference
Gross profit (loss)	(389,961)	1,266,873	(1,657,182)	(339,733)	340,081
Explanation	1. Due to the China-US trade war, price differences in ABS decreased, leading to a decrease in gross profit by NT$414,127 thousand from the previous year. Due to the integrated supply chain management, GPS/EPS increased by NT$31,313 thousand and NT$36,857 thousand, respectively, from the previous year. Due to the SM price fluctuations, EPS of Zhongshan Plant and Tianjin Plant decreased by NT$49,023 thousand from the previous year. 2. The production and sales volume of glass wool products returned normal, and the gross profit increased by NT$5,377 thousand. Due to the reduction of transfer printing, the interest rate spread of cubic printing products dropped, and the gross profit decreased by NT$358 thousand from previous year.				

III. Cash Flows

(I) Analysis of Changes in Cash Flows in the Most Recent 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
2018	504,846	(503,392)	601,217	602,671	N/A

1. The net cash flow used in operating activities was NT$503,392 thousand, which was mainly due to the payment of accounts payable, fined benefit liabilities and income tax.
2. Other net cash flows generated were mainly due to the increase in short-term borrowings.

(II) Cash Inadequacy Improvement Plan: N/A.

(III) Liquidity Analysis for the Coming Year

Unit: NT$ thousands

Year	Beginning cash balance	Cash inflow for the year	Cash outflow for the year	Cash excess (inadequacy)	Cash inadequacy improvement plan
2019	602,671	380,472	402,237	580,906	N/A

IV. Significant Capital Expenditure and its Impact on the Company's Financial Operations in the Most Recent Fiscal Year

Use of material capital expenditures 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 Year

There has been no investments exceeding 5% of the Company's paid-in capital in the most recent year.

(II) Main Reasons for Profit or Loss: N/A.

(III) Improvement Plan: N/A.

(IV) Investment Plan for 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 and inflation on the Company’s profit and loss, and future response measures	Finance Division	Audit Office
2. Policies on engaging in high-risk and high-leverage investments, provision of loans to others, making of guarantees and endorsements, and derivatives trading, major reasons for profit or loss, and future response measures		
3. Future R&D projects and R&D expenditures 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 response measures	Legal Division Accounting Division	
5. Impact of changes in technology and industry on the Company’s financial operations, and 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 response measures	Human Resources Division	
7. Expected benefits and possible risks of mergers and acquisitions, and response measures	Finance Division	
8. Expected benefits and possible risks of plant expansion, and response measures	ABS/PS Manufacturing Division GW/Cubic Business Division	
9. Risks caused by concentration of purchases and sales, and response measures	Procurement and Logistics Division ABS/PS Operations Division GW/Cubic Business Division	
10. Impact and risks arising from material equity transfer or replacement of directors, supervisors, or shareholders holding more than 10% of the Company's shares, and response measures	Finance Division	
11. Impact and risks arising from any changes in management control over the Company, and response measures	Board of Directors	
12. For any litigious or non-litigious matters, the Company and its directors, supervisors, general managers, persons with actual responsibility in the Company, and major shareholders holding more than 10% 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 facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as of the date of publication of the Annual Report shall be disclosed	Legal Division	

Risk Management Policy

(I) Impact of Interest Rates and Exchange Rate Fluctuations and Inflation on the Company's Profit and Loss, and Future Response Measures

Item	2018 (NT$ thousands; %)
Net interest income (expenses)	(42,427)
Net currency exchange gain (loss)	21,625
Ratio of net interest income (expenses) to sales revenue	(0.20%)
Ratio of net interest income (expenses) to net income before tax	(12.81%)
Ratio of net currency exchange gain (loss) to sales revenue	0.10%
Ratio of net currency exchange gain (loss) to net profit before taxes	6.53%

1. Interest rates: 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 three-year medium-term borrowing contract worth NT$300 million at a floating interest rate with KGI Bank in 2019. The Company will undertake IRS at an appropriate time to avoid the risk of rising interest rates.

   In terms of short-term borrowings, the Company made full use of the money market to issue commercial papers to obtain cheaper funds in the first three quarters. In the fourth quarter, due to the significant increase in the interest rate on commercial papers, the Company used short-term borrowings to reduce the overall acquisition cost of funds.

   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:

   1.1Money market fund beneficiary certificates

   The amount of investment in this instrument is NT$150,000 thousand, with a return rate of 0.49%.

   1.2Domestic real estate investment trusts (REITs)

   The average amount of investment is approximately NT$94,017 thousand, which not only earns a fixed return rate of 4.01%, but is also better than the long-term bond yield.

2. Exchange rates: The Company adopts a hedging approach to net foreign exchange positions to avoid the risk of exchange rate fluctuations.

3. Inflation: No material impact.

   3.1 Some countries (including Taiwan) have not experienced significant inflation. The current inflation level is moderate.

   3.2 The main cost of the Company is the cost of raw materials. Product price move in the same direction as the raw material cost. Therefore, inflation has no material impact on the Company.

(II) Policies on Engaging in High-risk and High-leverage Investments, Provision of Loans to Others, Making of Guarantees and Endorsements, and Derivatives Trading, Major Reasons for Profit or Loss, and 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 stipulate that the Company shall not engage in high-risk and high-leverage investments. The Company has also established the Procedures for Loaning of Funds to Others. Only 100%-owned foreign subsidiaries engage in such operations, which are handled according to the relevant operating procedures.

2. Making of guarantees and endorsements: 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. Derivatives trading: The Company engages in derivatives trading for the purpose of avoiding risks. Trading instruments are primarily selected with the aim of avoiding risks arising from the business operations of the Company. The counterparties for hedging transactions are reputable financial institutions in response to the Company’s business needs to avoid credit risks.

   3.1 Hedging transactions: Forward foreign exchange contracts are used mainly to hedge the currency fluctuations in existing or future transactions. The Company does not engage in speculative trading.

(III) Future R&D Projects and R&D Expenditures 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 heat-resistant acrylonitrile-butadiene-styerne (ABS)	70%	309	108	Processing hardware Cost of raw materials Control of market demand
	Development of high-liquidity low-cost acrylonitrile-butadiene-styerne (ABS)	90%	309	108	ABS processing hardware Production line scheduling
	Development of thermal-ageing stable acrylonitrile-butadiene-styerne (ABS)	75%	369	108	Formula design and cost of raw materials
EPS	Development of non-absorbent, anti-static EPS	70%	420	108	Integration between formula design and formulas based on customer needs and process stability Cost of raw materials
	Development of low molding	90%	200	108	Integration between formula

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
	cycle expanded polystyrene (EPS)				design and formulas based on customer needs, process stability, and methods for customizing specifications and eliminating different grades
	Improvement in concentration of EPS polymerization particle sizes	70%	500	108	Integration between formula design and formulas based on customer needs and process stability
	Improvement in EPS preservability	80%	500	108	Formula design and cost of raw materials
	Development of high-strength expanded polystyrene (EPS)	50%	500	109	Integration between formula design and formulas based on customer needs and process stability Cost of raw materials
GPPS	Development of light guide plate polystyrene (GPPS)	60%	400	108	Partner cooperation, formula development, and process scheduling
	Equipment rectification project for enhancing NOVA GPPS production capacity	50%	1,000	110	Process change design, formula design, quality yield, and investment cost
Glass wool	Development of covered glass wool	20%	20	109	Promotion and marketing
	Patent application and development of calcium silicate boards	20%	20	109	Promotion and marketing
Others	RTI-certified acrylonitrile-butadiene-styrene (ABS) polymer materials	70%	2,000	108	Reference sample obtainment and the comparative analysis target, RTI > 80°C for demand for high-end home electrical appliances
	Water material application-certified acrylonitrile-butadiene-styrene (ABS) polymer materials	50%	500	108	Compliance with the NSF specifications in the U.S. 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 Response Measures

1. Refer to (III) 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 of the Annual Report.

2. The Company continues to pay attention to the effect of the adoption of IFRSs and other laws and regulations 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, evaluates such the effect of such changes on the Company's financial operations, and formulates response measures. Besides, discussions are held with the CPAs to make prior planning for related changes.

(V) Impact of Changes in Technology and Industry on the Company's Financial Operations, and Response Measures

1. Introduce the BI system to provide consistent company-wide metrics and management report definitions, integrate business operations and target management reports, and make related information accessible for the management to improve the overall business management.

2. Introduce mobile approval and optimize the user interface (UI) with mobile devices which can adjust pages automatically and instant operation to smooth and accelerate approval procedures.

3. Introduce the safe transaction platform, where customers and suppliers are allowed to access and download related transaction documents to avoid unauthorized alterations in transaction documents by interception of mails to increase transaction security of the Company and protect customers and suppliers with lower level of information security from fraud.

4. Besides aforementioned introduction of the system, the Company incorporates AI, Big Data, and Industry 4.0 into future business decision-making on production, quality management, and sales to improve competitiveness of the Company.

5. Promote social engineering exercises to enhance employees' awareness of information security for the purpose of maintaining information security and protecting information from foreign intrusion.

6. Expect to apply for electronic invoices with Ministry of Finance in June, introduce the e-invoice ERP system in November in cooperation with the information department, and launch the e-invoice system on January 1, 2020.

(VI) Impact of Changes in Corporate Image on the Company's Risk Management, and 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 Response Measures

There has been no merger and acquisition implemented by the Company in the most recent year up to the date of publication of the Annual Report.

(VIII) Expected Benefits and Possible Risks of Plant Expansion, and 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 Response Measures

The Company had no customers whose sales of goods accounted for more than 10% of the total sales of goods in 2018.

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 Arising from Material Equity Transfer or Replacement of Directors, Supervisors, or Shareholders Holding More than 10% of the Company's Shares, and Response Measures: None.

(XI) Impact and Risks Arising from Any Changes in Management Control over the Company, and Response Measures

There has been no change in management control over the Company in the most recent year up to the date of publication of the Annual Report.

(XII) For Any Litigious or Non-litigious Matters, the Company and Its Directors, Supervisors, General Managers, Persons with Actual Responsibility in the Company, and Major Shareholders Holding More than 10% 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 Facts in Dispute, Amount in Dispute, Commencement Date, Main Parties Involved, and Current Status of the Case as of the Date of Publication of the Annual Report Shall Be Disclosed

With regard to the gas explosion disaster on July 31, 2014 involving propylene pipelines whose operations were entrusted and contracted to the Company's invested company using the equity method, China General Terminal & Distribution Co. ("CGTD") by LCY Chemical Corporation ("LCY Chemical"), the criminal court of first instance ruled on May 11, 2018 that three employees of CGTD were sentenced to imprisonment for 4 years and 6 months, respectively. CGTD has assisted the employees in filing an appeal.

CGTD reached an agreement with Kaohsiung City Government on February 12, 2015 and pledged a term deposit NT$227,167 thousand (including interest) to the Government as a guarantee for losses caused by the gas explosions. 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. As of April 30, 2019, these assets of CGTD totaled around NT$139,997 thousand.

For the deceased, CGTD, LCY and 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 (“family of the deceased). Each family was entitled to NT$12 million and the total compensation was NT$384 million. LCY paid the compensation first and also represented the three parties in the settlement negotiation and the signing of settlement agreements with the family of the deceased.

For the severely injured, CGTD, LCY and Kaohsiung City Government signed a tripartite agreement for severe injuries on October 25, 2017 agreeing to negotiate the compensation first with the 65 severely injured victims. The compensation was first paid by CGTD, LCY and Kaohsiung City Government. CGTD also represented the three parties in negotiating settlements with victims who suffered from severe injuries in the incident. It has signed settlement agreements with the 64 severely injured victims.

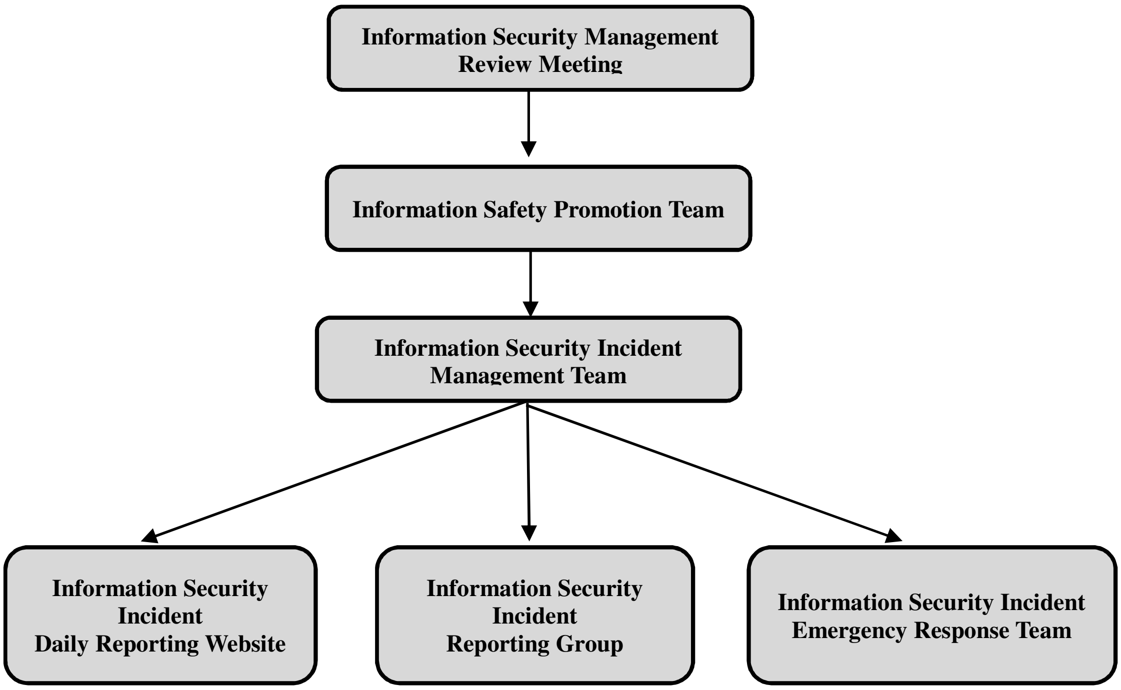
As of April 30, 2019, persons with rights or interests infringed, victims or their family of the Kaohsiung gas explosion have filed civil (including criminal and civil) lawsuits against LCY, CGTD and CPC Corporation, Taiwan, requesting for compensation. To reduce litigation costs, CGTD has become reconciled with the original claim for NT$23,919 thousand, and the settled compensation amounted to NT$3,899 thousand. The remaining claims under litigation and the compensation for the deceased and the seriously injured victims referred to in the preceding paragraph totaled NT$3,879,657 thousand. Some civil cases (with the claims totaling NT$1,177,192 thousand) have received the first ruling since June 22, 2018. Most of the cases deemed Kaohsiung City Government, LCY, and CGTD to be accountable for 40%, 30%, and 30% of the offense, respectively. CGTD, LCY, and other defendants should pay NT$383,831 thousand as compensation (CGTD was exempt from the compensation of NT$6,194 thousand upon ruling). Based on the aforementioned percentage of liability ruled by the court of first instance, CGTD is expected to be liable for NT$188,818 thousand as compensation. For unsettled civil cases, CGTD has filed an appeal for the second instance. Regarding the aforementioned compensation for the deceased and the seriously injured victims, CGTD has estimated and recognized the compensation of NT$136,375 thousand based on the percentage of liability ruled by the court of first instance. For the remaining civil cases to be adjudged, the actual amount of compensation paid by CGTD shall be subject to the percentage of liability based on the future ruling of the civil suit.

(XIII) Other Material Risks and Response Measures

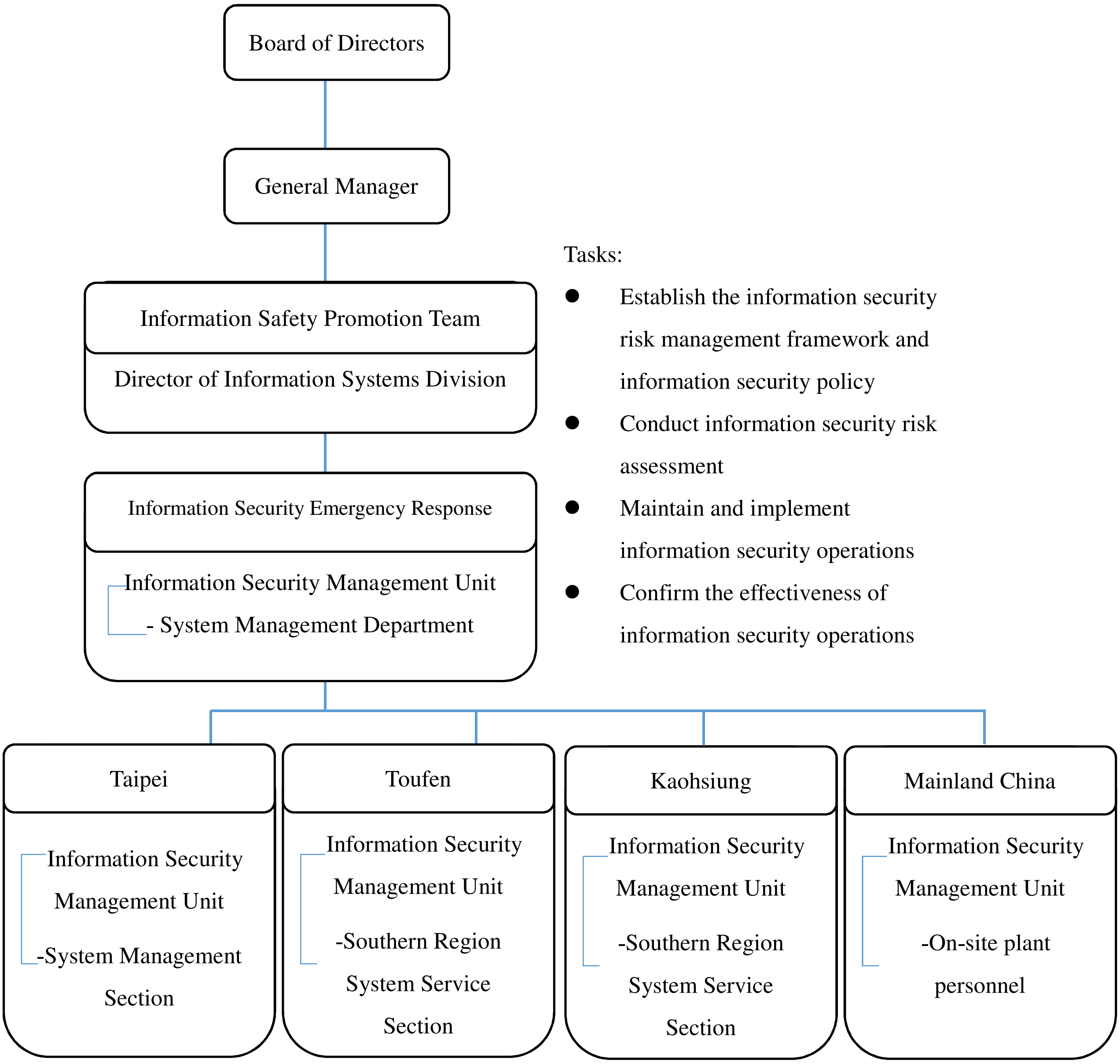
1. Information Security Management Framework

(1) Information security management system

To improve the information security management, the Company has introduced ISO 27001 and obtained the certificate since 2014. According to the standards of ISO 27001, the Company holds the "Information Security Management Review Meeting" every year to improve the information security across the group. The meeting decides on the six input items (implementation of past proposals, changes in internal and external issues relating to the information security management system, information security performance feedback, feedback from parties concerned, risk assessment results and implementation of risk management plans, and continuous improvement) and resolves on the two output items (decisions on continuous improvement and need of changes in the information security management system) to confirm whether the objectives of the information security management system are achieved. The Company has established the "Information Security Promotion Team" based on the "Regulations Governing the Establishment of the Information Security Promotion Organization" to oversee the operations of information security management and define the functions and tasks of the information security management organization. The Information Security Promotion Team meets once every year on a regular basis, and may meet immediately in case of major information security incidents. The director of Information Systems Division shall act as the convener to convene the meetings of the Information Security Promotion Team and resolve and arbitrate on proposals; the heads of the departments under the Information Systems Division shall be members of the Information Security Promotion Team. In case of major information security incidents, the director of Information Systems Division shall report to the General Manager or heads of related departments.



(2) Operations of the Information Security Promotion Team!



Tasks:

- Establish the information security risk management framework and information security policy
- Conduct information security risk assessment
- Maintain and implement information security operations
- Confirm the effectiveness of information security operations

The Information Systems Division is responsible to formulate, plan, manage, oversee, and implement the information security policies based on the standards of ISO 27001 to strengthen the Company's capacity for information security and the employees' awareness of information security.

2. Concrete Plans for Information Security Management

(1) The Audit Office shall conduct audits on a regular basis. The Company has also entrusted British Standards Institution (BSI) Taiwan Branch to authenticate ISO 27001 every year. Since July 2014, the Company has passed the review of ISO 27001 conducted by BSI for four consecutive years. In addition to the review of the information security risk management framework, BSI also gives advice on internal and external issues and conducts the information security risk assessment.

(2) To strengthen information security management and prevent the invasion of hackers or leaks of information, the information personnel organize four hours of information security training every year; external consultants have also been engaged to conduct the information security audit; in addition, regulations relating to information protection have been formulated to protect information in an appropriate manner.

(3) External consultants are engaged to conduct social engineering exercises at least twice every year to enhance employees' awareness of information security for the purpose of maintaining information security and protecting information from foreign intrusion.

(4) External consultants are engaged to conduct vulnerability scanning for operating systems, such as servers, every year to identify potential risks and modify systems or propose compensatory measures.

(5) To protect personal information, the Company has masked and limited access to the related fields of personal information in various information systems since 2017. In response to the requirements of the EU's General Data Protection Regulation (GDPR), the Company has taken related measures.

(6) The Company has introduced secure sockets layer (SSL) to build the safe transaction platform, where customers and suppliers are allowed to access and download related transaction documents to avoid unauthorized alterations in transaction documents by interception of mails to increase transaction security of the Company and protect customers and suppliers with lower level of information security from fraud. Website of the Company has been changed from http to https to strengthen the safety of browse.

3. Formulation of Information Security Policy

The information security policy covers information security management, legal compliance, and technology applications as follows:

Information Security Policy		
Information security management	• Ensure the continuous and stable operations of the information security management system. • Ensure the confidentiality, completeness and availability of information and information operations. • Control and prevent risks. • Optimizing management systems. • Establish the network architecture that meets the highest information standards and ensures the reliability of network transmission.	• Convene the ISMS Information Security Management Review Meeting to confirm whether the objectives of the information security management system are achieved. • Enhance employees' awareness of information security and information security training to ensure that information is well protected from foreign intrusion and leakage. • Conduct information security risk assessments for internal and external issues. • Review the information security framework design.
Legal compliance	• Review regulations and amendments on a regular basis. • Establish up-to-date and appropriate information operating systems.	Review and revise internal operating procedures and standards on a regular basis to comply with relevant information security laws and regulations at home and abroad.
Technology applications	• Collect internal and external information of the Group. • Make good use of data analysis. • Forecast potential information security threats.	Establish the internal firewall and network traffic monitoring system to filter packets of information security concerns, analyze potential threats, and prevent illegal intrusion and direct exposure of internal information.

Regarding information security insurance, the Company is now selecting the appropriate information security insurance by evaluating the insurance coverage and insurance companies (such as quotations, underwriting conditions and approval, and status of claims) in the aspects of crisis management, loss of operating revenue, additional expenses, third-party liability, and fines.

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, 2018:

Cianjhen Plant: 1,586,058 hours; Linyuan Plant: 39,150 hours; Toufen Plant: 250,720 hours; Zhongshan Plant: 761,000 hours; Tianjin Plant: 159,578 hours.

(II) Equipment Operating Rate

Equipment operating rate for products in 2018:

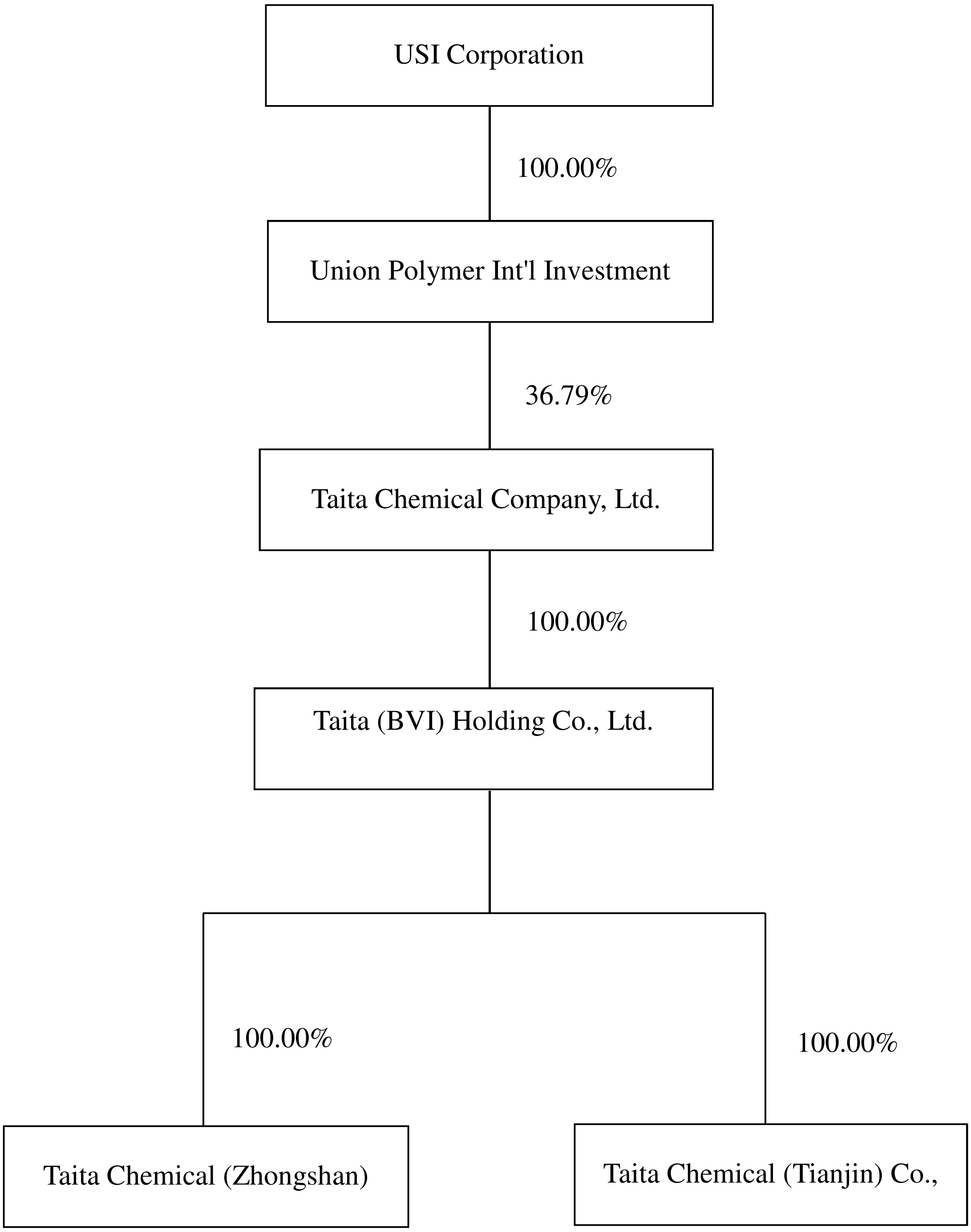
ABS: 83%; SAN: 89%; GPS: 94.9%; EPS: 79.2%; Glass wool: 94.8%; Cubic: 19%; Zhongshan Plant: 84.8%; Tianjin Plant: 24.6%.

Chapter 8 Special Notes

I. Information on Affiliated Companies

(I) Consolidated Business Report of Affiliated Companies

1. Organizational Structure of Affiliated Companies



2. Basic Information of 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	1,896,283 (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	1,420,569 (US$46,250,000)	Production and sale of expanded polystyrene (EPS) polymer derivatives
3. Taita Chemical (Tianjin) Co., Ltd.	2003.11.27	No. 8, Hengshan Road, Tianjin Economic-Technological Development Area, Tianjin, China	840,055 (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: N/A.

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 Directors, Supervisors, and General Managers of Affiliated Companies

Unit: Share; %

Name of Company	Title	Name or Representative	Number of Shares Held in Person/ Shareholding Percentage	Number of Shares Held by Juristic Persons/ Shareholding Percentage
Taita (BVI) Holding Co., Ltd.	Director	Quintin Wu	0/0	-
	Director	I-Shao Ko	0/0	-
	Director	Pei-Chi Wu	0/0	-
	Director	Chen-Tu Liu	0/0	-

Name of Company	Title	Name or Representative	Number of Shares Held in Person/ Shareholding Percentage	Number of Shares Held by Juristic Persons/ Shareholding Percentage
Taita Chemical (Zhongshan) Co., Ltd.	Chairman	Pei-Chi Wu (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	Capital Contribution USD46,250,000/100
	Director	Te-Wei Chang (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director	Chen-Tu Liu (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director	Lin Kan (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director and General Manager	Tai-Ming Yen (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Supervisor	Ya-Yi Huang (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
Taita Chemical (Tianjin) Co., Ltd.	Chairman	Pei-Chi Wu (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	Capital Contribution USD27,350,000/100
	Director	Lin Kan (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director	Huang Yung-Hui (Appointed by Taita (BVI) Holding Co., Ltd.)	0/0	
	Director and General Manager	Tai-Ming Yen (appointed by Taita (BVI) Holding Co., Ltd.)	0/0	

6. Operating Status of Affiliated Companies

Unit: NT$ thousands

Name of Company	Capital Contribution	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Income	Income for the Year (after Tax)	Earnings per Share NT$ (after Tax)
Taita (BVI) Holding Co., Ltd.	1,896,283	2,216,473	776,159	1,440,314	---	(5,843)	55,742	0.90
Taita Chemical (Zhongshan) Co., Ltd.	1,420,569	2,454,067	358,752	2,095,315	7,164,655	295,794	216,260	-
Taita Chemical (Tianjin) Co., Ltd.	840,055	807,833	765,084	42,749	1,387,338	(100,481)	(144,178)	-

(II) Consolidated Financial Statements of Affiliated Companies

Statement of Consolidated Financial Statements of Affiliated Companies

It is hereby declared that for the year 2018 (from January 1, 2018 to December 31, 2018), 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 companies has already been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, the consolidated financial statements of affiliated companies are not reported separately.

Hereby declared,

Company Name: Taita Chemical Co., Ltd.

Chairman of the Board: Quintin Wu

March 6, 2019

(III) Affiliation Report

1. Statement of Affiliation Report

Statement of Affiliation Report

It is hereby declared that the Company's 2018 Affiliation Report (from January 1, 2018 to December 31, 2018) 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 the financial statements for the aforementioned period.

Hereby declared,

Company Name: Taita Chemical Co., Ltd.

Person in Charge: Quintin Wu

March 6, 2019

2. CPA Opinion on Affiliation Report

Review No. 10804023 on April 15, 2019

Attn: Taita Chemical Company, Ltd.

Subject: CPA opinion on the 2018 Statement of Affiliation Report prepared by Taita Chemical Co., Ltd., in which no material inconsistency has been found.

Explanation:

1. Taita Chemical Co., Ltd. has issued the Statement of the 2018 Affiliation Report (from January 1, 2018 to December 31, 2018) prepared by Taita Chemical Co., Ltd. on March 6, 2019 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 aforementioned period. The statement is attached to this letter.

2. We have compared the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises" and the Notes to Financial Statements in the Company's 2018 Financial Statements against the Company's Affiliation Report, and have not found any material inconsistencies in the aforementioned statement.

Deloitte Taiwan

CPA Hsiu-Chun Huang

CPA Cheng-Chun Chiu

3. Overview of Relationships between Affiliated Companies and Controlling Companies

Unit: Share; %

Name of Controlling Company	Reason for Control	Shares Held and Pledged by Controlling Company			Directors, Supervisors or Managers Appointed by Controlling Company	
		Number of Shares Held	Percentage of Shares Held	Number of Shares Pledged	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 Int'l Investment Corp.	Substantial shareholder	120,535,750	36.79%	19,500,000	Chairman Director Director Director Director	Quintin Wu Pei-Chi Wu Pao-Luo Ying Han-Tai Liu Chen-Tu Liu

4. Purchases and Sales

Units: NT$ thousands; %

Controlling Company Title	Transaction with Controlling Company				Transaction Terms with Controlling Company		Normal Transaction Terms		Reason for Difference	Accounts and Notes Receivable (Payable)		Overdue Accounts Receivable			Remark
	Purchases (Sales)	Amount	Percentage of Total Purchases (Sales)	Sales Margin	Unit Price (NT$)	Payment Terms	Unit Price (NT$)	Payment Terms		Balance	Percentage of Total Accounts and Notes Receivable (Payable)	Amount	Action Taken	Allowance for Doubtful Accounts	
USI Corporation	Sales	17,276	0.08%	1,309	44- 54	30 days after closing day	32 - 54	30 days after closing day	None	1,714	0.06%	-	-	-	-

5. Property Transactions: None.

6. Financing: None.

7. Asset Leasing

Unit: NT$ thousands

Name of Controlling Company	Type of Transaction (Lessor or Lessee)	Subject		Lease Term	Nature of Lease	Basis for Determining Rent	Collection (Payment) Method	Comparison with General Rent Levels	Total Rent for the Year	Payment for the Year	Other Agreements
		Title	Location								
USI Corporation	Lessor	Office and equipment	No. 5, Gongye 1st Road, Linyuan District, Kaohsiung City	2016.10-2019.9	Operating lease	Market price	Semi-annual collection	Comparable	1,690	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	5,478	Normal	None

8. Endorsements and Guarantees: None.

II. Private Placement of Securities in the Most Recent Year up to the Date of Publication of the Annual Report: None.

III. Subsidiary Companies Holding or Disposal of the Company's Stock List in the Most Recent 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' Equity or the Company's Securities Price as Prescribed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Most Recent Year up to the Date of Publication of the Annual Report: None.

Taita Chemical Company, Ltd.

Chairman: Quintin Wu