

**Taita Chemical Co., Ltd.**

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

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

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

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

#### Appropriateness of Revenue Recognition

For the year ended December 31, 2017, the Company's sales revenue was NT\$13,132,796 thousand, which was approximately 35% higher than the sales revenue for the year ended December 31, 2016 of NT\$9,697,443 thousand. The growth of sales revenue is affected by the market demand and rising prices in the international crude oil market. The Company recognized sales revenue based on the delivery of goods and the transfer of significant risks and rewards of ownership. According to the limited concentration of customers and the large volume of transactions, the Company's financial statement would be influenced by the material misstatement

of revenue recognition. Thus, the recognition of revenue is identified as one of the key audit matters.

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

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

1. Understood and tested the design and operating effectiveness of revenue recognition, and evaluated the appropriateness of accounting policies of revenue recognition used by the Company's management;
2. Sampled the transaction documents of sales revenue, including purchase orders, shipping documents, billings of orders, and receipt documents, to confirm whether the significant risks and rewards of ownership of the goods had been transferred to the buyer and to confirm the rationality of the timing of revenue recognition on specific sales;
3. Sampled the collections after the balance sheet date to confirm the reasonableness of revenue recognition and consistency between the sales target and recipient.

#### 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 17% of the total liabilities for the financial statements as a whole. The amount of net defined benefit liabilities comes from actuaries' reports. The underlying assumptions utilized in the actuarial report were dependent on management's judgment and estimates, which are highly uncertain. Thus, the recognition of net defined benefit liabilities, in our professional judgment, is identified as one of the key audit matters.

For the estimates and judgments related to the recognition of net defined benefit liabilities, refer to Notes 4, 5 and 21 to financial statements.

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

1. Evaluated the professional capacity, competency, objectivity and qualification of the independent actuaries engaged by management.
2. Understood and tested the reasonability of the information which management used in the actuarial analyses.
3. Compared the methodology and major assumption, including discount rates and expected wage growth rates, along with market sensitive information and specific historical data, used by management in order to assess the appropriateness of management's judgment.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 12, 2018

#### Notice to Readers

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

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

# TAITA CHEMICAL CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 72,610	1	\$ 175,048	2
Financial assets at fair value through profit or loss - current (Notes 7 and 27)	306,110	4	324,829	5
Debt investments with no active market - current (Notes 10 and 29)	3,000	-	8,000	-
Notes receivable (Notes 5 and 11)	37,929	-	47,458	1
Accounts receivable (Notes 5 and 11)	1,472,047	20	961,340	14
Accounts receivable from related parties (Notes 11 and 28)	62,872	1	13,630	-
Other receivables (Note 11)	62,542	1	59,056	1
Other receivables from related parties (Notes 11 and 28)	165,599	2	177,581	2
Current tax assets (Notes 5 and 24)	778	-	1,849	-
Inventories (Note 12)	899,437	12	1,014,962	14
Prepayments	81,713	1	57,702	1
Other current assets	896	-	1,373	-
Total current assets	<u>3,165,533</u>	<u>42</u>	<u>2,842,828</u>	<u>40</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current (Note 8)	242,944	3	233,686	3
Financial assets measured at cost - non-current (Note 9)	1,700	-	1,700	-
Investments accounted for using the equity method (Note 13)	1,910,046	25	1,735,298	25
Property, plant and equipment (Notes 14, 17 and 29)	1,947,650	26	1,937,859	28
Investment properties (Notes 15, 17 and 29)	108,178	2	108,178	2
Other intangible assets (Note 16)	11,068	-	16,159	-
Deferred tax assets (Notes 5 and 24)	118,601	2	152,931	2
Other non-current assets (Note 29)	23,176	-	22,228	-
Total non-current assets	<u>4,363,363</u>	<u>58</u>	<u>4,208,039</u>	<u>60</u>
<b>TOTAL</b>	<u>\$ 7,528,896</u>	<u>100</u>	<u>\$ 7,050,867</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 14, 15, 17 and 29)	\$ 120,000	2	\$ 300,000	4
Short-term bills payable (Note 17)	189,923	3	349,908	5
Financial liabilities at fair value through profit or loss - current (Notes 7 and 27)	624	-	1,593	-
Accounts payable (Note 18)	1,238,591	16	992,737	14
Accounts payable from related parties (Notes 18 and 28)	495	-	489	-
Other payables (Note 19)	247,530	3	178,577	3
Other payables from related parties (Note 28)	8,385	-	7,411	-
Current tax liabilities (Note 24)	37,888	1	957	-
Provisions - current (Note 20)	1,179	-	1,102	-
Other current liabilities	11,502	-	8,474	-
Total current liabilities	<u>1,856,117</u>	<u>25</u>	<u>1,841,248</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 14, 15, 17 and 29)	1,000,000	13	1,000,000	14
Deferred tax liabilities (Note 24)	161,402	2	160,776	2
Net defined benefit liabilities - non-current (Notes 5 and 21)	604,347	8	667,294	10
Other non-current liabilities	1,480	-	2,431	-
Total non-current liabilities	<u>1,767,229</u>	<u>23</u>	<u>1,830,501</u>	<u>26</u>
Total liabilities	<u>3,623,346</u>	<u>48</u>	<u>3,671,749</u>	<u>52</u>
<b>EQUITY (Note 22)</b>				
Share capital	3,276,518	43	3,276,518	47
Capital surplus	469	-	469	-
Retained earnings				
Special reserve	308,061	4	308,061	4
Unappropriated earnings (accumulated deficits)	197,920	3	(289,879)	(4)
Total retained earnings	505,981	7	18,182	-
Other equity	122,582	2	83,949	1
Total equity	<u>3,905,550</u>	<u>52</u>	<u>3,379,118</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 7,528,896</u>	<u>100</u>	<u>\$ 7,050,867</u>	<u>100</u>

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

# TAITA CHEMICAL CO., LTD.

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

	2017		2016	
	Amount	%	Amount	%
NET REVENUE (Notes 20 and 28)	\$ 13,132,796	100	\$ 9,697,443	100
OPERATING COSTS (Notes 12, 14, 21, 23 and 28)	<u>12,055,131</u>	<u>92</u>	<u>9,141,299</u>	<u>94</u>
GROSS PROFIT	<u>1,077,665</u>	<u>8</u>	<u>556,144</u>	<u>6</u>
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>(606)</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES	<u>-</u>	<u>-</u>	<u>(1,556)</u>	<u>-</u>
OPERATING EXPENSES (Notes 11, 14, 21, 23 and 28)				
Selling and marketing expenses	443,763	4	385,344	4
General and administrative expenses	134,397	1	140,057	2
Research and development expenses	<u>21,291</u>	<u>-</u>	<u>18,477</u>	<u>-</u>
Total operating expenses	<u>599,451</u>	<u>5</u>	<u>543,878</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>477,608</u>	<u>3</u>	<u>10,710</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES (Notes 7, 8, 13, 14, 15, 23 and 28)				
Other income	51,276	1	48,007	-
Other gains and losses	(91,966)	(1)	(25,763)	-
Share of profit of subsidiaries and associates	162,782	1	113,271	1
Finance costs	<u>(25,151)</u>	<u>-</u>	<u>(23,047)</u>	<u>-</u>
Total non-operating income and expenses	<u>96,941</u>	<u>1</u>	<u>112,468</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	574,549	4	123,178	1
INCOME TAX EXPENSE (Note 24)	<u>(72,470)</u>	<u>-</u>	<u>(2,301)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>502,079</u>	<u>4</u>	<u>120,877</u>	<u>1</u>

(Continued)

# TAITA CHEMICAL CO., LTD.

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

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 13, 21, 22 and 24):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (16,836)	-	\$ (36,316)	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method - remeasurement of defined benefit plans	(306)	-	(3,440)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>2,862</u>	-	<u>6,174</u>	-
	<u>(14,280)</u>	-	<u>(33,582)</u>	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	17,783	-	(162,428)	(2)
Unrealized gain on available-for-sale financial assets	12,684	-	41,824	1
Share of the other comprehensive income of associates accounted for using the equity method	11,189	-	9,731	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(3,023)</u>	-	<u>27,613</u>	-
	<u>38,633</u>	-	<u>(83,260)</u>	(1)
Other comprehensive income (loss) for the year, net of income tax	<u>24,353</u>	-	<u>(116,842)</u>	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 526,432</u>	<u>4</u>	<u>\$ 4,035</u>	<u>-</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.53</u>		<u>\$ 0.37</u>	
Diluted	<u>\$ 1.53</u>		<u>\$ 0.37</u>	

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

(Concluded)



# TAITA CHEMICAL CO., LTD.

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

	Share Capital - Ordinary Shares (Note 22)		Capital Surplus (Note 22)	Retained Earnings (Accumulated Deficits) (Notes 21 and 22)			Other Equity (Note 22)			Total Equity
				Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for- sale Financial Assets	Total	
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	<u>327,652</u>	<u>\$ 3,276,518</u>	<u>\$ 469</u>	<u>\$ 308,061</u>	<u>\$ 197,920</u>	<u>\$ 505,981</u>	<u>\$ (78,384)</u>	<u>\$ 200,966</u>	<u>\$ 122,582</u>	<u>\$ 3,905,550</u>

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

# TAITA CHEMICAL CO., LTD.

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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 574,549	\$ 123,178
Adjustments for:		
Depreciation expenses	134,935	137,888
Amortization expenses	5,091	7,177
Reversal of impairment losses on accounts receivable	-	(383)
Net loss on fair value change of financial assets and liabilities held for trading	28,343	11,019
Finance costs	25,151	23,047
Interest income	(7,449)	(8,273)
Dividend income	(7,262)	(7,262)
Share of profit of subsidiaries and associates	(162,782)	(113,271)
Loss on disposal of property, plant and equipment	100	27
(Gain) loss on disposal of investments	(3,311)	24
Unrealized gain on the transactions with subsidiaries	606	-
Realized loss on the transactions with subsidiaries	-	1,556
Recognition of provisions	9,490	8,243
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(10,593)	(1,411)
Notes receivable	9,529	(9,393)
Accounts receivable	(520,120)	124,794
Accounts receivable from related parties	(49,242)	(6,924)
Other receivables	(3,662)	(640)
Other receivables from related parties	11,982	(95,633)
Inventories	115,525	(177,036)
Prepayments	(24,011)	(2,282)
Other current assets	477	579
Accounts payable	245,854	268,000
Accounts payable from related parties	6	(715)
Other payables	61,710	9,888
Other payables from related parties	974	(417)
Other current liabilities	3,028	(1,156)
Net defined benefit liabilities	(79,783)	7,022
Cash generated from operations	359,135	297,646
Interest received	7,625	8,101
Interest paid	(25,594)	(23,166)
Income tax received	327	92
Net cash generated from operating activities	<u>341,493</u>	<u>282,673</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets	-	(172)
Proceeds from return of capital of available-for-sale financial assets	6,737	190
Increase in debt investments with no active market	-	(1,000)
Decrease in debt investments with no active market	5,000	-

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# TAITA CHEMICAL CO., LTD.

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

	2017	2016
Proceeds from sale of financial assets measured at cost	\$ -	\$ 1,050
Payments for property, plant and equipment	(137,319)	(120,061)
Proceeds from disposal of property, plant and equipment	194	-
Increase in refundable deposits	(948)	(6,125)
Payments for intangible assets	-	(240)
Dividends received	<u>23,356</u>	<u>16,543</u>
Net cash used in investing activities	<u>(102,980)</u>	<u>(109,815)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(180,000)	(234,041)
Decrease (increase) in short-term bills payable	(160,000)	50,000
Proceeds from long-term borrowings	8,100,000	3,400,000
Repayments of long-term borrowings	(8,100,000)	(3,400,000)
Decrease (increase) in other non-current liabilities	<u>(951)</u>	<u>141</u>
Net cash used in financing activities	<u>(340,951)</u>	<u>(183,900)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,438)	(11,042)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>175,048</u>	<u>186,090</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 72,610</u>	<u>\$ 175,048</u>

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

(Concluded)

# TAITA CHEMICAL CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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#### 1. GENERAL INFORMATION

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

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

The functional currency of the Company is the New Taiwan dollar, and the financial statements are presented in the Company’s functional currency.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Company’s board of directors on March 12, 2018.

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

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

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

##### Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for the related disclosures.

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

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

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

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

#### IFRS 9 “Financial Instruments” and related amendments

##### Classification, measurement and impairment of financial assets

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

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

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

cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

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

- 1) Listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead; and
- 2) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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

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

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

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Debt investments with no active market	\$ 3,000	\$ (3,000)	\$ -
Financial assets measured at amortized cost - current	-	3,000	3,000
Available-for-sale financial assets - non-current	242,944	(242,944)	-
Financial assets measured at cost - non-current	1,700	(1,700)	-
Financial assets at fair value through other comprehensive income – non-current	<u>-</u>	<u>244,976</u>	<u>244,976</u>
Total effect on assets	<u>\$ 247,644</u>	<u>\$ 332</u>	<u>\$ 247,976</u>
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	<u>-</u>	<u>201,298</u>	<u>201,298</u>
Total effect on equity	<u>\$ 200,966</u>	<u>\$ 332</u>	<u>\$ 201,298</u>

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

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

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

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

1) IFRS 16 “Leases”

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

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

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

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).



b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements only to the extent of the interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

j. Intangible assets

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

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

k. Impairment of tangible and intangible assets

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

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

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

## 1. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement categories

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

##### i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 27.

##### ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

- i. Significant financial difficulty of the issuer or counterparty;
- ii. Breach of contract, such as a default or delinquency in interest or principal payments;

- iii. It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- iv. The disappearance of an active market for those financial assets because of financial difficulties.

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

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

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

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

#### c) Derecognition of financial assets

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

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

### 2) Financial liabilities

#### a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 27.

#### b) Derecognition of financial liabilities

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

### 3) Derivative financial instruments

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

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

#### m. Provisions

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

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

#### n. Revenue recognition

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

##### 1) Sale of goods

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### 2) Dividend and interest income

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

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



o. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

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

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### a. Impairment of tangible and intangible assets

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

### b. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities. Refer to Note 21 for the carrying amount of retirement benefit costs and net defined benefit liabilities.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Cash on hand and petty cash	\$ 669	\$ 806
Checking accounts and demand deposits	71,941	26,070
Cash equivalents		
Time deposits with original maturities of less than 3 months	-	135,773
Reserve repurchase agreements collateralized by bonds	-	<u>12,399</u>
	<u>\$ 72,610</u>	<u>\$ 175,048</u>

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Time deposits	-	0.98%-1.50%
Repurchase agreements collateralized by bonds	-	0.32%

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Financial assets held for trading</u>		
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	<u>73,000</u>	<u>64,004</u>
	<u>304,282</u>	<u>324,829</u>
Financial assets at FVTPL	<u>\$ 306,110</u>	<u>\$ 324,829</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 624</u>	<u>\$ 1,593</u>

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

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

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

The net loss arising from financial assets at FVTPL for the years ended December 31, 2017 and 2016 was \$12,939 thousand and \$1,552 thousand, respectively. The net loss arising from financial liabilities at FVTPL for the years ended December 31, 2017 and 2016 was \$1,505 thousand and \$4,306 thousand, respectively.

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

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

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

## 9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Domestic unlisted ordinary shares</u>		
Harbinger Venture Capital (“HARBINGER”)	<u>\$ 1,700</u>	<u>\$ 1,700</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 1,700</u>	<u>\$ 1,700</u>

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

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

## 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Pledged time deposits	<u>\$ 3,000</u>	<u>\$ 8,000</u>

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

Refer to Note 29 for information related to pledged debt investments with no active market.

# 11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2017	2016
<u>Notes receivable (a)</u>		
Notes receivable - operating	\$ 37,929	\$ 47,458
<u>Accounts receivable (a)</u>		
Accounts receivable	\$ 1,525,337	\$ 1,014,630
Less: Allowance for impairment loss	(53,290)	(53,290)
	\$ 1,472,047	\$ 961,340
Accounts receivable from related parties (a) (Note 28)	\$ 62,872	\$ 13,630
<u>Other receivables</u>		
VAT refund receivables	\$ 61,945	\$ 58,854
Others	597	202
	\$ 62,542	\$ 59,056
Other receivables from related parties (Note 28)	\$ 165,599	\$ 177,581

## a. Notes receivable and accounts receivable

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

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

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

	December 31	
	2017	2016
Not past due	\$ 1,515,072	\$ 1,012,160
Past due within 60 days	57,723	7,865
Past due over 60 days	53,343	55,693
	\$ 1,626,138	\$ 1,075,718

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

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Past due within 60 days	\$ 57,723	\$ 7,865
Past due over 60 days	<u>53</u>	<u>2,403</u>
	<u>\$ 57,776</u>	<u>\$ 10,268</u>

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

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

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

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2016	\$ 52,750	\$ 923	\$ 53,673
Add: Impairment losses recognized on receivables	540	-	540
Less: Amounts written off during the year as uncollectible	<u>-</u>	<u>(923)</u>	<u>(923)</u>
Balance at December 31, 2016	<u>\$ 53,290</u>	<u>\$ -</u>	<u>\$ 53,290</u>
Balance at January 1 and December 31, 2017	<u>\$ 53,290</u>	<u>\$ -</u>	<u>\$ 53,290</u>

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

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

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

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Finished goods	\$ 399,725	\$ 472,427
Work in progress	124,099	131,042
Raw materials	353,517	268,467
Production supplies	22,096	23,913
Inventory in transit	<u>-</u>	<u>119,113</u>
	<u>\$ 899,437</u>	<u>\$ 1,014,962</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016, was \$12,055,131 thousand and \$9,141,299 thousand, respectively.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Investments in subsidiaries (a)	\$ 1,447,102	\$ 1,307,489
Investments in associates (b)	<u>462,944</u>	<u>427,809</u>
	<u>\$ 1,910,046</u>	<u>\$ 1,735,298</u>

#### a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Non-listed company		
Taita (BVI) Holding Co., Ltd. ("TTC (BVI)")	<u>\$ 1,447,102</u>	<u>\$ 1,307,489</u>

			<b>Proportion of Ownership</b>	
			<b>December 31</b>	
<b>Investor</b>	<b>Investee</b>	<b>Nature of Activities</b>	<b>2017</b>	<b>2016</b>
The Company	TTC (BVI)	Reinvestment	100%	100%

The investments in subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the subsidiaries' financial statements audited by auditors for the same years.

#### b. Investments in associates

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Investments in associates that are not individually material</u>		
Listed company		
China General Plastics Corporation ("CGPC")	\$ 154,719	\$ 146,179
Acme Electronics Corp. ("ACME")	33,212	35,992
Unlisted shares		
China General Terminal & Distribution Co ("CGTD")	272,509	243,047
Thintec Materials Corporation ("TMC")	<u>2,504</u>	<u>2,591</u>
	<u>\$ 462,944</u>	<u>\$ 427,809</u>



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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
The Company's share of:		
Profit from continuing operations	\$ 40,346	\$ 20,812
Other comprehensive income	<u>10,883</u>	<u>6,291</u>
Total comprehensive income for the year	<u>\$ 51,229</u>	<u>\$ 27,103</u>

The proportion of the Company's ownership and voting right of the associates were as follows:

	<b>December 31</b>	
<b>Name of Associate</b>	<b>2017</b>	<b>2016</b>
CGPC	1.98%	1.98%
ACME	2.44%	2.44%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

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

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

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

	<b>December 31</b>	
<b>Name of Associate</b>	<b>2017</b>	<b>2016</b>
CGPC	<u>\$ 315,940</u>	<u>\$ 226,740</u>
ACME	<u>\$ 81,788</u>	<u>\$ 54,229</u>

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

#### 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Freehold Land</b>	<b>Buildings Improvements</b>	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress and Prepayments for Equipment</b>	<b>Total</b>
<b>Cost</b>							
Balance at January 1, 2016	\$ 634,432	\$ 839,618	\$ 3,543,279	\$ 28,426	\$ 302,472	\$ 101,350	\$ 5,449,577
Additions	-	-	-	-	-	114,812	114,812
Disposals	-	(511)	(81,807)	-	(2,707)	-	(85,025)
Internal transfers	-	14,082	66,783	-	5,808	(86,673)	-
Balance at December 31, 2016	<u>\$ 634,432</u>	<u>\$ 853,189</u>	<u>\$ 3,528,255</u>	<u>\$ 28,426</u>	<u>\$ 305,573</u>	<u>\$ 129,489</u>	<u>\$ 5,479,364</u>

(Continued)

	Freehold Land	Buildings Improvements	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2016	\$ -	\$ 521,662	\$ 2,680,660	\$ 25,461	\$ 260,832	\$ -	\$ 3,488,615
Disposals	-	(511)	(81,782)	-	(2,705)	-	(84,998)
Depreciation expenses	-	24,646	97,761	1,230	14,251	-	137,888
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 545,797</u>	<u>\$ 2,696,639</u>	<u>\$ 26,691</u>	<u>\$ 272,378</u>	<u>\$ -</u>	<u>\$ 3,541,505</u>
Carrying amounts at December 31, 2016	<u>\$ 634,432</u>	<u>\$ 307,392</u>	<u>\$ 831,616</u>	<u>\$ 1,735</u>	<u>\$ 33,195</u>	<u>\$ 129,489</u>	<u>\$ 1,937,859</u>
<u>Cost</u>							
Balance at January 1, 2017	\$ 634,432	\$ 853,189	\$ 3,528,255	\$ 28,426	\$ 305,573	\$ 129,489	\$ 5,479,364
Additions	-	-	-	-	-	145,020	145,020
Disposals	-	-	(7,083)	(2,662)	(864)	-	(10,609)
Internal transfers	-	6,473	131,313	-	3,110	(140,896)	-
Balance at December 31, 2017	<u>\$ 634,432</u>	<u>\$ 859,662</u>	<u>\$ 3,652,485</u>	<u>\$ 25,764</u>	<u>\$ 307,819</u>	<u>\$ 133,613</u>	<u>\$ 5,613,775</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2017	\$ -	\$ 545,797	\$ 2,696,639	\$ 26,691	\$ 272,378	\$ -	\$ 3,541,505
Disposals	-	-	(6,875)	(2,662)	(778)	-	(10,315)
Depreciation expenses	-	24,173	99,653	1,026	10,083	-	134,935
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 569,970</u>	<u>\$ 2,789,417</u>	<u>\$ 25,055</u>	<u>\$ 281,683</u>	<u>\$ -</u>	<u>\$ 3,666,125</u>
Carrying amounts at December 31, 2017	<u>\$ 634,432</u>	<u>\$ 289,692</u>	<u>\$ 863,068</u>	<u>\$ 709</u>	<u>\$ 26,136</u>	<u>\$ 133,613</u>	<u>\$ 1,947,650</u>

(Concluded)

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

#### Buildings

Factories	20, 30, 35, 40 and 55 years
Office and laboratories	26 to 35 years
Storage rooms	20 to 25 years
Storage tank rooms	8 to 20 years
Others	2 to 9 years

#### Machinery and equipment

Environmental protection equipment	15 to 20 years
Monitoring equipment	11 to 15 years
Storage tank and pipeline systems	10 to 15 years
Production and packaging equipment	8 to 15 years
Power systems	7 to 15 years
Others	2 to 8 years

#### Transportation equipment

Other Equipment	5 to 15 years
-----------------	---------------

Property, plant and equipment pledged as collateral for bank borrowing are set out in Notes 17 and 29.

## 15. INVESTMENT PROPERTIES

	December 31	
	2017	2016
Land	\$ <u>108,178</u>	\$ <u>108,178</u>

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

The property located in Qianzhan District has been leased to CGTD. The rental was \$1,512 thousand per month, which is based on the actual usable area. Refer to Notes 23 and 28.

Part of above investment properties pledged as collateral for bank borrowing are set out in Notes 17 and 29.

## 16. INTANGIBLE ASSETS

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

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

## 17. BORROWINGS

### a. Short-term borrowings

	December 31	
	2017	2016
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ <u>120,000</u>	\$ <u>300,000</u>

The interest rate and range of interest rates on line of credit borrowings was 0.85% and 0.91%-0.95% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

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

Outstanding short-term bills payables were as follows:

December 31, 2017

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

December 31, 2016

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>
<u>Commercial paper</u>				
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	<u>50,000</u>	<u>16</u>	<u>49,984</u>	0.56%
	<u>\$ 350,000</u>	<u>\$ 92</u>	<u>\$ 349,908</u>	

c. Long-term borrowings

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Secured borrowings</b>		
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
<b>Unsecured borrowings</b>		
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.	<u>100,000</u>	<u>300,000</u>
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

The Company entered into a long-term financing contract in November 2012 with Chang Hwa Commercial Bank for 5 years to increase working capital. The contract was extended to July 2018 in 2015 and was further extended to June 2021 in 2017 with a credit limit of \$1,000,000 thousand, which is used cyclically during the validity period. The Company provided property located in Qianzhen District pledged as collateral (refer to Notes 14, 15 and 29). As of December 31, 2017, the Group has borrowed \$900,000 thousand.

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

## 18. ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Accounts payable (including related parties)</u>		
Operating (Note 28)	<u>\$ 1,239,086</u>	<u>\$ 993,226</u>

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

## 19. OTHER PAYABLES

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Payables for salaries or bonuses	\$ 122,084	\$ 80,402
Payables for transportation fees	45,191	30,641
Payables for utilities	24,084	21,500
Payables for purchases of equipment	16,875	9,174
Payables for insurance	9,593	7,807
Payables for professional service expenses	6,843	6,643
Payables for taxes	1,702	1,592
Others	<u>21,158</u>	<u>20,818</u>
	<u>\$ 247,530</u>	<u>\$ 178,577</u>

## 20. PROVISIONS - CURRENT

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Customer returns and rebates	<u>\$ 1,179</u>	<u>\$ 1,102</u>

Customer returns and rebates are as follows:

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

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

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

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

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2016	<u>\$ 753,879</u>	<u>\$ (129,923)</u>	<u>\$ 623,956</u>
Service cost			
Current service cost	8,357	-	8,357
Net interest expense (income)	<u>10,230</u>	<u>(1,721)</u>	<u>8,509</u>
Recognized in profit or loss	<u>18,587</u>	<u>(1,721)</u>	<u>16,866</u>
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	<u>10,572</u>	<u>-</u>	<u>10,572</u>
Recognized in other comprehensive income	<u>35,411</u>	<u>905</u>	<u>36,316</u>
Contributions from the employer	-	(9,844)	(9,844)
Benefits paid	<u>(43,042)</u>	<u>43,042</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 764,835</u>	<u>\$ (97,541)</u>	<u>\$ 667,294</u>
Balance at January 1, 2017	<u>\$ 764,835</u>	<u>\$ (97,541)</u>	<u>\$ 667,294</u>
Service cost			
Current service cost	7,188	-	7,188
Net interest expense (income)	<u>7,399</u>	<u>(791)</u>	<u>6,608</u>
Recognized in profit or loss	<u>14,587</u>	<u>(791)</u>	<u>13,796</u>
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	<u>16,582</u>	<u>-</u>	<u>16,582</u>
Recognized in other comprehensive income	<u>17,060</u>	<u>(224)</u>	<u>16,836</u>
Contributions from the employer	-	(93,579)	(93,579)
Benefits paid	<u>(73,899)</u>	<u>73,899</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 722,583</u>	<u>\$ (118,236)</u>	<u>\$ 604,347</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
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	<u>428</u>	<u>486</u>
	<u>\$ 13,796</u>	<u>\$ 16,866</u>

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

- 1) Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate of a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in government bond interest rates will increase the present value of the defined benefit obligation, however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
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:

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

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

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



## 22. EQUITY

### a. Share capital

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

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

### b. Capital surplus

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

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

### c. Retained earnings and dividends policy

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

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 23-g.

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

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

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

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

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

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

d. Special reserve

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Special reserve	<u>\$ 308,061</u>	<u>\$ 308,061</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ (92,295)	\$ 45,413
Exchange differences on translating foreign operations	17,783	(162,428)
Share of exchange differences of associates accounted for using the equity method	(849)	(2,893)
Related income tax	<u>(3,023)</u>	<u>27,613</u>
Balance at December 31	<u>\$ (78,384)</u>	<u>\$ (92,295)</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
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	<u>12,038</u>	<u>12,624</u>
Balance at December 31	<u>\$ 200,966</u>	<u>\$ 176,244</u>

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

## 23. NET PROFIT

Net profit includes the following:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Interest income		
Bank deposits	\$ 211	\$ 753
Financial assets at FVTPL (Note 7)	7,180	7,462
Others	<u>58</u>	<u>58</u>
	7,449	8,273
Dividend income	7,262	7,262
Rental income (Notes 15 and 28)	30,056	29,296
Compensation income	3,204	10
Others	<u>3,305</u>	<u>3,166</u>
	<u>\$ 51,276</u>	<u>\$ 48,007</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Loss on disposal of property, plant and equipment (Note 14)	\$ (100)	\$ (27)
Gain (loss) on disposal of available-for-sale financial assets (Note 8)	3,311	(24)
Net foreign exchange losses	(64,269)	(3,148)
Net loss on financial assets held for trading (Note 7)	(20,119)	(9,014)
Net loss on financial liabilities held for trading (Note 7)	(1,505)	(4,306)
Expenses from rental assets	(6,928)	(6,636)
Others	<u>(2,356)</u>	<u>(2,608)</u>
	<u>\$ (91,966)</u>	<u>\$ (25,763)</u>

c. Net foreign exchange gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Gross foreign exchange gains	\$ 59,091	\$ 73,110
Gross foreign exchange losses	<u>(123,360)</u>	<u>(76,258)</u>
Net loss	<u>\$ (64,269)</u>	<u>\$ (3,148)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Interest on bank loans	\$ 25,979	\$ 24,142
Less: Capitalized interest (included in construction in progress)	<u>(828)</u>	<u>(1,095)</u>
	<u>\$ 25,151</u>	<u>\$ 23,047</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Capitalized interest	\$ 828	\$ 1,095
Capitalization rate	0.986%-1.200%	1.20%-1.24%

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Property, plant and equipment (Note 14)	\$ 134,935	\$ 137,888
Intangible assets (Note 16)	<u>5,091</u>	<u>7,177</u>
	<u>\$ 140,026</u>	<u>\$ 145,065</u>
An analysis of depreciation by function		
Operating costs	\$ 130,390	\$ 133,286
Operating expenses	868	1,231
Non-operating income and expenses	<u>3,677</u>	<u>3,371</u>
	<u>\$ 134,935</u>	<u>\$ 137,888</u>
An analysis of amortization by function		
Operating costs	\$ 1,600	\$ 1,600
General and administrative expenses	<u>3,491</u>	<u>5,577</u>
	<u>\$ 5,091</u>	<u>\$ 7,177</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Post-employment benefits (Note 21)		
Defined contribution plans	\$ 12,171	\$ 11,433
Defined benefit plans	<u>13,796</u>	<u>16,866</u>
	25,967	28,299
Insurance expenses	32,703	31,095
Other employee benefits	<u>478,212</u>	<u>430,873</u>
Total employee benefits expense	<u>\$ 536,882</u>	<u>\$ 490,267</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 418,714	\$ 369,933
Operating expenses	<u>118,168</u>	<u>120,334</u>
	<u>\$ 536,882</u>	<u>\$ 490,267</u>

As of December 31, 2017 and 2016, the number of employees of the Company was 437 and 427, respectively, and the calculation basis was the same as that of employee benefits expense.

g. Employees' compensation and remuneration of directors

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

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

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

	<b>For the Year Ended December 31, 2017</b>	
	<b>Accrual Rate</b>	<b>Amount</b>
Employees' compensation	1%	<u>\$ 2,875</u>
Remuneration of directors	-	<u>\$ -</u>

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

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

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

## 24. INCOME TAXES

### a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Current tax		
In respect of the current year	\$ 38,632	\$ -
Adjustments for prior years	<u>(957)</u>	<u>-</u>
	<u>37,675</u>	<u>-</u>
Deferred tax		
In respect of the current year	34,795	2,281
Adjustments for prior years	<u>-</u>	<u>20</u>
	<u>37,795</u>	<u>2,301</u>
Income tax expense recognized in profit or loss	<u>\$ 72,470</u>	<u>\$ 2,301</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Profit before tax from continuing operations	<u>\$ 574,549</u>	<u>\$ 123,178</u>
Income tax expense calculated at the statutory rate	\$ 97,673	\$ 20,940
Nondeductible expenses in determining taxable income	120	93
Tax-exempt income	(3,716)	(3,252)
Unrecognized loss carryforwards	(20,814)	(15,718)
Adjustments for prior years' tax	(957)	20
Others	<u>164</u>	<u>218</u>
Income tax expense recognized in profit or loss	<u>\$ 72,470</u>	<u>\$ 2,301</u>

The applicable corporate income tax rate used by the corporate in the ROC is 17%.

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

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

b. Income tax recognized in other comprehensive income

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

c. Current income tax assets and liabilities

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current income tax assets		
Tax refund receivables	<u>\$ 778</u>	<u>\$ 1,849</u>
Current income tax liabilities		
Accrued income tax expense	<u>\$ 37,888</u>	<u>\$ 957</u>

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

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation	\$ 2,641	\$ (1,359)	\$ -	\$ 1,282
Allowance for impaired receivables	7,231	(936)	-	6,295
Loss on supplies	970	(193)	-	777
Defined benefit plans	113,145	(13,563)	2,862	102,444
Payables for annual leave	3,297	(10)	-	3,287
Unrealized foreign exchange losses	-	3,315	-	3,315
Others	<u>2,053</u>	<u>(852)</u>	<u>-</u>	<u>1,201</u>
	129,337	(13,598)	2,862	118,601
Operating loss carryforwards	<u>23,594</u>	<u>(23,594)</u>	<u>-</u>	<u>-</u>
	<u>\$ 152,931</u>	<u>\$ (37,192)</u>	<u>\$ 2,862</u>	<u>\$ 118,601</u>

(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
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	<u>-</u>	<u>205</u>	<u>-</u>	<u>205</u>
	<u>\$ 160,776</u>	<u>\$ (2,397)</u>	<u>\$ 3,023</u>	<u>\$ 161,402</u> (Concluded)

For the year ended December 31, 2016

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation	\$ 5,106	\$ (2,465)	\$ -	\$ 2,641
Allowance for impaired receivables	6,963	268	-	7,231
Loss on supplies	967	3	-	970
Unrealized impairment loss on property, plant and equipment	18	(18)	-	-
Defined benefit plans	105,777	1,194	6,174	113,145
Payables for annual leave	2,778	519	-	3,297
Others	<u>1,209</u>	<u>844</u>	<u>-</u>	<u>2,053</u>
	<u>122,818</u>	<u>345</u>	<u>6,174</u>	<u>129,337</u>
Operating loss carryforwards	<u>26,309</u>	<u>(2,715)</u>	<u>-</u>	<u>23,594</u>
	<u>\$ 149,127</u>	<u>\$ (2,370)</u>	<u>\$ 6,174</u>	<u>\$ 152,931</u> (Continued)



	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax liabilities</u>				
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	<u>270</u>	<u>(270)</u>	<u>-</u>	<u>-</u>
	<u>\$ 188,458</u>	<u>\$ (69)</u>	<u>\$ (27,613)</u>	<u>\$ 160,776</u> (Concluded)

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Deductible temporary differences		
Share of loss of subsidiaries accounted for using the equity method	<u>\$ 672,278</u>	<u>\$ 794,714</u>

- f. Integrated income tax

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

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Shareholder-imputed credits account	<u>\$ -</u> (Note)	<u>\$ 62,014</u>

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

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

- h. Income tax assessments

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

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Basic earnings per share	<u>\$ 1.53</u>	<u>\$ 0.37</u>
Diluted earnings per share	<u>\$ 1.53</u>	<u>\$ 0.37</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Earnings used in the computation of basic earnings per share and diluted earnings per share	<u>\$ 502,079</u>	<u>\$ 120,877</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
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	<u>189</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>327,841</u>	<u>327,652</u>

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

## 26. CAPITAL MANAGEMENT

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

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

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

## 27. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

December 31, 2017

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

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	<u>\$ 324,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324,829</u>
Available-for-sale financial assets				
Securities listed in the ROC	<u>\$ 233,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,686</u>
Financial liabilities at FVTPL				
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 1,593</u>	<u>\$ -</u>	<u>\$ 1,593</u>

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	\$ 306,110	\$ 324,829
Loans and receivables (1)	1,830,705	1,399,362
Available-for-sale financial assets (2)	244,644	235,386
<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)	2,680,626	2,746,376

- 1) The balance includes loans and receivables measured at amortized cost, which includes cash and cash equivalents, debt investments with no active market, notes and accounts receivables (including related parties), other receivables (including related parties and excluding VAT refund receivables) and other non-current assets (pledged deposits).
- 2) The balance includes the carrying amount of financial assets measured at cost.
- 3) The balance includes financial liabilities measured at amortized cost, which includes short-term and long-term loans, short-term bills payable, accounts payable (including related parties) and other payables (including related parties and excluding payables for taxes).

d. Financial risk management objectives and policies

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

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

1) Market risk

The Company's operating activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 31 and of the derivatives exposing the Company to foreign currency risk are set out in Note 7.

#### Sensitivity analysis

The Company's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2017 and 2016 would have increased/decreased by \$33,006 thousand and \$31,418 thousand, respectively.

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

#### b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Fair value interest rate risk		
Financial assets	\$ 19,051	\$ 172,275
Financial liabilities	309,923	649,908
Cash flow interest rate risk		
Financial assets	67,761	24,639
Financial liabilities	1,000,000	1,000,000

#### Sensitivity analysis

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

If interest rates had been 50 points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by \$4,661 thousand and \$4,877 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

The Company's sensitivity analysis focuses on equity price risks at the end of the reporting period. If equity prices had been a 5% high/lower on the trading instrument, the net profit before tax for the years ended December 31, 2017 and 2016 would have increased/decreased by \$15,214 thousand and \$16,241 thousand, respectively; the other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by \$12,147 thousand and \$11,684 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets.
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. In addition, the Company provided endorsement guarantees for the borrowings of subsidiaries. The guarantee amounts provided by the Company for endorsements were \$1,870,770 thousand and \$1,867,375 thousand, respectively, as of December 31, 2017 and 2016. However, according to the expectations on the balance sheet date, it is unlikely that the Company will pay the endorsement guarantees when the endorsee breaches the contract.

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

3) Liquidity risk

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

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

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

December 31, 2017

	<b>Weighted Average Interest Rate</b>	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities		\$ 1,381,603	\$ 26,950
Floating interest rate liabilities	1.110	-	1,000,000
Fixed interest rate liabilities	0.747	<u>310,000</u>	<u>-</u>
		<u>\$ 1,691,603</u>	<u>\$ 1,026,950</u>

December 31, 2016

	<b>Weighted Average Interest Rate</b>	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities		\$ 1,108,468	\$ 10,900
Floating interest rate liabilities	1.200	-	1,000,000
Fixed interest rate liabilities	0.745	<u>650,000</u>	<u>-</u>
		<u>\$ 1,758,468</u>	<u>\$ 1,010,900</u>

c) Financing facilities

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

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Bank loan facilities		
Amount unused	<u>\$ 3,040,341</u>	<u>\$ 1,956,952</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

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

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related parties' names and categories

<b>Related Parties</b>	<b>Related Party Category</b>
USI Corporation ("USI")	Parent company
Taita (BVI) Holding Co., Ltd. ("TTC (BVI)")	Subsidiary
Taita Chemical (Zhongshan) Co., Ltd. ("TTC (ZS)")	Subsidiary
Taita Chemical (Tianjin) Co., Ltd. ("TTC (TJ)")	Subsidiary
China General Plastics Corporation	Associate
CGPC Polymer Corporation	Subsidiary of associate
Taiwan VCM Corporation ("TVCM")	Subsidiary of associate
China General Terminal & Distribution Co. ("CGTD")	Associate
Acme Electronics Corporation	Associate
Asia Polymer Corp. ("APC")	Fellow subsidiary
USI Trading (Shanghai) Co., Ltd.	Subsidiary of fellow subsidiary
USI International Corporation	Subsidiary of fellow subsidiary
Swanson Plastics Corporation	Fellow subsidiary
USI Management Consulting Corporation ("UM")	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
Usig (Shanghai) Co., Ltd.	Fellow subsidiary
INOMA Corporation	Fellow subsidiary

b. Sales of goods

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Subsidiary	\$ 619,515	\$ 404,004
Fellow subsidiary	<u>42,646</u>	<u>52,004</u>
	<u>\$ 662,161</u>	<u>\$ 456,008</u>

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

c. Purchases of goods

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Subsidiary	\$ 19,068	\$ 17,468
Associate	2,787	3,587
Fellow subsidiary	<u>197</u>	<u>781</u>
	<u>\$ 22,052</u>	<u>\$ 21,836</u>

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	2016
Subsidiary	\$ 58,814	\$ -
Fellow subsidiary	<u>4,058</u>	<u>13,630</u>
	<u>\$ 62,872</u>	<u>\$ 13,630</u>

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

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

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

The outstanding accounts payable from related parties are not overdue.

f. Endorsements and guarantees

Related Party Category/Name	December 31	
	2017	2016
TTC (BVI)	\$ 1,482,080	\$ 1,544,875
TTC (ZS)	239,890	-
TTC (TJ)	<u>148,800</u>	<u>322,500</u>
	<u>\$ 1,870,770</u>	<u>\$ 1,867,375</u>

g. Other transactions with related parties

1) Rental income (classified as other income, see Notes 14, 15 and 23)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Associate		
CGTD	\$ 19,100	\$ 19,100
TVCN	<u>9,426</u>	<u>9,360</u>
	28,526	28,460
Parent company	<u>1,530</u>	<u>836</u>
	<u>\$ 30,056</u>	<u>\$ 29,296</u>

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

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

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

- 3) Storage tank operating expenses (classified as operating costs)

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

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	<u>120</u>	<u>120</u>
	47,986	39,826
Parent company		
USI	<u>9,912</u>	<u>10,630</u>
	<u>\$ 57,898</u>	<u>\$ 50,456</u>

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

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

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

6) Other receivables from related parties

Related Party Category/Name	December 31	
	2017	2016
Subsidiary		
TTC (TJ)	\$ 160,928	\$ 174,393
Others	<u>1,399</u>	<u>356</u>
	162,327	174,749
Associate	2,934	2,512
Parent company	310	267
Fellow subsidiary	<u>28</u>	<u>53</u>
	<u>\$ 165,599</u>	<u>\$ 177,581</u>

Other receivables included raw material receivables and land and equipment rental receivables.

7) Other payables to related parties

Related Party Category/Name	December 31	
	2017	2016
Associate	\$ 5,152	\$ 3,416
Parent company	2,829	3,688
Fellow subsidiary	<u>404</u>	<u>307</u>
	<u>\$ 8,385</u>	<u>\$ 7,411</u>

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

8) Acquisitions of property, plant and equipment

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

h. Compensation of key management personnel

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

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

## 29. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for line of credit borrowings, the tariffs of imported raw materials and good guarantees and borrowing credit amounts (Notes 10, 14, 15 and 17):

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Pledged time deposits		
Classified as debt investments with no active market - current	\$ 3,000	\$ 8,000
Classified as other assets - non-current	16,051	16,103
Property, plant and equipment, net	459,730	470,789
Investment properties, net	<u>108,178</u>	<u>108,178</u>
	<u>\$ 586,959</u>	<u>\$ 603,070</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of December 31, 2017 and 2016, unused letters of credit amounted to approximately \$1,306,298 thousand and \$912,435 thousand.
- b. Contingencies

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

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

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

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

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

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: Foreign Currency In Thousands

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar; Note)	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 54,448	29.7600	\$ 1,621,550
HKD	1,062	3.8070	4,044
EUR	32	35.5700	<u>1,150</u>
			<u>\$ 1,626,744</u>
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	48,646	29.7600	<u>\$ 1,447,102</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	17,518	29.7600	<u>\$ 521,344</u>

December 31, 2016			
	Foreign Currency	Exchange Rate (Dollar; Note)	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 36,354	32.2500	\$ 1,172,428
HKD	547	4.1580	<u>2,273</u>
			<u>\$ 1,174,701</u>
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	40,542	32.2500	<u>\$ 1,307,489</u>
<u>Foreign currency liabilities</u>			
Monetary items			
USD	3,881	32.2500	<u>\$ 125,169</u>

Note: The exchange rate represents the number of NT dollars for which one foreign currency could be exchanged.

The unrealized and realized foreign exchange gains and losses were a gain of \$64,269 thousand and a loss of \$3,148 thousand for the years ended December 31, 2017 and 2016, respectively. Due to the numerous foreign currency transactions and functional currencies of each individual entity of the Company, foreign exchange gains and losses cannot be disclosed on the respective significant foreign currency.

## 32. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (not including investment subsidiary and affiliated companies). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
  - 9) Trading in derivative instruments. (Note 7)
  - 10) Information on investees. (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Note 28)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 5 and 6)
    - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
    - e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

TABLE 1

TAITA CHEMICAL CO., LTD.

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

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

- Note 1: The total amount of lending to the Company for funding for a short-term period shall not exceed 40% of the net worth of the Company. As of December 31, 2017, the Company didn’t loan funds to anyone and has no financing provided to others.
- Note 2: The total amount of financing provided by Taita Chemical (Zhongshan) Co., Ltd. to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of its financing provided to any subsidiary which is wholly-owned by the Company shall not exceed 100% of the recently audited net worth of the Company as audited by an independent auditor. As December 31, 2017, the audited net worth of Taita Chemical (Zhongshan) Co., Ltd. is RMB421,148 thousand.
- Note 3: Types of financing were as follows:
- a. Business and trade.
  - b. Shot-term financing.
- Note 4: The foreign currency amount is calculated based on the spot exchange rate as on December 31, 2017.



TABLE 2

TAITA CHEMICAL CO., LTD.

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

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

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

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

**TABLE 3**

**TAITA CHEMICAL CO., LTD.**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taita Chemical Co., Ltd.	<u>Ordinary shares</u>	Parent company	Available-for-sale financial assets - non-current	14,813,629	\$ 242,944	1.27	\$ 242,944	Note 1
	USI Corporation		Financial assets measured at cost - non-current	170,000	1,700	0.50	-	-
	<u>Harbinger Venture Capital</u>							
	<u>Beneficiary securities</u>							
	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
	<u>Mutual funds and beneficiary certificates</u>							
	Franklin Templeton SinoAm Money Market Fund	-	Financial instruments at FVTPL	4,866,985	50,000	-	50,000	Note 2
Taita (BVI) Holding Co., Ltd.	TCB Taiwan Money Market Fund	-	Financial instruments at FVTPL	2,276,912	23,000	-	23,000	Note 2
	<u>Shares</u>							
	Budworth Investment Ltd. - ordinary shares	-	Financial assets measured at cost - non-current	127,980	983 (US\$ 33 thousand)	2.22	-	-
	Teratech Corporation - ordinary shares	-	Financial assets measured at cost - non-current	112,000	-	0.72	-	Note 3
	Sohoware Inc. - preference shares	-	Financial assets measured at cost - non-current	100,000	-	-	-	Note 3

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

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

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

TABLE 4

TAITA CHEMICAL CO., LTD.

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

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

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

**TABLE 5**

**TAITA CHEMICAL CO., LTD.**

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

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

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

**TABLE 6**

**TAITA CHEMICAL CO., LTD.**

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

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

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

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

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

TABLE 7

TAITA CHEMICAL CO., LTD.

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

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

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

Note 2: Investments in mainland China are included in Table 8.

TABLE 8

TAITA CHEMICAL CO., LTD.

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

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

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

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

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

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

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

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