Taita Chemical Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

TAITA CHEMICAL CO., LTD.

By:

____

YI-GUI WU
Chairman

March 12, 2018

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Appropriateness of Revenue Recognition

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

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

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

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

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

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

Recognition of Net Defined Benefit Liabilities

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

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

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

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2018

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

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

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

(Concluded)

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

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

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

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

1) IFRS 16 “Leases”

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 13 and Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, production supplies, finished goods, inventory in transit and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to Group.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent that the interests in the associate are not related to the Group.

h. Property, plant and equipment

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

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost and include transaction costs for land. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 29.

ii. Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

For financial assets measured at amortized cost, such as notes receivable, accounts receivable, and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment as follow:

i. Significant financial difficulty of the issuer or counterparty;

ii. Breach of contract, such as a default or delinquency in interest or principal payments;

iii. It becoming probable that the borrower will enter bankruptcy or financial re-organization; or

iv. The disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of notes receivable, accounts receivable, and other receivables, where the carrying amount is reduced through the use of an allowance account. When notes receivable, accounts receivable, and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable notes receivable, accounts receivable, and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except financial assets at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The provision for sales returns and allowances is an estimate, based on previous experience, management judgment, and relevant factors, of the possible amounts needed to settle sales returns and provisions and is treated as a reduction of sales revenues in the period in which the corresponding sales are made.

n. Revenue recognition

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

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Impairment of tangible and intangible assets

The impairment of tangible and intangible assets is based on the impact of plastic industry and the recoverable amounts of those assets, which is the higher of their fair values less costs of disposal and their values in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to recognition of additional impairment losses or reversals of impairment losses.

b. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities. Refer to Note 23 for the carrying amount of retirement benefit costs and net defined benefit liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand and petty cash	$ 805	$ 946
Checking accounts and demand deposits	504,041	457,505
Cash equivalents		
Time deposits with original maturities of less than 3 months	-	135,773
Reverse repurchase agreements collateralized by bonds	-	12,399
	$ 504,846	$ 606,623

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

	December 31	
	2017	**2016**
Time deposits	-	0.08%-1.50%
Repurchase agreements collateralized by bonds	-	0.32%

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

	December 31	
	2017	**2016**
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 1,828	$ -
Non-derivative financial assets		
Beneficiary securities	231,282	260,825
Mutual funds and beneficiary certificates	73,000	144,416
	304,282	405,241
Financial assets at FVTPL	$ 306,110	$ 405,241
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 624	$ 1,593

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017			
Sell	USD/NTD	2018.01.03-2018-04.03	USD19,000/NTD566,338
December 31, 2016			
Sell	USD/NTD	2017.01.13-2017.01.25	USD2,800/NTD88,596

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. As these contracts did not meet the criteria of hedge accounting, and therefore, the Group did not apply hedge accounting treatments for these derivative contracts.

The net loss arising from financial assets at FVTPL for the years ended December 31, 2017 and 2016 was $11,942 thousand and $1,389 thousand, respectively. The net loss arising from financial liabilities at FVTPL for the years ended December 31, 2017 and 2016 was $1,505 thousand and $4,306 thousand, respectively.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2017	2016
Domestic investments		
Listed shares		
USI Corporation	$ 242,944	$ 230,192
Wafer Works Corporation (“WAFER”)	-	3,494
	$ 242,944	$ 233,686

The Group sold 243 thousand shares and 15 thousand shares of WAFER in 2017 and 2016, and the gain (loss) on the disposal of investments was $3,311 thousand and $(24) thousand, respectively.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted ordinary shares		
Harbinger Venture Capital (“HARBINGER”)	$ 1,700	$ 1,700
Overseas unlisted ordinary shares		
Budworth Investment Ltd. (“BUDWORTH”)	983	1,065
Teratech Corporation (“TERATECH”)	-	3,251

(Continued)

	December 31	
	2017	2016
Overseas unlisted preference shares		
Sohoware Inc. ("SOHOWARE")	-	-
	$ 2,683	$ 6,016
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 2,683	$ 6,016

(Concluded)

Management believes that the above unlisted equity investments held by the Group had fair values that cannot be reliably measured because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Group received a return on capital from HARBINGER in the amount of $1,050 thousand in July 2016.

The Group received a return on capital from BUDWORTH in the amount of $6,864 thousand in July 2016.

The Group recognized a $3,035 thousand impairment loss on TERATECH after evaluating its financial position, which caused the carrying amount of the investment to be zero in 2017.

The Group recognized impairment losses on SOHOWARE over the years, which caused the carrying amount of the investment to be zero at the years end of 2017 and 2016.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2017	2016
Pledged deposits (a)	$ 89,292	$ 44,734
Structured deposits (b)	-	46,490
Pledged time deposits (c)	3,000	8,000
	$ 92,292	$ 99,224

a. As of December 31, 2017 and 2016, the market interest rate of pledged deposits was 0.35% per annum.

b. Structured deposits are a means to lift the efficiency of working capital. As of December 31, 2016, outstanding structured deposits were as follows (As of December 31, 2017: None):

	Maturity Date	Foreign Amount (In Thousands)	Interest Rate	Amount (In Thousands)
December 31, 2016				
Structure deposits	2017/02	RMB 10,000	2.65%	$ 46,490

Interest revenue on structure deposits for the years ended December 31, 2017 and 2016 were $765 thousand and $3,960 thousand, respectively.

c. As of December 31, 2017 and 2016, the range of market interest rates on the pledged time deposits were 0.62%-0.94% and 0.62%-1.01% per annum, respectively.

d. Refer to Note 31 for information related to pledged debt investments with no active market.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable (a)		
Notes receivable - operating	$ 680,817	$ 558,126
Accounts receivable (a)		
Accounts receivable	$ 2,298,428	$ 1,687,515
Less: Allowance for impairment loss	(71,656)	(64,982)
	$ 2,226,772	$ 1,622,533
Accounts receivable from related parties (a) (Note 30)	$ 4,058	$ 13,630
Other receivables		
VAT refund receivables	$ 61,945	$ 58,854
Compensation receivables (b)	54,654	25,438
Others	573	201
	$ 117,172	$ 84,493
Other receivables from related parties (Note 30)	$ 5,803	$ 6,970

a. Notes receivable and accounts receivable

The average credit period of sales of goods is between 30 and 90 days. No interest is charged on receivables. In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period. The amounts that were overdue more than 60 days might not be recoverable based on historical experience, so the Group evaluates its allowance for doubtful amounts according to its past default experience with the counterparties and based on an analysis of their current financial positions. For part of the accounts receivable, the Group entered into a credit insurance contract to enhance its guarantee. Therefore, the Group considered the recoverable amount of the insurance contract when determining the amount of allowance for impairment loss.

Before accepting new customers, the Group takes client evaluation results generated by the internal system into consideration to measure the potential customer's credit quality and define the customer's credit limit. Customer credit limits and ratings are reviewed periodically. Thus, the accounts receivable that have not been overdue and impaired are mainly from customers who have long-term relationships and good credit records with the Group.

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

	December 31	
	2017	2016
Not past due	$ 2,839,610	$ 2,132,764
Past due within 60 days	83,557	43,860
Past due over 60 days	60,136	82,647
	$ 2,983,303	$ 2,259,271

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

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2017	2016
Past due within 60 days	$ 83,557	$ 43,860
Past due over 60 days	6,846	21,784
	$ 90,403	$ 65,644

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

For the accounts receivable that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality of those receivables and the amounts were considered recoverable.

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2016	$ 58,973	$ 7,263	$ 66,236
Add: Impairment losses recognized on receivables	205	3,822	4,027
Less: Amounts written off during the year as uncollectible	(4,592)	-	(4,592)
Effect of exchange rate changes	(35)	(654)	(689)
Balance at December 31, 2016	$ 54,551	$ 10,431	$ 64,982
Balance at January 1, 2017	$ 54,551	$ 10,431	$ 64,982
Add: Impairment losses recognized on receivables	230	7,883	8,113
Less: Amounts written off during the year as uncollectible	(1,494)	-	(1,494)
Effect of exchange rate changes	3	52	55
Balance at December 31, 2017	$ 53,290	$ 18,366	$ 71,656

The carrying amount of impairment losses on the receivables individually assessed for impairment mainly stem from difficulties with fund dispatching of customers and from receivables which were past due over a long time. The Group didn't hold any collateral for these receivables.

As of December 31, 2017 and 2016, no single customer's receivables exceeded 10% of the total amount of all receivables.

The concentration of credit risk is limited because the Group's customer base is vast and unrelated to each other.

b. Compensation receivables

The subsidiary, Taita Chemical (Tianjin) Co., Ltd. ("TTC (TJ)"), was involved in a fire in August 2015. The Group conducted an investigation and loss estimation after the local Public Security Bureau lifted the accident site blockade. In December 2016, the Group received a prepaid compensation of RMB3,000 thousand (around $13,947 thousand) from the insurance company. According to the final acceptance arrangement signed by TTC (TJ) and the insurance company, the final compensation was RMB15,000 thousand, including a prepaid compensation of RMB3,000 thousand, which was around $68,319 thousand. Thus, TTC (TJ) recognized the related insurance compensation income of $29,872 thousand in 2017 (refer to Note 25-a. "Other income").

12. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 600,588	$ 707,296
Work in progress	124,099	131,042
Raw materials	496,349	404,629
Production supplies	48,822	42,816
Inventory in transit	-	119,113
	$ 1,263,858	$ 1,404,896

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016, was $18,387,338 thousand and $15,473,799 thousand, respectively.

The cost of goods sold included inventory write-downs of $5,400 thousand for the year ended December 31, 2017.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Proportion of Ownership December 31		
Investor	**Investee**	**Nature of Activities**	**2017**	**2016**	**Remark**
The Company	Taita (BVI) Holding Co., Ltd. ("TTC (BVI)")	Reinvestment	100%	100%	a
TTC (BVI)	Taita Chemical (Zhongshan) Co., Ltd. ("TTC (ZS)")	Production and marketing of polystyrene derivatives	100%	100%	b
	Taita Chemical (Tianjin) Co., Ltd. ("TTC (TJ)")	Production and marketing of polystyrene derivatives	100%	100%	c

Remark:

a. As of December 31, 2017, the capital of TTC (BVI) was US$61,738 thousand.

b. As of December 31, 2017, the amount invested in TTC (ZS) was US$43,000 thousand. TTC (ZS) distributed share dividends of US$3,250 thousand from retained earnings in 2007. As of December 31, 2017, the capital of TTC (ZS) was US$46,250 thousand.

c. As of December 31, 2017, the amount invested in TTC (TJ) was US$26,000 thousand. TTC (TJ) distributed share dividends of US$1,350 thousand from retained earnings in 2012. As of December 31, 2017, the capital of TTC (TJ) was US$27,350 thousand.

Subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the subsidiaries' financial statements which have been audited for the same years.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	**2016**
Investments in associates that are not individually material		
Listed shares		
China General Plastics Corporation ("CGPC")	$ 154,719	$ 146,179
Acme Electronics Corp. ("ACME")	33,212	35,992
Unlisted shares		
China General Terminal & Distribution Co ("CGTD")	272,509	243,047
Acme Electronics (Cayman) Corp. ("ACME (Cayman)")	61,788	64,093
Thintec Materials Corporation ("TMC")	2,504	2,591
	$ 524,732	$ 491,902

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

	For the Year Ended December 31	
	2017	**2016**
The Group's share of:		
Profit from continuing operations	$ 37,599	$ 21,379
Other comprehensive income	11,324	749
Total comprehensive income for the year	$ 48,923	$ 22,128

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

	December 31	
Name of Associate	**2017**	**2016**
CGPC	1.98%	1.98%
ACME	2.44%	2.44%
CGTC	33.33%	33.33%
ACME (Cayman)	5.39%	5.39%
TMC	10.00%	10.00%

Refer to Table 7 "Information on Investees" for the nature of activities, major areas of business and countries of registration of the associates.

The Group with its affiliates jointly held more than 20% of the shareholdings of CGPC, ACME, ACME (Cayman) and TMC and had significant influence over each entity. Therefore, the Group adopted the equity method to evaluate the above investments.

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

Name of Associate	December 31 2017	December 31 2016
CGPC	$ 315,940	$ 226,740
ACME	$ 81,788	$ 54,229

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the associates' financial statements which have been audited for the same years.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost							
Balance at January 1, 2016	$ 634,432	$ 1,359,608	$ 4,669,319	$ 48,992	$ 369,027	$ 154,931	$ 7,236,309
Additions	-	-	829	-	2,022	179,547	182,398
Disposals	-	(10,990)	(128,056)	(2,012)	(4,230)	-	(145,288)
Internal transfers	-	18,362	128,551	1,314	5,808	(154,035)	-
Effects of foreign currency exchange differences	-	(41,183)	(90,553)	(1,586)	(5,316)	(2,842)	(141,480)
Balance at December 31, 2016	$ 634,432	$ 1,325,797	$ 4,580,090	$ 46,708	$ 367,311	$ 177,601	$ 7,131,939
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 774,429	$ 3,607,636	$ 40,045	$ 310,480	$ -	$ 4,732,590
Disposals	-	(5,148)	(122,619)	(1,608)	(3,760)	-	(133,135)
Depreciation expenses	-	47,048	117,614	2,977	18,774	-	186,413
Effects of foreign currency exchange differences	-	(20,885)	(71,897)	(1,184)	(4,168)	-	(98,134)
Balance at December 31, 2016	$ -	$ 795,444	$ 3,530,734	$ 40,230	$ 321,326	$ -	$ 4,687,734
Carrying amounts at December 31, 2016	$ 634,432	$ 530,353	$ 1,049,356	$ 6,478	$ 45,985	$ 177,601	$ 2,444,205
Cost							
Balance at January 1, 2017	$ 634,432	$ 1,325,797	$ 4,580,090	$ 46,708	$ 367,311	$ 177,601	$ 7,131,939
Additions	-	-	3,013	-	2,587	161,687	167,287
Disposals	-	-	(16,895)	(2,662)	(1,468)	-	(21,025)
Internal transfers	-	6,473	136,098	-	3,110	(145,681)	-
Effects of foreign currency exchange differences	-	(9,607)	(21,340)	(372)	(1,201)	(854)	(33,374)
Balance at December 31, 2017	$ 634,432	$ 1,322,663	$ 4,680,966	$ 43,674	$ 370,339	$ 192,753	$ 7,244,827
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 795,444	$ 3,530,734	$ 40,230	$ 321,326	$ -	$ 4,687,734
Disposals	-	-	(15,701)	(2,662)	(1,312)	-	(19,675)
Depreciation expenses	-	45,101	120,355	2,211	13,177	-	180,844
Effects of foreign currency exchange differences	-	(4,849)	(16,761)	(261)	(961)	-	(22,832)
Balance at December 31, 2017	$ -	$ 835,696	$ 3,618,627	$ 39,518	$ 332,230	$ -	$ 4,826,071
Carrying amounts at December 31, 2017	$ 634,432	$ 486,967	$ 1,062,339	$ 4,156	$ 38,109	$ 192,753	$ 2,418,756

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Factories	20, 30, 35, 40 and 55 years
Offices and laboratories	26 to 35 years
Storage rooms	20 to 25 years
Storage tank rooms	8 to 20 years
Others	2 to 9 years
Machinery and equipment	
Environment protection equipment	15 to 20 years
Monitoring equipment	11 to 15 years
Storage tank and pipeline systems	10 to 15 years
Production and packaging equipment	8 to 15 years
Power systems	7 to 15 years
Others	2 to 8 years
Transportation equipment	5 to 15 years
Other equipment	2 to 15 years

Property, plant and equipment pledged as collateral for bank borrowing are set out in Notes 19 and 31.

16. INVESTMENT PROPERTIES

	December 31	
	2017	**2016**
Land	$ 108,178	$ 108,178

Management was unable to reliably measure the fair value of investment properties located in Qianzhen District, Xingbang Section and Linyuan Industrial Park, because the fair value for comparable properties is inactive and alternative reliable measurements of fair value are not available. Therefore, the Group concluded that the fair value of the investment properties is not reliably measurable.

The property located in Qianzhan District has been leased to CGTD. The rental was $1,512 thousand per month, which is based on the actual usable area. Refer to Notes 25 and 30.

Part of above investment properties pledged as collateral for bank borrowing are set out in Notes 19 and 31.

17. INTANGIBLE ASSETS

	December 31	
	2017	**2016**
Carrying amount by function		
Information systems	$ 1,066	$ 4,557
Design expenses for factories	10,002	11,602
	$ 11,068	$ 16,159

Intangible assets were amortized using the straight-line basis over their estimated useful lives of 3 to 10 years.

18. PREPAYMENTS FOR LEASES

	December 31 2017	December 31 2016
Current assets (included in prepayments)	$ 1,242	$ 1,268
Non-current assets	$ 37,082	$ 39,119

The carrying amount of prepared lease payments include land use rights located in mainland China.

Part of the land use rights pledged as collateral for borrowings are set out in Notes 19 and 31.

19. BORROWINGS

a. Short-term borrowings

	December 31 2017	December 31 2016
Secured borrowings		
Bank loans (1)	$ 230,781	$ 322,501
Unsecured borrowings		
Line of credit borrowings (2)	840,787	1,057,875
	$ 1,071,568	$ 1,380,376

1) The range of interest rates on bank loans was 2.91%-4.79% and 1.95%-2.38% per annum as of December 31, 2017 and 2016, respectively.

2) The range of interest rates on line of credit borrowings was 0.85%-2.55% and 0.91%-2.05% per annum as of December 31, 2017 and 2016, respectively.

TTC (ZS) entered into a short-term financing contract with Bank of China Limited to increase working capital. The credit limit was RMB130,000 thousand and matured on May 31, 2017. The contract has been extended to April 30, 2018 and the credit limit has been adjusted to RMB100,000 thousand. Refer to property, plant and equipment and land use rights pledged as collateral in Notes 15, 18 and 31. As of December 31, 2017, TTC (ZS) has borrowed RMB18,000 thousand (As of December 31, 2016: None).

b. Short-term bills payable

	December 31 2017	December 31 2016
Commercial paper	$ 190,000	$ 350,000
Less: Unamortized discount on bills payable	(77)	(92)
	$ 189,923	$ 349,908

Outstanding short-term bills payables were as follows:

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
International Bills Finance Corporation	$ 100,000	$ 36	$ 99,964	0.66%
Taiwan Finance Corporation	90,000	41	89,959	0.70%
	$ 190,000	$ 77	$ 189,923	

December 31, 2016

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
China Bills Finance Corporation	$ 100,000	$ 20	$ 99,980	0.49%
MEGA Bills Finance Co., Ltd.	100,000	22	99,978	0.60%
Taiwan Cooperative Bills Finance Corporation	100,000	34	99,966	0.70%
Ta Ching Bills Finance Corporation	50,000	16	49,984	0.56%
	$ 350,000	$ 92	$ 349,908	

c. Long-term borrowings

	December 31	
	2017	2016
Secured borrowings		
Chang Hwa Commercial Bank - interest rates were 1.10% and 1.20% as of December 31, 2017 and 2016, respectively. During the 5-years contract validity period, the limit is used cyclically, and the principal is paid at maturity.	$ 900,000	$ 700,000
Unsecured borrowings		
O-Bank - interest rates were 1.20% as of both December 31, 2017 and 2016. During the 3-years contract validity period, the limit is used cyclically, and the principal is paid at maturity.	100,000	300,000
	$ 1,000,000	$ 1,000,000

The Group entered into a long-term financing contract in November 2012 with Chang Hwa Commercial Bank for 5 years to increase working capital. The contract was extended to July 2018 in 2015 and was further extended to June 2021 in 2017 with a credit limit of $1,000,000 thousand, which is used cyclically during the validity period. The Group provided property located in Qianzhen District pledged as collateral (refer to Notes 15, 16 and 31). As of December 31, 2017, the Group has borrowed $900,000 thousand.

The Group entered into a long-term financing contract in October 2013 with O-Bank, formerly Taiwan Industrial Bank, for 3 years. The contract was extended to October 2018 in 2015 and was further extended to October 2020 in 2017 with a credit limit of $300,000 thousand, which is used cyclically during the validity period. As of December 31, 2017, the Group has borrowed $100,000 thousand.

20. ACCOUNTS PAYABLE

	December 31	
	2017	**2016**
Accounts payable (including related parties)		
Operating (Note 30)	$ 1,443,736	$ 1,207,708

The average payment period for the Group's accounts payable is between 30 and 45 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. OTHER PAYABLES

	December 31	
	2017	**2016**
Payables for salaries and bonuses	$ 143,070	$ 102,976
Payables for transportation fees	54,116	41,284
Payables for utilities	32,356	31,015
Payables for purchases of equipment	21,303	16,667
Payables for taxes	21,128	4,294
Payables for insurance	9,593	7,807
Payables for professional service expenses	7,450	7,604
Others	38,751	43,095
	$ 327,767	$ 254,742

22. PROVISIONS - CURRENT

	December 31	
	2017	**2016**
Customer returns and rebates	$ 1,179	$ 1,102

Customer returns and rebates are as follows:

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 1,102	$ 1,305
Additional provisions recognized	9,490	8,243
Usage	(9,413)	(8,446)
Balance at December 31	$ 1,179	$ 1,102

The provision for customer returns and rebates is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the year. The provision is recognized as a reduction of operating income in the periods in which the related goods are sold.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries, TTC (ZS) and TTC (TJ), in mainland China are members of a state-managed retirement benefit plans operated by the government of mainland China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries over the 6 months before retirement. Since November 1986, the Company contributed a specific rate (currently 12%) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 722,583	$ 764,835
Fair value of plan assets	(118,236)	(97,541)
Net defined benefit liabilities	$ 604,347	$ 667,294

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2016	$ 753,879	$ (129,923)	$ 623,956
Service cost			
Current service cost	8,357	-	8,357
Net interest expense (income)	10,230	(1,721)	8,509
Recognized in profit or loss	18,587	(1,721)	16,866

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 905	$ 905
Actuarial loss - changes in demographic assumptions	1,921	-	1,921
Actuarial loss - changes in financial assumptions	22,918	-	22,918
Actuarial loss - experience adjustments	10,572	-	10,572
Recognized in other comprehensive income	35,411	905	36,316
Contributions from the employer	-	(9,844)	(9,844)
Benefits paid	(43,042)	43,042	-
Balance at December 31, 2016	$ 764,835	$ (97,541)	$ 667,294
Balance at January 1, 2017	$ 764,835	$ (97,541)	$ 667,294
Service cost			
Current service cost	7,188	-	7,188
Net interest expense (income)	7,399	(791)	6,608
Recognized in profit or loss	14,587	(791)	13,796
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(224)	(224)
Actuarial loss - changes in demographic assumptions	478	-	478
Actuarial loss - experience adjustments	16,582	-	16,582
Recognized in other comprehensive income	17,060	(224)	16,836
Contributions from the employer	-	(93,579)	(93,579)
Benefits paid	(73,899)	73,899	-
Balance at December 31, 2017	$ 722,583	$ (118,236)	$ 604,347

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 10,937	$ 13,475
Selling and marketing expenses	1,419	1,676
General and administrative expenses	1,012	1,229
Research and development expenses	428	486
	$ 13,796	$ 16,866

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate of a 2-year time deposit with local banks.

2) Interest risk: A decrease in government bond interest rates will increase the present value of the defined benefit obligation, however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate	1.000%	1.000%
Expected rate of salary increase	2.250%	2.250%

If possible reasonable changes in each of the significant actuarial assumptions were to occur and all other assumptions were to remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	**2016**
Discount rate		
0.25% increase	$ (14,084)	$ (15,406)
0.25% decrease	$ 14,526	$ 15,905
Expected rate of salary increase		
0.25% increase	$ 14,093	$ 15,433
0.25% decrease	$ (13,737)	$ (15,029)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company expects to make contributions of $342,121 thousand to the defined benefit plans in the next year starting from December 31, 2017. The weighted average duration of the defined benefit obligation is 8.1 years.

24. EQUITY

a. Share capital

	December 31	
	2017	2016
Number of shares authorized and issued (in thousands)	327,652	327,652
Shares issued and fully paid	$ 3,276,518	$ 3,276,518

The ordinary shares issued have a denomination of $10 per share. Each share carries the rights to vote and receive dividends.

b. Capital surplus

Capital surplus arising from the issuance of ordinary shares (including share premiums) and donated capital may be used to offset a deficit, in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

Capital surplus arising from investments in subsidiaries and associates accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 13, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividends distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 25-g.

According to the provisions of the Company's Articles, the Company in order to take R&D needs and diversification of operations into consideration, dividends shall not be less than 10% of the distributable earnings in the current year, of which the cash dividends shall not be less than 10% of the total dividends. However, if the distributable earnings for the current year is less than $0.1 per share, it shall not be distributed.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The board of directors held regular meetings on June 16, 2017 and June 13, 2016 and resolved to offset accumulated deficits of previous years with net profit in the amount of $120,877 thousand and $67,525 thousand for the years ended December 31, 2016 and 2015, respectively.

The appropriation of earnings for 2017 was proposed by the Company's board of directors on March 12, 2018. After evaluating the Company's business conditions and operating needs, excluding the decision to offset accumulated deficits of $289,879 thousand with net profit in the amount of $502,079 thousand and appropriate a legal reserve in the amount of $21,220 thousand, in accordance with the laws and regulations, no cash dividends or share dividends will be distributed.

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 22, 2018.

d. Special reserve

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

	December 31	
	2017	2016
Special reserve	$ 308,061	$ 308,061

The Company's amount of unrealized revaluation gain and cumulative adjustments transferred into retained earnings were $279,270 thousand and $160,233 thousand, respectively. The increase in retained earnings arising from the first-time adoption of IFRSs was not sufficient for the special reserve appropriation; thus, the Company appropriated a special reserve in the amount of $308,061 thousand which was the net increase of retained earnings arising from the first-time adoption of IFRSs. As of December 31, 2017, there was no change in the special reserve.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (92,295)	$ 45,413
Exchange differences on translating foreign operations	17,342	(156,886)
Share of exchange differences of associates accounted for using the equity method	(408)	(8,435)
Related income tax	(3,023)	27,613
Balance at December 31	$ (78,384)	$ (92,295)

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar. The resulting currency translation differences are recognized in other comprehensive income as exchange differences on translating foreign operations in the respective period.

2) Unrealized gain on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 176,244	$ 121,796
Unrealized gain on revaluation of available-for-sale financial assets	13,699	41,800
Cumulative (gain) loss reclassified to profit or loss on sale of available-for-sale financial assets	(1,015)	24
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	12,038	12,624
Balance at December 31	$ 200,966	$ 176,244

Revaluation gains or losses of available-for-sale financial assets were recognized in other comprehensive income as unrealized gain on available-for-sale financial assets in the respective period.

25. NET PROFIT

Net profit includes the following:

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 2,145	$ 2,610
Financial assets at FVTPL (Note 7)	8,177	10,403
Structured deposits (Note 10)	765	3,960
Others	1,374	1,552
	12,461	18,525
Dividend income	7,262	7,262
Rental income (Notes 16 and 30)	30,316	29,529
Compensation income (Note 11)	34,438	10
Others	4,677	10,018
	$ 89,154	$ 65,344

b. Other gains and losses

	For the Year Ended December 31	
	2017	**2016**
Loss on disposal of property, plant and equipment (Note 15)	$ (1,155)	$ (584)
Gain (loss) on disposal available-for-sale financial assets (Note 8)	3,311	(24)
Net foreign exchange losses	(43,208)	(47,988)
Net loss on financial assets held for trading (Note 7)	(20,119)	(9,014)
Net loss on financial liabilities held for trading (Note 7)	(1,505)	(4,306)
Impairment loss on financial assets measured at cost (Note 9)	(3,035)	-
Expenses from rental assets	(6,928)	(6,636)
Others	(3,274)	(5,283)
	$ (75,913)	$ (73,835)

c. Net foreign exchange gains and losses

	For the Year Ended December 31	
	2017	**2016**
Gross foreign exchange gains	$ 106,610	$ 73,819
Gross foreign exchange losses	(149,818)	(121,807)
Net loss	$ (43,208)	$ (47,988)

d. Finance costs

	For the Year Ended December 31	
	2017	**2016**
Interest on bank loans	$ 49,762	$ 48,095
Less: Capitalized interest (included in construction in progress)	(828)	(1,095)
	$ 48,934	$ 47,000

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2017	**2016**
Capitalized interest	$ 828	$ 1,095
Capitalization rate	0.986%-1.200%	1.20%-1.24%

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment (Note 15)	$ 180,844	$ 186,413
Intangible assets (Note 17)	5,091	7,177
Prepayments for leases (Note 18)	1,229	1,325
	$ 187,164	$ 194,915
An analysis of depreciation by function		
Operating costs	$ 167,646	$ 171,719
Operating expenses	9,521	11,323
Non-operating income and expenses	3,677	3,371
	$ 180,844	$ 186,413
An analysis of amortization by function		
Operating costs	$ 1,600	$ 1,600
General and administrative expenses	4,720	6,902
	$ 6,320	$ 8,502

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (Note 23)		
Defined contribution plans	$ 20,982	$ 21,633
Defined benefit plans	13,796	16,866
	34,778	38,499
Insurance expenses	35,351	35,260
Other employee benefits	572,851	531,798
Total employee benefits expense	$ 642,980	$ 605,557
An analysis of employee benefits expense by function		
Operating costs	$ 482,239	$ 439,573
Operating expenses	160,741	165,984
	$ 642,980	$ 605,557

g. Employees' compensation and remuneration of directors

In accordance with the amendments to the ROC Company Act in May 2015 and the amended Company's Articles of Incorporation approved by the shareholders in their meeting held in June 2016, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively. However, the Company's accumulated deficits should be offset in advance. The employees' compensation can be distributed in the form of shares or cash. When the employees of the Company's subsidiaries meet specific requirements they are also entitled to receive compensation in shares or cash. These requirements are set by the board of directors.

The Company did not propose a distribution of employee's compensation and remuneration of directors in 2016 because the Company still had accumulated deficits which were to be offset as of December 31, 2016.

The employees' compensation and remuneration of directors for the year ended December 31, 2017 which were approved by the Company's board of directors on March 12, 2018, were as follows:

	For the Year Ended December 31, 2017	
	Accrual Rate	**Amount**
Employees' compensation	1%	$ 2,875
Remuneration of directors	-	$ -

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

No employee's compensation and remuneration of directors was resolved for 2016 and 2015 in the board of directors meetings dated March 14, 2017 and March 11, 2016, respectively, because there were accumulated deficits which needed to be resolved for the respective years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	**2016**
Current tax		
In respect of the current year	$ 118,917	$ 73,023
Adjustments for prior years	(700)	1,367
	118,217	74,390
Deferred tax		
In respect of the current year	38,783	5,457
Adjustments for prior years	18,773	(3,405)
	57,556	2,052
Income tax expense recognized in profit or loss	$ 175,773	$ 76,442

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

	For the Year Ended December 31	
	2017	2016
Income before tax	$ 677,852	$ 197,319
Income tax expense calculated at the statutory rate	$ 160,455	$ 65,637
Nondeductible expenses in determining taxable income	304	278
Tax-exempt income	(3,968)	(3,259)
Unrecognized deductible temporary differences	(17,957)	(15,718)
Unrecognized loss carryforwards	18,702	31,324
Adjustments for prior years' tax	18,073	(2,038)
Others	164	218
Income tax expense recognized in profit or loss	$ 175,773	$ 76,442

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate use by subsidiaries in mainland China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $20,930 thousand and $3,096 thousand, respectively, in 2018.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year		
Exchange differences on translating foreign operations	$ (3,023)	$ 27,613
Remeasurement on defined benefit plans	2,862	6,174
	$ (161)	$ 33,787

c. Current income tax assets and liabilities

	December 31	
	2017	2016
Current income tax assets		
Tax refund receivables	$ 778	$ 1,849
Current income tax liabilities		
Income tax payable	$ 74,505	$ 27,608

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for inventory valuation	$ 3,170	$ (1,801)	$ -	$ (12)	$ 1,357
Allowance for impaired receivables	12,128	1,171	-	(215)	13,084
Unrealized foreign exchange losses	-	3,315	-	-	3,315
Defined benefit plans	113,145	(13,563)	2,862	-	102,444
Payables for annual leave	3,297	(10)	-	-	3,287
Deferred revenue	7,463	(6,827)	-	(180)	456
Others	1,732	(201)	-	(9)	1,522
	140,935	(17,916)	2,862	(416)	125,465
Operating loss carryforwards	46,357	(42,037)	-	(239)	4,081
	$ 187,292	$ (59,953)	$ 2,862	$ (655)	$ 129,546
Deferred tax liabilities					
Temporary differences					
Exchange differences on translating foreign operations	$ 13,718	$ -	$ 3,023	$ -	$ 16,741
Differences on depreciation periods between finance and tax	784	(188)	-	-	596
Reserve for Land Revaluation Increment Tax	143,860	-	-	-	143,860
Unrealized foreign exchange gains	2,414	(2,414)	-	-	-
Others	-	205	-	-	205
	$ 160,776	$ (2,397)	$ 3,023	$ -	$ 161,402

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for inventory valuation	$ 13,251	$ (9,743)	$ -	$ (338)	$ 3,170
Allowance for impaired receivables	8,574	1,078	-	2,476	12,128
Unrealized impairment loss on property, plant and equipment	18	(18)	-	-	-
Defined benefit plans	105,777	1,194	6,174	-	113,145
Payables for annual leave	2,778	519	-	-	3,297
Deferred revenue	7,369	607	-	(513)	7,463
Others	1,520	240	-	(28)	1,732
	139,287	(6,123)	6,174	1,597	140,935
Operating loss carryforwards	44,074	4,002	-	(1,719)	46,357
	$ 183,361	$ (2,121)	$ 6,174	$ (122)	$ 187,292
Deferred tax liabilities					
Temporary differences					
Exchange differences on translating foreign operations	$ 41,331	$ -	$ (27,613)	$ -	$ 13,718
Differences on depreciation periods between finance and tax	998	(214)	-	-	784
Reserve for Land Revaluation Increment Tax	143,860	-	-	-	143,860
Unrealized foreign exchange gains	1,999	415	-	-	2,414
Others	270	(270)	-	-	-
	$ 188,458	$ (69)	$ (27,613)	$ -	$ 160,776

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

	December 31	
	2017	**2016**
Loss carryforwards		
Expiry in 2017	$ -	$ 78,216
Expiry in 2018	73,559	56,191
Expiry in 2019	299,375	299,375
Expiry in 2020	157,042	157,042
Expiry in 2021	139,745	145,539
Expiry in 2022	75,873	-
	$ 745,594	$ 736,363
Deductible temporary differences		
Share of loss of subsidiaries accounted for using the equity method	$ 672,278	$ 794,714
Allowance for inventory valuation	15,492	-
Others	1,228	2,666
	$ 688,998	$ 797,380

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised:

Unused Amount	**Expiry Year**
$ 92,132	2018
299,375	2019
157,042	2020
139,745	2021
75,873	2022
$ 764,167	

g. Integrated income tax

There are no unappropriated earnings generated before January 1, 1998 as of December 31, 2017.

	December 31	
	2017	**2016**
Shareholder-imputed credits account	$ - (Note)	$ 62,014

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

The Company did not disclose the creditable ratio for the distribution of earnings for 2016, because the Company had accumulated deficits as of December 31, 2016.

h. Income tax assessments

The income tax returns of the Company through 2015 has been assessed by the tax authorities.

i. Income tax related to subsidiaries

1) TTC (BVI) had no income tax expense due to the relevant tax exemptions in compliance with the regulations of the location where it was established, except for a paid tax expense to receive the share dividends from earnings of TTC (TJ) in 2012.

2) TTC (ZS) and TTC (TJ), both located in mainland China, use the applicable income tax rate of 25%.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic earnings per share	$ 1.53	$ 0.37
Diluted earnings per share	$ 1.53	$ 0.37

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	**2016**
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 502,079	$ 120,877

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

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares used in the computation of basic earnings per share	327,652	327,652
Effect of potentially dilutive ordinary shares:		
Employees' compensation issued to employees	189	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	327,841	327,652

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

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the past year.

The capital structure of the Group consists of net debt and equity.

The senior management of the Group regularly reviews the Group's capital structure. The review includes the consideration of the cost of various types of capital and related risks. The Group balances its overall capital structure by paying dividends, borrowing new debt or repaying old debt, based on the recommendations of the senior management.

29. FINANCIAL INSTRUMENTS

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

The Group's management believes that the carrying amount of financial assets and financial liabilities that are not measured at fair value approximates their fair value. Otherwise, the fair value cannot be measured appropriately.

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 1,828	$ -	$ 1,828
Non-derivative financial assets held for trading	304,282	-	-	304,282
	$ 304,282	$ 1,828	$ -	$ 306,110
Available-for-sale financial assets				
Securities listed in the ROC	$ 242,944	$ -	$ -	$ 242,944
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 624	$ -	$ 624

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 405,241	$ -	$ -	$ 405,241
Available-for-sale financial assets				
Securities listed in the ROC	$ 233,686	$ -	$ -	$ 233,686
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 1,593	$ -	$ 1,593

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2017	**2016**
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	$ 306,110	$ 405,241
Loans and receivables (1)	3,585,866	2,948,848
Available-for-sale financial assets (2)	245,627	239,702
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	624	1,593
Financial liabilities measured at amortized cost (3)	3,876,433	4,106,521

1) The balance includes loans and receivables measured at amortized cost, which includes cash and cash equivalents, debt investments with no active market, notes and accounts receivable (including related parties), other receivables (including related parties and excluding VAT refund receivables) and other non-current assets (pledged deposits).

2) The balance includes the carrying amount of financial assets measured at cost.

3) The balance includes financial liabilities measured at amortized cost, which includes short-term and long-term loans, short-term bills payable, accounts payable (including related parties) and other payables (including related parties and excluding payables for taxes).

d. Financial risk management objectives and policies

The Group’s conduct of risk controlling and hedging strategy is influenced by the operational environment. The Group monitors and manages the financial risk by business nature and risk dispersion.

These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group’s operating activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price.

There had been no change to the Group’s exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group conducted foreign currency sales and purchases, which exposed the Group to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Group used foreign exchange forward contracts to eliminate foreign currency exposure and thus mitigate the impact of the risk. The use of foreign exchange forward contracts is regulated by the policies passed by the Group's board of directors. Internal auditors focus on reviewing the observance of the policies and the quota of risk exposures. The trade of derivative financial instruments that the Group engaged in was not for speculation purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 33 and of the derivatives exposing the Group to foreign currency risk are set out in Note 7.

Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2017 and 2016 would have increased/decreased by $25,845 thousand and $17,791 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to the fair value risk of interest rate fluctuations for the fixed interest rate bearing financial assets and financial liabilities; the Group was exposed to the cash flow risk of interest rate fluctuations for the floating interest rate bearing financial assets and financial liabilities. The Group's management regularly monitors the fluctuations on market rates and then adjusted its balance of floating rate bearing financial liabilities to make the Group's interest rates more closely approach market rates in response to the interest rate risk.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 19,051	$ 218,765
Financial liabilities	1,030,710	1,407,783
Cash flow interest rate risk		
Financial assets	589,152	500,808
Financial liabilities	1,230,781	1,322,501

Sensitivity analysis

The fixed-rate financial assets and liabilities held by the Group are not included in the analysis as they are all measured at amortized cost. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 point fluctuation in interest rate was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by $3,208 thousand and $4,108 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in domestic listed shares, beneficiary securities and mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a specific team to monitor price risk.

Sensitivity analysis

The Group's sensitivity analysis focuses on equity price risks at the end of the reporting period. If equity prices had been a 5% higher/lower, the net profit before tax for the years ended December 31, 2017 and 2016 would have increased/decreased by $15,214 thousand and $20,262 thousand, respectively; the other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by $$12,147 thousand and $11,684 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure to and credit ratings for its counterparties are continuously monitored.

The counterparties of the Group's accounts receivable included numerous clients distributed over a variety of areas, and were not centered on a single client or location. Furthermore, the Group continuously assesses the financial condition of its clients, and then the Group's credit risk was limited. As at the end of the reporting period, the Group's largest exposure of credit risk approximates to the carrying amount of financial assets.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and bank loan facilities deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods based on the probable earliest repayment dates. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2017

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 1,625,842	$ 26,950
Floating interest rate liabilities	1.573	230,781	1,000,000
Fixed interest rate liabilities	1.888	1,030,787	-
		$ 2,887,410	$ 1,026,950

December 31, 2016

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 1,388,237	$ 10,900
Floating interest rate liabilities	1.533	322,501	1,000,000
Fixed interest rate liabilities	1.335	1,407,875	-
		$ 3,118,613	$ 1,010,900

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2017 and 2016, the unused amounts of bank loan facilities were as follows:

	December 31	
	2017	2016
Bank loan facilities		
Amount unused	$ 4,178,157	$ 3,006,764

30. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2017 and 2016, USI Corporation held indirectly 36.79% of the Company's outstanding ordinary shares.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

Related Party	Related Party Category
USI Corporation ("USI")	Parent company
China General Plastics Corporation	Associate
Continental General Plastics (Zhongshan) Co., Ltd.	Subsidiary of associate
CGPC Consumer Products Corporation	Subsidiary of associate
CGPC Polymer Corporation	Subsidiary of associate
Taiwan VCM Corporation ("TVCM")	Subsidiary of associate
China General Terminal & Distribution Co. ("CGTD")	Associate
Acme Electronics Corp.	Associate
Asia Polymer Corporation ("APC")	Fellow subsidiary
USI Trading (Shanghai) Co., Ltd.	Subsidiary of fellow subsidiary
USI International Corporation	Subsidiary of fellow subsidiary
Swanson Plastics Corp.	Fellow subsidiary
Swanson Plastics (Kunshan) Co., Ltd.	Subsidiary of fellow subsidiary
USI Management Consulting Corp. ("UM")	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
USIG (Shanghai) Co., Ltd.	Fellow subsidiary
INOMA Corporation	Fellow subsidiary

b. Sales of goods

	For the Year Ended December 31	
Related Party Category/Name	2017	2016
Fellow subsidiary	$ 42,646	$ 52,004

The Group's credit period of sales of goods to related parties was 90 days after delivering the products. The sales of goods between the Company and its related parties had no material differences from those of general sales transactions.

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category/Name	2017	2016
Associate	$ 2,787	$ 3,587
Fellow subsidiary	197	781
	$ 2,984	$ 4,368

The average credit period on purchases of goods from related parties was 30 days after acceptance. The purchases of goods between the Company and its related parties had no material differences from those of general purchase transactions.

d. Receivables from related parties (excluding loans to related parties)

Related Party Category/Name	December 31 2017	December 31 2016
Fellow subsidiary	$ 4,058	$ 13,630

The outstanding accounts receivable from related parties were unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for accounts receivable from related parties.

e. Payables to related parties (excluding loans from related parties)

Related Party Category/Name	December 31 2017	December 31 2016
Associate	$ 469	$ 476
Fellow subsidiary	26	13
	$ 495	$ 489

The outstanding accounts payable from related parties are not overdue.

f. Other transactions with related parties

1) Rental income (classified as other income, see Notes 15, 16 and 25)

Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associate		
CGTD	$ 19,100	$ 19,100
TVCM	9,426	9,360
	28,526	28,460
Parent company	1,530	836
Fellow subsidiary	260	233
	$ 30,316	$ 29,529

2) Rental expenses (classified as operating costs, selling and marketing expenses and general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Fellow subsidiary		
APC	$ 6,265	$ 7,043
Others	8	2
	6,273	7,045
Parent company		
USI	5,325	5,129
Associate	116	88
	$ 11,714	$ 12,262

The Group leased land in Linyuan from fellow subsidiaries. The rentals were set according to the Announced Land Values and paid on a monthly basis. The Group leased offices in Neihu from the parent company. The rental was paid on a monthly basis.

3) Storage tank operating expenses (classified as operating cost)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Associate		
CGTD	$ 16,546	$ 13,648

The Company appointed CGTD to handle the storage tank operating procedures of vinyl chloride monomer, ethylene and dichloromethane, such as transportation, storage and loading. The storage tank operating expenses were paid on a monthly basis.

4) Management service expenses (classified as general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Fellow subsidiary		
UM	$ 47,866	$ 39,706
Others	120	120
	47,986	39,826
Parent company		
USI	9,912	10,630
	$ 57,898	$ 50,456

The related contracts stated that the fellow subsidiary and parent company should provide labor support, equipment and other related services to the Group, and the service expenses were based on the actual quarterly expenses.

5) Other expense (classified as operating costs and general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Associate	$ 2,730	$ 1,978
Parent company		
USI	-	227
	$ 2,730	$ 2,205

6) Other receivables from related parties

Related Party Category/Name	December 31	
	2017	2016
Associate	$ 5,393	$ 6,594
Parent company	310	266
Fellow subsidiary	100	110
	$ 5,803	$ 6,970

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

7) Other payables to related parties

Related Party Category/Name	December 31 2017	December 31 2016
Associate	$ 5,355	$ 18,263
Parent company	2,829	3,688
Fellow subsidiary	404	307
	$ 8,588	$ 22,258

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

8) Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2017	Purchase Price For the Year Ended December 31 2016
Fellow subsidiary	$ 437	$ -

g. Compensation of key management personnel

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Salaries and others	$ 29,479	$ 24,346
Post-employment benefits	243	309
	$ 29,722	$ 24,655

The remuneration of directors and key executives of the Company was determined by the remuneration committee based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for line of credit borrowings, the tariffs of imported raw materials and good guarantees and borrowing credit amounts (Notes 10, 15, 16, 18 and 19):

	December 31 2017	December 31 2016
Pledged deposits (classified as debt investments with no active market - current)	$ 89,292	$ 44,734
Pledged time deposits		
Classified as debt investments with no active market - current	3,000	8,000
Classified as other assets - non-current	16,051	16,103
Property, plant and equipment, net	490,322	496,193
Investment properties, net	108,178	108,178
Land use rights (classified as prepayments for leases)	24,899	26,260
	$ 731,442	$ 699,468

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

a. As of December 31, 2017 and 2016, unused letters of credit amounted to approximately $1,383,752 thousand and $952,937 thousand, respectively.

b. Contingencies

Regarding China General Terminal & Distribution Corporation (hereinafter "CGTD"), who had been commissioned to operate LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014, the Kaohsiung District Prosecutor Office instituted a public prosecution against the related personnel of the Kaohsiung Government, LCY Chemical Corp. and CGTD employees on December 18, 2014. As of the reporting date, the attribution of responsibility for the gas explosion and the subsequent impact is still pending the conclusion of the in-progress trial of the Kaohsiung District Court.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $226,983 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 2018, the provisionally attached property was worth $151,229 thousand.

As for the victims, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 32 victims' families on July 17, 2015. Each victim's family received $12,000 thousand, and the compensation was $384,000 thousand in total, which was paid in four annual payments by LCY Chemical Corp., LCY Chemical Corp. was in charge of negotiating the compensation with the victims' families and signing the settlement agreement on behalf of the three parties.

As for the seriously injured, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 65 seriously injured victims' families on October 25, 2017. Compensation was paid by CGTD and the Kaohsiung City Government, and CGTD was in charge of negotiating the compensation with the seriously injured victims' families and signing the settlement agreement on behalf of the three parties.

Up to February 2018, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. Along with the formerly mentioned compensation, the accumulated amount of compensation is $4,038,198 thousand, and the actual payment of CGTD depends on the verdict of the civil procedures. The date of the criminal procedures is estimated to be on May 11, 2018 and part of the civil procedures will be held on June 22, 2018.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: Foreign and Functional Currencies in Thousands

	December 31, 2017				
	Foreign Currency	Exchange Rate (In Single Dollars)		Functional Currency	NTD
Foreign currency assets					
Monetary items					
USD	$ 54,488	29.7600	(USD:NTD)	$ 1,621,550	$ 1,621,550
USD	2,387	6.5342	(USD:RMB)	15,597	71,039
HKD	1,062	3.8070	(HKD:NTD)	4,044	4,044
RMB	284	0.1530	(RMB:NTD)	43	1,295
EUR	32	35.5700	(EUR:USD)	1,150	1,150
					$ 1,699,078
Foreign currency liabilities					
Monetary items					
USD	17,518	29.7600	(USD:NTD)	521,344	521,344
USD	10,408	6.5342	(USD:RMB)	68,007	309,738
					$ 831,082

Unit: Foreign and Functional Currencies in Thousands

	December 31, 2016				
	Foreign Currency	Exchange Rate (In Single Dollars)		Functional Currency	NTD
Foreign currency assets					
Monetary items					
USD	$ 36,354	32.2500	(USD:NTD)	$ 1,172,428	$ 1,172,428
USD	1,332	6.9370	(USD:RMB)	9,242	42,967
HKD	547	4.1580	(HKD:NTD)	2,273	2,273
RMB	284	0.1442	(RMB:NTD)	41	1,318
					$ 1,218,986
Foreign currency liabilities					
Monetary items					
USD	15,417	6.9370	(USD:RMB)	106,946	497,189
USD	3,881	32.2500	(USD:USD)	125,169	125,169
					$ 622,358

The unrealized and realized foreign exchange gains and losses were a gain of $43,208 thousand and a loss of $47,988 thousand for the years ended December 31, 2017 and 2016, respectively. Due to the numerous foreign currency transactions and functional currencies of each individual entity of the Group, foreign exchange gains and losses cannot be disclosed on the respective significant foreign currency.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (not including investment subsidiary and affiliated companies). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 9)

11) Information on investees. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 9)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 5, 6 and 9)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)

e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Tables 1 and 9)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. According to IFRS 8 “Operating Segments”, the Group should disclose the segment information of styrenic products and glasswool products (including cubic printing products).

a. Segment revenue and results

The following was an analysis of the Group’s revenue and results from continuing operations by reportable segments.

December 31, 2017

	Styrenic Products	Glasswool Products (Including Cubic Printing Products)	Total
Segment revenue	$ 19,276,484	$ 544,558	$ 19,821,042
Segment income	$ 644,068	$ 31,878	$ 675,946
Other revenue			89,154
Other gains and losses			(75,913)
Share of profit of associates accounted for using the equity method			37,599
Finance costs			(48,934)
Profit before tax			$ 677,852

December 31, 2016

	Styrenic Products	Glasswool Products (Including Cubic Printing Products)	Total
Segment revenue	$ 15,853,909	$ 565,146	$ 16,419,055
Segment income	$ 188,334	$ 43,097	$ 231,431
Other revenue			65,344
Other gains and losses			(73,835)
Share of profit of associates accounted for using the equity method			21,379
Finance costs			(47,000)
Profit before tax			$ 197,319

Segment profit represents the profit before tax earned by each segment without allocation of central administrative expenses and directors' salaries, the share of profit of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, foreign exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Because the segment information reported to the chief operating decision maker didn't include assets and liabilities of individual segments, the operating segment assets and liabilities are not disclosed.

b. Other segment information

	Depreciation and Amortization For the Year Ended December 31	
	2017	2016
Styrenic products	$ 172,712	$ 177,187
Glasswool products (including cubic printing products)	14,452	17,728
	$ 187,164	$ 194,915

c. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products.

	For the Year Ended December 31	
	2017	2016
EPS	$ 9,731,355	$ 9,077,685
ABS	6,045,151	3,701,759
GPS	3,463,039	3,030,683
Glasswool products	444,719	453,482
Cubic printing products	99,839	111,664
IPS	36,939	43,782
	$ 19,821,042	$ 16,419,055

d. Geographical information

The amounts of the Group's revenue from continuing operations from external customers and non-current assets by location are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Asia	$ 17,695,129	$ 14,792,190	$ 2,575,084	$ 2,607,661
USA	1,354,480	832,616	-	-
Africa	342,854	304,229	-	-
Europe	121,600	114,961	-	-
Others	306,979	375,059	-	-
	$ 19,821,042	$ 16,419,055	$ 2,575,084	$ 2,607,661

Non-current assets included property, plant and equipment, investment assets, intangible assets, and prepayments for leases.

e. Major customers

No single customer contributed 10% or more to the Group’s revenue for both 2017 and 2016.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Notes 4 and 5)	Actual Borrowing Amount (Note 4)	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1, 2 and 4)	Aggregate Financing Limit (Notes 1, 2 and 4)
													Item	Value		
1	Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Yes	$ 910,900 (RMB 200,000 thousand)	$ 455,450 (RMB 100,000 thousand)	$ 273,270 (RMB 60,000 thousand)	5.22	b	$ -	Operating capital	$ -	-	$ -	$ 1,918,118	$ 1,918,118

Note 1: The total amount of lending to the Company for funding for a short-term period shall not exceed 40% of the net worth of the Company. As of December 31, 2017, the Company didn't loan funds to anyone and has no financing provided to others.

Note 2: The total amount of financing provided by Taita Chemical (Zhongshan) Co., Ltd. to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of its financing provided to any subsidiary which is wholly-owned by the Company shall not exceed 100% of the recently audited net worth of the Company as audited by an independent auditor. As December 31, 2017, the audited net worth of Taita Chemical (Zhongshan) Co., Ltd. is RMB421,148 thousand.

Note 3: The alphabetic indications are described as follows:

a. Business and trade.
b. Shot-term financing.

Note 4: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2017.

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 1)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 1)	Actual Borrowing Amount (Note 1)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	100% voting shares directly owned by the Company	$ 7,811,100	$ 1,482,080 (US$ 33,000 thousand) (NT$ 500,000 thousand)	$ 1,482,080 (US$ 33,000 thousand) (NT$ 500,000 thousand)	$ 720,787 (US$ 24,220 thousand)	$ -	37.95	$ 7,811,100	Yes	No	No
		Taita Chemical (Zhongshan) Co., Ltd.	100% voting shares indirectly owned by the Company	7,811,100	239,890 (US$ 5,000 thousand) (RMB 20,000 thousand)	239,890 (US$ 5,000 thousand) (RMB 20,000 thousand)	-	-	6.14	7,811,100	Yes	No	Yes
		Taita Chemical (Tianjin) Co., Ltd.	100% voting shares indirectly owned by the Company	7,811,100	297,600 (US$ 10,000 thousand)	148,800 (US$ 5,000 thousand)	148,800 (US$ 5,000 thousand)	-	3.81	7,811,100	Yes	No	Yes

Note 1: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2017.

Note 2: The maximum total endorsement/guarantee shall not exceed 200% of the equity attributable to owners of the Company. The maximum of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2017.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND AFFILIATED COMPANIES)
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taita Chemical Co., Ltd.	Ordinary shares							
	USI Corporation	Parent company	Available-for-sale financial assets - non-current	14,813,629	$ 242,944	1.27	$ 242,944	Note 1
	Harbinger Venture Capital	-	Financial assets measured at cost - non-current	170,000	1,700	0.50	-	-
	Beneficiary securities							
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial instruments at fair value through profit or loss (FVTPL)	4,900,000	64,925	-	64,925	Note 1
	Cathay No. 2 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	2,500,000	33,275	-	33,275	Note 1
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	4,000,000	58,040	-	58,040	Note 1
	Fubon No. 2 Real Estate Investment Trust Fund	-	Financial instruments at FVTPL	6,600,000	75,042	-	75,042	Note 1
	Mutual funds and beneficiary certificates							
	Franklin Templeton SinoAm Money Market Fund	-	Financial instruments at FVTPL	4,866,985	50,000	-	50,000	Note 2
	TCB Taiwan Money Market Fund	-	Financial instruments at FVTPL	2,276,912	23,000	-	23,000	Note 2
Taita (BVI) Holding Co., Ltd.	Shares							
	Budworth Investment Ltd. - ordinary shares	-	Financial assets measured at cost - non-current	127,980	983 (US$ 33 thousand)	2.22	-	-
	Teratech Corporation - ordinary shares	-	Financial assets measured at cost - non-current	112,000	-	0.72	-	Note 3
	Sohoware Inc. - preference stock	-	Financial assets measured at cost - non-current	100,000	-	-	-	Note 3

Note 1: Fair value was based on the closing price of the Taiwan Stock Exchange as of December 31, 2017.

Note 2: Fair value was based on the carrying amount as of December 31, 2017.

Note 3: The carrying amount was zero as of December 31, 2017 due to the impairment loss recognized over the years.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
Taita Chemical Co., Ltd.	Fund beneficiary certificates													
	FSITC Money Market Fund	Financial instruments at fair value through profit or loss (FVTPL)	-	-	73,571	$ 13,000	3,141,155	$ 556,000	3,214,726	$ 569,066	$ 569,000	$ 66	-	$ -
	FSITC Taiwan Money Market Fund	Financial instruments at FVTPL	-	-	-	-	24,758,506	375,800	24,758,506	375,837	375,800	37	-	-
	Jih Sun Money Market Fund	Financial instruments at FVTPL	-	-	2,386,049	35,000	48,802,637	717,500	51,188,686	752,592	752,500	92	-	-
	Franklin Templeton SinoAm Money Market Fund	Financial instruments at FVTPL	-	-	-	-	30,575,310	313,500	25,708,325	263,533	263,500	33	4,866,985	50,000
	TCB Taiwan Money Market Fund	Financial instruments at FVTPL	-	-	-	-	64,170,053	647,200	61,893,141	624,248	624,200	48	2,276,912	23,000

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance	% of Total	
Taita Chemical Co., Ltd.	Taita Chemical (Zhongshan) Co., Ltd.	Subsidiary	Sales	$ (619,497) (US$ 20,294 thousand)	(4.72)	30 days	Note 1	Note 1	Accounts Receivable from related Parties $ 58,796 (US$ 1,976 thousand)	3.74	Note 2

Note 1: The sales price and payment terms of the intercompany and related party sales and purchases were not significantly different from those with third parties.

Note 2: The amount was eliminated upon consolidation and based on audited financial statements.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance (Note 4)	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
Taita Chemical Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Accounts receivable $ 18 Other receivables 160,928 (US$ 5,408 thousand) (Note 1)	-	$ -	-	$ -	$ -
Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Other receivables 283,076 (RMB 62,153 thousand) (Note 2)	-	-	-	57 (RMB 13 thousand)	-

Note 1: The total amount of other receivables of Taita Chemical Co., Ltd. stems from selling raw materials to Taita Chemical (Tianjin) Co., Ltd.

Note 2: The total amount of other receivables of Taita Chemical (Zhongshan) Co., Ltd. from Taita Chemical (Tianjin) Co., Ltd. includes the amount of financing provided, interest receivables and rental receivables.

Note 3: The amount received in the subsequent period means the collection made from January 1, 2018 to March 12, 2018.

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

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note 1
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 1,837,323 (US$ 61,738 thousand)	$ 1,837,323 (US$ 61,738 thousand)	61,738,000	100.00	$ 1,447,102 (US$ 48,646 thousand)	$ 122,436 (US$ 4,021 thousand)	$ 122,436 (US$ 4,021 thousand)	Subsidiary (Note 2)
	China General Plastics Corporation	Taiwan	Manufacture and marketing of PVC plastic cloth and three time processed products	65,365	65,365	9,751,224	1.98	154,719	1,269,808	25,168	Investments accounted for using the equity method
	China General Terminal & Distribution Co.	Taiwan	Warehousing and transportation of petro chemical raw materials	41,082	41,082	17,079,107	33.33	272,509	53,358	17,786	Investments accounted for using the equity method
	Acme Electronics Corp.	Taiwan	Manufacture and marketing of manganese-zinc and ferrite core	44,771	44,771	4,445,019	2.44	33,212	(103,454)	(2,521)	Investments accounted for using the equity method
	Thintec Materials Corporation	Taiwan	Manufacture and marketing of reinforced plastic products	15,000	15,000	600,000	10.00	2,504	(866)	(87)	Investments accounted for using the equity method
Taita (BVI) Holding Co., Ltd.	Acme Electronics (Cayman) Corp.	Cayman Islands	Reinvestment	50,593 (US$ 1,700 thousand)	50,593 (US$ 1,700 thousand)	2,695,619	5.39	61,788 (US$ 2,076 thousand)	$ (50,915) (US$ (1,699) thousand)		Investments accounted for using the equity method

Note 1: The amount of the investee was based on audited financial statements.

Note 2: The amount was eliminated upon consolidation and based on audited financial statements.

Note 3: Investments in mainland China are included in Table 8.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017 (Note 5)	Accumulated Repatriation of Investment Income as of December 31, 2017 (Note 5)
					Outflow	Inflow						
Taita Chemical (Zhongshan) Co., Ltd. (“TTC (ZS)”)	Production and marketing of polystyrene derivatives	$ 1,376,400 (US$ 46,250 thousand) (Note 1)	Investment through a holding company registered in a third region	$ 1,279,680 (US$ 43,000 thousand)	$ -	$ -	$ 1,279,680 (US$ 43,000 thousand)	$ 234,197 (US$ 7,716 thousand)	100.00	$ 234,197 (US$ 7,716 thousand) (Note 6)	$ 1,918,118 (US$ 64,453 thousand) (Note 6)	$ -
Taita Chemical (Tianjin) Co., Ltd. (“TTC (TJ)”)	Production and marketing of polystyrene derivatives	813,936 (US$ 27,350 thousand) (Note 2)	Investment through a holding company registered in a third region	773,760 (US$ 26,000 thousand)	-	-	773,760 (US$ 26,000 thousand)	$ (86,042) (US$ -2,848 thousand)	100.00	$ (86,042) (US$ -2,848 thousand) (Note 6)	188,852 (US$ 6,346 thousand) (Note 6)	-
ACME Electronics (Kunshan) Co., Ltd. (“ACME (KS)”)	Manufacturing and marketing of manganese-zinc soft ferrite core	914,376 (US$ 30,725 thousand)	Investment through a holding company registered in a third region	40,295 (US$ 1,354 thousand)	-	-	40,295 (US$ 1,354 thousand)	$ (77,699) (US$ -2,574 thousand)	5.39	$ (4,191) (US$ -139 thousand)	38,754 (US$ 1,302 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 2,093,735 (US$ 70,354 thousand)	$ 2,256,323 (US$ 75,817 thousand) (Note 3)	$ 2,343,330 (Note 4)

Note 1: TTC (ZS) resolved to issue share dividends of US$3,250 thousand in 2007.

Note 2: TTC (TJ) resolved to issue share dividends of US$1,350 thousand in 2012.

Note 3: The amount distributed from share dividends included US$3,250 thousand from TTC (ZS), US$1,350 thousand from TTC (TJ) and US$802 thousand from ACME (KS).

Note 4: The limit cannot exceed 60% of Taita Chemical Co., Ltd.’s net asset value.

Note 5: The basis for investment income (loss) recognition is from financial statements audited and attested by the parent company’s ROC-based CPA.

Note 6: The amount was eliminated upon consolidation and based on audited financial statements.

TAITA CHEMICAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Direction of Transaction by Relationship	Transactions Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 1)	% of Total Sales or Assets (Note 2)
0	Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	The Company to subsidiary	Other receivables from related parties	$ 1,399	-	0.02
		Taita Chemical (Zhongshan) Co., Ltd.	The Company to subsidiary	Accounts receivables from related parties	58,796	-	0.67
				Revenue	619,497	-	3.13
		Taita Chemical (Tianjin) Co., Ltd.	The Company to subsidiary	Accounts receivables from related parties	18	-	-
				Other receivables from related parties	160,928	-	1.83
				Operating revenue	18	-	-
				Operating costs	19,068	-	0.10
1	Taita (BVI) Holding Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	The Company to subsidiary	Other payables from related parties	4,464	-	0.05
2	Taita Chemical (Zhongshan) Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary to subsidiary	Other receivables to related parties	283,076	-	3.21
				Accounts payable to related parties	2,688	-	0.03
				Operating revenue	87	-	-
				Operating costs	7,046	-	0.04
				Interest income	10,818	-	0.05
				Rental income	216	-	-

Note 1: The sales price and payment terms of the intercompany and related party sales and purchases were not significantly different from those with third parties.

Note 2: For assets and liabilities, the amount is shown as a percentage of the consolidated total assets as of December 31, 2017, while revenue, costs and expenses are shown as a percentage of the consolidated revenues for the year ended December 31, 2017.

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