Taita Chemical Co., Ltd.

Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

Deloitte.

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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, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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 audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 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, 2019. 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.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows:

Allowance for Impairment Loss of Accounts Receivable

As of December 31, 2019, the carrying amount of notes and accounts receivable were NT$1,473,529 thousand (i.e., the gross amount of notes and accounts receivable of NT$1,527,498 thousand with a deduction of allowances for impairment of NT$53,969 thousand) which accounted for 21% of the total assets. The Company's estimation of expected credit loss is based on customers' credit quality, the Company's historical experience, existing market conditions and forward looking estimates. The estimation of expected credit loss involves critical judgment and estimation uncertainty. Thus, we identified the estimation of allowance for impairment loss of notes and accounts receivable as one of the key audit matters.

For the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of allowance for impairment loss of accounts receivable, refer to Notes 4, 5 and 10 to the consolidated financial statements.

We performed the corresponding audit procedures, for the estimation of allowance for impairment loss of accounts receivable, as follows:

1. We understood and evaluated the Company's internal control procedures on the allowance for impairment loss of accounts receivable.

2. We evaluated the reasonableness of classification and allowance percentage for credit losses, which were assumed by the management's judgment on customers' credit quality, aging schedule of notes and accounts receivable and the amount overdue. We sampled and inspected the aging schedule of notes and accounts receivable to verify the correctness and reasonableness of the computation, and we also compared the distribution of the aging schedule of notes and accounts receivable between the current year and the previous year.

3. We examined the amounts written off during the current year and the previous year and also checked the amounts received in the subsequent period to evaluate the recoverability of accounts receivable.

Estimation of Inventory Write-downs

As of December 31, 2019, the carrying amount of inventory was NT$546,083 thousand (i.e., the gross amount of inventory was NT$550,284 thousands with a deduction of inventory valuation allowance of NT$4,201 thousands) and was accounted for 8% of the total assets.

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

For accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Notes 4, 5 and 11 to the financial statements.

The main audit procedures that we performed in respect of the inventory write-downs included the following:

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

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

3. We observed the year-end inventory and we confirmed the inventory status and evaluated the reasonableness of the allowance for loss of inventory.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiu-Chun Huang and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2020

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

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

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

TAITA CHEMICAL CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 89,730	1	$ 83,628	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	306,472	4	404,219	6
Financial assets at amortized cost - current (Notes 4, 9 and 30)	3,000	-	3,000	-
Notes receivable (Notes 4 and 10)	28,859	-	53,235	1
Accounts receivable (Notes 4, 5 and 10)	1,377,661	20	1,489,787	20
Accounts receivable from related parties (Notes 4, 5, 10 and 29)	67,009	1	155,423	2
Other receivables (Notes 4 and 10)	61,195	1	100,376	1
Other receivables from related parties (Notes 4, 10 and 29)	287,197	4	176,832	2
Current tax assets (Note 25)	2,560	-	2,560	-
Inventories (Notes 4, 5 and 11)	546,083	8	659,525	9
Prepayments	60,396	1	57,943	1
Other current assets	98	-	315	-
Total current assets	2,830,260	40	3,186,843	43
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	209,299	3	180,281	3
Investments accounted for using the equity method (Notes 5 and 12)	1,907,096	27	1,870,001	25
Property, plant and equipment (Notes 13, 17, 29 and 30)	1,836,939	26	1,934,916	26
Right-of-use assets (Notes 3, 4, 14 and 29)	50,813	1	-	-
Investment properties (Notes 15, 17 and 30)	108,178	2	108,178	2
Other intangible assets (Note 16)	7,448	-	9,668	-
Deferred tax assets (Notes 5 and 25)	73,866	1	95,492	1
Other non-current assets (Note 30)	23,738	-	23,580	-
Total non-current assets	4,217,377	60	4,222,116	57
TOTAL	$ 7,047,637	100	$ 7,408,959	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 420,000	6	$ 1,080,000	15
Short-term bills payable (Note 17)	-	-	20,000	-
Accounts payable (Note 18)	606,900	9	632,911	9
Accounts payable from related parties (Notes 18 and 29)	822	-	390	-
Other payables (Note 19)	230,027	3	228,144	3
Other payables from related parties (Note 29)	7,623	-	6,978	-
Current tax liabilities (Note 25)	34,467	1	1,181	-
Lease liabilities - current (Notes 3, 4, 14 and 29)	4,464	-	-	-
Refund liabilities - current (Note 20)	909	-	806	-
Other current liabilities	18,695	-	31,919	-
Total current liabilities	1,323,907	19	2,002,329	27
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13, 15, 17 and 30)	1,000,000	14	1,000,000	13
Deferred tax liabilities (Note 25)	144,973	2	151,418	2
Lease liabilities - non-current (Notes 3, 4, 14 and 29)	47,451	1	-	-
Net defined benefit liabilities - non-current (Note 21)	229,914	3	262,226	4
Other non-current liabilities	1,629	-	1,029	-
Total non-current liabilities	1,423,967	20	1,414,673	19
Total liabilities	2,747,874	39	3,417,002	46
EQUITY (Notes 3 and 22)				
Share capital	3,342,048	48	3,276,518	44
Capital surplus	810	-	779	-
Retained earnings				
Legal reserve	42,017	1	21,220	-
Special reserve	308,061	4	308,061	4
Unappropriated earnings	647,893	9	402,112	6
Total retained earnings	997,971	14	731,393	10
Other equity	(41,066)	(1)	(16,733)	-
Total equity	4,299,763	61	3,991,957	54
TOTAL	$ 7,047,637	100	$ 7,408,959	100

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

TAITA CHEMICAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 20, 23 and 29)	$ 12,219,221	100	$ 14,943,406	100
COST OF GOODS SOLD (Notes 11, 14, 15, 21, 24 and 29)	11,320,955	92	14,252,749	95
GROSS PROFIT	898,266	8	690,657	5
UNREALIZED (GAIN) LOSS ON TRANSACTIONS WITH SUBSIDIARIES	(1,123)	-	1,852	-
OPERATING EXPENSES (Notes 10, 21, 24 and 29)				
Selling and marketing expenses	449,986	4	454,722	3
General and administrative expenses	118,102	1	126,781	1
Research and development expenses	25,048	-	23,077	-
Total operating expenses	593,136	5	604,580	4
PROFIT FROM OPERATIONS	304,007	3	87,929	1
NON-OPERATING INCOME AND EXPENSES (Notes 7, 12, 15, 24 and 29)				
Other income	54,048	-	59,031	-
Other gains and losses	3,067	-	77,890	1
Share of profit of subsidiaries and associates	124,044	1	56,112	-
Finance costs	(24,191)	-	(27,567)	-
Total non-operating income and expenses	156,968	1	165,466	1
PROFIT BEFORE INCOME TAX	460,975	4	253,395	2
INCOME TAX EXPENSE (Note 25)	62,998	1	45,422	-
NET PROFIT FOR THE YEAR	397,977	3	207,973	2

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TAITA CHEMICAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE LOSS (Notes 8, 12, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 3,785	-	$ 10,196	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	29,523	-	(63,510)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method - unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	6,121	-	(19,748)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method - remeasurement of defined benefit plans	(312)	-	619	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(910)	-	4,287	-
	38,207	-	(68,156)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(73,095)	-	(65,846)	-
Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	(1,349)	-	(486)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	14,619	-	10,215	-
	(59,825)	-	(56,117)	-
Other comprehensive loss for the year, net of income tax	(21,618)	-	(124,273)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 376,359	3	$ 83,700	1
EARNINGS PER SHARE (Note 26)				
Basic	$ 1.19		$ 0.62	
Diluted	$ 1.19		$ 0.62	

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital - Ordinary (Note 22)		Capital Surplus (Note 22)			Retained Earnings (Notes 21 and 22)				Other Equity (Note 22)				
	Shares (In Thousands)	Amount	Long-term Equity Investment	Unpaid Dividends	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE AT JANUARY 1, 2018	327,652	$ 3,276,518	$ 469	$ -	$ 469	$ -	$ 308,061	$ 197,920	$ 505,981	$ (78,384)	$ 200,966	$ -	$ 122,582	$ 3,905,550
Effect of retrospective application	-	-	-	-	-	-	-	2,555	2,555	-	(200,966)	200,808	(158)	2,397
BALANCE AT JANUARY 1, 2018 AS RESTATED	327,652	3,276,518	469	-	469	-	308,061	200,475	508,536	(78,384)	-	200,808	122,424	3,907,947
Appropriation of 2017 earnings														
Legal reserve	-	-	-	-	-	21,220	-	(21,220)	-	-	-	-	-	-
Changes in capital surplus	-	-	14	296	310	-	-	-	-	-	-	-	-	310
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	207,973	207,973	-	-	-	-	207,973
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	14,884	14,884	(56,117)	-	(83,040)	(139,157)	(124,273)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	222,857	222,857	(56,117)	-	(83,040)	(139,157)	83,700
BALANCE AT DECEMBER 31, 2018	327,652	3,276,518	483	296	779	21,220	308,061	402,112	731,393	(134,501)	-	117,768	(16,733)	3,991,957
Effect of retrospective application	-	-	-	-	-	-	-	(3,054)	(3,054)	-	-	-	-	(3,054)
BALANCE AT JANUARY 1, 2019 AS RESTATED	327,652	3,276,518	483	296	779	21,220	308,061	399,058	728,339	(134,501)	-	117,768	(16,733)	3,988,903
Appropriation of 2018 earnings														
Legal reserve	-	-	-	-	-	20,797	-	(20,797)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	(65,530)	(65,530)	-	-	-	-	(65,530)
Share dividends distributed by the Company	6,553	65,530	-	-	-	-	-	(65,530)	(65,530)	-	-	-	-	-
Changes in capital surplus	-	-	31	-	31	-	-	-	-	-	-	-	-	31
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	397,977	397,977	-	-	-	-	397,977
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	2,715	2,715	(59,825)	-	35,492	(24,333)	(21,618)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	400,692	400,692	(59,825)	-	35,492	(24,333)	376,359
BALANCE AT DECEMBER 31, 2019	334,205	$ 3,342,048	$ 514	$ 296	$ 810	$ 42,017	$ 308,061	$ 647,893	$ 997,971	$ (194,326)	$ -	$ 153,260	$ (41,066)	$ 4,299,763

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 460,975	$ 253,395
Adjustments for:		
Depreciation expenses	164,841	148,845
Amortization expenses	2,220	3,167
Expected credit loss	672	547
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(40,844)	(22,937)
Finance costs	24,191	27,567
Interest income	(9,963)	(8,672)
Dividend income	(4,617)	(4,444)
Share of profit of subsidiaries and associates	(124,044)	(56,112)
Loss on disposal of property, plant and equipment	8	368
(Reversal of) write-down of inventories	(21,019)	17,679
Unrealized gain (loss) on the transactions with subsidiaries	1,123	(1,852)
Recognition of refund liabilities	7,535	10,493
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	138,591	(75,796)
Notes receivable	24,376	(15,306)
Accounts receivable	104,022	(29,153)
Accounts receivable from related parties	88,414	(92,551)
Other receivables	39,180	(37,832)
Other receivables from related parties	(110,365)	(11,233)
Inventories	134,461	222,233
Prepayments	(2,453)	23,770
Other current assets	217	581
Accounts payable	(26,011)	(605,680)
Accounts payable from related parties	432	(105)
Other payables	12,091	(20,836)
Other payables from related parties	645	(1,407)
Other current liabilities	(13,224)	20,417
Net defined benefit liabilities	(28,527)	(331,925)
Cash generated from (used in) operations	822,927	(586,779)
Interest received	9,964	8,670
Interest paid	(24,810)	(27,039)
Income tax paid	(822)	(56,284)
Net cash generated from (used in) operating activities	807,259	(661,432)

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TAITA CHEMICAL CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	$ 505	$ 1,185
Payments for property, plant and equipment	(71,870)	(135,185)
Increase in refundable deposits	(158)	(403)
Payments for intangible assets	-	(1,767)
Dividends received	19,683	19,071
Net cash used in investing activities	(51,840)	(117,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(660,000)	960,000
Decrease in short-term bills payable	(20,000)	(170,000)
Proceeds from long-term borrowings	850,000	3,400,000
Repayments of long-term borrowings	(850,000)	(3,400,000)
Repayment of the principal portion of lease liabilities	(4,416)	-
Increase (decrease) in other non-current liabilities	600	(451)
Cash dividends	(65,501)	-
Net cash (used in) generated from financing activities	(749,317)	789,549
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,102	11,018
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	83,628	72,610
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 89,730	$ 83,628

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

1. GENERAL INFORMATION

Taita Chemical Co., Ltd. (the "Company") was established and began operations in April 1960. The Company designs, develops, and sells chemical products like EPS, ABS and PS plastic resins. Other products include SAN resins, glasswool and cubic printing, all of which are widely used in consumer-oriented and industrial applications. The Company's parent company is USI Corporation, which held indirectly 36.79% of the ordinary shares of the Company as of December 31, 2019 and 2018. 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 5, 2020.

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), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC.

   Except for the following, 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 did not have any material impact on the Company's accounting policies:

   IFRS 16 "Leases"

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

   Definition of a lease

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

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

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

The Company also applies the following practical expedients:

1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

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

3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.1%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 78,604
Less: Recognition exemption for short-term leases	(18,411)
Less: Recognition exemption for leases of low-value assets	(36)
Undiscounted amounts on January 1, 2019	$ 60,157
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 56,331
Lease liabilities recognized on January 1, 2019	$ 56,331

The Company as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 55,433	$ 55,433
Investments accounted for using the equity method	1,870,001	(2,156)	1,867,845
Total effect on assets	$ 1,870,001	$ 53,277	$ 1,923,278
Lease liabilities - current	$ -	$ 4,416	$ 4,416
Lease liabilities - non-current	-	51,915	51,915
Total effect on liabilities	$ -	$ 56,331	$ 56,331
Retained earnings	$ 402,112	$ (3,054)	$ 399,058
Total effect on equity	$ 402,112	$ (3,054)	$ 399,058

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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 financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

g. Investments in associates

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

Except freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Investment properties

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

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

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

j. Intangible assets

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

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

k. Impairment of tangible and intangible assets

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purpose, if any internal or external information shows that the debtor is unlikely to pay its creditors, the Company determines that a financial asset is in default (without taking into account any collateral held by the Company).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

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

2) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Revenue recognition

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

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

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

n. Leasing

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

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.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

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.

o. 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.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Kay Sources of Estimated Uncertainty

a. Estimated impairment of financial trade receivables

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

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

c. 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.

d. Income taxes

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

e. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand and petty cash	$ 659	$ 709
Checking accounts and demand deposits	65,986	57,919
Cash equivalents		
Time deposits	23,085	-
Reverse repurchase agreements collateralized by bonds	-	25,000
	$ 89,730	$ 83,628

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

	December 31	
	2019	2018
Time deposits	1.46%	-
Reverse repurchase agreements collateralized by bonds	-	0.53%

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

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 2,923	$ 390
Non-derivative financial assets		
Beneficiary securities	291,549	253,829
Mutual funds	12,000	150,000
	303,549	403,829
	$ 306,472	$ 404,219

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Sell	USD/NTD	2020.01.13-2020.03.19	USD13,000/NTD393,051
December 31, 2018			
Sell	USD/NTD	2019.01.15-2019.03.14	USD6,000/NTD184,171

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

The net gain arising from financial assets at FVTPL for the years ended December 31, 2019 and 2018 was $53,674 thousand and $40,536 thousand, respectively. The net loss arising from financial liabilities at FVTPL for the years ended December 31, 2019 and 2018 was $3,686 thousand and $8,442 thousand, respectively.

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

	December 31	
	2019	**2018**
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares		
Ordinary shares - USI Corporation	$ 209,272	$ 179,808
Unlisted shares		
Ordinary shares - Harbinger Venture Capital Corp. ("HARBINGER") (a)	27	473
	$ 209,299	$ 180,281

a. HARBINGER, the investee, announced a reduction of capital by returning cash in January 2019 and April 2018. The Company received $505 thousand and $1,185 thousand, respectively, according to its ownership percentage.

b. These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2019	**2018**
Pledged time deposits	$ 3,000	$ 3,000

The interest rate for the pledged time deposits was from 0.62% to 0.94% as at the end of the reporting period.

Refer to Note 30 for information related to the pledged financial assets at amortized cost.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2019	**2018**
Notes receivable (a)		
Notes receivable - operating	$ 28,859	$ 53,235

(Continued)

	December 31	
	2019	2018
Accounts receivable (a)		
Amortized cost		
Gross carrying amount	$ 1,431,630	$ 1,543,084
Less: Allowance for impairment loss	(53,969)	(53,297)
	$ 1,377,661	$ 1,489,787
Accounts receivable from related parties (a) (Note 29)	$ 67,009	$ 155,423
Other receivables (b)		
VAT refund receivables	$ 61,160	$ 100,257
Others	35	119
	$ 61,195	$ 100,376
Other receivables from related parties (Note 29)	$ 287,197	$ 176,832

(Concluded)

a. Notes receivable and accounts receivable

In the average credit period of sales of goods is between 30 and 90 days. No interest is charged on receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For part of the accounts receivable, the Company entered into a credit insurance contract or obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. Before accepting new customers, the Company takes client evaluation results generated by the internal system into consideration to measure the potential customer's credit quality and define the customer's credit limit. Customer credit limits and ratings are reviewed periodically. In this regard, the management believes the Company is credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

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

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

December 31, 2019

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	$ 2,244	$ 195,006	$ 98,233	$ 1,232,015	$ 1,527,498
Loss allowance (Lifetime ECL)	-	-	(455)	(53,514)	(53,969)
Amortized cost	$ 2,244	$ 195,006	$ 97,778	$ 1,178,501	$ 1,473,529

December 31, 2018

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	$ -	$ 259,391	$ 105,473	$ 1,386,878	$ 1,751,742
Loss allowance (Lifetime ECL)	-	-	(547)	(52,750)	(53,297)
Amortized cost	$ -	$ 259,391	$ 104,926	$ 1,334,128	$ 1,698,445

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

	2019	2018
Balance at January 1	$ 53,297	$ 53,290
Add: Net remeasurement of loss allowance	672	547
Less: Amounts written off	-	(540)
Balance at December 31	$ 53,969	$ 53,297

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

	December 31	
	2019	2018
Not past due	$ 1,456,939	$ 1,687,704
Past due within 60 days	16,056	11,270
Past due over 60 days	54,503	52,768
	$ 1,527,498	$ 1,751,742

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

As of December 31, 2019 and 2018, no single customer's receivables exceeded 10% of the total amount of all receivables.

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

b. Other receivables

As of December 31, 2019 and 2018, the Company assessed the impairment loss of other receivables using expected credit losses.

11. INVENTORIES

	December 31	
	2019	**2018**
Finished goods	$ 212,065	$ 305,427
Work in progress	39,414	92,470
Raw materials	135,623	242,786
Production supplies	15,990	18,842
Inventory in transit	142,991	-
	$ 546,083	$ 659,525

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018, was $11,320,955 thousand and $14,252,749 thousand, respectively.

The cost of goods sold included reversal of inventory write-down of $21,019 thousand, which resulted from inventory closeout, and write-down of $17,679 thousand for the years ended December 31, 2019 and 2018, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	**2018**
Investments in subsidiaries (a)	$ 1,454,115	$ 1,440,314
Investments in associates (b)	452,981	429,687
	$ 1,907,096	$ 1,870,001

a. Investments in subsidiaries

	December 31	
	2019	**2018**
Non-listed company		
Taita (BVI) Holding Co., Ltd. (“TTC (BVI)”)	$ 1,454,115	$ 1,440,314

			Proportion of Ownership	
			December 31	
Investor	**Investee**	**Nature of Activities**	**2019**	**2018**
The Company	TTC (BVI)	Reinvestment	100%	100%

The management suspended the production temporarily on April 2019 as a result of the reduction in demand of EPS, which is the main product of Taita Chemical (Tianjin) Co., Ltd. ("TAITA (TJ)") in the local market. TAITA (TJ) determined the recoverable amount of the property, plant and equipment, including right-of-use assets, on the basis of their fair values less costs of disposal. The review led TAITA (TJ) to recognize an impairment loss of $60,265 thousand, which was recognized in the share of profit or loss of subsidiaries for the year ended December 31, 2019.

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, 2019 and 2018 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates

	December 31	
	2019	**2018**
Investments in associates that are not individually material		
Listed company		
China General Plastics Corporation ("CGPC")	$ 163,528	$ 165,982
Acme Electronics Corp. ("ACME")	30,423	34,003
Unlisted shares		
China General Terminal & Distribution Co. ("CGTD")	257,584	228,250
Thintec Materials Corporation ("TMC")	1,446	1,452
	$ 452,981	$ 429,687

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

	For the Year Ended December 31	
	2019	**2018**
The Company's share of:		
Profit from continuing operations	$ 36,759	$ 370
Other comprehensive (loss) income	3,696	(19,014)
Total comprehensive (loss) income for the year	$ 40,455	$ (18,644)

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

	December 31	
Name of Associate	**2019**	**2018**
CGPC	1.98%	1.98%
ACME	2.43%	2.44%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

Refer to Table 7 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

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

TMC had no actual production and sales activities in the recent year. Therefore, on April 12, 2019, the board of directors of TMC had approved the proposal for dissolution and liquidation of the company starting from the dissolution date of May 25, 2019. TMC had not completed the process of liquidation as of December 31, 2019.

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

	December 31	
Name of Associate	**2019**	**2018**
CGPC	$ 217,267	$ 220,963
ACME	$ 54,451	$ 59,119

The investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the associates' financial statements which have been audited for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings Improvements	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost							
Balance at January 1, 2018	$ 634,432	$ 859,662	$ 3,652,485	$ 25,764	$ 307,819	$ 133,613	$ 5,613,775
Additions	-	-	-	-	-	136,479	136,479
Disposals	-	(625)	(155,225)	(2,226)	(12,444)	-	(170,520)
Internal transfers	-	2,261	216,132	2,013	5,263	(225,669)	-
Balance at December 31, 2018	$ 634,432	$ 861,298	$ 3,713,392	$ 25,551	$ 300,638	$ 44,423	$ 5,579,734
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 569,970	$ 2,789,417	$ 25,055	$ 281,683	$ -	$ 3,666,125
Disposals	-	(625)	(154,857)	(2,226)	(12,444)	-	(170,152)
Depreciation expenses	-	23,474	115,137	950	9,284	-	148,845
Balance at December 31, 2018	$ -	$ 592,819	$ 2,749,697	$ 23,779	$ 278,523	$ -	$ 3,644,818
Carrying amounts at December 31, 2018	$ 634,432	$ 268,479	$ 963,695	$ 1,772	$ 22,115	$ 44,423	$ 1,934,916
Cost							
Balance at January 1, 2019	$ 634,432	$ 861,298	$ 3,713,392	$ 25,551	$ 300,638	$ 44,423	$ 5,579,734
Additions	-	-	-	-	-	62,252	62,252
Disposals	-	(1,138)	(20,316)	(797)	(4,962)	-	(27,213)
Internal transfers	-	4,920	80,373	-	2,901	(88,194)	-
Balance at December 31, 2019	$ 634,432	$ 865,080	$ 3,773,449	$ 24,754	$ 298,577	$ 18,481	$ 5,614,773
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ 592,819	$ 2,749,697	$ 23,779	$ 278,523	$ -	$ 3,644,818
Disposals	-	(1,138)	(20,316)	(797)	(4,954)	-	(27,205)
Depreciation expenses	-	23,183	128,680	497	7,861	-	160,221
Balance at December 31, 2019	$ -	$ 614,864	$ 2,858,061	$ 23,479	$ 281,430	$ -	$ 3,777,834
Carrying amounts at December 31, 2019	$ 634,432	$ 250,216	$ 915,388	$ 1,275	$ 17,147	$ 18,481	$ 1,836,939

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

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

Property, plant and equipment pledged as collateral for bank borrowing are set out in Notes 17 and 30.

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 50,813

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Land	$ 4,620

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 4,464
Non-current	$ 47,451

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.1%

The Company leases land in Linyuan to build factory from related party. When rental period ends, the Company has no bargain purchase price option for the land leased. Transactions with related parties are set out in Notes 29.

c. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 15.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 12,272
Expenses relating to low-value asset leases	$ 6
Total cash outflow for leases	$ 17,291

The Company leases certain office equipment, machinery equipment, transportation equipment which qualify as short-term leases and certain other equipment which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	December 31	
	2019	2018
Land	$ 108,178	$ 108,178

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

The property located in Qianzhan District has been leased to CGTD. The rental was $1,628 thousand per month, which is based on the actual usable area. Refer to Notes 24 and 29.

Part of above investment properties pledged as collateral for bank borrowing are set out in Notes 17 and 30.

16. INTANGIBLE ASSETS

	December 31	
	2019	2018
Carrying amount by function		
Information systems	$ 647	$ 1,266
Design expenses for factories	6,801	8,402
	$ 7,448	$ 9,668

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

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

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings	$ 420,000	$ 1,080,000

The interest rate and range of interest rates on line of credit borrowings was 0.86%-0.90% and 0.90%-0.98% per annum as of December 31, 2019 and 2018, respectively.

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	$ -	$ 20,000
Less: Unamortized discount on bills payable	-	-
	$ -	$ 20,000

Outstanding short-term bills payables were as follows:

December 31, 2018

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

c. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings	$ 600,000	$ 900,000
Unsecured borrowings	400,000	100,000
	$ 1,000,000	$ 1,000,000

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

	December 31	
	2019	2018
Secured borrowings	1.06%	1.10%-1.15%
Unsecured borrowings	1.05%-1.06%	1.15%

The Company entered into a long-term financing contract with Chang Hwa Commercial Bank for 5 years to increase working capital. The contract was extended to June 2022 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 13, 15 and 30). As of December 31, 2019, the Company has borrowed $750,000 thousand.

The Company entered into a long-term financing contract with O-Bank for 3 years. The contract was extended to October 2020 with a credit limit of $300,000 thousand, which is used cyclically during the validity period. As of December 31, 2019, the Company has not borrowed.

The Company entered into 3-year a long-term financing contract with KGI Bank. The contract was extended to May 2022 with a credit limit of $300,000 thousand, which is used cyclically during the validity period. As of December 31, 2019, the Company has borrowed $250,000 thousand.

18. ACCOUNTS PAYABLE

	December 31	
	2019	2018
Accounts payable (including related parties)		
Operating (Note 29)	$ 607,722	$ 633,301

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

19. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries or bonuses	$ 106,433	$ 98,453
Payables for transportation fees	47,722	47,225
Payables for utilities	29,007	25,677
Payables for professional service expenses	9,440	8,896
Payables for purchases of equipment	8,551	18,169
Payables for insurance	8,064	8,885
Payables for taxes	2,358	1,798
Others	18,452	19,041
	$ 230,027	$ 228,144

20. REFUND PROVISIONS

	December 31	
	2019	2018
Customer returns and rebates	$ 909	$ 806

Refund liability are as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 806	$ 1,179
Additional refund liabilities recognized	7,535	10,493
Usage	(7,432)	(10,866)
Balance at December 31	$ 909	$ 806

The refund provision is based on management's judgments and other known reasons for which estimated product returns and rebates may occur for the year ended. 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 (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

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

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

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 632,201	$ 686,667
Fair value of plan assets	(402,287)	(424,441)
Net defined benefit liabilities	$ 229,914	$ 262,226

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	$ 722,583	$ (118,236)	$ 604,347
Service cost			
Current service cost	6,369	-	6,369
Net interest expense (income)	7,103	(1,191)	5,912
Recognized in profit or loss	13,472	(1,191)	12,281
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,388)	(4,388)
Actuarial (gain) loss			
Changes in demographic assumptions	282	-	282
Changes in financial assumptions	6,398	-	6,398
Experience adjustments	(12,488)	-	(12,488)
Recognized in other comprehensive income	(5,808)	(4,388)	(10,196)
Contributions from the employer	-	(342,035)	(342,035)
Benefits paid	(43,580)	41,409	(2,171)
Balance at December 31, 2018	$ 686,667	$ (424,441)	$ 262,226
Balance at January 1, 2019	$ 686,667	$ (424,441)	$ 262,226
Service cost			
Current service cost	5,298	-	5,298
Net interest expense (income)	5,875	(3,695)	2,180
Recognized in profit or loss	11,173	(3,695)	7,478
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12,831)	(12,831)
Actuarial (gain) loss			
Changes in financial assumptions	11,265	-	11,265
Experience adjustments	(2,219)	-	(2,219)
Recognized in other comprehensive income	9,046	(12,831)	(3,785)
Contributions from the employer	-	(36,005)	(36,005)
Benefits paid	(74,685)	74,685	-
Balance at December 31, 2019	$ 632,201	$ 402,287	$ 229,914

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 5,938	$ 9,768
Selling and marketing expenses	745	1,293
General and administrative expenses	514	819
Research and development expenses	281	401
	$ 7,478	$ 12,281

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate	0.625%	0.875%
Expected rate of salary increase	2.250%	2.250%

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

	December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (11,264)	$ (12,702)
0.25% decrease	$ 11,600	$ 13,091
Expected rate of salary increase		
0.25% increase	$ 11,213	$ 12,686
0.25% decrease	$ (10,947)	$ (12,374)

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

The Company expects to make contributions of $23,000 thousand and $26,000 thousand to the defined benefit plans in the next year starting from December 31, 2019 and 2018, respectively. The weighted average duration of the defined benefit obligation are 7.3 and 7.6 years, respectively.

22. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	400,000	327,652
Shares authorized	$ 4,000,000	$ 3,276,518
Number of shares issued and fully paid (in thousands)	334,205	327,652
Shares issued and fully paid	$ 3,342,048	$ 3,276,518

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

b. Capital surplus

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

Capital surplus arising from unpaid dividends due to overdue may be used to offset a deficit only. Capital surplus arising from investments in subsidiaries and associates accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 24-g.

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

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

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

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

The appropriations of earnings for 2018, which were approved in the shareholders' meetings on June 24, 2019, were as follows:

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

The appropriations of earnings for 2019, which were proposed by the Company's board of directors on March 5, 2020, were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 39,764	$ -
Cash dividends	100.261	0.3
Share dividends	100.262	0.3

The appropriation of earnings for 2019 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 18, 2020.

d. Special reserve

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

	December 31	
	2019	**2018**
Special reserve	$ 308,061	$ 308,061

The Company's amount of unrealized revaluation gain and cumulative adjustments transferred into retained earnings were $279,270 thousand and $160,233 thousand, respectively. The increase in retained earnings arising from the first-time adoption of IFRSs was not sufficient for the special reserve appropriation; thus, the Company appropriated a special reserve in the amount of $308,061 thousand which was the net increase of retained earnings arising from the first-time adoption of IFRSs. As of December 31, 2019, there was no change in the special reserve.

e. Other equity items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (134,501)	$ (78,384)
Effect of change in tax rate	-	(2,954)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(73,095)	(65,846)
Share from associates accounted for using the equity method	(1,349)	(486)
Related income tax	14,619	13,169
Balance at December 31	$ (194,326)	$ (134,501)

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

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 117,768	$ 200,808
Effect of change in tax rate	-	15
Recognized for the year		
Unrealized gain (loss) - equity instruments	29,523	(63,510)
Share from associates accounted for using the equity method	6,121	(19,748)
Related income tax	(152)	203
Balance at December 31	$ 153,260	$ 117,768

23. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	$ 12,219,221	$ 14,943,406

Refer to Note 4 for description related to contracts with customers.

24. NET PROFIT

Net profit includes the following:

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 1,274	$ 1,212
Financial assets at FVTPL (Note 7)	7,057	7,241
Others	1,632	219
	9,963	8,672
Dividend income	4,617	4,444
Rental income - operating lease (Notes 15 and 29)	31,821	34,640
Compensation income	165	3,409
Others	7,482	7,866
	$ 54,048	$ 59,031

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Loss on disposal of property, plant and equipment (Note 13)	$ (8)	$ (368)
Net foreign exchange (losses) gain	(30,041)	63,951
Gain on financial assets at FVTPL (Note 7)	46,617	33,295
Net loss on financial liabilities at FVTPL (Note 7)	(3,686)	(8,442)
Expenses from rental assets	(8,391)	(7,360)
Others	(1,424)	(3,186)
	$ 3,067	$ 77,890

c. Net foreign exchange gains and losses

	For the Year Ended December 31	
	2019	2018
Gross foreign exchange gains	$ 56,559	$ 154,813
Gross foreign exchange losses	(86,600)	(90,862)
Net (loss) gain	$ (30,041)	$ 63,951

d. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 23,594	$ 27,893
Interest on lease liabilities (Note 29)	597	-
Less: Capitalized interest (included in construction in progress)	-	(326)
	$ 24,191	$ 27,567

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest	$ -	$ 326
Capitalization rate	-	1.105%-1.120%

e. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment (Note 13)	$ 160,221	$ 148,845
Right-of-use assets (Note 14)	4,620	-
Intangible assets (Note 16)	2,220	3,167
	$ 167,061	$ 152,012
An analysis of depreciation by function		
Operating costs	$ 158,815	$ 143,598
Operating expenses	841	1,082
Non-operating income and expenses	5,185	4,165
	$ 164,841	$ 148,845
An analysis of amortization by function		
Operating costs	$ 1,601	$ 1,600
General and administrative expenses	619	1,567
	$ 2,220	$ 3,167

f. Employee benefits expense (Schedule 17)

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 21)		
Defined contribution plans	$ 14,382	$ 12,846
Defined benefit plans	7,478	12,281
	21,860	25,127
Insurance expenses	33,717	34,010
Other employee benefits	456,890	468,928
Total employee benefits expense	$ 512,467	$ 528,065
An analysis of employee benefits expense by function		
Operating costs	$ 408,494	$ 417,312
Operating expenses	103,973	110,753
	$ 512,467	$ 528,065

As of December 31, 2019 and 2018, the number of employees of the Company was 418 and 432, respectively, and the number of directors who did not served concurrently as employees were both 7. The calculation basis was the same as that of employee benefits expense.

g. Employees' compensation and remuneration of directors

According to Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively. However, the Company's accumulated deficits should be offset in advance. The employees' compensation can be distributed in the form of shares or cash. When the employees of the Company's subsidiaries meet specific requirements they are also entitled to receive compensation in shares or cash. These requirements are set by the board of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the 2019 and 2018 Company's board of directors on March 5, 2020 and March 6, 2019, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	1%	$ 4,656	1%	$ 2,560
Remuneration of directors	-	$ -	-	$ -

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

There is no difference between the actual amount of employees' compensation and remuneration of directors paid and the amount recognized in the financial statements for the year ended December 31, 2018 and 2017.

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

25. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 30,430	$ -
Income tax on unappropriated earnings	3,678	17,670
Adjustments for prior years	-	125
	34,108	17,795
Deferred tax		
In respect of the current year	28,690	42,287
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(14,681)
Adjustments for prior years	200	21
	28,890	27,627
Income tax expense recognized in profit or loss	$ 62,998	$ 45,422

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

	For the Year Ended December 31	
	2019	**2018**
Profit before tax	$ 460,975	$ 253,395
Income tax expense calculated at the statutory rate	$ 92,195	$ 50,679
Nondeductible expenses in determining taxable income	177	98
Tax-exempt income	(15,962)	(5,526)
Income tax on unappropriated earnings	3,678	17,670
Unrecognized loss carryforwards	(17,457)	(11,583)
Effect of tax rate changes	-	(14,681)
Adjustments for prior years' tax	200	146
Others	167	8,619
Income tax expense recognized in profit or loss	$ 62,998	$ 45,422

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

As the status of the 2020 appropriation of earnings is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of change in tax rate	$ -	$ 3,169
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	14,619	13,169
Unrealized gain (loss) on financial assets at FVTOCI	(152)	203
Remeasurement on defined benefit plans	(758)	(2,039)
	$ 13,709	$ 14,502

c. Current income tax assets and liabilities

	December 31	
	2019	**2018**
Current income tax assets		
Tax refund receivables	$ 2,560	$ 2,560
Current income tax liabilities		
Accrued income tax expense	$ 34,467	$ 1,181

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, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 5,044	$ (4,204)	$ -	$ 840
Allowance for impaired receivables	7,156	583	-	7,739
Loss on supplies	883	(10)	-	873
Defined benefit plans	52,098	(5,705)	(758)	45,635
Payables for annual leave	4,316	(23)	-	4,293
Unrealized foreign exchange losses	694	5,175	-	5,869
Exchange differences on translating the financial statements of foreign operations	-	-	8,093	8,093
Others	2,580	(1,904)	(152)	524
	72,771	(6,088)	7,183	73,866
Operating loss carryforwards	22,721	(22,721)	-	-
	$ 95,492	$ 28,809	$ 7,183	$ 73,866
Deferred tax liabilities				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	$ 6,526	$ -	$ (6,526)	$ -
Differences on depreciation periods between finance and tax	705	(201)	-	504
Reserve for Land Revaluation Increment Tax	143,860	-	-	143,860
Others	327	282	-	609
	$ 151,418	$ 81	$ (6,526)	$ 144,973

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 1,282	$ 3,762	$ -	$ 5,044
Allowance for impaired receivables	6,295	861	-	7,156
Loss on supplies	777	106	-	883
Defined benefit plans	102,444	(54,415)	4,069	52,098
Payables for annual leave	3,287	1,029	-	4,316
Unrealized foreign exchange losses	3,315	(2,621)	-	694
Others	1,201	1,161	218	2,580
	118,601	(50,117)	4,287	72,771
Operating loss carryforwards	-	22,721	-	22,721
	$ 118,601	$ (27,396)	$ 4,287	$ 95,492
Deferred tax liabilities				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	$ 16,741	$ -	$ (10,215)	$ 6,526
Differences on depreciation periods between finance and tax	596	109	-	705
Reserve for Land Revaluation Increment Tax	143,860	-	-	143,860
Others	205	122	-	327
	$ 161,402	$ 231	$ (10,215)	$ 151,418

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

	December 31 2019	December 31 2018
Deductible temporary differences		
Share of loss of subsidiaries accounted for using the equity method	$ 526,696	$ 613,981

f. Income tax assessments

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

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share	$ 1.19	$ 0.62
Diluted earnings per share	$ 1.19	$ 0.62

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 2, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 are as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 0.63	$ 0.62
Diluted earnings per share	$ 0.63	$ 0.62

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 397,977	$ 207,973

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

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	334,205	334,205
Effect of potentially dilutive ordinary shares:		
Employees’ compensation issued to employees	454	317
Weighted average number of ordinary shares used in the computation of diluted earnings per share	334,659	334,522

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.

27. 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.

28. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,923	$ -	$ 2,923
Beneficiary securities	291,549	-	-	291,549
Mutual funds	12,000	-	-	12,000
	$ 303,549	$ 2,923	$ -	$ 306,472
Financial assets at FVTOCI				
Equity instrument investment				
List shares and emerging markets shares	$ 209,272	$ -	$ -	$ 209,272
Unlisted shares	-	-	27	27
	$ 209,272	$ -	$ 27	$ 209,299

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 390	$ -	$ 390
Beneficiary securities	253,829	-	-	253,829
Mutual funds	150,000	-	-	150,000
	$ 403,829	$ 390	$ -	$ 404,219
Financial assets at FVTOCI				
Equity instrument investment				
List shares and emerging markets shares	$ 179,808	$ -	$ -	$ 179,808
Unlisted shares	-	-	473	473
	$ 179,808	$ -	$ 473	$ 180,281

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

Financial assets at FVTOCI - equity instruments

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 473	$ 2,032
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	59	(374)
Proceeds from capital reduction (Note 8)	(505)	(1,185)
Balance at December 31	$ 27	$ 473

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

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

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

To determine the fair value for Level 3 financial instruments, the Company's investment department conducts independent fair value verification using external resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Company utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on December 31, 2019 and 2018.

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 306,472	$ 404,219
Financial assets at amortized cost (1)	1,877,227	1,978,225
Financial assets at FVTOCI		
Equity instruments	209,299	180,281
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	-	-
Financial liabilities measured at amortized cost (2)	2,156,301	2,867,948

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 32 and of the derivatives exposing the Company to foreign currency risk are set out in Note 7.

<u>Sensitivity analysis</u>

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, 2019 and 2018 would have decreased/increased by $41,189 thousand and $41,312 thousand, respectively.

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

b) Interest rate risk

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

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 40,437	$ 42,201
Financial liabilities	1,101,915	1,100,000
Cash flow interest rate risk		
Financial assets	62,805	52,284
Financial liabilities	370,000	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, 2019 and 2018 would have decreased/increased by $1,536 thousand and $4,739 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

The Company's sensitivity analysis focuses on securities price risks at the end of the reporting period. If securities prices had been 5% higher/lower, the net profit before tax for the years ended December 31, 2019 and 2018 would have increased/decreased by $15,177 thousand and $20,191 thousand as a result of the changes in fair value of financial assets at FVTPL, respectively, and the other comprehensive income before tax for the years ended December 31, 2019 and 2018 would have increased/decreased by $10,465 thousand and $9,014 thousand, as a result of the changes in fair value of financial assets at FVTOCI, respectively.

2) Credit risk

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

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets.

b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Company provided endorsement guarantees for the borrowings of subsidiaries. The guarantee amounts provided by the Company for endorsements were $1,654,315 thousand and $2,298,085 thousand, respectively, as of December 31, 2019 and 2018. 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, 2019

	Weighted Average Interest Rate	**On Demand or Less than 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 746,866	$ 15,628	$ -
Lease liabilities	1.100	5,013	20,052	30,078
Floating interest rate liabilities	0.987	120,000	250,000	-
Fixed interest rate liabilities	1.014	300,000	750,000	-
		$ 1,171,879	$ 1,035,680	$ 30,078

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	$ 5,013	$ 20,052	$ 25,065	$ 5,013

December 31, 2018

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities			
Non-interest bearing liabilities		$ 778,957	$ 16,035
Floating interest rate liabilities	1.120	-	1,000,000
Fixed interest rate liabilities	0.935	1,100,000	-
		$ 1,878,957	$ 1,016,035

b) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2019 and 2018, the unused amounts of bank loan facilities were as follows:

	December 31	
	2019	2018
Bank loan facilities		
Amount unused	$ 3,469,920	$ 2,662,860

29. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2019 and 2018, USI Corporation held indirectly 36.79% of the Company's outstanding ordinary shares.

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

a. Related parties' names and categories

Related Parties	Related Party Category
USI Corporation ("USI")	Parent company
Taita (BVI) Holding Co., Ltd. ("TTC (BVI)")	Subsidiary
Taita Chemical (Zhongshan) Co., Ltd. ("TTC (ZS)")	Subsidiary
Taita Chemical (Tianjin) Co., Ltd. ("TTC (TJ)")	Subsidiary
China General Plastics Corporation	Associate
CGPC Polymer Corporation	Associate
Taiwan VCM Corporation ("TVCM")	Associate
China General Terminal & Distribution Co. ("CGTD")	Associate
Acme Electronics Corporation	Associate
Asia Polymer Corp. ("APC")	Fellow subsidiary

(Continued)

Related Parties	Related Party Category
USI Trading (Shanghai) Co., Ltd.	Fellow subsidiary
USI International Corporation	Fellow subsidiary
Swanson Plastics Corporation	Fellow subsidiary
USI Management Consulting Corporation (“UM”)	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
Usig (Shanghai) Co., Ltd.	Fellow subsidiary
INOMA Corporation	Fellow subsidiary
USI Education Foundation (“USIF”)	Other related party

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiary		
TTC (ZS)	$ 828,965	$ 1,603,160
Other	-	201,301
	828,965	1,804,461
Fellow subsidiary	50,658	104,456
Parent company	16,500	17,276
Associate	-	260
	$ 896,123	$ 1,926,453

The Company’s credit period of sales of goods to related parties was from 30 days to 90 days after delivering the products. The sales of goods between the Company and its related parties had no material differences from those of general sales transactions.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2019	2018
Associate	$ 2,963	$ 2,341
Fellow subsidiary	188	267
	$ 3,151	$ 2,608

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 2019	2018
Subsidiary	$ 57,615	$ 122,547
Fellow subsidiary	8,668	31,162
Parent company	726	1,714
	$ 67,009	$ 155,423

The outstanding accounts receivable from related parties were unsecured. No impairment loss was recognized.

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

Related Party Category/Name	December 31 2019	December 31 2018
Associate	$ 822	$ 325
Fellow subsidiary	-	65
	$ 822	$ 390

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

f. Endorsements and guarantees

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiary		
TTC (BVI)	$ 1,439,440	$ 1,613,595
TTC (ZS)	214,875	223,765
TTC (TJ)	-	460,725
	$ 1,654,315	$ 2,298,085

g. Other transactions with related parties

1) Rental income (classified as other income, see Notes 15 and 24)

Related Party Category/Name	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Associate		
CGTD	$ 20,501	$ 23,303
TVCM	9,635	9,647
	30,136	32,950
Parent company	1,681	1,690
	$ 31,817	$ 34,640

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 2019	For the Year Ended December 31 2018
Parent company		
USI	$ 5,478	$ 5,478
Fellow subsidiary		
APC	2,142	8,399
Associate	216	88
	$ 7,836	$ 13,965

The Company leased offices in Neihu from USI. The rental was paid on a monthly basis. The Company leased offices and parking spaces in Neihu, land in Linyuan from APC. The rentals were set according to the actual rental area and paid on a monthly basis.

3) Lease arrangements

Related Party Category/Name	December 31, 2019
Lease liabilities - current	
Fellow subsidiary	
APC	$ 4,464
Lease liabilities - non-current	
Fellow subsidiary	
APC	$ 47,451

Related Party Category/Name	For the Year Ended December 31, 2019
Lease expense	
Fellow subsidiary	
APC	$ 5,013
Interest expense	
Fellow subsidiary	
APC	$ 597

The Company leased land in Linyuan from APC. The rental was paid on a monthly basis.

4) Storage tank operating expenses (classified as operating costs)

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Associate		
CGTD	$ 17,664	$ 13,258

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

5) Management service revenue (classified as other revenue)

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Parent company		
USI	$ 1,039	$ 27

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

Related Party Category/Name	For the Year Ended December 31 2019	2018
Fellow subsidiary		
UM	$ 52,063	$ 54,816
Others	120	120
	52,183	54,936
Parent company		
USI	352	1,117
	$ 52,535	$ 56,053

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.

7) Donation (classified as administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2019	2018
Other related Party		
USIF	$ 1,000	$ 1,000

8) Other expenses (classified as operating costs)

Related Party Category/Name	For the Year Ended December 31 2019	2018
Associate	$ 1,925	$ 2,002

9) Acquisitions of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31 2019	2018
Parent company		
USI	$ 1,427	$ -
Fellow subsidiary	-	694
	$ 1,427	$ 694

10) Commission expense

Related Party Category/Name	For the Year Ended December 31 2019	2018
Fellow subsidiary	$ 206	$ -

11) Other receivables from related parties

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiary		
TTC (TJ)	$ 279,325	$ 173,988
Others	288	287
	279,613	174,275
Associate	6,639	2,183
Parent company	892	362
Fellow subsidiary	53	12
	$ 287,197	$ 176,832

Other receivables included raw material receivables, disbursement fee and management service receivables.

12) Other payables to related parties

Related Party Category/Name	December 31 2019	December 31 2018
Associate	$ 6,269	$ 4,641
Fellow subsidiary	707	758
Parent company	647	1,579
	$ 7,623	$ 6,978

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

h. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Salaries and others	$ 18,281	$ 20,460
Post-employment benefits	216	216
	$ 18,497	$ 20,676

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.

30. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for line of credit borrowings, the tariffs of imported raw materials and good guarantees and borrowing credit amounts (Notes 9, 13, 15 and 17):

	December 31	
	2019	2018
Pledged time deposits		
Classified as financial assets at amortized cost - current	$ 3,000	$ 3000
Classified as other assets - non-current	16,352	16,201
Property, plant and equipment, net	470,371	474,605
Investment properties, net	108,178	108,178
	$ 597,901	$ 601,984

31. 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, 2019 and 2018, unused letters of credit amounted to approximately $95,690 thousand and $385,040 thousand, respectively.

b. Contingencies

China General Terminal & Distribution Corporation ("CGTD"), the associate, was commissioned to operate LCY Chemical Corp.'s propene pipeline that resulted in a gas explosion on July 31, 2014. The first instance judgment of the criminal procedures was reached on May 11, 2018. Three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees to appeal to the judgment. The second instance judgment will be reached on April 24, 2020.

CGTD arrived at an agreement with Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,351 thousand, interest included, to Kaohsiung City Government as collateral for the loss caused by the gas explosion. Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. As of February 27, 2020, the provisionally attached property was worth $138,273 thousand.

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

As for the seriously injured victims, CGTD, LCY Chemical Corp. and Kaohsiung City Government signed a tripartite agreement for the compensation of the 65 seriously injured victims' families on October 25, 2017. Compensation was paid by CGTD and Kaohsiung City Government, and CGTD was in charge of negotiating the compensation with the seriously injured victims' families and the signing of the settlement agreement on behalf of the three parties with the 64 seriously injured victim's families.

As of February 27, 2020, the families of the victims and seriously injured victims wrote letters or filed civil (and criminal) procedures against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan for compensation. To minimize the lawsuit costs, CGTD already settled the original claims of $26,890 thousand, and the amount of the settlement was $4,019 thousand. Along with the cases still under litigation and the above-mentioned compensation, the accumulated amount of compensation was $3,876,234 thousand. Some related civil cases with a total amount of compensation of $1,196,808 thousand were granted their first instance judgment as of June 22, 2018, and the proportion of fault liability of Kaohsiung City Government, LCY Chemical Corp. and CGTD was 4:3:3. The total amount of compensation that LCY Chemical Corp., CGTD and the other defendants should pay is about $388,503 thousand, among which $6,194 thousand CGTD was exempted from and among which $191,155 thousand was estimated to be the portion of compensation that CGTD should afford according to the judgment of the first instance. CGTD has appealed in the civil cases which were announced but were not settled and entered into the second instance. With regard to the above-mentioned compensation, CGTD estimated and recognized an amount of $136,375 thousand based on its fault liability in the first instance judgment. The actual payment of CGTD depends on the judgment of the civil procedures of the remaining civil cases.

32. 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, 2019		
	Foreign Currency	**Exchange Rate (Dollar; Note)**	**Carrying Amount**
Foreign currency assets			
Monetary items			
USD	$ 53,883	29.9800	$ 1,615,425
RMB	2,023	4.2975	8,692
HKD	854	3.8490	3,288
			$ 1,627,405
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	48,499	29.9800	$ 1,454,115
Derivative instruments			
USD	13,000	29.9800	$ 2,923
Foreign currency liabilities			
Monetary items			
USD	8,087	29.980	$ 242,433

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar; Note)	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 55,418	30.7150	$ 1,702,157
RMB	7,065	4.4753	31,616
HKD	558	3.9210	2,189
			$ 1,735,962
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	46,852	30.7150	$ 1,440,314
Derivative instruments			
USD	6,000	30.7150	$ 390
Foreign currency liabilities			
Monetary items			
USD	10,584	30.7150	$ 325,102

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 loss of $30,041 thousand and a gain of $63,951 thousand for the years ended December 31, 2019 and 2018, 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.

33. 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 29)

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

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

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

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

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

TABLE 1

TAITA CHEMICAL CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ 859,500 (RMB 200,000 thousand)	$ 236,363 (RMB 55,000 thousand)	$ 64,463 (RMB 15,000 thousand)	5.22	b	$ -	Operating capital	$ -	-	$ -	$ 2,287,806	$ 2,287,806

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 audited by an independent auditor. As of December 31, 2019, the Company did not loan funds to anyone and has no financing provided to others.

Note 2: The total amount of financing provided by Taita Chemical (Zhongshan) Co., Ltd. to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of its financing provided to any subsidiary which is wholly-owned by the Company shall not exceed 100% of the recently audited net worth of the Company as audited by an independent auditor. As December 31, 2019, the audited net worth of Taita Chemical (Zhongshan) Co., Ltd. is RMB532,361 thousand.

Note 3: The alphabetic indications for the nature of financing are described as follows:

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

Note 4: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2019.

TAITA CHEMICAL CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ 6,449,645	$ 1,589,340 (US$ 33,000 thousand) (NT$ 600,000 thousand)	$ 1,439,440 (US$ 28,000 thousand) (NT$ 600,000 thousand)	$ 777,082 (US$ 25,920 thousand)	$ -	33.48	$ 6,449,645	Yes	No	No
		Taita Chemical (Zhongshan) Co., Ltd.	100% voting shares indirectly owned by the Company	6,449,645	214,875 (RMB 50,000 thousand)	214,875 (RMB 50,000 thousand)	-	-	5.00	6,449,645	Yes	No	Yes
		Taita Chemical (Tianjin) Co., Ltd.	100% voting shares indirectly owned by the Company	6,449,645	449,700 (US$ 15,000 thousand)	-	-	-	-	6,449,645	Yes	No	Yes

Note 1: The foreign currency amount is calculated based on the spot exchange rate as of December 31, 2019.

Note 2: The maximum total endorsement/guarantee shall not exceed 150% of the equity attributable to owners of the Company. The maximum of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2019.

The maximum total endorsement/guarantee shall not exceed 200% of the equity attributable to owners of the entities. The maximum of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2019.

TABLE 3

TAITA CHEMICAL CO., LTD.

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND AFFILIATED COMPANIES)
DECEMBER 31, 2019
(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, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taita Chemical Co., Ltd.	Ordinary shares							
	USI Corporation	Parent company	Financial assets at FVTOCI - non-current	15,109,901	$ 209,272	1.27	$ 209,272	Note 1
	Harbinger Venture Capital Corp.	-	〃	990	27	0.50	27	Note 3
	Beneficiary securities							
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial assets at FVTPL - current	4,900,000	86,730		86,730	Note 1
	Cathay No. 2 Real Estate Investment Trust Fund	-	〃	2,500,000	42,750		42,750	Note 1
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	〃	4,000,000	71,200		71,200	Note 1
	Fubon No. 2 Real Estate Investment Trust Fund	-	〃	6,580,000	90,869		90,869	Note 1
	Mutual funds							
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	806,582	12,000		12,000	Note 2
Taita (BVI) Holding Co., Ltd.	Shares							
	Budworth Investment Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	20,219	6 (US$ - thousand)	2.22	6 (US$ - thousand)	Notes 3 and 5
	Teratech Corporation - ordinary shares	-	Financial assets at FVTPL - non-current	112,000		0.72		Note 4
	Sohoware Inc. - preference stock	-	〃	100,000				Note 4

Note 1: Fair value was based on the closing price of the Taiwan Stock Exchange as of December 31, 2019.

Note 2: Fair value was based on the carrying amount as of December 31, 2019.

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

Note 4: As of December 31, 2019, the Company evaluates the fair value of the equity instrument as $0.

Note 5: Harbinger and Budworth, the investees, announced a reduction of capital by returning cash in January 2019. The Company received $505 thousand and $3,322 thousand according to its ownership percentage, respectively.

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, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
Taita Chemical Co., Ltd.	Mutual funds													
	UPAMC James Bond Money Market Fund	Financial assets at (FVTPL) - current	-	-	-	$ -	21,679,782	$ 362,000	21,619,782	$ 362,046	$ 362,000	$ 46	-	$ -
	Jih Sun Money Market Fund	〃	-	-	3,379,863	50,000	54,801,603	813,000	57,374,884	851,113	851,000	113	806,582	12,000
	Taishin 1699 Money Market Fund	〃	-	-	-	-	41,838,136	567,000	41,838,136	567,099	567,000	99	-	-

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, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	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	$ (828,965) (US$ 26,819 thousand)	(6.78)	30 days	Note	Note	Accounts receivable from related parties $ 57,615 (US$ 1,922 thousand)	3.91	-

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

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, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
Taita Chemical Co., Ltd.	Taita Chemical (Tianjin) Co., Ltd.	Subsidiary	Other receivables 279,325 (US$ 9,317 thousand) (Note 1)	-	$ -	-	$ -	$ -

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 amount is not received in the subsequent period means the collection made from January 1, 2020 to March 5, 2020.

TAITA CHEMICAL CO., LTD.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note 1
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Taita Chemical Co., Ltd.	Taita (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 1,850,905 (US$ 61,738 thousand)	$ 1,850,905 (US$ 61,738 thousand)	61,738,000	100.00	$ 1,454,115 (US$ 48,499 thousand)	$ 87,285 (US$ 2,824 thousand)	$ 87,285 (US$ 2,824 thousand)	Subsidiary
	China General Plastics Corporation	Taiwan	Manufacture and marketing of PVC plastic cloth and three-time processed products	65,365	65,365	10,445,510	1.98	163,528	642,678	12,738	Investments accounted for using the equity method
	China General Terminal & Distribution Co.	Taiwan	Warehousing and transportation of petro chemical raw materials	41,082	41,082	18,667,463	33.33	257,584	79,638	26,546	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	2.43	30,423	(103,610)	(2,519)	Investments accounted for using the equity method
	Thintec Materials Corporation	Taiwan	Manufacture and marketing of reinforced plastic products	15,000	15,000	600,000	10.00	1,446	(54)	(6)	Investments accounted for using the equity method
Taita (BVI) Holding Co., Ltd.	Acme Electronics (Cayman) Corp.	Cayman Islands	Reinvestment	50,967 (US$ 1,700 thousand)	50,967 (US$ 1,700 thousand)	2,695,619	5.39	64,517 (US$ 2,152 thousand)	(54,215) (US$ -1,763 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, 2019
(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, 2019	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 5)	Carrying Amount as of December 31, 2019 (Note 5)	Accumulated Repatriation of Investment Income as of December 31, 2019 (Note 5)
					Outflow	Inflow						
Taita Chemical (Zhongshan) Co., Ltd. (“TTC (ZS)”)	Production and marketing of polystyrene derivatives	$ 1,386,575 (US$ 46,250 thousand) (Note 1)	Investment through a holding company registered in a third region	$ 1,289,140 (US$ 43,000 thousand)	$ -	$ -	$ 1,289,140 (US$ 43,000 thousand)	$ 287,687 (US$ 9,316 thousand)	100.00	$ 287,687 (US$ 9,316 thousand)	$ 2,287,806 (US$ 76,311 thousand)	$ -
Taita Chemical (Tianjin) Co., Ltd. (“TTC (TJ)”)	Production and marketing of polystyrene derivatives	819,953 (US$ 27,350 thousand) (Note 2)	Investment through a holding company registered in a third region	779,480 (US$ 26,000 thousand)	-	-	779,480 (US$ 26,000 thousand)	(168,683) (US$ -5,465 thousand)	100.00	(168,683) (US$ -5,465 thousand)	(121,241) (US$ 4,044 thousand)	-
ACME Electronics (Kunshan) Co., Ltd. (“ACME (KS)”)	Manufacturing and marketing of manganese-zinc soft ferrite core	921,136 (US$ 30,725 thousand)	Investment through a holding company registered in a third region	40,593 (US$ 1,354 thousand)	-	-	40,593 (US$ 1,354 thousand)	(48,338) (US$ -1,566 thousand)	5.39	(2,608) (US$ -85 thousand)	41,288 (US$ 1,377 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 2,109,213 (US$ 70,354 thousand)	$ 2,273,003 (US$ 75,817 thousand) (Note 3)	$ - (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: According to Letter No. 10820415160 issued by the Ministry of Economic Affairs on June 6, 2019, the upper limit on investment in mainland China pursuant to the “Principle of Investment or Technical Cooperation in Mainland China” is not applicable.

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

TAITA CHEMICAL CO., LTD.

THE CONTENTS OF SCHEDULES OF MAJOR ACCOUNTING ITEMS

SCHEDULE 1

TAITA CHEMICAL CO., LTD.

SCHEDULE OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Cash		
Cash on hand and petty cash		$ 659
Bank deposit		
Checking accounts		5,181
Deposit account		12,238
Foreign currency deposits	US$1,596,563.51, US$1=NT$29.9800	47,865
	HK$142,829.32, HK$1=NT$3.8490	550
	EUR2,031.50, EUR1=NT$33.5900	68
	JPY191,181.00, JPY1=NT$0.2760	53
	CNY5,544.00, CNY1=NT$4.2975	24
	GBP99.96, GBP1=NT$39.3600	4
	AUD140.52, AUD1=NT$21.0050	3
		65,986
Cash equivalents		
Reverse repurchase agreements collateralized by bonds	Interest rates at 1.46%, expired by 2020.01	23,085
		$ 89,730

SCHEDULE 2

TAITA CHEMICAL CO., LTD.

SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type and Name of Marketable Securities	Number of Shares	Cost	Fair Value (Note) Unit Price (NT$)	Fair Value (Note) Amount	Note
Financial assets at FVTPL - non-derivative financial assets					
Beneficiary certificates					
Cathay No. 1 Real Estate Investment Trust Fund	4,900,000	$ 49,639	17.7000	$ 86,730	
Cathay No. 2 Real Estate Investment Trust Fund	2,500,000	25,000	17.1000	42,750	
Shin Kong No. 1 Real Estate Investment Trust Fund	4,000,000	40,000	17.8000	71,200	
Fubon No. 2 Real Estate Investment Trust Fund	6,580,000	65,800	13.8100	90,869	
		180,439		291,549	
Mutual funds					
Jih Sun Money Market Fund	806,582	12,000	14.8776	12,000	
		192,439		$ 303,549	
Adjustment		111,110			
		$ 303,549			
Financial assets as at FVTPL - derivative financial assets					
Foreign exchange forward contracts				$ 2,923	

TAITA CHEMICAL CO., LTD.

SCHEDULE OF NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount
Notes receivable from unrelated parties		
King Home Co., Ltd.	Payment for goods	$ 3,423
Anzhen Enterprise Co., Ltd.	Payment for goods	3,125
Yeong Sheng Feng Industrial Co., Ltd.	Payment for goods	2,569
League Shine Enterprise Co., Ltd.	Payment for goods	2,475
Kuang Li Shyng Co., Ltd.	Payment for goods	2,057
Prorit Co., Ltd.	Payment for goods	1,708
Others (Note)	Payment for goods	13,502
		28,859
Accounts receivable from unrelated parties		
Yuyao Tiandu Trading Co., Ltd.	Payment for goods	145,538
Others (Note)	Payment for goods	1,286,092
Less: Allowance for impairment loss		(53,969)
		1,377,661
Accounts receivable from related parties		
Taita Chemical (Zhongshan) Co., Ltd.	Payment for goods	57,615
USI Trading (Shanghai) Co., Ltd.	Payment for goods	8,668
Others (Note)	Payment for goods	726
		67,009
		$ 1,473,529

Note: The amount of individual client included in others does not exceed 5% of the account balance.

TAITA CHEMICAL CO., LTD.

SCHEDULE OF INVENTORIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount - Cost	Amount - Net Realizable Value (Note 2)
Finished goods	$ 213,346	$ 228,885
Work in process	39,836	42,157
Raw materials	137,912	134,360
Production supplies	16,109	15,731
Inventory in transit	142,991	142,991
	550,284	$ 564,124
Less: Allowance for impairment loss (Notes 1 and 2)	(4,201)	
	$ 546,083	

Note 1: The impairment loss on inventory resulted from obsolete and slow moving items; impairment loss is the excess of cost over the net realizable value.

Note 2: The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Note 3: The amount of insured inventories is NT$1,272,035 thousand.

TAITA CHEMICAL CO., LTD.

SCHEDULE OF PREPAYMENT AND OTHER CURRENT ASSETS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Supplies	$ 50,180
Prepaid insurance	4,338
Prepayment for purchase	3,683
Others (Note)	2,293
	$ 60,494

Note: The amount of individual clients included in others does not exceed 5% of the account balance.

TAITA CHEMICAL CO., LTD.

SCHEDULE OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance at January 1, 2019 (Note 1)		Additions		Decrease		Balance at December 31, 2019			
	Shares (In Thousands)	Fair Value	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Fair Value	Collateral	Note
USI Corporation	15,110	$ 179,808	-	$ 29,464	-	$ -	15,110	$ 209,272	No	Note 1
Harbinger Venture Capital Corp.	52	473	-	59	51	505	1	27	No	Note 2
		$ 180,281		$ 29,523		$ 505		$ 209,299		

Note 1: The increased amount resulted from adjusted fair value of $29,464 thousand.

Note 2: The increased amount resulted from adjusted fair value of $59 thousand. The decreased of shares resulted from reduction of capital by returning cash of 51 thousand shares in January 2019. The decreased amount resulted from $505 thousand received according to its ownership percentage.

TAITA CHEMICAL CO., LTD.

SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE TEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance at January 1, 2019 Shares (In Thousands)	Balance at January 1, 2019 Amount	Additions Shares (In Thousands)	Additions Amount	Decrease Shares (In Thousands)	Decrease Amount	Balance at December 31, 2019 Shares (In Thousands)	Balance at December 31, 2019 %	Balance at December 31, 2019 Amount	Market Value or Net Assets Value Price	Market Value or Net Assets Value Amount	Collateral	Note
Taita (BVI) Holding Co., Ltd	61,738	$ 1,597,210	-	$ 88,049	-	$ 1,153	61,738	100.00	$ 1,684,106	23.55	$ 1,454,115	N	Notes 1 and 2
China General Plastics Corporation	10,044	166,296	402	13,061	-	15,160	10,446	1.98	164,197	20.80	217,267	N	Notes 1, 3 and 8
China General Terminal & Distribution Corporation	18,667	228,250	-	31,721	-	2,387	18,667	33.33	257,584	13.80	257,584	N	Notes 1 and 4
Acme Electronics Corporation	4,445	36,988	-	9	-	2,595	4,445	2.43	34,402	12.25	54,451	N	Notes 1, 5 and 9
Thintec Materials Corporation	600	1,452	-	-	-	6	600	10.00	1,446	2.41	1,446	N	Notes 1 and 6
		2,030,196		132,840		21,301			2,141,735		$ 1,984,863		
Adjustments resulting from the exchange differences		(160,195)		-		74,444			(234,639)				Notes 1 and 7
		$ 1,870,001		$ 132,840		$ 95,745			$ 1,907,096				

Note 1: The investment accounted for by the share of profits and losses and equity was based on the investee company's financial statements audited by auditors.

Note 2: The increased amount includes share of profit of $87,285 thousand and the valuation adjustment for financial assets at fair value through other comprehensive income of $764 thousands. The decreased amount includes effect of retrospective application for IFRS 16 of $30 thousand and unrealized losses on transactions with subsidiaries of $1,123 thousand.

Note 3: The increase of shares includes received share dividends of 402 thousand shares. The increased amount includes share of profit of $12,738 thousand, the valuation adjustment of the financial assets at fair value through other comprehensive income of $182 thousand, adjustment of capital surplus of continuing interest of $22 thousand, and remeasurement of defined benefit plans of $119 thousand. The decreased amount includes effect of retrospective application of IFRS 16 of $94 thousand and received cash dividends of $15,066 thousand at $1.5 per share.

Note 4: The increased amount includes share of profit of $26,546 thousand and the valuation adjustment for financial assets at fair value through other comprehensive income of $5,175 thousands. The decreased amount includes effect of retrospective application for IFRS 16 of $2,024 thousand, and remeasurement of defined benefit plans of $363 thousand.

Note 5: The increased amount includes adjustment of capital surplus of $9 thousand according to its ownership percentage. The decreased amount includes share of loss of $2,519 thousand, effect of retrospective application of IFRS 16 of $8 thousand and remeasurement of defined benefit plans of $68 thousand.

Note 6: The decreased amount includes share of loss of $6 thousand.

Note 7: The decrease was due to the exchange differences on translating the financial statements of foreign operations.

Note 8: Fair value was based on the closing price of the Taiwan Stock Exchange as of December 31, 2019.

Note 9: Fair value was based on the closing price of the Taipei Exchange as of December 31, 2019.

SCHEDULE 8

TAITA CHEMICAL CO., LTD.

SCHEDULE OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type	Balance at January 1, 2019	Additions	Decreases	Balance at December 31, 2019	Note
Cost					
Land	$ 55,433	$ -	$ -	$ 55,433	
Accumulated depreciation					
Land	-	$ 4,620	$ -	4,620	
	$ 55,433			$ 50,813	

TAITA CHEMICAL CO., LTD.

SCHEDULE OF SHORT-TERM BORROWINGS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Type	Range of Interest Rate (%)	Balance, End of Year	Contract Period	Loan Commitments	Collateral
Export-Import Bank of the Republic of China	0.86	$ 120,000	2019.02.14-2020.02.13	$ 120,000	N
Hua Nan Commercial Bank	0.90	120,000	2019.12.04-2020.01.03	250,000	N
Taipei Fubon Bank	0.90	180,000	2019.12.04-2020.01.03	300,000	N
		$ 420,000		$ 670,000	

SCHEDULE 10

TAITA CHEMICAL CO., LTD.

SCHEDULE OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Accounts payable to unrelated parties	
Formosa Chemicals & Fibre Corporation	$ 168,523
Taiwan Styrene Monomer Corporation	112,445
China Petrochemical Development Corporation	67,037
Sabic Asia Pacific Pte. Ltd.	53,838
Others (Note)	205,057
	606,900
Accounts payable to related parties	
China General Plastics Corporation	822
	$ 607,722

Note: The amount of individual supplier included in others does not exceed 5% of the account balance.

SCHEDULE 11

TAITA CHEMICAL CO., LTD.

SCHEDULE OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Quantity (Ton)	Amount
ABS	121,529	$ 5,413,836
GPS	93,324	3,431,778
EPS	50,706	1,980,090
SM	26,140	837,640
Glasswool	12,952	469,400
Cubic Printing (Note)	72,186	64,209
IPS	491	22,268
		$ 12,219,221

Note: The unit of quantity of Cubic Printing is JIG.

SCHEDULE 12

TAITA CHEMICAL CO., LTD.

SCHEDULE OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Balance, beginning of year	$ 250,073
Add: Raw materials purchased	9,858,023
Less: Raw materials sold	(837,961)
Transferred to expenses	(24,425)
Balance, end of year	(280,903)
Raw materials used in current year	8,964,807
Direct labor	155,971
Production overheads (see Schedule 13)	1,081,267
Manufacturing cost	10,202,045
Add: Work in process, beginning of year	97,402
Less: Balance, end of year	(39,836)
Cost of finished goods	10,259,611
Add: Finished goods, beginning of year	318,341
Finished goods purchased	140,923
Less: Adjustment of other cost	(1,432)
Finished goods, end of year	(213,436)
Costs of goods sold before adjustment	10,504,007
Cost of Raw materials and work in process sold	837,967
Adjustment of inventory write-downs	(21,019)
Cost of goods sold	$ 11,320,955

TAITA CHEMICAL CO., LTD.

SCHEDULE OF PRODUCT OVERHEADS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Electricity and fuel expenses	$ 334,529
Salaries and bonuses	213,308
Indirect material	205,800
Depreciation expense	158,815
Others (Note)	168,815
	$ 1,081,267

Note: The amount of individual item included in others does not exceed 5% of the account balance.

TAITA CHEMICAL CO., LTD.

SCHEDULE OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Transportation and export fees	$ 363,055
Salaries and bonuses	37,081
Others (Note)	49,850
	$ 449,986

Note: The amount of individual item included in others does not exceed 5% of the account balance.

TAITA CHEMICAL CO., LTD.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Professional service expenses	$ 57,892
Salaries and bonuses	33,511
Others (Note)	26,699
	$ 118,102

Note: The amount of individual item included in others does not exceed 5% of the account balance.

TAITA CHEMICAL CO., LTD.

SCHEDULE OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Salaries and bonuses	$ 17,857
Insurance expenses	1,689
Research and development testing expenses	1,460
Traveling expenses	1,368
Others (Note)	2,674
	$ 25,048

Note: The amount of individual item included in others does not exceed 5% of the account balance.

TAITA CHEMICAL CO., LTD.

SCHEDULE OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019				2018			
	Classified as Operating Cost	Classified as Operating Expenses	Classified as Other Gains and Losses	Total	Classified as Operating Cost	Classified as Operating Expenses	Classified as Other Gains and Losses	Total
Labor cost								
Salary and bonus	$ 345,605	$ 82,841	$ -	$ 428,446	$ 347,546	$ 88,885	$ -	$ 436,431
Labor and health insurance	27,596	6,121	-	33,717	27,558	6,452	-	34,010
Pension	16,083	5,777	-	21,860	19,559	5,568	-	25,127
Director's remuneration	-	5,608	-	5,608	-	5,496	-	5,496
Other employees' benefit	19,210	3,626	-	22,836	22,649	4,352	-	27,001
	$ 408,494	$ 103,973	$ -	$ 512,467	$ 417,312	$ 110,753	$ -	$ 528,065
Depreciation	$ 158,815	$ 841	$ 5,185	$ 164,841	$ 143,598	$ 1,082	$ 4,165	$ 148,845
Amortization	$ 1,601	$ 619	$ -	$ 2,220	$ 1,600	$ 1,567	$ -	$ 3,167

Note 1: For the years ended December 31, 2019 and 2018, the number of employees of the Company was 425 and 429, respectively, and the number of directors who did not served concurrently as employees was both 7. The calculation basis was the same as that of employee benefits expense.

Note 2: The average amount of labor cost of the Company in 2019 and 2018 was $1,213 thousand and $1,238 thousand, respectively. The average amount of salary and bonus of the Company in 2019 and 2018 was $1,025 thousand and $1,034 thousand, respectively.

Note 3: The average salary and bonus decreased by 0.87% in 2019.