Grand Pacific Petrochemical Corporation

Financial Statements for the
Years Ended December 31,2019 and2018and
Independent Auditors' Report

CPA AUDIT REPORT

To the Board of Directors and Shareholders of Grand Pacific Petrochemical Corporation

Audit Opinions

We, as the CPAs, have completed the audit of the individual balance sheets dated December 31 of 2019 and 2018 and the individual comprehensive income statement, individual statement of changes in equity, individual statement of cash flows, and individual financial statement from January 1 to December 31 of 2019 and 2018, including summaries of major accounting policies of Grand Pacific Petrochemical Corporation.

As CPAs, according to the audit results from us and those from other CPAs (please refer to the paragraph about other matters), the above-mentioned individual financial statement, in all major respects, was prepared in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and hence are sufficient to show the individual financial standing of Grand Pacific Petrochemical Corporation as of December 31, 2019 and 2018 and the individual financial performance and individual cash flows between January 1 and December 31, 2019 and 2018.

Bases for the Audit Opinions

We followed the Rules Governing the Audit of Financial Statements by Certified Public Accountants and generally accepted auditing rules while performing the audit. The responsibilities of the CPAs under the said standards will be explained further in the section about responsibilities in auditing the individual financial statement. Independently governed staff in the accounting firm that the CPAs belong to have followed moral regulations in honor of the profession of CPA and have remained independent of Grand Pacific Petrochemical Corporation and fulfilled other responsibilities under the said regulations. Based on the audit results from us and those from other CPAs, we believe that sufficient and adequate evidence has been obtained for the audit to serve as the basis for expressing the audit opinions.

Key Matters Being Audited

Key matters being audited refer to the most important matters based on the professional judgment of the CPAs to be included in the audit of the 2019 individual financial statement of Grand Pacific Petrochemical Corporation. Such matters were addressed throughout the audit of the individual financial statement and during the formation of audit opinions. The CPAs do not express separate opinions regarding these matters.

Key matters being audited of the 2019 individual financial statement of Grand Pacific Petrochemical Corporation are specified as follows:

Recognition of Income

Income is the basic operational activities for the sustainable management of an enterprise and concerns its operational performance and the management generally is faced with the pressure of fulfilling the expected financial or business performance goals. Therefore, it is pre-established that income recognition is associated with significant risk and we consider that the recognition of timing of the transfer of control over sales of products and income from sales as part of the key matters being audited.

For the accounting policy on the recognition of income, please refer to Note 4 (28) of the individual financial statement. For information on accounting items for income, please refer to the disclosure in Note 6 (27) of the individual financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

1. Test the validity of sales and the internal control for the payment collection cycle in terms of its design and implementation and evaluate by random sampling if the recognition of income is adequate.
2. Understand the type of product and the distribution specifications with Top 10 distribution customers and evaluate the legitimacy of the distribution income and the number of days involved in the turnover of accounts receivable and analyze if there is any abnormal variation among the customers.
3. Select samples from distribution transactions within a certain period of time before and after the shipping deadline and verify them against related certificates in order to evaluate the accuracy of transfer timing of risks and rewards of goods produced and distributed and the control right and the timing when income is recognized.

Impairment evaluation of real estate, plants and equipment

As of December 31, 2019, the book value of real estate, plants, and equipment owned by Grand Pacific Petrochemical Corporation totaled $6,046,298 thousand, accounting for around 22% of the total asset value and the value is significant for the individual financial statement. In addition, the overall economic trends, market competition, and technical development can all affect the future operations of the company and accordingly affect the expected economic benefits and the recoverable amount that may be generated in the future by the cash generating units for the assets estimated and determined by the management in order to evaluate if impairment exists. Therefore, the evaluation of impairment of real estate, plants, and equipment is listed by the CPAs as part of the key matters being audited.

For the accounting policy on the impairment of real estate, plants and equipment and non-financial assets, please refer to Note 4 (16) and (19) of the individual financial statement. For information on accounting items involving real estate, plants and equipment, please refer to the disclosure in Note 6 (11) of the individual financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

1. Obtain the asset impairment assessment form for respective cash generating units that have been evaluated spontaneously by the Company.
2. Evaluate the legitimacy of impairment signs identified by the management and the assumption and sensitivity adopted, including whether the differentiation of cash-generating units, forecast of cash flows, and discount rate are appropriate or not.
3. Ask the management and review audit evidence obtained from the subsequent audit procedure for verification of absence of any matter related to impairment testing after the reporting date.

Valuation of investment balance adopting the equity method

The investment balance of Grand Pacific Petrochemical Corporation as of December 31, 2019 adopting the equity method totaled $14,594,602 thousand, accounting for around 54% of the total asset value. The net worth of comprehensive income (including the portions of profits and losses from subsidiaries, affiliates, and joint ventures recognized using the equity method and the portions of other comprehensive income from subsidiaries, affiliates, and joint ventures recognized using the equity method) totaled $913,371 thousand, accounting for around 56% of the total comprehensive income. The impacted value is significant to the individual financial statement. Therefore, the CPAs include valuation of investment balance adopting the equity method as part of the key matters being audited.

For the accounting policy on investments adopting the equity method, please refer to Note 4 (15) of the individual financial statement. For information on accounting items for investments adopting the equity method, please refer to the disclosure in Note 6 (10) of the individual financial statement.

Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

1. Evaluate the accuracy of calculation during valuation adopting the equity method and the adopted accounting policy.
2. Check the accuracy in the calculation of unrealized profits or losses generated from transactions with companies invested in using the equity method; they have been reasonably written off and evaluate the adopted accounting policy; the adopted accounting policy has been adjusted as needed to be consistent with the policies adopted by the Company.
3. Evaluate the legitimacy of impairment signs of investments adopting the equity method as identified by the management and the assumption and sensitivity adopted, including whether or not the forecast of profitability of companies invested in it in the future or the discount rate is appropriate.

Other Matters－Mentioning Audits by other CPAs

As is stated in Note 6 (10) of the individual financial statement, among the investments by Grand Pacific Petrochemical Corporation adopting the equity method, the financial statements of the re-investment company adopting the equity method through KK Enterprise－K.K. Chemical Company Limited and KK Enterprise (Malaysia) Sdn. Bhd. and the reinvestment company Zhenjiang Chimei Chemical Company Limited and Zhangzhou Chimei Chemical Company Limited adopting the equity method through British Virgin Islands Land & Sea Capital Corp. were audited by other CPAs, not us. Therefore, among the opinions expressed by us on the above-mentioned individual financial statement, the amount listed in the above-mentioned financial statement of the Company and the above-mentioned information about the Company in Note 13 of the individual financial statement are completely based on audit reports from other CPAs. The balance of the above-mentioned investments adopting the equity method in the companies by Grand Pacific Petrochemical Corporation as of December 31, 2019 and 2018, was $6,620,330 thousand and $5,530,087 thousand, accounting for 24.37% and 21.35% of the total value, respectively. The portions of profits and losses indirectly recognized adopting the equity method from January 1 to December 31, 2019 and 2018, was $1,224,993 thousand and $991,644 thousand, accounting for 74.67% and 37.65% of the total comprehensive income, respectively.

Responsibilities of Management and Governance Unit to Individual Financial Reports

The management is responsible for preparing adequately expressed individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintaining necessary internal control relevant to the compilation of the individual financial statements in order to ensure that no significant untruthful expressions caused by frauds or errors exist in the individual financial statements.

While preparing the individual financial statement, the management is responsible for also evaluating the ability of Grand Pacific Petrochemical Corporation to continue with the operation and disclosing related matters and adopting the accounting basis for continued operation, among others. Unless the management intends to liquidate Grand Pacific Petrochemical Corporation or discontinue operation or there are no other actually feasible solutions than liquidation or discontinued operation.

The governance unit (including the Audit Committee) of Grand Pacific Petrochemical Corporation is responsible for supervising the financial reporting process.

Responsibilities of CPAs in Inspecting Individual Financial Statement

We audit the individual financial statement in order to be reasonably convinced as to whether the individual financial statement as a whole contains major untruthful expressions due to frauds or errors and to issue the audit report. Reasonably convinced is highly convinced. There is no guarantee, however, that existence of significant untruthful expressions in the individual financial statement will be detected according to generally accepted auditing standards. Untruthful expressions might have been caused by frauds or errors. If individual values or an overview of untruthful expressions can be reasonably expected to affect economic decisions made by users of the individual financial statement, they are considered significant.

We apply our professional judgment and keep our professional doubts while performing the audit according to generally accepted auditing standards. The CPAs also perform the following tasks:

1. Identify and evaluate the risk of significant untruthful expressions in the individual financial statement due to frauds or errors, design and enforce appropriate responsive policies for determined risks; and collect sufficient and adequate evidence from the audit in order to render audit opinions. Due to the fact that frauds might involve collusion, forging, intentional omission, untruthful statement, or non-compliance with internal control, the risk associated with undetected significant untruthful expressions caused by frauds is higher than that caused by errors.
2. Obtain a necessary understanding of internal control concerning the audit in order to design appropriate audit procedures reflective of then-current situation. The purpose, however, is not to effectively express opinions on the internal control of Grand Pacific Petrochemical Corporation.
3. Evaluate the adequacy of accounting policies adopted by the management and the legitimacy of accounting estimates and related disclosures made.
4. Reach a conclusion with regard to the adequacy of the accounting basis adopted to continue with operation by the management and whether significant uncertainties of events or conditions that might result in significant concerns about the ability of Grand Pacific Petrochemical Corporation to continue with operation exist or not according to the evidence obtained from the audit. In the event that it is determined that significant uncertainties exist with such events or conditions, on the other hand, the CPAs must remind users of the individual financial statement in their audit report that they should pay attention to related disclosures included in the statement or modify their audit opinions if such disclosures are inappropriate. Conclusions made by the CPAs are based on the evidence from the audit obtained as of the date of the audit report. Future events or conditions, however, are likely to result in Grand Pacific Petrochemical Corporation no longer capable of continuing with operation.
5. Evaluate the overall expression, structure, and contents of the individual financial statement (including related notes) and whether or not the individual financial statement has fairly expressed related transactions and events.
6. Obtain sufficient and adequate evidence from the audit regarding the financial information of entities comprising Grand Pacific Petrochemical Corporation and express opinions about the individual financial statement. The CPAs are responsible for providing guidance on, supervising, and implementing audits and for coming up with audit opinions for the individual financial statement.

Communications made by the CPAs with governance units include the planned scope and timing of the audit and significant audit findings (including significant deficiencies found with internal control during the audit).

The CPAs have also provided the governance units with the declaration on independence that independently governed staff in the accounting firm that the CPAs belong to have followed moral regulations in honor of the profession of CPA and have communicated with the governance units all relationships and other matters considered to be likely undermining the independence of CPAs (including related safeguard measures).

The CPAs, from the matters communicated with the governance units, decided key matters to be included in the 2019 individual financial statement audit of Grand Pacific Petrochemical Corporation. The CPAs specify such matters in the audit report unless it is disallowed by law to disclose to the public specific matters or under rare circumstances, the CPAs decide not to communicate specific matters in the audit report as it can be reasonably expected that negative impacts from such communication would be greater than the public interest that will be enhanced.

Crowe Horwath International

CPA

Ying Chia Hsiao

CPA

Wu Chang Wang

Approval document number: FSC Review No. 10200032833

March 19, 2020

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

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

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

Grand Pacific Petrochemical Corporation
PARENT COMPANY ONLY BALANCE SHEETS
For the years ended December 31, 2019 and 2018

Expressed in Thousands of New Taiwan Dollars

Codes	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
11xx	Current assets	$6,151,330	23	$5,227,246	20
1100	Cash & cash equivalents	1,623,640	6	1,567,675	6
1110	Financial assets at fair value through profit or loss - current	23,247	-	-	-
1150	Net notes receivable	1,201	-	14,419	-
1170	Net accounts receivable	1,362,287	5	1,918,484	8
1180	Accounts receivable - related parties	13,882	-	735	-
1200	Other receivables	24,721	-	42,181	-
1310	Net inventories	1,342,132	5	1,604,466	6
1410	Prepayments	60,220	-	79,286	-
1476	Other financial assets - current	1,700,000	7	-	-
15xx	Non-current assets	21,015,000	77	20,671,256	80
1517	Financial assets at fair value through other comprehensive income - noncurrent	294,765	1	295,533	1
1550	Investments accounted for using equity method	14,594,602	54	13,745,161	53
1600	Property, plant and equipment	6,046,298	22	6,600,827	26
1755	Right-of-use assets	42,980	-	-	-
1840	Deferred income tax assets	35,210	-	28,659	-
1920	Refundable deposits	1,025	-	889	-
1932	Long-term receivables	120	-	187	-
1xxx	Total assets	$27,166,330	100	$25,898,502	100

Codes	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
21xx	Current liabilities	$1,705,453	6	$2,115,208	8
2130	Contract liabilities - current	11,120	-	20,881	-
2170	Accounts payable	1,178,229	4	1,091,667	4
2180	Accounts payables - related parties	348	-	-	-
2200	Other receivables	316,872	1	482,508	2
2220	Other receivables	-	-	6,415	-
2230	Current income tax liabilities	170,159	1	498,854	2
2250	Provisions - current	12,403	-	12,004	-
2280	Lease liabilities - current	13,284	-	-	-
2310	Advances receipts	128	-	128	-
2399	Other current liabilities - Other	2,910	-	2,751	-
25xx	Noncurrent liabilities	1,092,209	4	1,044,304	4
2550	Provisions - noncurrent	9,610	-	8,153	-
2570	Deferred income tax liabilities	979,856	4	980,012	4
2580	Lease liabilities - noncurrent	30,942	-	-	-
2640	Net defined benefit liabilities - noncurrent	46,675	-	29,872	-
2645	Guarantee deposits received	2,934	-	4,075	-
2670	Other noncurrent liabilities - other	22,192	-	22,192	-
2xxx	Total liabilities	2,797,662	10	3,159,512	12
31xx	Equity				
3100	Share capital	9,266,203	34	9,266,203	36
3110	Common shares capital	9,066,203	33	9,066,203	35
3120	Preferred shares capital	200,000	1	200,000	1
3200	Capital reserve	181,698	1	180,533	1
3300	Retained earnings	14,695,878	54	12,608,192	48
3310	Legal reserve	1,790,463	7	1,494,452	6
3320	Special reserve	1,640,828	6	1,640,828	6
3350	Unappropriated earnings	11,264,587	41	9,472,912	36
3400	Other equity	280,466	1	739,639	3
3410	Exchange differences on translating financial statements of foreign operations	(521,982)	(2)	(206,080)	(1)
3420	Unrealized gain/loss of financial assets at fair value through other comprehensive income	802,448	3	945,719	4
3400	Treasury stocks	(55,577)	-	(55,577)	-
3xxx	Total equity	24,368,668	90	22,738,990	88
3x2x	Total liabilities and equity	$27,166,330	100	$25,898,502	100

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang   Manager: Chia Hsiung Tseng   Chief Accountant: Ling Chu Chen

Grand Pacific Petrochemical Corporation
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018

Expressed in Thousands of New Taiwan Dollars

Codes	Items	Year Ended December 31, 2019 Amount	%	Year Ended December 31, 2018 Amount	%
4000	Operating revenues	$16,229,085	100	$20,305,094	100
5000	Operating costs	(14,779,229)	(91)	(17,525,024)	(86)
5900	Total amount of gross operating profit	1,449,856	9	2,780,070	14
5910	Unrealized sales gain	(315)	-	(4,744)	-
5920	Realized sales gain	4,744	-	13,318	-
5950	Net gross operating profit	1,454,285	9	2,788,644	14
6000	Operating expenses	(414,240)	(2)	(489,604)	(2)
6100	Selling expenses	(153,504)	(1)	(164,972)	(1)
6200	Administrative expenses	(236,379)	(1)	(294,335)	(1)
6300	Research and development expenses	(24,357)	-	(30,297)	-
6900	Net operating Income	1,040,045	7	2,299,040	12
	Non-operating revenues and expenses				
7010	Other revenues	67,306	-	62,232	-
7020	Other gains and losses	(28,777)	-	63,145	-
7050	Finance costs	(800)	-	(419)	-
7070	Share of profit or loss of subsidiaries, associates & joint ventures accounted for using equity method	1,333,846	8	1,211,359	6
7000	Total non-operating revenues and expenses	1,371,575	8	1,336,317	6
7900	Net profit before tax from continuing operations unit	2,411,620	15	3,635,357	18
7950	Income tax expenses	(341,495)	(2)	(675,251)	(3)
8200	Net profit for the year	2,070,125	13	2,960,106	15
	Other comprehensive income				
	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized valuation gain/loss of investment in equity instrument at fair value through other comprehensive income	(768)	-	(72,367)	-
8311	Remeasurements of the defined benefit plan	(20,263)	-	7,164	-
8330	Share of other comprehensive income of subsidiaries, associates & joint ventures accounted for using equity method - items that will not be reclassified subsequently to profit or loss	(96,732)	(1)	(175,549)	(1)
8349	Income tax related to items that will not be reclassified subsequently	4,053	-	758	-
8310	Total Items that will not be reclassified subsequently to profit or loss	(113,710)	(1)	(239,994)	(1)
	Items that may be reclassified subsequently to profit or loss				
8380	Share of other comprehensive income of subsidiaries, associates & joint ventures accounted for using equity method - items that may be reclassified to profit or loss	(323,743)	(2)	(121,532)	(1)
8399	Income tax related to items that may be reclassified subsequently	7,841	-	34,990	-
8360	Items that may be reclassified subsequently to profit or loss	(315,902)	(2)	(86,542)	(1)
8300	Current other comprehensive income(net after tax)	(429,612)	(3)	(326,536)	(2)
8500	Total comprehensive income for the year	$1,640,513	10	$2,633,570	13
	Earnings per share in ordinary shares: (NT$)				
9750	Basic earnings per share	$2.27		$3.26	
9850	Diluted earnings per share	$2.27		$3.25	

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang | Manager: Chia Hsiung Tseng | Chief Accountant: Ling Chu Chen

Grand Pacific Petrochemical Corporation

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

Expressed in Thousands of New Taiwan Dollars

		Share capital			Retained earnings			Other equity				
Codes	Items	Common shares capital	Preferred shares capital	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating financial statements of foreign operations	Unrealized gain/loss of financial assets at fair value through other comprehensive income	Unrealized gain/loss on available-for-sale Financial Assets	Treasury stocks	Total equity
A1	Balance at January 1, 2018	$9,066,203	$200,000	$147,446	$1,165,588	$1,658,208	$7,715,000	($119,538)	$ -	$1,007,410	($122,170)	$20,718,147
A3	Effects of retrospective application and retrospective reclassification	-	-	-	-	-	42,398	-	1,191,225	(1,007,410)	-	226,213
	Appropriation & distribution of earnings for fiscal year 2017:											
B1	Provision of legal reserve	-	-	-	328,864	-	(328,864)	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	-	(17,380)	17,380	-	-	-	-	-
B5	Cash dividends to common shares	-	-	-	-	-	(906,620)	-	-	-	-	(906,620)
B7	Cash dividends and stock dividends to preferred shares	-	-	-	-	-	(32,000)	-	-	-	-	(32,000)
C17	Dividend unclaimed within the term by shareholders	-	-	1,725	-	-	-	-	-	-	-	1,725
L7	Parent company's stocks disposed of by a subsidiary deemed as transaction in treasury stocks	-	-	28,266	-	-	-	-	-	-	66,593	94,859
M1	Adjustment to capital surplus for distribution of dividends to subsidiaries	-	-	3,089	-	-	-	-	-	-	-	3,089
M7	Changes in the share of equities of subsidiaries	-	-	7	-	-	-	-	-	-	-	7
D1	Net profit for the year ended December 31, 2018	-	-	-	-	-	2,960,106	-	-	-	-	2,960,106
D3	Other comprehensive income after tax for the year ended December 31, 2018	-	-	-	-	-	5,512	(86,542)	(245,506)	-	-	(326,536)
Z1	Balance at December 31, 2018	$9,066,203	$200,000	$180,533	$1,494,452	$1,640,828	$9,472,912	($206,080)	$945,719	$ -	($55,577)	$22,738,990
A1	Balance at January 1, 2019	$9,066,203	$200,000	$180,533	$1,494,452	$1,640,828	$9,472,912	($206,080)	$945,719	$ -	($55,577)	$22,738,990
	Appropriation & distribution of earnings for fiscal year 2018:											
B1	Provision of legal reserve	-	-	-	296,011	-	(296,011)	-	-	-	-	-
B7	Cash dividends to special shares	-	-	-	-	-	(12,000)	-	-	-	-	(12,000)

Grand Pacific Petrochemical Corporation
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019 and 2018

Expressed in Thousands of New Taiwan Dollars

		Share capital			Retained earnings			Other equity				
Codes	Items	Common shares capital	Preferred shares capital	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating financial statements of foreign operations	Unrealized gain/loss of financial assets at fair value through other comprehensive income	Unrealized gain/loss on available-for-sale Financial Assets	Treasury stocks	Total equity
M1	Adjustment to capital surplus for distribution of dividends to subsidiary	-	-	1,066	-	-	-	-	-	-	-	1,066
M7	Change in equity to subsidiaries	-	-	99	-	-	-	-	-	-	-	99
D1	Net profit for the year ended December 31, 2019	-	-	-	-	-	2,070,125	-	-	-	-	2,070,125
D3	Other comprehensive income after tax for the year ended December 31, 2019	-	-	-	-	-	(15,783)	(315,902)	(97,927)	-	-	(429,612)
Q1	The equity instruments at fair value through other comprehensive income as disposed of by a subsidiary	-	-	-	-	-	45,344	-	(45,344)	-	-	-
Z1	Balance at December 31, 2019	$9,066,203	$200,000	$181,698	$1,790,463	$1,640,828	$11,264,587	($521,982)	$802,448	$ -	($55,577)	$24,368,668

(Please refer to the Notes to consolidated financial statement)

Note: Compensation to employees and remuneration to directors and supervisors have been deducted within the parent company only statements of comprehensive income. Please refer to Note 6(31).

Chairman of Board: Pin Cheng Yang　　Manager: Chia Hsiung Tseng　　Chief Accountant: Ling Chu Chen

Grand Pacific Petrochemical Corporation

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

Expressed in Thousands of New Taiwan Dollars

Codes	Items	Year ended December 31, 2019	Year ended December 31, 2018
AAAA	CASH FLOWS FROM OPERATING ACTIVITIES:		
A00010	Net profit before tax from continuing operations unit	$2,411,620	$3,635,357
A20000	Adjustments:		
A20010	Gain and expense loss not result influence on cash flows:		
A20100	Depreciation expenses (including depreciations in provision of right-of-use assets)	739,011	701,155
A20400	Net gain on financial assets at fair value through profit or loss	(80)	-
A20900	Interest expenses	800	419
A21200	Interest income	(32,526)	(16,629)
A21300	Dividend revenue	(24,230)	(27,824)
A22400	Share of gains of subsidiaries, associates & joint ventures accounted for using equity method	(1,333,846)	(1,211,359)
A22500	Net loss (gain) on disposal and retirement of property, plant and equipment	120	180
A22600	Property, plant and equipment transferred to expenses	17,451	46,031
A23100	Gain on disposal of investment	(1,341)	-
A23700	Impairment loss on non-financial assets	3,773	-
A23900	Unrealized sales gain	315	4,744
A24000	Realized sales gain	(4,744)	(13,318)
A20010	Total gain and expense loss not result influence on cash flows	(635,297)	(516,601)
A30000	Changes in assets/liabilities relating to operation activities		
A31115	Net increase of financial assets mandatorily measured at fair value through profit or loss	(21,826)	-
A31130	Decrease in notes receivable	13,218	894
A31150	Decrease in accounts receivable	556,197	225,675
A31160	Decrease (increase) in accounts receivable - related parties	(13,147)	77,077
A31180	Decrease (increase) in other receivables	20,150	(11,143)
A31200	Decrease in inventories	262,334	26,880
A31230	Decrease (increase) in prepayments	19,066	(4,554)
A32125	Decrease in contract liabilities	(9,761)	(18,687)
A32150	Increase (decrease) in notes payable	86,562	(424,009)
A32160	Increase in accounts payable - related parties	348	-
A32180	Increase (decrease) in other payables	(163,984)	41,010
A32190	Increase (decrease) in other payables - related parties	(6,415)	6,415
A32200	Increase in provisions	1,856	1,331
A32230	Increase in other current liabilities - other	159	115
A32240	Decrease in net defined benefit liabilities	(3,460)	(8,162)
A30000	Total net changes in assets/liabilities relating to operating activities	741,297	(87,158)
A33000	Cash provided generated from operations	2,517,620	3,031,598
A33100	Interest received	29,836	15,727
A33200	Dividend received	131,759	75,429
A33300	Interest paid	(800)	(419)
A33500	Income tax paid	(672,844)	(529,941)
AAAA	Net cash provided in operating activities	2,005,571	2,592,394

(Continued on the next page)

(Brought Forward)

Code	Item		
BBBB	CASH FLOWS FROM INVESTING ACTIVITIES:		
B01800	Acquisition of investment accounted for using equity method	(50,000)	(785,515)
B02400	Refund of share payment under capital decrease from the investee accounted for using equity method.	19,836	-
B02700	Acquisition of property, plants and equipment	(193,738)	(440,569)
B03700	Increase in refundable deposits	(136)	(4)
B06500	Increase in other financial assets	(1,700,000)	-
B06700	Decrease in other noncurrent assets - other	67	92
BBBB	Net cash used in investing activities	(1,923,971)	(1,225,996)
CCCC	CASH FLOWS FROM FINANCING ACTIVITIES:		
C03000	Increase (decrease) in guarantee deposits received	(1,141)	3,542
C04020	Repayment of principal of lease liabilities	(12,494)	-
C04500	Payout of cash dividends	(12,000)	(938,620)
C09900	Return of dividend unclaimed within the term back to capital reserve	-	1,725
CCCC	Net cash used in financing activities	(25,635)	(933,353)
EEEE	Net increase in cash and cash equivalents for the year	55,965	433,045
E00100	Cash and cash equivalents, beginning of year	1,567,675	1,134,630
E00200	Cash and cash equivalents, end of year	$1,623,640	$1,567,675
E00210	Cash & cash equivalents recorded in parent company only balance sheets	$1,623,640	$1,567,675

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang | Manager: Chia Hsiung Tseng | Chief Accountant: Ling Chu Chen

1. Company history

Grand Pacific Petrochemical Corporation (hereinafter referred to as the Company) was officially incorporated on September 25, 1973 in accordance with the Company Act and other laws and ordinances concerned and was formerly known as Delta Petrochemical Corporation until rechristened Grand Pacific Petrochemical Corporation in 1985. The Company primarily engages in the business lines as below:

(1) Petrochemical Manufacturing

(2) Synthetic Resin & Plastic Manufacturing

(3) Other Chemical Products Manufacturing

(4) Steam and Electricity Paragenesis, Heat Energy Supplying and international trade

(5) All business items that are not prohibited or restricted by law, except those that are subject to special approval

The Company's plants are located in Da-She District, Kaohsiung City, Taiwan.

The Company's stocks were officially listed on Taiwan Stock Exchange Corporation (TWEC) starting from December 21, 1988.

The Company is free of the ultimate parent company.

The Company takes New Taiwan Dollars as its functional currency. While the Company is a public company listed in Taiwan, the individual financial statements are expressed in New Taiwan Dollars to bring added comparison and consistency.

2. The date of authorization for issuance of financial statements and procedures for authorization

These financial statements were authorized for issuance by the Board of Directors on March 19, 2020.

3. Application of New Issuance, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (IFRS) as endorsed by the Financial Supervisory Commission (hereinafter referred to as FSC):

As required by the Financial Supervisory Commission under Decrees Jin-Guan-Cheng-Shen-Zi 1070324857 dated July 17, 2018 and Jin-Guan-Cheng-Shen-Zi 1070324155 dated July 13, 2018, the Company should, starting from Year 2019, adopt the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations as endorsed by FSC under the issuance of International Accounting Standards Board (IASB) applicable from 2019 (hereinafter collectively referred to as IFRSs) and the relevant Regulations Governing the Amendment of Preparation of Financial Reports by Securities Issuers to prepare financial statements.

Those assembled under the Table below are the new issuance, revised and amended standards and interpretations applicable to IFRSs as endorsed by FSC in 2019:

New issuance, revised and amended standards and interpretations	Effective date issued by IASB
IFRS 16 "Leases"	January 1, 2019
IFRI 23 "Uncertainty over income tax treatment"	January 1, 2019
Amendment to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendment to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Amendment to IAS 19 "Amendment, curtailment or settlement of a plan"	January 1, 2019
Annual Improvements to 2015-2017 Cycle	January 1, 2019

Except for the description below, the Company's assesses that the application of the aforementioned standards and explanations would not have a significant impact upon the individual financial conditions and individual financial performance of the Company:

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and IFRIC Interpretations, and SIC Interpretations. The standard requires lessees to recognize right-of-use assets and lease liabilities (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to choose not to re-compile the comparison period in accordance with the transitional requirements of IFRS 16 (hereinafter referred to as "Modified Retrospective Adjustment"), and would recognize the conversion difference applicable retrospectively in retained earnings as of January 1, 2019.

Currently in accordance with IAS 17 on the grounds of agreement on operating lease treatment, on January 1, 2019, the Company would take the lease liabilities to measure the surplus lease payment, with the incremental loan interest rate discounted of the lessee on that day. The entire right-of-use assets would be taken with the amount of the lease liabilities as of that day to adjust the prepaid or payable amounts of the rents as to be recognized.

Toward the measurement of the right-of-use assets and lease liabilities as of January 1, 2019, the Company is subject to the following expedients:

1) The Company did not reassess whether the contracts were (or including) lease. Previously those contracts had been subject to IAS 17 and IFRI 4 while such contracts were identified as subject to provisions set forth under IFRS 16.

2) Those lease compositions with rational and similar characteristics, the Company would use single discount rate to measure the lease liabilities.

3) In case of lease which had been closed before December 31, 2019 during the lease, the Company adopted the method of short-term lease.

4) Except rent payment, the Company did not count the additional costs yielded from the lease so earned into the measurement of the right-of-use assets as of January 1, 2019.

5) Amidst the proceedings of the measurement for the lease liabilities, toward the decision on the lease terms (e.g., duration of the lease), the Company would measure it based on the expectancy as of January 1, 2019.

While the Company applied initially IFRS 16, the lease contract attribute to the lesser to increase right-of-use assets amounted NT$56,720 thousand and increase lease liabilities – current and noncurrent amounted NT$13,559 thousand and NT$43,161 thousand, respectively as of January 1, 2019, the interest rate range applicable to the incremental loan upon the lease liabilities recognized was 0.63% - 1.10%. Besides, the accounting handling by the Company toward the lessors would not cast a significant impact.

As the Company disclosed the amount of commitment for operating lease under IAS 17, the present value of incremental loan interest rate discounted at the initial application date used by the Company and lease liabilities recognized on January 1, 2019 are adjusted as follows:

Business leasehold commitment with disclosure under IAS 17 as of December 31, 2018	$	34,596
Plus: Rational expected evaluation toward lease renewal rights with the adjustment		24,780
Less: Short-term lease applied to exemption	(	1,021)
Total lease liabilities recognizable under IFRS 16 as of January 1, 2019	$	58,355
The incremental loan interest rate upon the initial application date of the Company		0.63% - 1.10%
Present value of lease liabilities recognized under IFRS 16 as of January 1, 2019		$56,720

(2) The impact upon the International Financial Reporting Standards (IFRSs) by the new issuance, amendment without endorsed by FSC:

Under Decree Jin-Guan-Cheng-Shen-Zi 1080323028 of FSC as of July 29, 2019, the Company should adopt the IFRSs issued by International Accounting Standards Board (IASB) and the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers to prepare financial statements starting from 2020.

The following Table assembles the new issuance, revised and amended standards and interpretations endorsed by FSC as applicable to IFRSs starting from 2020:

New issuance, revised and amended standards and interpretations	Effective date issued by IASB
Amendment to IFRS 3 “Definition of business”	January 1, 2020
Amendment to IAS 1 and IAS 8 “Definition of significance”	January 1, 2020
Amendment to IFRS 9, IAS 39 and IFRS 7 “Revolution of interest rate indicators”	January 1, 2020

As of the date on which the Company’s financial statements were authorized and issued, the relevant standards adopted by the Company for evaluation, amendment to interpretations would not have a significant impact upon the individual financial conditions and the individual financial performance.

(3) The impact brought by IFRS having been issued by IASB but have not been endorsed by the FSC:

The Company has not adopted the following IFRSs which have been issued by IASB but have not been endorsed by the FSC. The actual effective date applied shall be pursuant to provision of FSC.

New issuance, revised and amended standards and interpretations	Effective date issued by IASB
IFRS 17 “insurance contracts”	January 1, 2021
Amendment to IAS 1 “To classify liabilities into current or noncurrent ”	January 1, 2022
Amendment to IFRS 10 and IAS 28 “Sales or investment of assets between investors and associates or joint ventures”	Pending for resolution by the International Accounting Standards Board (IASB)

The preliminary evaluation result indicates that the aforementioned standards and interpretations would not cast a significant impact upon the Company’s individual financial conditions and the individual financial performance. The Company will continually evaluate the amounts with the relevant impact which would be disclosed in full upon completion of the evaluation process.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the individual financial statements are explained below. Unless otherwise specified, these policies have been consistently applied to all the periods presented.

(1) Statement of compliance

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

(2) Basis of preparation

1) Except for the following significant items, the individual financial statements have been prepared under the historical cost convention:

A. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss measured based on the fair value.

B. Financial assets at fair values through other comprehensive income measured based on the fair value.

C. The liabilities on the shares-based payment agreement with cash settlement measured based on the fair value.

D. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

2) The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the individual financial statements, please refer to Note 5.

3) The Company became subject to IFRS 16 for the first time on January 1, 2019 with a choice not to reclassify the financial statements and the notes with comparison period for Year 2018 and to recognize the difference in conversion into the retained earnings as of January 1, 2019. The financial statements and notes with comparison period for Year 2018 were prepared in accordance with IAS 17 and the IFRIC Interpretations, and SIC Interpretations.

4) When preparing individual financial statements, the Company adopts the equity

method for subsidiaries, associates, or joint ventures that it has investments in. In order for the profits and losses, other comprehensive income, and equities of the year in this individual financial statement to be identical to those in the Company's consolidated financial statement that attribute to the clients of the Company, on the individual and consolidated bases, for several accounting differences, the "investments accounted for using the equity method", the "shares of profits and losses of subsidiaries, associates, and joint ventures accounted for using the equity method", "shares of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method", and related equity items were adjusted.

(3) Foreign currency translation

1) Items included in the Company's individual financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The individual financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Company's presentation currency.

2) When preparing financial statements using currencies other than the entity's functional currency (foreign currency) converted into functional currency at the spot exchange rate on the transaction day or measurement date, and the exchange difference resulting from the translation of these transactions was recognized as current profit and loss. At the end of the financial statement period, the balance of foreign currency monetary assets and liabilities were evaluated and adjusted at the spot exchange rate on the balance sheet date, and translation differences arising from the adjustment were recognized as current profit and loss. In case of foreign currency non-monetary assets and liabilities, the balance was evaluated and adjusted at the spot exchange rate quoted on the balance sheet date as measured at fair value through profit or loss, and the exchange difference arising from the adjustment was recognized as current profit and loss as measured at fair value through comprehensive income. The resulting exchange differences resulting from the adjustment were recognized in other comprehensive income items; where they were not measured at fair value, they were measured at the historical exchange rate on the initial trading day. All gains and losses on exchange were reported according to the attribute of the transaction and other gains and losses in the comprehensive income.

3) The Company's assets and liabilities of the foreign operations (including the subsidiaries, associates, joint ventures or branches of the Company in the countries of business operation or those using different currencies) were translated into New Taiwan Dollars at the spot exchange rate quoted on the balance sheet date. The income and expense items were translated using the exchange rates average in that period. All exchange differences arising from the translation were recognized as other comprehensive income.

4) When the foreign operations were disposed of and constituting a loss of control, joint control or significant influence on the foreign operations, all and the relevant interests of the foreign operations would be reclassified into profit or loss. In some cases where the disposal of subsidiaries in foreign operations did not constitute a loss of control of the subsidiary, the cumulative exchange difference recognized in other comprehensive income was calculated into the equity transaction on a *pro rata* basis, but it was not recognized as profit or loss. In some cases where the

interests of the disposal of associates or joint venture in foreign operations did not constitute a significant impact of loss on the associates or joint venture or joint control in interests, the cumulative exchange difference recognized in other comprehensive income was reclassified into profit or loss based on the disposal ratio.

(4) Criteria of classification of current and noncurrent assets and liabilities

1) Assets that meet one of the following criteria are classified as current assets:

A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

B. Assets arising mainly from trading activities;

C. Assets that are expected to be realized within twelve (12) months from the balance sheet date;

D. Cash & cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve (12) months after the balance sheet date.

The Company classifies the assets that do not satisfy the above conditions as noncurrent.

2) Liabilities that meet one of the following criteria are classified as current liabilities:

A. Liabilities that are expected to be paid off within the normal operating cycle;

B. Liabilities arising mainly from trading activities;

C. Liabilities that are to be paid off within twelve (12) months from the balance sheet date;

D. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies the liabilities that do not satisfy the above conditions as noncurrent.

(5) Cash & cash equivalents

Cash & cash equivalents include cash on hand, bank deposits, and short-term and highly liquidity investments that could be converted into cash in fixed amounts at any time with little change in value risk. Time deposits that meet the aforementioned definitions and are held for short-term operations cash promise are classified as cash equivalent.

(6) Financial instruments

Financial assets and financial liabilities should be recognized when the Company became a party to the terms of the financial instruments contract.

When financial assets and financial liabilities were initially recognized, they were measured at the fair value. At the time of initial recognition, the transaction costs acquired or issued directly attributable to financial assets and financial liabilities (unless classified as financial assets and financial liabilities at fair value through profit or loss), shall be added or subtracted from the fair value of the financial assets or financial liabilities. The transaction costs directly attributable to financial assets and financial liabilities at fair value through profit or loss should be recognized immediately as profit or loss.

(7) Financial assets at fair value through profit or loss

1) Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and designation as financial assets at fair value through profit or loss. The financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that the Company does not specify at fair value through other comprehensive income, and investments in debt instruments that did not qualify as being measured at amortized cost or at fair value through other comprehensive income.

2) In a case carried at amortized costs or financial assets at fair values through other comprehensive income, when measurement or recognition inconsistency could be eliminated or significantly reduced, the Company designated the case as financial assets at fair value through profit or loss at the time of initial recognition.

3) The Company adopts transaction day accounting for financial assets at fair value through profit or loss consistent with transaction customs.

4) The Company measured at fair value at the time of initial recognition, and recognized related transaction costs in profit or loss and subsequently measured at fair value and the gains or losses were recognized in profit or loss.

5) When the right to receive dividends was ascertained and the economic benefits related to dividends were likely to flow inward while the amount of dividends could be reliably measured, the Company recognized the dividend income in profit or loss.

(8) Financial assets at fair values through other comprehensive income

1) Referring to an irrevocable option at the time of initial recognition to report changes in the fair value of investments in equity instruments that were not held for trading in other comprehensive income; or the investment in debt instrument simultaneously met the following conditions:

A. The financial asset held under the business model of collecting cash flows under contracts and for the purposes of selling.

B. The cash flow generated on a specific date under the contract terms for the financial assets were completely intended to pay off the principal and the interest of the outstanding principals.

2) The Company adopts transaction day accounting for financial assets at fair value through comprehensive income consistent with transaction customs.

3) The Company measured at fair value plus transaction costs at initial recognition, and subsequently at fair value:

A. Changes in the fair value of equity instruments were recognized in other comprehensive income. When derecognized, the cumulative gains or losses previously recognized in other comprehensive income would not be reclassified to profit or loss and would be transferred to retained earnings instead. When the right to receive dividends was ascertained and the economic benefits related to dividends were likely to flow inward while the amount of dividends could be reliably measured, the Company recognized the dividend income in profit or loss.

B. Changes in the fair value of debt instruments were recognized in other comprehensive income, impairment losses before derecognition, interest income and gains and losses in foreign currency exchange were recognized in profit or loss, and at the time of derecognition, the cumulative gains or losses previously recognized in other comprehensive income were reclassified from the equity into profit or loss.

(9) Financial assets carried at amortized cost

1) Referring to the events that conform with the conditions as below simultaneously:

A. The financial assets held under the business model for the purposes of collecting cash flows under contracts.

B. The cash flow generated on a specific date under the contract terms for the financial assets were completely intended to pay off the principal and the interest of the outstanding principals.

2) The Company adopts transaction day accounting for financial assets carried at amortized cost consistent with transaction customs.

3) The Company measured at fair value plus transaction costs at initial recognition, and subsequently used the effective interest method to recognize interest income during the circulation period based on the amortization process, and recognized impairment losses, and when derecognized, the gains or losses were recognized in profit or loss.

4) The Company held time deposits that were not eligible for cash equivalent. As the holding period was short, the effect of discounting was insignificant, which was measured by the amount of investment.

(10) Accounts & notes receivable

Referring to the contract which had been received unconditionally for the accounts and notes for the right to consideration exchanged due to the transfer of products or labor services. As short-term accounts & notes receivable were paid without bearing interest, the impact of the discounting was insignificant, therefore, the Company measured at the initial amount.

(11) Impairment of financial assets

For investment in debt instruments at fair value through other comprehensive income, and financial assets carried at amortized cost and accounts receivable or contract assets that contain significant financial components, rent receivables, lending commitments and financial guarantee contracts, The Company, after considering all reasonable and corroborable information (including forward-looking perspectives) on each balance sheet date, measured by the amount of expected credit loss in twelve (12) months toward an insignificant increase in credit risk since initial recognition. For the credit risk has increased significantly since the original recognition, the allowance for loss was measured by the amount of expected credit loss during the existence period. For accounts or contract assets that do not include significant financial components, the allowance for losses measured by the amount of expected credit loss during the existence period.

(12) Derecognition of financial assets

The Company will derecognize financial assets when one of the following conditions is met:

1. When rights to contract of receiving cash flow from financial asset has expired.

2. Transfer of right to contract of receiving cash flow from financial asset, and when nearly all risk and reward associated with the said financial assets have been transferred.

3. Transfer of rights to contract of receiving cash flow from financial asset, and excluding control over the financial assets.

(13) Lease transaction of the lessor - rent receivables/operating leases

1) Pursuant to the terms and conditions under the lease agreements, when almost all the risks and rewards of lease ownership were borne by the lessee, they are classified as finance leases.

A. As the lease started up, the net lease investment (including the original direct cost) was recognized as "rent receivables", and the difference between the total lease receivables and the present value was recognized as "unearned financing income from finance leases".

B. Subsequent adoption of a systematic and reasonable basis to allocate financing income over the lease period to reflect a fixed rate of return on the net lease investment held by the lessor.

C. The period related lease payments (excluding service costs) offset the total lease investment to reduce the principal and unearned financing income.

2) Lease income from operating leases, net of any incentives given to the lessee, was recognized as a current profit or loss and amortized on a straight line basis during the lease period.

(14) Inventory

Inventories were measured at the lower of cost and net realizable value, whichever is the lower under the perpetual inventory system adopted, and the cost was determined by the weighted average method. The cost of finished goods and work in progress includes raw materials, direct labor, other direct costs, and production-related manufacturing overhead (as normal capacity allocation), but excludes borrowing costs. Upon comparison of cost and the net realizable value, whichever was the lower, the itemized comparison method was adopted. The net realizable value refers to the estimated selling price in the normal course of business less the estimated cost that must be invested to completion and the balance after related changes in selling expenses.

(15) Investments accounted for using the equity method/subsidiaries

1) Subsidiaries are entities controlled by the Company (including structural entities). When the Company is exposed to the variable compensation from participation in an entity or is entitled to the said variable compensation and is capable of impacting the compensation through its power over the entity, the Company has control over the entity. The Company adopts the equity method when handling investments in subsidiaries. Upon acquisition, they are recognized by the cost, including the goodwill already identified upon acquisition, with any accumulated impairment loss estimated to occur subsequently deducted.

2) The share of profit or loss for the Company after acquisition of a subsidiary is recognized as current profit and loss and the share of other comprehensive income after acquisition is recognized as other comprehensive income. When the share of loss recognized by the Company in its subsidiaries is equal to or exceeds the equity held by the Company in the subsidiaries, the shareholding ratio will continue to be applied in the recognition of loss.

3) The unrealized profits or losses of fair current transactions between the Company and subsidiaries were eliminated in the individual. The profits and losses generated from the countercurrent and side stream transactions between the Company and subsidiaries were recognized in the individual financial statements only to the extent that the Company has no interest in the subsidiaries. The accounting policies of subsidiaries have been adjusted as necessary, and the policies adopted by the Company have been consistent.

4) When changes in an subsidiary's equity are not recognized in profit or loss and other comprehensive income of the subsidiary and such changes do not affect the Company's shareholding ratio of the subsidiary, the Company recognizes the Company's share of change in equity of the subsidiary in 'capital reserves' in shareholding ratio.

5) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

6) When the Company loses control of a subsidiary, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. The difference between fair value and carrying amount is recognized in current profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on other comprehensive income as previously recognized, its accounting treatment is on the same basis as would be required if the related assets or liabilities were disposed directly by the Company. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

7) As is required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the current profit and loss and other comprehensive income in individual financial statements and those in the financial statements prepared on a consolidated basis that belong to the parent company's owners‘ amortizations are the same and the equities of the owners in individual financial statements and those in financial statements prepared on a consolidated basis that belong to the parent company's owners’ equity are identical.

(16) Property, plant and equipment

1) Property, plant and equipment are initially recorded at cost. Loans costs incurred during the construction period are capitalized.

2) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3) Land is not depreciated. The subsequent measurement of other property, plant and

equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

4) The assets' residual values, useful lives and depreciation methods are reviewed by the Company at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of various assets are as follows:

   A. Buildings & constructions 4 - 56 years

   B. Machinery & equipment 7 - 25 years

   C. Transportation facilities 2 - 6 years

   D. Other equipment 3 - 8 years

5) The Company's depreciable assets were originally used in the rate-decreasing method at the time of tax declaration; however, the Company has switched to use the average method in Year 1998. This change was already approved by the National Taxation Bureau of the Southern Area, Ministry of Finance with Letter (1998) Nan-Qu-Guo-Shui-Shen-I-Zi 87051967.

(17) Lease agreements of the lessee - right-of-use assets/lease liabilities (Applicable to Year 2019)

1) Lease assets were recognized as right-of-use assets and lease liabilities on the date when they became available for use by the Company. When the lease agreement was a short-term lease or lease of a low-value underlying asset, the lease payment was recognized as expense by straight-line method

2) In lease liabilities, the Company recognized the unpaid lease payments at the lease starting date at the present value of the Company's incremental loan rate discounted. The lease payments include fixed payments, less any incentives that could be received for the lease. Subsequently the Company measure at the amortized cost method under the interest method and recorded as interest expenses during the lease period. When the non-contract modification caused a change in the lease period or lease payment, the lease liabilities would be reassessed, and the remeasurements would be adjusted to right-of-use assets.

3) The right-of-use assets were recognized at cost on the lease starting date and the cost includes the original measured amount of lease liabilities. The subsequent measurement using cost model which were earlier at the end of the useful life of the right-of-use assets or at the end of the lease period while depreciation expenses were recorded. When lease liabilities were reassessed, right-of-use assets would adjust any remeasurement of the lease liabilities.

(18) Lease assets/operating lease (Lessees)(Applicable to Year 2018)

1) Pursuant to the terms and conditions under the lease agreements, when almost all risks and rewards of lease ownership are borne by the Company, it is classified as a finance lease.

   A. Upon initiation of the lease, the assets and liabilities were recognized based on the fair value of the lease assets and the lowest present value of payment, whichever is the lower.

B. Subsequently the minimum lease payments were allocated to finance costs and reduce outstanding liabilities. The finance costs were allocated period-by-period during the lease duration so that the period interest rate calculated based on the balance of liabilities would be fixed.

C. Property, plant and equipment obtained under finance leases were depreciated according to the useful life of the assets. If the lease period could not be reasonably determined, the Company would acquire ownership and recorded as depreciations based on the useful life of the assets and the lease period, whichever was the shorter.

2) The operating lease payment was recorded and amortized on straight-line basis during the lease period as current profit or loss, after deducting any incentive received from the lessor.

(19) Impairment loss on non-financial assets

The Company estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount was lower than its carrying amount, the impairment loss would be recognized. The recoverable amount refers to the fair value of an asset less disposal cost or its value in use, whichever is higher. Except for goodwill, when the impairment of assets recognized in previous years did not exist or decrease, the impairment loss would be reversed, but the asset carrying amount increased by the impairment loss should not exceed the carrying amount after depreciation or amortization of the asset if no impairment loss was recognized.

(20) Accounts payable

Accounts payable are obligations to pay for products or labor services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

1) Referring to the main purpose of the sale or repurchase in the latest period, and financial liabilities held for trading except for derivatives instruments that are designated as hedging instruments under hedge accounting. The financial liabilities at fair value through profit or loss were designated on the Initial recognition. When a financial liability meets one of the following conditions, the Company measured at fair value through profit loss on the initial recognition:

A. As hybrid (combined) contracts; or

B. Where the inconsistency in significant decrease measurement or recognition could be eliminated; or

C. Pursuant to the documented risk management policies, the instruments with performance evaluated in fair value based management.

2) The Company measured at fair value at the time of initial recognition, and recognized the related transaction costs in profit or loss and subsequently measured at fair value and the gains or losses were recognized in profit or loss.

3) In case of a financial liability designated to be measured at fair value through profit or loss where the amount of change in fair value resulted from credit risk,

except for avoiding improper accounting ratios or loan commitments and financial guarantee contracts, the Company recognized the same in other comprehensive income.

(22) Provisions

The Company is under current statutory or constructive obligation due to past events, very likely that economically efficient resources would need to be discharged to settle such obligation and the amount of the obligation could be reliably estimated when the provisions were recognized. The measurement of provisions is based on optimal estimated present value of the expenditure required to settle the obligation on the balance sheet date. The discount rate uses the pre-tax discount rate that reflects the current market assessment of the time value of currency and the specific risk of the liability. The amortization discounted is recognized as interest expenses. The future loss in operations should not be recognized as provisions.

(23) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2) Post-employment benefits

A. Defined contribution plans

For defined contribution plans, the contributions of pension funds are recognized as current pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

B. Defined benefit plans

① Net obligation under a defined benefit plans is defined as the present value of an amount of future benefits that employees will receive for their services with the Company in current year or prior periods, and the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by reference to the balance sheet date, the currency of defined benefit plans and the market yield of high-quality corporate bonds that were consistent during the period. The countries of such bonds without in-depth market adopt the market yield of government bonds (as of the balance sheet date).

② Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the current year in which they arise, and expressed in the retained earnings.

③ The expenses related to the service cost of the prior period were immediately recognized into profit or loss.

3) Termination benefits

Termination benefits refers to the benefits provided by the termination of the employment before the normal retirement date or when the employee decides to accept the Company's benefits offer in exchange for termination of the employment. The cost of restructuring was not recognized until the moment while the Company could no longer revoke a contract for termination benefits or the restructuring cost was recognized, whichever came the earlier. Termination benefits that were not expected to be fully settled twelve (12) months after the balance sheet date should be discounted.

4) Compensation to employees and remuneration to directors and supervisors

Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Subsequently, any difference between actual distributed amounts as resolved and estimated mounts is accounted for as changes in estimates.

(24) Financial liabilities & equity instruments

1) Classification of financial liabilities or equity instruments

The liability and equity instruments issued by the Company were classified as financial liabilities or equity according to the substance of the contract agreement and the definition of financial liabilities & equity instruments.

2) Equity instruments

The "equity instruments" refers to any contract that recognizes the remaining equity of an enterprise after the assets are deducted from all its liabilities. The equity instruments issued by the Company are recognized at the price obtained after deducting the direct issue cost.

3) Financial liabilities

In case of financial liabilities that were not held for trading purposes and were not designated as measured at fair value through profit or loss, such financial liabilities were measured at amortized cost at the end of the subsequent accounting period.

4) Derecognition of financial liabilities

The Company did not derecognize financial liabilities until the obligations were lifted, cancelled or lapsed. When financial liabilities were derecognized, the difference between their carrying amount and total consideration paid or payable (including any transferred non-cash assets or liabilities assumed) was recognized into profit or loss.

5) Inter-offset of financial assets and liabilities

The financial assets and financial liabilities were not offset against each other and expressed in net in balance sheet until there was a legally enforceable right to offset the recognized amount of financial assets and liabilities with an intention to deliver on a net basis or achieve assets and liquidate liabilities at the same time.

(25) Share capital & treasury stocks

1) Share capital

Common shares were classified as equity. The classification of preferred shares refers to the definition of substantial contractual agreement, financial liabilities and equity instruments, and evaluates the specific rights attached to preferred shares. When the basic characteristics of financial liabilities were exhibited, they were classified as liabilities; otherwise they would be an equity. The net of increase in costs directly attributable to issuance of new share or share warrants after deducting income tax is recorded as the deduction of share prices.

2) Treasury stocks

The Company withdrew the issued outstanding shares and recognized them as "treasury stocks" based on the consideration paid at the time of purchase (including direct attributable costs) as a deduction of equity. Where the price of the disposal of treasury stocks is higher than the carrying amount, the difference was listed as capital surplus-treasury stocks transactions. Where the disposal price is lower than the carrying amount, the difference is offset against the asset surplus generated by the exchange of the same type of treasury stocks. In case of a shortfall, the surplus is debited in the retained earnings. The carrying amount of treasury stocks is taken weighted average and calculated separately according to the reason for recovery.

When treasury stocks are cancelled, the capital reserve is debited according to the proportion of equity - share certificates issuance premium and share capital, where the carrying amount is higher than the face value and the total value of the stock issuance premium, the difference would be offset against the capital generated by the exchange of the same type of treasury stocks. In case of a shortfall, it would be offset against the retained earnings. Where the carrying amount is lower than the face value and the total of the stock issuance premium, the capital reserve generated by the same type of treasury stocks exchanges would be credited.

Where subsidiary held the Company's stocks using the equity method to recognize the share of profit and loss and prepare financial statements, the subsidiary's stocks of the Company should be dealt with as treasury stocks.

(26) Shares-based payment

1) The shares-based payment agreement upon equity settlement was pursuant to the employee service acquired at fair value of the given equity commodities on the given day, and was recognized as compensation costs during the vesting period, and the equity was relatively adjusted. The fair value of equity commodities should be reflected with the influence of the market price vested conditions and the non-vested conditions. The recognized compensation cost was adjusted according to the expected amount of incentive rewards that meet the service condition and the non-market price vested condition until the final recognition amount was recognized in the vested amount.

2) The shares-based payment agreement settled in cash was based on the fair value of the liabilities assumed, recognized as compensation costs and liabilities within the vesting period, and was based on the fair value of the equity commodities given on each balance sheet date and settlement date to measure, any change recognized as profit or loss of the current year.

(27) Income tax

1) The income tax expenses comprise current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the income tax is recognized in other comprehensive income or directly in equity, respectively.

2) The Company calculates the income tax payable for the current term exactly in accordance with the tax rates that had been enacted or substantially enacted in the countries for the income tax as of the balance sheet date. Management periodically

evaluates positions taken in tax returns with respect to situations in accordance with applicable relevant laws of income tax, and under the fact of situations, the income tax liabilities estimated shall be paid to tax collection authority. The unappropriated earnings having been consolidated were charged for the income tax. The income tax expense of unappropriated earnings was recognized based on the actual allocation of the earning as resolved in the shareholders' meeting in the year ensuing the year in which the earnings were yielded.

3) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the balance sheets. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

5) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

6) The Company's tax incentives oriented expenditures that comply with the statutory incentives were accounted with use of income tax deduction accounting. The unused income tax credit was transferred into the latter period of time within the scope as the credit ready for future use, duly recognized deferred income tax assets.

7) The difference between the previous year's estimated income tax of the Company and the adjustment difference approved by the tax collection authority was recognized as the adjustment items of the income tax of the current year.

(28) Recognition of revenues

After identifying the performance obligations under a customer contract, the Company allocated the transaction price to each performance obligation and recognized revenue when the performance obligations were fulfilled.

1) Sales revenues

A. All products manufactured by the Company and sold into the market were recognized as revenue when the control over the product was transferred to the customers. To put it in more understandable terms, when the products were delivered to the customers, the customers have discretion on the channel and price of product sales, and the Company was not in any outstanding performance obligations that might affect the customers' acceptance of the products. When the products were shipped to a designated location, the risk of obsolescence and loss has been transferred to the customers and the customers would accept the products according to the sales contract. The delivery of the products did not occur until there was objective evidence to prove all standards/criteria for acceptance have been met.

B. Where the Company provides standard warranty on the products sold and is obliged to refund for defective products, the provisions were recognized at the moment of sales.

C. Accounts receivable were recognized at the moment when the goods were delivered to the customers. At that timepoint, the Company was entitled to the unconditional rights to the contract price and the price could be received from the customers only after the time elapsed. The advance receipts before the arrival of the products was recognized as a contract liability.

D. The control of the ownership of the processed products was not transferred upon processing of the materials so that the income was not recognized when the material was forwarded.

2) Refund liabilities

Sales and labor service revenues were recognized at the contract price net of estimated discounts and other similar discounts. The amounts recognized as revenues would be limited to the portion of the future height that was unlikely to undergo a major turnaround, and was included in each asset estimates updated on the balance sheet date. Sales and labor service estimated discounts payable to customers and other similar discounts as of the balance sheet date were recognized as refund liabilities.

3) Financing component

Under the contracts signed by and between the Company and the customers, the collection conditions of the sales and labor service transactions were consistent with the market practice. It was, therefore, judged that the contracts did not contain a significant financing component. In addition, the time interval for transferring the promised goods or labor services and receiving the consideration amidst the contracts was within one year. The significant financing component would not adjust the transaction price to reflect the time value of the currency.

4) Costs to acquire contracts from customers

Although the incremental costs incurred by the Company in obtaining a customer contract were expected to be recoverable, the relevant contract period was shorter than one year. These costs were, therefore, recognized as current operating costs or expenses at the moment of occurrence.

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate. Such government grants related to property, plant and equipment were recognized as noncurrent liabilities, and were recognized as current profit or loss using the straight-line method based on the estimated useful life of the relevant assets.

5. Major sources leading to material accounting judgments, estimates and assumption uncertainties

The results of the Company's individual financial statements would be affected by the adoption of accounting policies, accounting estimates and assumptions. Therefore, when the Company adopted the significant accounting policies under Note 4, the acquisition of assets from other sources would result in the carrying amount of assets and liabilities in the next information on significant adjustment risks in the individual financial statements that would require management to use appropriate professional judgment, estimates and assumption uncertainties. The Company's estimates and relevant assumptions were based on the optimal estimates pursuant to the requirements of IFRS endorsed and issued to take effect by the FSC. Estimates and assumptions would be based on historical experience and other factors considered to be relevant, but actual results and estimates might differ. The Company continues to review the estimates and assumptions. Where the revision of the estimate would only affect the current year, the accounting estimate would be recognized in the current year. Where the estimation affects both the current year and the future period, then it would be recognized in the estimated and amended current year and future period.

(1) Major judgments to adopt accounting policies

In addition to an involvement in judgments related to and estimates (see (2) below), the management's judgments in the process of adopting accounting policies that have the most significant impact on the recognized amounts of the financial statements are as follows:

1) Judgment of business model of financial asset classification

The Company evaluates the business model of financial assets based on the level of financial assets that are jointly managed to achieve a specific business purpose. This evaluation calls for consideration of all relevant evidence, including asset performance measurement methods, risks affecting performance, and the salary determination method of relevant managers, salary determination method where the judgment was required. The Company continuously assesses whether its business model judgment is appropriate, and monitors the financial assets carried at amortized cost and investment in debts instruments at fair value through other comprehensive income to look into the reasons for its disposition to assess whether the disposition would be consistent with the business model's objectives. Whenever the business model was found to have changed, the Company would postpone the adjustment of the subsequent classification of financial assets.

2) Commitment to operating lease - the Company is the Lessor

The Company has signed commercial property agreements toward some property portfolios. Based on its evaluation of the agreed terms, the Company still retains significant risks and rewards of ownership of these properties and treats these leases as operating leases.

3) Leased term (Applicable to Year 2019)

In determining the lease term of the leased assets, the Company takes into account all relevant facts and circumstances that might generate economic incentives to exercise (or not to exercise) the option, including all facts and circumstances from the start of the lease to the day when the option is exercised with expected changes.

The main factors taken into account include the contract terms and conditions during the period covered within the option, significant lease interest improvements during the contract period, and the importance of the underlying assets to the lessee's operations and the like. Significant changes in such matters or circumstances within the control of the Company when it occurred while the Company reassessed the lease term anew.

(2) Major accounting estimation & assumptions

The accounting estimates conducted by the Company were based on the reasonable expectations of future events on the grounds of the situation on a specific day, but the actual results might differ from the estimates, and the assets and liabilities of the next financial year might have significant adjustments to the risk of carrying amount and assumptions. Please note the following instructions:

1) Estimated impairment of financial assets

The impairment of accounts receivable and contract assets was estimated based on the Company's assumptions about the default rate and the expected loss rate. The Company took into account historical experience, current market conditions and forward-looking information to work out assumptions and select input values for impairment assessment. For more details regarding the important assumptions and input values please refer to Note 6(4). In the event that the actual future cash flow is below expected, it might cause significant impairment losses. The carrying amount of the Company’s receivables was NT$1,402,091 thousand and NT$1,975,819 thousand, respectively as of December 31, 2019 and 2018,

2) Evaluation of inventory

Since inventory should be measured at the lower of cost or net realizable value, the Company shall use judgment and estimation to decide the net realizable value at the balance sheet date. Due to the rapid changes of the industrial environment, the Company assesses the amount of inventory on the balance sheet date that has undergone normal wear and tear, obsolescence or no market sales value, and will mark down the cost of inventories to the net realizable value. This assessment of inventories primarily uses product need within a certain period in the future as the basis of estimation, and thus material changes could occur. As of December 31, 2019 and 2018, the carrying amount of the Company's inventories was NT$1,342,132 thousand and NT$1,604,466 thousand, respectively. (After deducting loss on allowance for obsolescence and market price decline of inventories of NT$11,775 thousand and NT$13,563 thousand, respectively)

3) Fair value measurement and evaluation process

Where the assets and liabilities measured at fair value were not quoted in the active market, the Company would decide whether to outsource the valuation and determine the appropriate fair value technology according to relevant laws or judgments. Where the fair value was estimated, the level 1 input value could not be obtained for the value, the Company would refer to the analysis of the financial status and operating results of the investee, the latest transaction price, the quote of the same equity instrument in the non-active market, the quote of similar instruments in the active market, and the comparable company evaluation multiplier to determine the input value. If the actual changes in future input values and expectations would differ, fair value changes might occur. The Company regularly updated each input value according to market conditions to monitor whether fair value measurement was appropriate. For more details regarding the fair value evaluation techniques and input value, please refer to the descriptions of Note 12(4). As of December 31, 2019 and 2018, the Company's holdings of unlisted (OTC) company stocks and limited partnership investments showed the carrying amounts of NT$87,541 thousand and NT$88,522, thousand, respectively.

4) Evaluation on impairment of investment accounted for using the equity method

Whenever there was an indication of impairment that an investment accounted for using the equity method might have been impaired while the carrying amount could not be recovered, the Company immediately assessed the impairment of the investment. The Company assessed the impairment based on the discounted value of the expected future cash flow of the investee or cash dividends receivable to be expected and disposal of the discounted value of future cash flows from the investment to assess the recoverable amount and analyze the reasonableness of its related assumptions. As of December 31, 2019 and 2018 after the Company’s prudent assessment of the results, there showed no significant impairment loss.

5) Assessment onto the impairment of tangible assets

In the process of asset impairment assessment, the Company was required to rely on subjective judgment and asset usage patterns and industry characteristics to determine the independent cash flow of a particular asset Company, years of useful life, the future revenue and expenses that might be cause significant impairment in the future due to economic condition changes or estimated changes caused by strategies. As of December 31, 2019 and 2018, the accumulated impairment of tangible assets recognized by the Company was NT$40,700 thousand and NT$36,927 thousand, respectively.

6) Realizability of deferred income tax assets

Deferred income tax assets were recognized when there is a possibility in the future that there would be sufficient taxable income for the purpose of deducting temporary differences. Upon assessment of the realizability of deferred income tax assets, significant accounting judgments and estimations of the management must be involved including expected future sales revenue growth and profit margins, usable income tax credits, tax planning and other assumptions. Any changes in the global economic environment, industrial environment and changes in laws and regulations might cause significant adjustment of deferred income tax assets. As of December 31, 2019 and 2018, the deferred income tax assets recognized by the Company were NT$35,210 thousand and NT$28,659 thousand, respectively. The deferred income tax assets not recognized by the Company due to non-probable taxable income were NT$686 thousand for both.

7) Calculation of long-term employee benefits liabilities

Upon calculation of the present value of the benefit obligations, the Company must use judgments and estimates to determine the relevant actuarial hypotheses on the balance sheet date, including the discount rate and future salary growth rate. Any changes in actuarial assumptions should significantly affect the Company’s amount of defined benefit obligations. As of December 31, 2019 and 2018, the carrying amounts of the Company’s long-term employee benefits liabilities (including net defined benefit liabilities and provisions - noncurrent) were NT$56,285 thousand and NT$38,025 thousand, respectively.

8) Lessee's incremental loan interest rate (Applicable to Year 2019)

When determining the interest rate of the lessees' incremental loan used for discounting lease payments, the Company used the risk-free interest rate of the equivalent duration and currency as the reference interest rate, and discounted the estimated lessee's credit risk allowance and lease specific adjustments (e.g., asset characteristics and factors such as guarantees) to be taken into account.

6. Summary of Important Accounting Items

(1) Cash & cash equivalents

Items	December 31, 2019	December 31, 2018
Cash and petty cash	$ 276	$ 244
Checking deposits	78	170
Demand deposits	17,479	10,464
Deposit in foreign currency	28,011	14,255
Time deposits with original maturity within three months	322,264	650,000
Bills & bonds under Repurchase Agreements	1,255,532	892,542
Total	$ 1,623,640	$ 1,567,675

1) The Company’s cash & cash equivalents have not been used for collateral or pledge.

2) As of December 31, 2019 and 2018, the interest rate range in the market for the Company’s time deposit with original maturity within three months was 2.00% to 2.05% and 0.60% to 0.63% per annum, respectively, either floating or on a fixed rate basis.

3) As of December 31, 2019 and 2018, the interest rate range in the market for the bills & bonds under Repurchase Agreements within three undertaken by the Company was 0.53% to 2.25% and 0.51% to 3.10%, respectively.

(2) Financial assets at fair value through profit or loss - current

Items	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss		
Mutual fund beneficiary certificates	$ 23,167	$ -
Plus: Evaluation adjustment	80	-
Total	$ 23,247	$ -

1) For more details regarding financial assets at fair value through profit or loss - current, please see Notes 13(1) (2)-3).

2) As of December 31, 2019 and 2018, the net gains recognized in the current profit or loss by the Company were NT$1,421 thousand and NT$0, respectively.

3) The financial assets at fair value through profit or loss - current held by the Company have not been used for collateral or pledge.

(3) Notes receivable

Items	December 31, 2019	December 31, 2018
Total notes receivable	$ 1,201	$ 14,419
Less: Allowance loss	-	-
Net	$ 1,201	$ 14,419

1) The Company's notes receivable have not been overdue and the expected credit loss rate was 0%.

2) The Company’s notes receivable have not been used for collateral or pledge.

(4) Accounts receivable (including related parties)

Items	December 31, 2019	December 31, 2018
Total accounts of receivable	$ 1,362,287	$ 1,918,484
Less: Allowance loss	-	-
Subtotal	1,362,287	1,918,484
Total accounts receivable - related parties	13,882	735
Less: Allowance loss	-	-
Subtotal	13,882	735
Net	$ 1,376,169	$ 1,919,219

1) The age analysis of accounts receivable (including related parties) and the allowance loss measured by the preparation matrix are as follows:

Account aging interval	December 31, 2019			December 31, 2018		
	Total amount	Allowance loss	Net	Total amount	Allowance loss	Net
Not overdue	$ 1,372,432	$ -	$ 1,372,432	$ 1,862,491	$ -	$ 1,862,491
1 - 30 days overdue	3,731	-	3,731	56,728	-	56,728
31 - 90 days overdue	6	-	6	-	-	-
91 - 180 days overdue	-	-	-	-	-	-
181 - 365 days overdue	-	-	-	-	-	-
More than 365 days overdue	-	-	-	-	-	-
Total	$ 1,376,169	$ -	$ 1,376,169	$ 1,919,219	$ -	$ 1,919,219

The above analysis is based on the number of days past due.

The expected credit loss rate of the Company's aforementioned account aging intervals (excluding abnormal amounts which should be recorded at 100%): Not overdue and overdue within 30 days 0%, 31 to 90 days overdue 5%, 91 to 180 days overdue 30%, 181 days to 365 days overdue 50%, more than 365 days overdue 100%.

The Company's accounts receivable not overdue were expected to have a very low risk of credit loss; For other accounts receivable which had been overdue as of the balance sheet date, the Company has taken into account other credit enhancement protection, post-period collection, and deductions and the like. After reasonable and corroborable information, it is assessed that there was no significant change in its credit quality, and the credit risk has not increased significantly since the initial recognition. Therefore, the management of the Company expects that no credit loss of accounts receivable will be caused by default of transaction counterparties. As the amount of impairment loss according to the expected credit loss ration is not significant, the allowance for loss is not adjusted.

2) The Company adopted the simplified method of IFRS 9, and recognized the expected credit loss during the existence in the accounts receivable allowance loss. The expected credit loss during the existence was calculated using the reserve matrix, with consideration of the customers’ past default record and historical

experience of collection, increase in delayed payments beyond the average credit period, and at the same time with consideration of the current financial status of customers, and observable national or regional industrial economic situation changes related to the arrears of receivables and future prospects such as outlook considerations. As the Company's historical experience of credit losses indicates that there would be no significant differences in the loss patterns of different customer bases, the preparation matrix did not further distinguish the customer bases, only the accounts receivable days past due and actual conditions would determine the expected credit loss rate. The Company did not hold any collateral for these accounts receivable.

If there was evidence indicating that the counterparty was facing serious financial difficulties and the Company could not reasonably anticipate the recoverable amount, the Company would recognize 100% allowance loss or directly write off the related accounts receivable, but would, meanwhile, continue to recourse the activities due to the amount recovered and recognized in profit or loss.

3) Analysis of changes in allowance loss for accounts receivable (including related parties): Nil

4) The Company's accounts receivable (including related parties) have not been used for collateral, pledge.

(5) Other receivables

Items	December 31, 2019		December 31, 2018	
Interest receivable	$	3,825	$	1,135
Tax refund receivable		20,299		40,904
Others		597		142
Total	$	24,721	$	42,181

(6) Inventories

Items	December 31, 2019	December 31, 2018
Raw materials	$ 175,631	$ 381,674
Supplies	151,720	154,865
Work in process	71,339	39,739
Partly-finished goods	462,322	561,865
Finished goods	116,491	226,716
By-products	1,688	3,475
Raw materials in transit	374,716	249,695
Subtotal	1,353,907	1,618,029
Less: Allowance for loss of market diminution in value of inventories	(11,775)	(13,563)
Net	$ 1,342,132	$ 1,604,466

1) The amounts of sales costs linked up with inventory are as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Inventory sales transferred to cost of sales	$ 14,730,971	$ 17,433,362
Plus: Unamortized labor and manufacturing overhead	54,528	84,772
Plus: Loss on net realizable value of inventory	-	13,563
Plus: Loss on obsolescence of Inventories	90	-
Less: Inventory adjustment credit (net)	(234)	(121)
Less: Rally in net inventory realizable value	(1,788)	-
Less: income of off-grades & scrap material sold	(4,338)	(6,552)
Account recorded in operating costs	$ 14,779,229	$ 17,525,024

2) The Company’s operating costs, including the loss of net realizable value of inventories (gain on rebound) between January 1 and December 31, 2019 and 2018 were (NT$1,788) thousand and NT$13,563 thousand, respectively, due primarily to the stability of raw material prices and product quotations/due to decline.

3) The Company’s inventory has not been used for collateral or pledge.

(7) Prepayments

Items	December 31, 2019	December 31, 2018
Prepayment of short-term lease agreement fees/rent	$ 512	$ 752
Prepayment on sales	9,196	26,083
Prepayment of insurance premium	15,088	17,051
Input tax	33,537	31,055
Others	1,887	4,345
Total	$ 60,220	$ 79,286

(8) Other financial assets - current

Items	December 31, 2019	December 31, 2018
Time deposits with original maturity more than three months	$ 1,700,000	$ -

1) The time deposits with original maturity more than three months in bank held by the Company did not meet the definition of cash equivalents. They are, therefore, classified under other financial assets - current, as the effect of discounts during the short holding period was insignificant, which was measured by the amount of investment. As of December 31, 2019 and 2018, the interest rate range in the market for the time deposits with original maturity more than three months in bank were 0.65% - 0.77% and the interest was calculated with annual rate.

2) The Company assessed that the expected credit risk of the above financial assets was not high, and the credit risk has not increased after the initial recognition.

(9) Financial assets at fair value through other comprehensive income - noncurrent

Items	December 31, 2019	December 31, 2018
Listed (OTC) company stocks in Taiwan		
China Development Financial Holding Corporation	$ 239,363	$ 239,363
Unlisted (OTC) company stocks in Taiwan and abroad		
He Xin Venture Investment Enterprise Co., Ltd.	18,412	18,412
TECO Nanotech Co., Ltd.	219	219
YODN Lighting Corp.	2,478	2,478
Bridgestone Taiwan Co., Ltd.	42,561	42,561
Subtotal	303,033	303,033
Plus: Evaluation adjustment	(8,268)	(7,500)
Net	$ 294,765	$ 295,533

1) The aforementioned investments held by the Company were not in a short-term profitable operating mode. The management believes that if the short-term fair value fluctuations of these investments were included in the profit or loss, and the aforementioned investment plans were inconsistent, they chose to designate these investments at fair value through other comprehensive income.

2) The Company's net losses recognized in other comprehensive income between January 1 and December 31, 2019 and 2018 due to changes in fair value were

NT$768 thousand and NT$72,367 thousand, respectively and accumulated in other equity; in addition, the amount of accumulated gain (loss) due to disposal of investment transferred directly to the retained earnings was NT$0 for both.

3) The financial assets at fair values through other comprehensive income - noncurrent held by the Company have not been used for collateral or pledge.

(10) Investments accounted for using the equity method

1) Investments in subsidiaries

Name of subsidiary	December 31, 2019 Carrying amount		December 31, 2019 Shareholding %	December 31, 2018 Carrying amount		December 31, 2018 Shareholding %
GPPC Chemical Corporation	$	675,530	100.00%	$	667,979	100.00%
GPPC Investment Corp.		270,250	81.60%		286,809	81.60%
GPPC Development Co., Ltd.		49,531	38.46%		-	-
Videoland Inc.		4,419,707	62.29%		4,402,183	62.29%
KK Enterprise Co., Ltd.		138,760	15.73%		162,049	15.73%
Goldenpacific Equities Ltd.		665,141	100.00%		680,316	100.00%
Land & Sea Capital Corp.		8,375,683	100.00%		7,545,825	100.00%
Total	$	14,594,602		$	13,745,161	

2) The total number of stock options in GPPC Development Co., Ltd. and KK Enterprise Co., Ltd. held by the Company and its subsidiary Videoland Inc. has reached the control level and hence valuation is done using the equity method.

3) KK Enterprise Co., Ltd. conducted capital decrease in cash on August 27, 2019 as the basis date to eliminate 12,611 thousand common shares, amounting to $126,106 thousand, with ratio of capital decrease in cash of 20%. The shares of such company held by the Company eliminated due to capital decrease was 1,984 thousand shares, and the refund of the eliminated shares was $19,836 thousand.

4) The Company increased investment in 5,000 thousand shares of GPPC Development Co., Ltd. in October, 2019. The investment cost was $50,000 thousand, with shareholding ratio of 38.46%, the valuation accounted for using the equity method.

5) The shares of profits and losses and other comprehensive income of subsidiaries accounted for using the equity method between January 1 and December 31, 2019 and 2018 were recognized based on the financial statements audited by CPAs during the same period of respective subsidiaries

6) The financial statements of the reinvestment company under the company used the equity method through KK Enterprise Co., Ltd. - K.K. Chemical Company Limited and KK Enterprise (Malaysia) Sdn. Bhd. and the reinvestment company Zhenjiang Chimei Chemical Co., Ltd. and Zhangzhou Chimei Chemical Co., Ltd. using the equity method through Land & Sea Capital Corp. were audited by other CPAs. Therefore, the amounts listed in the financial statements of and related information about the companies mentioned above as disclosed in Note 13 are completely based on audit reports from other CPAs.

7) Shares of profits or losses of subsidiaries accounted for using the equity method and other comprehensive income are as follows:

Name of subsidiary	Year Ended December 31, 2019 Recognized in current profit/loss	Year Ended December 31, 2019 Recognized in other comprehensive income	Year Ended December 31, 2018 Recognized in current profit/loss	Year Ended December 31, 2018 Recognized in other comprehensive income
GPPC Chemical Corporation	$ 69,317	($ 2,221)	$ 41,408	($ 58,578)
GPPC Investment Corp.	(8,618)	(7,941)	(5,488)	(13,086)
GPPC Development Co., Ltd.	(469)	-	-	-
Videoland Inc.	133,080	(80,109)	250,259	(59,964)
KK Enterprise Co., Ltd.	5,264	(1,774)	8,608	(951)
Goldenpacific Equities Ltd.	10,687	(25,862)	10,806	(22,508)
Land & Sea Capital Corp.	1,124,585	(294,727)	905,766	(107,004)
Total	$ 1,333,846	($ 412,634)	$ 1,211,359	($ 262,091)

Note: Share of other comprehensive income of subsidiary accounted for the using equity method and individual statements of comprehensive income are reconciled as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Share of other comprehensive income of subsidiary accounted for using the equity method		
- Items that will not be reclassified subsequently to profit or loss	($ 96,732)	($ 175,549)
- Items that may be reclassified to profit or loss	($ 323,743)	($ 121,532)
- Income tax related to items that may be reclassified to profit/loss	7,841	34,990
Total	($ 412,634)	($ 262,091)

8) The Company wired out the capital worth USD25,421 thousand (equivalent to NTD785,515 thousand) in August 2018 to invest in Land & Sea Capital Corp. and the capital was reinvested in Zhangzhou Chimei Chemical Co., Ltd. The said investment has been submitted to and approved by the Investment Commission of Ministry of Economic Affairs with Letter Jing-Sheng-II-Zi 10700087220 dated June 4, 2018.

9) The value of investments accounted for using the equity method was adjusted down due to unrealized sales income between January 1 and December 31, 2019 and 2018 to NT$315 thousand and NT$4,744 thousand, respectively. The value of investments accounted for using the equity method adjusted up for realized sales income, on the other hand, was NT$4,744 thousand, and NT$13,318 thousand, respectively.

10) The value of investments accounted for using the equity method adjusted down because of the receipt of cash dividends from investees by the Company accounted for using the equity method between January 1 and December 31, 2019 and 2018 was NT$107,529 thousand and NT$47,605 thousand, respectively

11) The value of investments accounted for using the equity method adjusted up because of the variation in ownership equities held by the Company in its

subsidiaries between January 1 and December 31, 2019 and 2018 was NT$99 thousand and NT$7 thousand, respectively.

12) The value of investments using the equity method adjusted up because of the release of dividends by the Company to its subsidiaries and the disposal of parent company shares by subsidiaries that is considered a treasury stock transaction between January 1 and December 31, 2019 and 2018 was NT$1,066 thousand and NT$97,948 thousand, respectively. Please refer to Note 6 (26) for details

13) None of the Company's Investments accounted for using the equity method is provided as collateral or pledged.

14) With regards to the information on subsidiaries of the Company, please refer to Note 4 (3) of the Company's 2019 consolidated financial statement.

15) For the information on companies re-invested in through Land & Sea Capital Corp. and KK Enterprise Co., Ltd. in Mainland China by the Company, please refer to the Mainland China investment information disclosed in Note 13 (3).

(11) Property, plant and equipment

Items	December 31, 2019	December 31, 2018
Land	$ 3,185,217	$ 3,185,217
Buildings & constructions	1,249,825	1,238,472
Machinery & equipment	11,470,739	11,428,955
Transportation facilities	34,891	35,462
Other equipment	1,190,929	1,112,491
Construction in progress and Equipment to be inspected	22,069	47,259
Total costs	17,153,670	17,047,856
Less: Accumulated depreciation	(11,066,672)	(10,410,102)
Less: Accumulated impairment	(40,700)	(36,927)
Net	$ 6,046,298	$ 6,600,827

Items	Land	Buildings & constructions	Machinery & equipment	Transportation facilities	Other equipment	Construction in progress and equipment to be inspected	Total
Cost:							
Balance at January 1, 2019	$ 3,185,217	$ 1,238,472	$ 11,428,955	$ 35,462	$ 1,112,491	$ 47,259	$ 17,047,856
Addition	-	7,130	25,518	2,541	137,868	19,029	192,086
Disposal	-	-	(14,404)	(3,112)	(51,305)	-	(68,821)
Reclassification (Note)	-	4,223	30,670	-	(8,125)	(44,219)	(17,451)
Balance at December 31, 2019	$ 3,185,217	$ 1,249,825	$ 11,470,739	$ 34,891	$ 1,190,929	$ 22,069	$ 17,153,670
Accumulated depreciation and impairment loss:							
Balance at January 1, 2019	$ -	$ 679,997	$ 9,088,450	$ 26,685	$ 651,897	$ -	$ 10,447,029
Depreciation expenses	-	41,974	549,183	2,120	131,994	-	725,271
Disposal	-	-	(14,284)	(3,112)	(51,305)	-	(68,701)
Impairment loss	-	-	-	-	3,773	-	3,773
Balance at December 31, 2019	$ -	$ 721,971	$ 9,623,349	$ 25,693	$ 736,359	$ -	$ 11,107,372

Items	Land	Buildings & constructions	Machinery & equipment	Transportation facilities	Other equipment	Construction in progress and equipment to be inspected	Total
Cost:							
Balance at January 1, 2018	$ 3,185,217	$ 1,226,526	$ 11,288,043	$ 34,431	$ 1,056,317	$ 76,740	$ 16,867,274
Addition	-	10,447	136,508	1,309	244,070	46,743	439,077
Disposal	-	-	(56,973)	(278)	(155,213)	-	(212,464)
Reclassification (Note)	-	1,499	61,377	-	(32,683)	(76,224)	(46,031)
Balance at December 31, 2018	$ 3,185,217	$ 1,238,472	$ 11,428,955	$ 35,462	$ 1,112,491	$ 47,259	$ 17,047,856
Accumulated depreciation and impairment loss:							
Balance at January 1, 2018	$ -	$ 645,266	$ 8,599,888	$ 24,870	$ 688,134	$ -	$ 9,958,158
Depreciation expenses	-	34,731	545,355	2,093	118,976	-	701,155
Disposal	-	-	(56,793)	(278)	(155,213)	-	(212,284)
Impairment loss	-	-	-	-	-	-	-
Balance at December 31, 2018	$ -	$ 679,997	$ 9,088,450	$ 26,685	$ 651,897	$ -	$ 10,447,029

Note: Net decrease in reclassification was the expenses carried from property, plant and equipment.

1) The Company's property, plant and equipment were primarily provided for own use. Part of the usable spaces of the property was leased to others as operating lease.

2) The addition and the acquisition of the property, plant and equipment in the statements of in the current year are reconciled as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Increase in property, plant and equipment	$ 192,086	$ 439,077
Plus: Decrease in the payables for equipment	1,652	1,492
Amounts paid in cash	$ 193,738	$ 440,569

3) Cost capitalized amount and interest rate range of the property, plant and equipment based loans: Nil

4) The major composition items of the Company's property, plant and equipment were depreciated in the straight-line method based on the useful life as follows:

A. Buildings & constructions

Buildings, plants and main constructions	26 - 56 years	Building affiliated equipment	11 - 21 years
Air conditioning equipment	5 - 8 years	Fire protection equipment	4 - 6 years
Road greening	4 - 11 years		

B. Machinery equipment

Chemical equipment	8 - 25 years	Steam and electricity equipment	16 years
Gas supply equipment	10 years	Others	7 years

C. Transportation facilities 2-6 years

D. Other equipment

Furniture & office equipment	4 - 7 years	Others	3 - 8 years

5) From January 1 to December 31, 2019 while some equipment capacity was not fully utilized, the Company expected that the future cash inflow of such equipment would decrease, and, in turn, estimated that recoverable amount was 0 less than the carrying amount so that it would recognize the impairment loss of other equipment amounting to NT$3,773 thousand. Such impairment loss was already included in the individual statements of comprehensive income under other gains and losses. The Company used the value in use to determine the recoverable amount of such equipment. The discount rate adopted from January 1 to December 31, 2019 was 6.21%. As of December 31, 2019 and 2018, the Company recognized that the accumulated impairment amounts for property, plant and equipment were NT$40,700 thousand and NT$36,927 thousand, respectively.

6) For information regarding the collateral provided with property, plant and equipment, please see Note 8 for more details.

(12) Lease agreement

Year 2019

1) Right-of-use assets

Items	December 31, 2019	December 31, 2018
Buildings & constructions	$ 21,343	(Note)
Machinery & equipment	35,377	
Total costs	56,720	
Less: Accumulated depreciation	(13,740)	
Less: Accumulated impairment	-	
Net	$ 42,980	

Note: Starting from January 1, 2019, the Company adopted IFRS 16 pursuant to the transitional provisions under IFRS 16, the Company chose not to reclassify the period for comparison.

Items	Buildings & constructions	Machinery & equipment	Total
Cost:			
Balance at January 1, 2019	$ -	$ -	$ -
IFRS 16 retrospective application transfer-in	21,343	35,377	56,720
Addition/Reclassification	-	-	-
Derecognition	-	-	-
Balance at December 31, 2019	$ 21,343	$ 35,377	$ 56,720
Accumulated depreciation:			
Balance at January 1, 2019	$ -	$ -	$ -
Depreciation expenses	5,416	8,324	13,740
Derecognition	-	-	-
Balance at December 31, 2019	$ 5,416	$ 8,324	$ 13,740

2) Lease liabilities

Items	December 31, 2019		December 31, 2018	
	Current	Noncurrent	Current	Noncurrent
Buildings & constructions	$ 4,294	$ 12,073	(Note)	(Note)
Machinery & equipment	8,990	18,869		
Total	$ 13,284	$ 30,942		

Note: Starting from January 1, 2019, the Company adopted IFRS 16 pursuant to the transitional provisions under IFRS 16, the Company chose not to reclassify the period for comparison.

Items	Buildings & constructions	Machinery & equipment	Total
Lease liabilities:			
Balance at January 1, 2019	$ -	$ -	$ -
IFRS 16 retrospective application transfer-in	21,343	35,377	56,720
Addition/Reclassification	-	-	-
Derecognition			
Repayment of principal of lease liabilities	(4,976)	(7,518)	(12,494)
Balance at December 31, 2019	$ 16,367	$ 27,859	$ 44,226

A. The lease term of lease liabilities and the range of discount rate are as follows:

Items	Estimated lease term (including lease renewal rights)	December 31, 2019
Buildings & constructions	2 - 13 years	0.63% - 1.10%
Machinery & equipment	4 years	0.75%

B. The maturity of the Company's lease liabilities are analyzed below:

Items	December 31, 2019
Below 1 year	$ 13,605
Over 1 year but below 5 years	23,835
Over 5 years but below 10 years	6,000
Over 10 years but below15 years	2,000
Over 15 years but below 20 years	-
Over 20 years	-
Total undiscounted lease payments	$ 45,440

3) Major lease events and clauses

A. The subject assets leased by the Company include buildings & constructions and machinery equipment, and the like. At the end of the lease term, the Company held no preferential acquisition rights for the leased target assets, and some leases were attached to lease term renewal right after expiration. The lease agreement was negotiated individually and contained various terms and conditions. Assets other than leases should not be used as loan collateral, and it was agreed that unless with the consent of the lessor, the Company should not sublet or transfer the Subject Premises either in whole or in part. Except these facts, the lease agreement was free of any other restrictions.

B. Option to prolong the lease

The part of the Subject Premises covered within the Company's lease agreement includes the extension option entitled to the Company. Under the general practice for the lease agreement, the Company was bestowed with the maximum possible operating flexibility and effective use of assets. While the Company resolved to enter into the lease term, the Company already took into account all the facts and circumstances that will result in the economic incentives generated from the exercise of extension option. Therefore, upon the estimation for the exercise of extension option, as of December 31, 2019, the right-of-use assets and the lease liabilities increased by NT$22,181 thousand and NT$22,290 thousand, respectively.

C. Impact of variable lease payments on lease liabilities

In the Company's lease agreement, the variable lease payment terms are subject to storage/usage link. The variable payment depends on the actual use of the underlying assets. The variable payment terms are used for many reasons, mainly for profit control and operating flexibility to minimize fixed costs. The changes in storage/usage of lease payments are recognized as expenses during the period that triggers these payment terms.

4) Sublet: Nil

5) Other lease information

A. The profit or loss details related to the lease agreement are as follows:

Items	Year Ended December 31, 2019
Expenses attributable to short-term lease agreement	$ 2,123
Expenses attributable to low-value assets lease	10
Expenses paid under variable lease	4,007

Total	$	6,140
Interest expense for lease liabilities	$	421
Gain from sublet in right-of-use assets	$	-
Profit (loss) generated from back-lease transaction after sales	$	-
Profit (loss) generated from amendment to lease transaction	$	-

The Company chose to apply recognition exemptions for short-term leases and low-value asset leases, and did not recognize related right-of-use assets and lease liabilities for these leases. As of December 31, 2019, the short-term lease commitment amount with recognition exemptions was NT$661 thousand.

B. The total lease cash outflow of the Company as of December 31, 2019 totaled at NT$19,055 thousand.

C. The right-of-use assets prove no impairment as indicated by the result of the Company's prudential evaluation.

Year 2018

Commitment to operating lease - The Company was as the lessee

The Company leased dormitories, warehouses and storage tanks in line with its business needs. The lease agreements signed by the Company were non-cancellable operating lease agreements. Most of the lease agreements could be renewed at the market price at the end of the lease term. Due to the non-cancellable lease agreements of the Company, the estimated total amount of minimum lease payments for each year is as follows:

Items	December 31, 2018	
Below 1 year	$	13,561
Over 1 year but below 5 years		21,035
Over 5 years		-
Total	$	34,596

(13) Refundable deposits

Items	December 31, 2019		December 31, 2018	
Performance bond- bid bond	$	360	$	360
Lease security deposit - as a lessee		494		494
Others		171		35
Total	$	1,025	$	889

(14) Other payables

Items	December 31, 2019		December 31, 2018	
Salaries and bonuses payable	$	175,340	$	287,459
Compensation to employee payable		24,862		37,478
Remuneration to directors and supervisors payable		49,724		74,956
Freight payable		13,721		15,425
Taxes payable		2,040		1,779

Insurance premium payable	4,638	3,529
Utilities payable	2,879	2,940
Repair & maintenance expenses payable	14,388	20,744
Service charge payable	10,610	18,433
Labor service cost payable	1,810	1,810
Equipment payable	2,891	4,543
Others	13,969	13,412
Total	$ 316,872	$ 482,508

(15) Provisions - current

Items	December 31, 2019	December 31, 2018
Employee benefits - payment on leave	$ 12,403	$ 12,004

1) The provisions of employee benefits - current refer to an estimate of the employee's vested right for service leave. In most cases, sick leave and maternity leave or paternity leave are contingent in attribute, depending on future events and instead of being accumulated so such costs would be recognized only when the fact of leave takes place.

2) Information of variation in the provisions of employee benefits – current is as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance	$ 12,004	$ 12,071
Additional amount for the year	19,457	18,812
Utilized amount for the year	(17,863)	(17,864)
Reversal of unutilized amount for the year	(1,195)	(1,015)
Ending balance	$ 12,403	$ 12,004

(16) Advance receipts

Items	December 31, 2019	December 31, 2018
Rents collected in advance	$ 128	$ 128

(17) Other current liabilities - other

Items	December 31, 2019	December 31, 2018
All collections	$ 2,901	$ 2,751

(18) Provisions - noncurrent

Items	December 31, 2019	December 31, 2018
Other long-term employee benefits plans	$ 9,610	$ 8,153

1) The other long-term employee benefits plans of the Company are the seniority service bonuses and consolation money for employees. The payment criteria for long-term bonuses and consolation money were calculated based on the basis of the service seniority acquired and accumulated.

2) The Company has recognized other long-term employee benefits obligations. The composition of obligatory liabilities is as follows:

Items	December 31, 2019	December 31, 2018
Present value of other long-term employee benefits obligations	$ 9,610	$ 8,153
Fair value of plan assets	-	-
Other long-term employee benefits liabilities, net	$ 9,610	$ 8,153

3) Change in other long-term employee benefits liabilities, net is as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance	$ 8,153	$ 6,755
Other long-term employee benefits costs:		
Current and past service cost	1,005	735
Interest expenses	78	74
Remeasurements:		
Actuarial losses (gains) - change in demographic assumptions	89	77
Actuarial losses (gains) - change in financial assumptions	169	69
Actuarial losses (gains) - experience adjustment	724	786
Recognized in profit or loss	2,065	1,741
Payments of benefit	(608)	(343)
Ending balance	$ 9,610	$ 8,153

4) The amount of the benefit costs in aforementioned other long-term employee benefits plans were recognized in profit or loss under the administrative expenses based on the single-line items by functional category.

5) Composition of the plan assets

The Company did not allocate related assets, the effected payment based on actual occurrence.

6) The present value of other long-term employee benefits obligations of the Company was actuarially counted by a qualified actuary. The main assumptions of the actuarial evaluation on the measurement date are as follows:

Items	2019	2018
Discount rate	0.625% - 0.750%	0.875% - 1.000%
Future salary growth rate	1.75% - 2.00%	1.75% - 2.00%

The assumption of future mortality rate is estimated based on the fifth life experience table of life insurance industry in Taiwan.

7) Because changes in the main actuarial assumption used, the present value of other long-term employee benefits obligations is affected. The analysis was as follows:

A. Interest rate risks

The decline in the interest rate of government bonds would increase the present value of other long-term employee benefits obligations, but the returns on debt investment of the plan assets would also increase accordingly. The both two would have a partial offset effect on other long-term employee benefits liabilities.

B. Salary related risks

The calculation of the present value of other long-term employee benefits obligations refers to the future salary of the plan members. Therefore, the increase in the salary of plan members would increase the present value of other long-term employee benefits obligations.

8) In the event that the significant actuarial assumptions were subject to a combination of possible changes, and if other assumptions remained unchanged, the amount of increase (decrease) in present value of other long-term employee benefits obligations would be as follows:

Items	Discount rate		Future salary growth rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019:				
Effect on present value of other long-term employee benefits obligations	($ 170)	$ 176	$ 90	($ 88)
December 31, 2018：				
Effect on present value of other long-term employee benefits obligations	($ 140)	$ 143	$ 63	($ 61)

Practically, since actuarial assumptions might relate to each other, it would be unlikely to have a single assumption in change. The aforementioned sensitivity analysis, therefore, might not reflect the actual change in the present value of other long-term employee benefits obligations. In addition, in the aforementioned sensitivity analysis, the present value of other long-term employee benefits obligations at the end date of the reporting period would be based on the actuarial calculation of the projected unit credit method and the defined benefit liabilities included in the balance sheet would be measured on the same basis. The method assumptions used in preparing the sensitivity analysis in the current year was exactly same as that used in the prior one.

9) The Company expected to pay to other long-term employee benefit plans in Year 2020 in the amount of attribution and the amount of payment at NT$0 and NT$508 thousand, respectively.

(19) Post-employment benefit plans

Items	December 31, 2019	December 31, 2018
Defined benefit plans	$ 45,267	$ 28,465
Defined contribution plans	1,408	1,407
Total	$ 46,675	$ 29,872

1) Defined benefit plans

A. In accordance with the “Labor Standards Act”, the Company has established retirement methods to define benefits. Under the “Labor Pension Act” applicable on July 1, 2005, the service seniority accumulated by employees prior to enforcement of the “Labor Pension Act” and subsequently accumulated by employees who chose subject to “Labor Standards Act” after enforcement of the “Labor Pension Act” as entitled to retirement would be taken to count pension which would be calculated number of years in the service seniority accumulated and the salary amounts averaged in the six (6) months prior to retirement. Each year of service seniority accumulated in full within fifteen (15) years (inclusive) would be entitled to two base units and each year the period of service seniority accumulated beyond fifteen years would be entitled to one base unit. The cumulative base units shall not exceed the maximum limit of 45 base units. The Company attributed retirement funds on a monthly basis to the specified ratio (currently 30%) of total salary, and deposited the funds in the bank account designated for pension fund opened with the Bank of Taiwan under the name of the Labor Retirement Reserve Supervision Committee. Besides, in response to the retirement needs of senior managers, the Company set up the "Manager's Retirement Fund Management Committee" in September 2004 and attributed on a monthly basis for a certain ratio (currently 30%) of the total salary of managers into the management of the Manager's Retirement Fund Management Committee and deposited in a special account of a financial institution opened in the name of the Manager's Retirement Reserve Fund. The Company estimates the balance of the retirement fund mentioned in the preceding item before the end of each year. In the event that the balance is found not enough to pay off the pension amount calculated according to the foregoing for the employees who meet the retirement requirements in the next year, the Company would make up the difference in a lump-sum before the end of March of the following year.

B. The amounts of the defined benefit plans were recognized in the balance sheet as follows:

Items	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 682,365	$ 650,725
Fair value of plan assets	(637,098)	(622,260)
Net defined benefit liabilities	$ 45,267	$ 28,465

C. Change in present value of defined benefit obligations is as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Present value of defined benefit obligation, beginning of year	$ 650,725	$ 651,641
Service cost of the current year	8,339	10,277
Interest expenses	6,370	7,125
Remeasurements:		
Actuarial losses (gains) - change in demographic assumptions	-	-
Actuarial losses (gains) - change in financial assumptions	13,758	6,666
Actuarial losses (gains) - experience adjustment	28,034	3,484
Payments of benefit (Note)	(24,861)	(28,468)
Present value of defined benefit obligation, end of year	$ 682,365	$ 650,725

D. Change in fair value of plan assets is as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Fair value of plan assets, beginning of year	$ 622,260	$ 607,786
Interest income	6,174	6,823
Remeasurements:		
Return on plan assets other than net interest	21,529	17,314
Fund attributed by employer	11,996	18,805
Payments of benefit on plan assets	(24,861)	(28,468)
Fair value of plan assets, end of year	$ 637,098	$ 622,260

E. Relevant defined benefit plans recognized in the statement of comprehensive income, the amount of the defined benefit costs are as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Current service cost	$ 8,339	$ 10,277
Interest expense of defined benefit obligations	6,370	7,125
interest income of plan assets	(6,174)	(6,823)
Recognized in profit loss	$ 8,535	$ 10,579
Remeasurements :		
Actuarial losses (gains) - change in demographic assumptions	$ -	$ -
Actuarial losses (gains) - change in financial assumptions	13,758	6,666
Actuarial losses (gains) - experience adjustment	28,034	3,484
Return on plan assets other than net interest	(21,529)	(17,314)
Recognized in other comprehensive income	$ 20,263	($7,164)

F. The aforementioned defined benefit plans recognized in the net defined benefit costs of profit or loss. The single-line items by functional category are as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating costs	$ 4,467	$ 6,254
Operating expenses		
Selling expenses	283	385
Administrative expenses	3,603	3,641
Research and development expenses	182	299
Subtotal	4,068	4,325
Total	$ 8,535	$ 10,579

G. The defined benefit retirement plan assets of the Company was commissioned into business management through Bank of Taiwan according to the proportion of the items of commissioned management as specified under the annual investment utilization plans of the funds and within the specified amounts within the items as per Article 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e., to be deposited into financial institutions in Taiwan and abroad, to be invested in the Exchange-listed and OTC-listed companies or private placement equity securities and to be invested into securitized commodities of real property in Taiwan and abroad). The relevant utilization was under supervision by the Labor Pension Fund Supervisory Committee. In the utilization of the Fund, the minimum gain allocated amidst final account settlement in every fiscal year should not be lower than the income calculated by the local banks' two-year fixed term deposit interest rate. The shortfall, if any, should be supplemented by the national treasury after approval by the competent authority. Where the Company was not entitled to participate in the operation and management of the fund, the Company could not classify the plan assets at the fair value disclosed under IAS 19 Paragraph 142. For more details of the fair value of the total assets of the Fund as of December 31, 2019 and 2018, please refer to reports of the Labor Pension Fund Utilization promulgated by the government in the respective years.

H. The present value of defined benefit obligations of the Company was counted actuarially by a qualified actuary. The main assumptions of the actuarial evaluation on the measurement date are listed below:

Items	2019	2018
Discount rate	0.625% - 0.750%	0.875% - 1.000%
Future salary growth rate	1.75% - 2.00%	1.75% - 2.00%
Average period of existence of defined benefit obligations	5.4 years – 8.6 years	5.7 years – 9.1 years

The assumption of future mortality rate is estimated based on the fifth life experience table of life insurance industry in Taiwan.

I. The Company has been exposed to the following risks due to the Labor Standards Act:

① Interest rate risks

The decline in the interest rate of government bonds would increase the present value of defined benefit obligations, but the returns on debt investment of the plan assets would also increase accordingly. The both two have a partial offset effect on the net defined benefit liabilities.

② Salary related risks

The calculation of the present value of defined benefit obligation refers to the future salary of the plan members. Therefore, the increase in the salary of plan members would increase the present value of defined benefit obligations.

J. In the event that the significant actuarial assumptions were subject to a combination of possible changes, and if other assumptions remained unchanged, the amount of increase (decrease) in present value of the defined benefit obligations would be as follows:

Items	Discount rate		Future salary growth rate	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
December 31, 2019:				
Effect to present value of defined benefit obligations	($ 13,758)	$ 14,193	$ 13,774	($ 13,422)
December 31, 2018：				
Effect to present value of defined benefit obligations	($ 13,829)	$ 14,283	$ 13,893	($ 13,521)

Practically, since actuarial assumptions might relate to each other, it would be unlikely to have a single assumption in change. The aforementioned sensitivity analysis, therefore, might not reflect the actual change in the present value of defined benefit obligations. In addition, in the aforementioned sensitivity analysis, the present value of defined benefit obligations at the end date of the reporting period would be based on the actuarial calculation of the projected unit credit method and the defined benefit liabilities included in the balance sheet would be measured on the same basis. The method assumptions used in preparing the sensitivity analysis in the current year was exactly same as that used in the prior one.

K. The Company expected to pay to defined benefit plans in Year 2020 in the amount of contribution and the amount of payment NT$ 13,894 thousand and NT$29,108 thousand, respectively.

2) A. The Company has established the regulations on defined contribution retirement in accordance with the "Labor Pension Act", which are applicable to employees of ROC (Taiwan) nationality. The Company withheld 6% of the salary as labor pension into the employees' personal pension accounts of Bureau of Labor Insurance for the employee who chose to apply the labor pension system specified under the "Labor Pension Act" and the payment of pension was granted based on the employees' personal pension accounts and the amount of accumulated income either on a monthly basis or in one-time pension payment. Under such plan, after the Company contributed a fixed amount to the Bureau of Labor Insurance, the Company would no longer be subject to statutory or presumed obligations extra.

B. The Company recognized the pension costs in accordance with the aforementioned defined contribution plans between January 1 and December 31, 2019 and 2018 amounted to NT$8,298 thousand and NT$8,118 thousand, respectively. As of December 31, 2019 and 2018, the net defined benefit liabilities recognized by the Company in accordance with the aforementioned defined contribution plans amounted to NT$1,408 thousand and NT$1,407 thousand, respectively.

C. The amounts of pension costs recognized in profit or loss in accordance with the aforementioned defined contribution plans are as follows based on the single-line items of functional category:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating costs	$ 6,574	$ 6,513
Operating expenses		
Selling expenses	374	364
Administrative expenses	1,114	965
Research and development expenses	236	276
Subtotal	1,724	1,605
Total	$ 8,298	$ 8,118

(20) Guarantee deposits received

Items	December 31, 2019	December 31, 2018
Lease security deposit – lease	$ 50	$ 50
Pickup guarantee bond	2,441	3,582
Others	443	443
Total	$ 2,934	$ 4,075

(21) Other noncurrent liabilities - other

Items	December 31, 2019	December 31, 2018
Unrealized deferment revenues with disposal of investment	$ 22,192	$ 22,192

(22) Share capital

1) Common shares and preferred shares

Items	December 31, 2019	December 31, 2018
Authorized number of shares (in thousand shares)	1,000,000	1,000,000
Authorized share capital	$ 10,000,000	$ 10,000,000
Number of issued shares and received the shares payment in full (in thousand shares)		
－Common shares	906,620	906,620
－Preferred shares	20,000	20,000
Total number of issued shares (in thousand shares)	926,620	926,620
Issued share capital - common shares	$ 9,066,203	$ 9,066,203
Issued share capital issued - preferred shares	200,000	200,000
Total Issued share capital	$ 9,266,203	$ 9,266,203

The issued common shares and preferred shares have been in a denomination NT$10 per share, and each share was entitled to one voting right and the right to receive dividends.

2) Upon capital increase in cash launched by the Company in August 1984, the Company issued 20,000 thousand preferred shares with rights & obligations as enumerated below:

A. The earnings, if any, upon annual account settlement, the dividend of 6% for preferred shares should be allocated first. The balance shall be the allocable earnings which will be allocated at the shareholding ratio for common shares and preferred shares as proposed by the board of directors and finally resolved in the shareholders' meeting.

B. Preferential allocation of the Company's remaining properties.

C. Other entitlement would be same as the common shares.

(23) Capital reserve

Items	December 31, 2019	December 31, 2018
Treasury stocks transaction premium	$ 178,800	$ 177,734
Dividend unclaimed within the term by shareholders	2,786	2,786
Recognized changes in the ownership interests of subsidiaries	112	13
Total	$ 181,698	$ 180,533

According to the Company Act, the proceeds from the issuance of shares in excess of the par value, and the capital reserve received as gifts and income, in addition to being used to make up for the loss, when the Company is not in an accumulated losses, such excess may be issued to new shares in proportion to the shareholders' original shares or cash. In addition, according to the relevant provisions of the Securities and Exchange Act, when the aforementioned capital reserve is used for capital replenishment, the total amount of the capital reserve shall not exceed 10% of the paid-in capital in a year. The Company has still been insufficient to fill the capital loss from the surplus reserve. The capital reserve could not be used for supplement. In addition, regarding recognized changes in the ownership of subsidiaries and dividend unclaimed within the term by shareholders and the like, where the connotation of such capital reserve differ from the capital reserve set forth under Article 239 of the Company Act to be used to make up for the loss, it should not be used for any purpose at all.

(24) Retained earnings

1) Pursuant to the requirements set forth under the Articles of Incorporation, the earnings after settlement of annual accounts, if any, shall be pay tax, make up previous loss, if any, and amortize 10% for legal reserve and after provision or reversal of special reserve based on the reduction of shareholders' equity incurred in the current year, the balance would be the allocable earnings for the current year. Such allocable earnings in combination with the unappropriated earnings of the preceding year would be the accumulated allocable earnings. With such accumulated unappropriated earnings, the sum to allocate preferred share dividend of the Company for 1984 at 6% should be allocated first. The shortfall, if any, should be preferentially made up with the allocable earnings of the ensuing year. The balance of the unappropriated earnings should be allocated at the ratios proposed by the board of directors according to law, dividend policy and status of working capital. Where the balance of such unappropriated earnings is used to issue new shares, approval from the shareholders' meeting should be obtained beforehand. Where the balance of such unappropriated earnings is allocated in cash, the decision should be resolved in the board of directors beforehand.

For more details regarding allocation of compensation to employees, remuneration to directors and supervisors, grounds of estimation and actual allocation, please see Note 6(31).

2) The Company's dividend policies are as follows:

The Company has been under a highly changeable industrial environment and is within a life cycle of stable and growing period. The Company should grasp the economic environment for sustainable operation. With the Company's long-term financial planning, future capital needs, and protect the interests of shareholders taken into account, the cash dividend allocated by the Company in every year should not be less than 10% of the total cash stock dividends in the current year (excluding 6% as the dividend of preferred share of the Company in Year 1984).

3) The legal reserve should not be put into any use except a use to make good previous loss of the Company, if any, and allocation through issuance of new shares or in cash to shareholders *pro rata* to original shareholding ratios. The total amount used to issue new shares or to allocate in cash, nevertheless, shall not exceed the maximum limit of 25% of the paid-in capital.

4) Upon allocating earnings, the Company should amortize and reverse special reserve in accordance with Letter Jing-Guan-Zheng-Fa-Zi 1010012865 dated April 6, 2012 and Letter Jing-Guan-Zheng-Fa-Zi 1010047490 dated November 21, 2012 of FSC and after adoption under IFRSs in the Q&A of Provision of Special Reserve. Where the net deduction of other equity is reversed subsequently, the part so reversal could be taken to appropriate the earnings.

5) In the shareholders' regular meeting convened by the Company on June 14, 2019 and June 15, 2018 respectively, the earnings of Year 2018 and Year 2017 would be allocated in the following manners:

	Allocations of earnings		Dividend per share (NT$)	
Items of allocation	2018	2017	2018	2017
Provision of legal reserve	$ 296,011	$ 328,864	-	-
Provision (reversal) of special reserve	-	(17,380)	-	-
Dividends on preferred shares - cash	12,000	12,000	$ 0.60	$ 0.60
Bonuses to shareholders on preferred shares - cash	-	20,000	-	1.00
Bonuses to shareholders on common shares -cash	-	906,620	-	1.00
Bonuses to shareholders on common shares - stock	-	-	-	-

For details regarding decisions resolved in the board of directors and the shareholders' meeting on allocations of earnings, please inquire into Market Observation Post System (MOPS).

6) The allocation of the Company's earnings in Year 2019 is still pending for decisions to be proposed in the board of directors and resolved in the shareholders' meeting. After the relevant meetings are convened, please inquire into Market Observation Post System (MOPS).

(25) Items of other equity

Items	Exchange differences on translating financial statements of foreign operations	Unrealized valuation gain/loss of financial assets at fair value through other comprehensive income	Unrealized gain/loss on available-for-sale financial assets	Total
Balance at January 1, 2019	($ 206,080)	$ 945,719	$ -	$ 739,639
Items directly recognized as other equity adjustment	-	(768)	-	(768)
Transferred to item of profit and loss	-	-	-	-
Transferred to retained earnings	-	(45,344)	-	(45,344)
Share accounted for using the equity method	(323,743)	(97,159)	-	(420,902)
Income tax related to items of other equity.	7,841	-	-	7,841
Balance at December 31, 2019	($ 521,982)	$ 802,448	$ -	$ 280,466

Items	Exchange differences on translating financial statements of foreign operations	Unrealized valuation gain/loss of financial assets at fair value through other comprehensive income	Unrealized gain/loss on available-for-sale financial assets	Total
Balance at January 1, 2018	($ 119,538)	$ -	$ 1,007,410	$ 887,872
Effects of retrospective application and retrospective reclassification	-	1,191,225	(1,007,410)	183,815
Items directly recognized as other equity adjustment	-	(72,367)	-	(72,367)
Transferred to item of profit and loss	-	-	-	-
Transferred to retained earnings	-	-	-	-
Portions recognized in equity method	(121,532)	(173,139)	-	(294,671)
Income tax related to items of other equity	34,990	-	-	34,990
Balance at December 31, 2018	($ 206,080)	$ 945,719	$ -	$ 739,639

(26) Treasury stocks

1) As of December 31, 2019 and 2018, the amount of treasury stocks repurchased by the Company were NT$0 for both.

2) The changes in the current year of the Company's stocks held by subsidiaries deemed as treasury stocks are as follows:

		Year Ended December 31, 2019							
		Beginning balance		Current Increase		Current Decrease		Ending balance	
Name of subsidiary	Kind	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
GPPC Chemical Corporation	Common Shares	247	$ 5,719	-	$ -	-	$ -	247	$ 5,719
	Preferred shares	1,776	49,858	-	-	-	-	1,776	49,858
Total		2,023	$ 55,577	-	$ -	-	$ -	2,023	$ 55,577

		Year Ended December 31, 2018							
		Beginning balance		Current Increase		Current Decrease		Ending balance	
Name of subsidiary	Kind	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
GPPC Chemical Corporation	Common Shares	3,128	$ 72,312	-	$ -	2,881	$ 66,593	247	$ 5,719
	Preferred shares	1,776	49,858	-	-	-	-	1,776	49,858
Total		4,904	$ 122,170	-	$ -	2,881	$ 66,593	2,023	$ 55,577

A. The transaction amounts as the gains obtained by subsidiaries through disposal of the Company's stocks converted into capital reserve - treasury stocks as of December 31, 2019 and 2018 were NT$ 0 and NT$28,266 thousand, respectively.

B. The transaction amounts with cash dividends of the parent company received by the subsidiaries converted into capital reserve - treasury stocks between January 1 and December 31, 2019 and 2018 were NT$1,066 thousand and NT$3,089 thousand, respectively.

C. The fair values of the Company's stocks held by the subsidiaries as of December 31, 2019 and 2018 were NT$65,697 thousand and NT$66,946 thousand, respectively.

D. The Company's stocks held by the subsidiaries were disposed as the treasury stocks. Such stocks were not entitled to participate in the Company's capital increase in cash and voting power but were entitled to the rights exactly same as shareholders' equity.

(27) Operating revenues

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenues under customer contracts		
Sales revenues	$ 16,229,085	$ 20,305,094

1) Detailed classification of revenues under customer contracts

The Company's revenues were from the goods and labor services of the transfer of a certain point in time. The revenues could be broken down into the following main product types:

Main product types	Year Ended December 31, 2019	Year Ended December 31, 2018
Sales revenues		
Petrochemical products	$ 9,767,995	$ 11,726,280
Plastic products	4,309,646	5,320,817
Hydrogen products	146,711	131,383
Steam and electricity products	465,479	427,396
Nylon products	1,539,118	2,682,897
Material resale	136	16,321
Total	$ 16,229,085	$ 20,305,094

2) Balances of contracts

The Company recognized contract assets and contract liabilities related to revenues under customer contracts as follows:

Items	December 31, 2019	December 31, 2018
Contract assets: Nil		
Contract liabilities – current		
Commodity sales	$ 11,120	$ 20,881

A. Significant changes in contract assets and contract liabilities

As of December 31, 2019, the changes in the Company's contract assets and contract liabilities as compared with the preceding year primarily originated in the difference between the timepoint to satisfy the contract obligations and the timepoint for customers to make payment.

B. The beginning contract liabilities recognized as revenues in the current year

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance of contract liabilities recognized as revenues in the current year		
Commodity sales	$ 20,881	$ 39,568

C. The performance of contract obligations of the prior period recognized as revenues in the current year

The Company did not have any obligations for contract performance (or partial performance) in the prior period, but due to changes in transaction prices, or changes in the recognition restrictions on the price between January 1 and December 31, 2019 and 2018, the recognition income was adjusted in the current year.

D. Unfulfilled customer contracts

For customer contracts of commodity sales unfulfilled by the Company as of December 31, 2019 and 2018, the contracts were expected to last for less than one year, were expected to be fulfilled and recognized as revenues within the ensuing year.

3) Contract cost related assets: Nil.

(28) Other revenues

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest income	$ 32,526	$ 16,629
Rent revenues	302	303
Dividend income	24,230	27,824
Scrap sales revenues	1,098	1,369
Revenues of administrative expenses	8,400	8,400
Subsidy revenues	53	3,700
Revenues as refund of overpaid air pollution fee	-	3,042
Revenues of remuneration to directors and supervisors	487	409
Others	210	556
Total	$ 67,306	$ 62,232

(29) Other gains and losses

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Net gain on financial assets at fair value through profit or loss	$ 80	$ -
Net loss on disposal of property, plant and equipment	(120)	(180)
Gain on disposal of investment	1,341	-
Net gain (loss) on foreign currency exchange	(24,262)	65,052
Loss on spare part inventory and obsolescence	-	(757)
Impairment loss on non-financial assets	(3,773)	-
Expenditures for insurance claim settlement in occupational accidents	(2,000)	-
Others	(43)	(970)
Total	($ 28,777)	$ 63,145

(30) Finance costs

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest expense		
Loan interest for financial institutions	$ 378	$ 418
Interest counted upon security deposit	1	1
Lease liabilities interest	421	-
Subtotal	800	419
Less: Capitalized amount consistent with prerequisite constituents	-	-
Total	$ 800	$ 419

(31) Employee benefits, depreciation, depletion and amortization expenses

Attribute	Year Ended December 31, 2019 Operating Cost	Year Ended December 31, 2019 Operating Expense	Year Ended December 31, 2019 Total	Year Ended December 31, 2018 Operating Cost	Year Ended December 31, 2018 Operating Expense	Year Ended December 31, 2018 Total
Employee benefits expenses						
Salaries	$ 324,024	$ 113,132	$ 437,156	$ 408,102	$ 150,555	$ 558,657
Labor and health insurance	28,310	8,686	36,996	27,652	8,363	36,015
Pension	11,041	5,792	16,833	12,767	5,930	18,697
Remuneration to directors	-	70,758	70,758	-	94,333	94,333
Other employee benefits	8,747	26,958	35,705	8,791	39,542	48,333
Depreciation expenses	724,162	14,849	739,011	687,612	13,543	701,155
Amortization expenses	-	-	-	-	-	-
Total	$ 1,096,284	$ 240,175	$ 1,336,459	$ 1,144,924	$ 312,266	$ 1,457,190

1) The average number of employees at the Company was 398 and 391, respectively between January 1 and December 31, 2019 and 2018. The average number of directors who are not also employees was 5. The calculation basis is the same as that for employee benefit and employee salary expense.

2) The average employee benefit expense was NT$1,340 thousand and NT$1,714 thousand, respectively between January 1 and December 31, 2019 and 2018; the average employee salary expense was NT$1,112 thousand and NT$1,447 thousand, respectively; and the average movement of adjustment to employee salary expense was (23.15%).

3) Pursuant to the requirements set forth under the Articles of Incorporation, with the profits earned by the Company in the current year, a sum 1% shall be allocated for compensation to employees and a sum within 2% maximum as remuneration to the directors. Where the Company remains in accumulated loss, nevertheless, such loss should be made up. The term “the profits earned by the Company in the current year” denotes the profits earned in the current year before tax after deducting compensation to employees and remuneration to directors.

4) The Company's management estimated compensation to employees and remuneration to directors based on the profitability of the current year, and taking account the amounts expected for the payment and factors of the minimum and maximum limits set forth under the Articles of Incorporation to estimate the amount of net profit before tax and before deduction of the compensation to employees and remuneration to directors. The amounts estimated for compensation to employees were NT$24,862 thousand and NT$37,478 thousand, respectively and the amounts estimated for remuneration to directors were NT$49,724 thousand and NT$74,956 thousand respectively between January 1 and December 31, 2019 and 2018. However, there is a significant change in the amount allocated by the resolution of the board of directors taking place before the date of authorization and issuance of the annual financial statements, such adjustment of change provided as annual expenses; if the amount still changes after the date of authorization and issuance of the annual financial statements, such change shall be handled as a change in accounting estimation and would be entered into account in the ensuing fiscal year.

5) As resolved by the Company's board of directors on March 19, 2020 and March 21, 2019, the compensation to employees for the years ended 2019 and 2018 amounted to NT$24,862 thousand and NT$37,478 thousand respectively, and the remuneration to directors and supervisors amounted to NT$49,724 thousand and NT$74,956 thousand, respectively. The aforementioned amounts resolved show no significant difference from the expenses entered into the financial statements of Year 2019 and Year 2018. The aforementioned compensation/remunerations were paid in cash.

6) For information relating to the compensation to employees and remuneration to directors and supervisors of the Company, please inquire through the “Market Observation Post System (MOPS)” of Taiwan Stock Exchange Corporation (TSEC).

(32) Income tax

1) Composition of income tax expense (gain):

A. Income tax recognized in profit or loss

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Current income tax expense payable	$ 344,148	$ 681,637
Deferred income tax expenses (gains)		
Origination and reversal of temporary differences	(2,654)	(1,373)
Effect of change in tax rate	-	(2,048)
Net change in deferred income tax decrease (increase)	(2,654)	(3,421)
Adjustment to income taxes in previous year	1	(2,965)
Income tax expenses (gains) recognized in profit or loss	$ 341,495	$ 675,251

B. Recognized in income tax related to other comprehensive income

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Current income tax		
Exchange difference resulting from translating the financial statements of foreign operations	($ 7,841)	($ 34,990)
Deferred income tax		
Remeasurements of defined benefit plan	(4,053)	1,433
Effect of change in tax rate	-	(2,191)
Net change in deferred income tax decrease (increase)	(4,053)	(758)
Income tax expenses (gains) recognized in other comprehensive income	($ 11,894)	($ 35,748)

2) Reconciliation of income in the current fiscal year and the income tax expense recognized into profit or loss is as follows:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Net profit (loss) before tax from continuing operations unit	$ 2,411,620	$ 3,635,357
Income tax with profit (loss) loss before tax at statutory tax rate	482,324	727,071
Effects of income tax upon adjustments		
Effects not counted into the items upon determination of the taxable income	(269,799)	(248,959)
Tax to be made up under the minimum taxation system	-	-
Income tax levied additionally on unappropriated earnings	131,623	203,525
Loss carry-forward incurred in current year	-	-
Loss carry-forward for offset in current year	-	-
Investment credit for offset in current year	-	-
Current income tax expense payable	344,148	681,637
Net change in deferred income tax decrease (increase)	(2,654)	(3,421)
Adjustment to income taxes in previous year	1	(2,965)
Income tax expenses (gains) recognized in profit or loss	$ 341,495	$ 675,251

The Company applied 20% statutory tax rate. In the wake of amendment to the Income Tax Act in February 2018, the income tax rate was adjusted from 17% to 20% which was put into enforcement in 2018. In addition, for the unappropriated earnings in 2018, the applicable tax rate was cut from 10% to 5%. The Company has estimated the impacts linked up with such changes in the taxation rates.

3) Balance of the income tax assets (liabilities) in the year

Items	December 31, 2019	December 31, 2018
Income tax assets for the year: Nil		
Income liabilities for the year		
Current income tax expense payable	$ 344,148	$ 681,637
Less: Credit for the income tax paid in advance in current year	(173,989)	(182,783)
Total	$ 170,159	$ 498,854

4) Balance of deferred income tax assets (liabilities)

	Year Ended December 31, 2019			
Items	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Unrealized exchange loss	$ 1,360	$ 1,730	$ -	$ 3,090
Losses on obsolescence and market value decline in inventories	2,713	(358)	-	2,355
Employee leave payment obligations	2,401	80	-	2,481
Defined employee benefits plans	14,800	291	4,053	19,144
Loss on impairment of tangible assets	7,385	755	-	8,140
Total	$ 28,659	2,498	4,053	$ 35,210
Deferred income tax liabilities				
Financial & taxation difference in depreciation expenses	456	(156)	-	300
Reserve for land value increment tax	979,556	-	-	979,556
Total	$ 980,012	(156)	-	$ 979,856
Changes in net increase (decrease)		$ 2,654	$ 4,053	

Items	Year Ended December 31, 2018 Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Unrealized exchange loss	$ 2,664	($ 1,304)	$ -	$ 1,360
Losses on obsolescence and market value decline in inventories	-	2,713	-	2,713
Employee leave payment obligations	2,052	349	-	2,401
Defined employee benefits plans	13,561	481	758	14,800
Loss on impairment of tangible assets	6,277	1,108	-	7,385
Total	$ 24,554	3,347	758	$ 28,659
Deferred income tax liabilities				
Financial & taxation difference in depreciation expenses	530	(74)	-	456
Reserve for land value increment tax	979,556	-	-	979,556
Total	$ 980,086	(74)	-	$ 980,012
Changes in net increase (decrease)		($ 3,421)	$ 758	

5. The items of the deferred income tax assets not recognized by the Company because of being not very likely to be realized are as follows:

Items	December 31, 2019	December 31, 2018
Deferred income tax assets		
Loss on impairment of financial assets	$ 686	$ 686

6) The unrecognized deferred income tax liabilities related to investment

The temporary difference related to investment in subsidiaries, while the Company could control the very timepoint of reversal of that temporary difference and was very likely not to dispose and reverse within the foreseeable future, the Company did not recognize the deferred income tax liabilities. As of December 31, 2019 and 2018, the aggregate total amounts of the temporary differences of investment in subsidiaries which had not been recognized for the deferred income tax liabilities amounted to NT$1,242,618 thousand and NT$1,079,681 thousand, respectively.

7) The Company’s income tax returns through 2017 has been assessed and approved by the tax authority.

8) Where the allocation of earnings for Year 2020 to be resolved in the shareholders’ meeting remains uncertain, the unappropriated earnings added with the very outcome of the potential income tax in Year 2019 could not be determined in a reliable way.

(33) Changes in liabilities coming from financing activities

Items	Lease liabilities	Guarantee deposits received
January 1, 2019	$ -	$ 4,075
Effects of retrospective application to IFRS 16	56, 720	-
Net change in financing cash flows	(12,494)	(1,141)
December 31, 2019	$ 44,226	$ 2,934

Items	Lease liabilities	Guarantee deposits received
January 1, 2018	$ -	$ 533
Net change in financing cash flows	-	3,542
December 31, 2018	$ -	$ 4,075

(34) Earnings per share (EPS)

The basic earnings per share (EPS) of the Company was calculated by dividing the current year's net profit (loss) by the weighted average number of common shares outstanding; the shares added by unappropriated earnings or capital reserve conversion to capital increase in cash, then with retroactive adjustment calculation.

If the Company was entitled to the option to distribute compensation to employee in stocks or cash, then upon calculating the diluted earnings per share (EPS), it was assumed that the compensation to employee would be distributed by stocks and would be included in the weighted average number of outstanding shares when the potential common stocks were entitled to dilution effect so as to calculate the diluted earnings per share (EPS). When calculating the diluted earnings per share (EPS) before the resolution of distributing compensation to employee in the following year, the Company also continues to take into account the dilution effect of these potential common shares.

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Amount after tax	Weighted average number of outstanding shares (in thousand shares)	Earnings per share (EPS) (NT$)	Amount after tax	Weighted average number of outstanding shares (in thousand shares)	Earnings per share (EPS) (NT$)
Basic earnings per share:						
Net profit for the year	$2,070,125	906,373	$ 2.27	$2,960,106	905,338	$ 3.26
Less: Dividends on preferred shares	(12,000)			(12,000)		
Net profit attributable to shareholders of common shares for the year	2,058,125			2,948,106		
Effect of potential common shares having dilution function						
Compensation to employee	-	1,674		-	2,005	
Diluted earnings per share:						
Net profit attributable to shareholders of common shares for the year Effect added to potential common shares	$2,058,125	908,047	$ 2.27	$2,948,106	907,343	$ 3.25

7. Related party transactions

(1) Parent company and ultimate controller

The Company does not have an ultimate parent company and hence the Company is the ultimate controller.

(2) Names/titles of the related parties and relationship thereof

Name of related party	Relationship with the Company
GPPC Chemical Corporation	Subsidiary
GPPC Investment Corp.	Subsidiary
Videoland Inc.	Subsidiary
KK Enterprise Co., Ltd.	Subsidiary
GPPC Hospitality and Leisure Inc.	Subsidiary
GPPC Development Co., Ltd.	Subsidiary
Zhenjiang Chimei Chemical Co., Ltd.	Associate
He Xin Venture Investment Enterprise Co., Ltd.	Substantial related party
All directors, general manager and deputy general managers	Main management

(3) Significant transactions with related parties

1) Sales

Kind of the related party	Year Ended December 31, 2019	Year Ended December 31, 2018
Subsidiary	$ 1,286,974	$ 1,103,107
Associate	8,150	3,382
Total	$ 1,295,124	$ 1,106,489

The Company sells SM to its subsidiaries at contract price. The purchase or selling price under the contract is based on the mean price in the three regions, that is, FOB Korea, CFR Taiwan, and CFR SE Asia, in the respective issues of Styrene intelligence reports for the month according to Platt's Far East Petrochemical Scan. The quantity is 3,000 – 6,000 tons a month. The payment method is settlement at the end of each month and paid off 45 days following settlement. If the subsidiary fails to make payments as scheduled, the goods will be on hold and interest will be calculated at the one-year time deposit annual rate of the Bank of Taiwan as of January 1 of the specific year. Such holding period, however, is limited to 3 months at maximum.

Except for those mentioned above, there are no significant differences in the remaining selling price and sales trading conditions for related parties and those for ordinary customers of the Company.

2) Purchases

Kind of related party	Year Ended December 31, 2019	Year Ended December 31, 2018
Subsidiary	$ 2,273	$ 2,739

There are no significant differences in the buying price and purchases trading conditions for related parties and those for ordinary customers of the Company.

3) The creditor's rights and debts between the Company and related parties (all without including the interest) are as follows:

A. Accounts receivable

Kind of related party	December 31, 2019	December 31, 2018
Subsidiary	$ 12,611	$ -
Associate	1,271	735
Total	$ 13,882	$ 735

B. Accounts payable

Kind of related party	December 31, 2019	December 31, 2018
Subsidiary	$ 348	$ -

C. Other payables

Kind of related party	December 31, 2019	December 31, 2018
Subsidiary	$ -	$ 6,415

4) Property Leases

Lease agreement

		Year Ended December 31, 2019		
Lessee – kind of related party	Leased object	Rent income	Pre-collected rent	Deposit
Subsidiary	10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City	$ 183	$ 57	$ 50
Substantial related party	10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City	114	71	-
		$ 297	$ 128	$50

		Year Ended December 31, 2018		
Lessee – kind of related party	Leased object	Rent income	Pre-collected rent	Deposit
Subsidiary	10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City	$ 183	$ 57	$ 50
Substantial related party	10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City	119	71	-
		$ 302	$ 128	$50

Note: ① The Company already signed business lease contracts for offices in coming years with its subsidiaries. As of December 31, 2019 and 2018, as agreed, the Company collected forward notes in advance in the worth of NT$144 thousand and NT$288 thousand, respectively, to facilitate cashing at time of actual transaction.

② The above-mentioned properties for rent refer to part of offices of the Company put up for rent. The rent is negotiated between the parties reflective of market conditions and calculated and included in the lease contract. The rent is collected on a yearly basis or with the forward notes issued at once upon signing the contract.

5) Others

Items	Kind of related party/Name	Year Ended December 31, ,2019	Year Ended December 31, 2018
Revenue from administrative expenses (recorded as other revenues) (Note 1)	GPPC Chemical Corporation	$ 8,400	$ 8,400
Revenue from remuneration to directors/supervisors (recorded as other revenues)	Subsidiary	487	409
Expense for site usage (recorded as Manufacturing overhead)	Subsidiary	72	72
Expense for entertainment (recorded as administrative expenses) (exclusive of tax)	Subsidiary	281	-
Disbursement of technical service fee (Note 2)	Subsidiary	5,292	3,965

Note: (1) GPPC Chemical Co., Ltd. relies on the experiences and talents of the Company and entrusts the Company in the business activities management and sales etc. The parties have reached an agreement and signed a contract.

(2) The subsidiaries entrust the Company to dispatch personnel for technical support at factory zones. Various expenses for technical support are reimbursed as actually paid. The technical service fee collected by the Company is recorded as the deduction of various reimbursement expenses.

(4) Information of compensation for main management

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Salaries and other short-term employee benefits	$ 91,289	$ 119,186
Termination benefits	-	-
Post-employment benefits	3,956	3,923
Other long-term benefits	-	-
Shares-based payment	-	-
Total	$ 95,245	$ 123,109

8. Pledged assets

(1) Facts of pledge in property, plant and equipment

Items	Purposes of pledge (mortgage)	December 31, 2019	December 31, 2018
Land	Comprehensive facility of credit extension, security for purchase	$ 3,185,217	$ 3,185,217
Buildings & constructions	Comprehensive facility of credit extension,, security for purchase	341,376	361,517
Machinery & equipment	Guarantee for comprehensive facility of credit extension	885,732	1,025,622
Total		$ 4,412,325	$ 4,572,356

9. Significant contingent liabilities and unrecognized contract commitments

1) Endorsements/guarantees: Nil

2) Refundable deposit guarantee notes and debit notes

The Company issued guaranteed promissory notes with facility and debit notes lent them to financial institutions as a commitment to repay the loan. As of December 31, 2019 and 2018, the guaranteed promissory notes were US$26,000 thousand, NT$6,150,000 thousand and US$6,000 thousand, NT$5,050,000 thousand, respectively.

3) Deposited guarantee notes and collateral

The Company collected deposited guarantee notes and collateral as its performance guarantee. As of December 31, 2019 and 2018, the deposited guarantee notes were NT$132,061 thousand, SGD208 thousand, EUR730 thousand, US$2,823 thousand, JPY1,850 thousand and NT$129,879 thousand, SGD208 thousand, EUR730 thousand, US$2,710 thousand and JPY1,850 thousand, respectively.

4) The balance of L/C opened but not used by the Company as of December 31, 2019 and 2018 was US$11,694 thousand, NT$662,800 thousand and US$7,700 thousand, NT$669,446 thousand and EUR59 thousand, respectively.

5) The property, plant and equipment and other major capital expenditures for which the Company had executed contracts but had not paid off as of December 31, 2019 and 2018 were NT$20,409 thousand and NT$26,487 thousand, respectively.

6) Under the agreement duly executed by and between the Company and CPC Corporation, Taiwan (CPC), the Company has been required to procure from CPC specified volumes of ethylene, benzene and butadiene from every year. If the annual purchase volume of the Company did not reach the minimum contract amount, CPC may reduce the supply in the following year as appropriate. In addition, the Company committed to purchase CPC's ethylene, benzene and butadiene as raw materials for factory-made styrene and acrylonitrile-butadiene-styrene copolymer resin (ABS), unless approved by government authorities, or in case of the internal dispatch for petrochemical feedstock, the Company should not transfer into other uses or resell the quotas (Where required for petrochemical scheduling, and with the prior written consent of CPC, the Company was allowed to transfer the ethylene, benzene and butadiene to petrochemical users of CPC as petrochemical feedstock either in whole or in part), otherwise CPC may would stop supplying ethylene, benzene and butadiene at any time and terminate the agreement.

7) In order to manufacture ABS and other products, the Company purchased butadiene from Formosa Petrochemical Corporation as a raw material for which the Company signed a transaction agreement. Under the agreement, the Company committed itself to purchase at least 100 metric tons of butadiene from Formosa Petrochemical Corporation every month as the raw material for the production of ABS and other products.

8) In order to manufacture ABS and other products, the Company purchased acrylonitrile from China Petrochemical Development Corporation as a raw material for which the Company signed a transaction agreement. Under the agreement, the Company committed itself to purchase 3,600 metric tons to 7,200 metric tons of acrylonitrile every quarter as a raw material for the production of ABS and other products.

10. Significant Disaster Loss: Nil

11. Significant Events after the Balance Sheet Date: Nil

12. Other events

(1) Seasonal or cyclical interpretation of interim operations

All sorts of business operations inside the Company have been free of any potential impact in reasonable or cyclical factors.

(2) Capital risk management

The Company carries out capital management to assure a sound capital base, and maximizes shareholder compensation by means of optimizing debt and equity balances. After regularly reviewing and measuring related costs, risks and returns, the Company ensures a good profitability level and financial ratio. Where necessary, the Company would balance its overall capital structure through various financing methods to live up to the needs of various capital expenditures, working capital, debt repayment, and dividend expenditures in the future period.

(3) Financial instruments

1) Kind of financial instruments

Financial assets	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	$ 23,247	$ -
Investment in equity instrument of financial assets at fair value through other comprehensive income	294,765	295,533
Financial assets carried at amortized cost		
Cash & cash equivalents	1,623,640	1,567,675
Notes and accounts receivable (including related parties)	1,377,370	1,933,638
Other receivables	24,721	42,181
Other financial assets - current	1,700,000	-
Refundable deposits	1,025	889
Financial liabilities		
Financial liabilities carried at amortized cost		
Accounts payable (including related parties)	$ 1,178,577	$ 1,091,667
Other payables (including related parties)	316,872	488,923
Lease liabilities (Current and Noncurrent)	44,226	-
Guarantee deposits received	2,934	4,075

2) Financial risk management policies

In terms of routine business operation, the Company has been subject to impact from a variety of financial risks, including market risks (including exchange rate risks, interest rate risks and price risks), credit risks and liquidity risks. In an attempt to minimize relevant financial risks, the Company has put forth maximum possible efforts to identify, evaluate and evade the uncertainty in the markets to minimize the negative impact of market variation upon the Company's financial performance.

The Company has set up appropriate policies, procedures and internal controls in response to the aforementioned financial risk management in accordance with relevant regulations, and all important financial activities must be reviewed by the Board of Directors in accordance with relevant regulations and internal control systems. During the implementation of the financial plan, the Company must comply with the relevant financial operation procedures for overall financial risk management and division of powers and responsibilities.

3) The attribute and level of significant financial risks

A. Market risks

Here at the Company, the market risk has notably been the risk in financial instruments' fair value or cash flow fluctuations due to changes in market prices. Such market risks mainly include exchange rate risks, interest rate risks and price risks.

① Exchange rate risks

The Company's business involves certain non-functional currencies (the functional currency of the Company has been the New Taiwan Dollars so it is subject to exchange rate fluctuations impact. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

Items (Foreign currencies: Functional currency)	December 31, 2019 Foreign currencies	Exchange rate foreign currencies vs. functional currency	New Taiwan Dollars	December 31, 2018 Foreign currencies	Exchange rate foreign currencies vs. functional currency	New Taiwan Dollars
Financial assets						
Monetary items						
USD:NTD	$ 49,298	29.98	$ 1,477,954	$ 52,430	30,715	$ 1,610,387
Non-monetary items						
USD:NTD	307,295	29.98	9,212,704	273,179	30,715	8,390,693
Financial liabilities						
Monetary items						
USD:NTD	17,123	29.98	513,348	11,159	30.715	342,749

Note: The foreign currency related non-monetary assets measured at the historical exchange rate on the transaction date have not been disclosed because they have no significant impact on the individual financial statements.

Here at the Company, the sensitivity analysis on the exchange rate risks mainly focuses on the major foreign currency monetary items and non-monetary items at the end of the financial statement period, and the related foreign currency appreciation/depreciation impact on the Company's profit and loss as well as equity. Where the exchange rates for foreign currencies was appreciated/depreciated by 1%, the net profit after tax for the Company between January 1 and December 31, 2019 and 2018 would increase/decrease at NT$7,717 thousand and NT$10,141 thousand respectively while the equity would increase/decrease by NT$92,127 thousand and NT$83,907 thousand, respectively.

The unrealized exchange loss of monetary items in foreign currency of the Company between January 1 and December 31, 2019 and 2018 was NT$15,450 thousand and NT$6,802 thousand, respectively, as affected by the fluctuation of USD exchange rate.

② Interest rate risks

The interest rate related risks refers to the risks of financial instruments' fair value or future cash flow fluctuations due to changes in market interest rates. The Company's interest rate risks mainly come from floating rate in loans where some of the risks would be held with floating rates through cash & cash equivalents offset. Where the Company regularly assesses the trend of interest rate changes and responds to it, it is not expected that there would be a significant risk of market interest rate changes. If the loan interest rate increases or decreases by 10 basis points, with all the other factors remaining unchanged, the after-tax net profits of the Company between January 1 and December 31, 2019 and 2018 will not be impacted significantly.

③ Price risks

The investment held by the Company as shown through the balance sheet has been primarily classified as financial assets at fair value through profit and loss and financial assets at fair values through other comprehensive income. The Company has been, therefore, exposed to pricing risks of equity instruments. In an effort to manage the pricing risks of equity instruments, the Company virtually diversifies its investment portfolio in a manner that was based on the limits set by the Company. The Company has invested in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income with the price of financial instruments such as profit or loss affected by the uncertainty of the future value of the investment target. If the price of such financial instruments rises/falls by 1% where all other factors remain unchanged, the net profit after tax of the Company between January 1 and December 31, 2019 and 2018 would increase/decrease by NT$232 thousand and NT$0, respectively and the equity would increase/decrease by NT$2,948 thousand and NT$2,955 thousand, respectively.

B. Credit risks

Credit risks refer to such risks in financial losses incurred in an event where a customer of the Company or financial instrument transaction counterparty fails to perform the contract. The credit risks of the Company primarily resulted from operating activities (primarily as accounts & notes receivable) and financial activities (primarily as bank deposits and a variety of financial instruments). The credit risks related to business operation and financial credit risks have been managed respectively.

① Credit risks related to business operation

The business department faithfully complies with the Company's customer credit risk policies, procedures and controls to manage customer credit risk. The credit risks assessment of all customers is a comprehensive consideration such as the financial status of the customers, the rating of the credit rating agency, past historical transaction experience, the current economic environment and the internal rating criteria of the Company. In addition, the Company also uses certain credit enhancement instruments (such as payments collected in advance, etc.) at appropriate times to minimize the credit risk of specific customers.

② Financial credit risks

Here at the Company, the Finance Department manages credit risks of bank deposits and other financial instruments in accordance with company policies. Since the Company's transaction objects have been determined by internal control procedures as banks with good credit and an investment grade and above in the forms of institutions, company organizations. Where all such entities prove free of major performance doubts, there have been no major credit risks upon the Company.

③ Information of credit-related risks in accounts receivable

The Company adopted the assumption provided under IFRS 9. As the payment was more than 30 days overdue from schedule in the provision of contracts, the financial asset was deemed to have significantly increased in credit risks from the initial recognition. In an event where a contract payment was more than 365 days overdue or where the loanee would be highly unlikely to fulfill the credit obligations to pay amount in full to the Company, the Company deemed that financial asset in default.

In an effort to minimize credit risks, the management of the Company would assign the special team to assume the responsibility to determine the facility of credit extension, approve of credit extension or other supervisory procedures with actions to be taken as appropriate to assure successful retrieval of receivables. Besides, on the balance sheet date, the Company would, on one-by-one basis, recheck the reclaimable amounts of receivables to assure that appropriate allowance would have been provided against the potential loss. For facts of changes regarding aging analysis of accounts receivables and allowance loss, please see Note 6(3) & (4).

The credit risk of the Company focuses on the Top 10 sales customers of the Company. As of December 31, 2019 and 2018, the ratios of the above-mentioned customers in the total amount of accounts receivable (including related parties) were 47.08% and 33.97%, respectively.

④ Exposure to credit risks

The Company has been well known for the sound quality of credit standing with financial institutions and has tried to profoundly diversify potential credit risks with multiple financial institutions. As natural result, the Company has seen very low potential default. Besides, the Company has been in transactions with only third parties of very fine credit standing and would grant credit lines toward customers exactly based on the credit facility procedures. Meanwhile, with continued efforts to look into customers' credit standing and with evaluation of the possibility to retrieve accounts receivable on a regular basis, the Company has amortized adequate allowance against loss. The management has, therefore, firmly believed that the Company's receivables would not have been significantly concentrated in the credit risks. As of the balance sheet date in terms of cash & cash equivalents, receivables and other financial assets, the maximum possible exposure to credit risks would be exactly the carrying amounts of such financial assets.

Financial instruments	December 31, 2019		December 31, 2018	
	Carrying amount	Maximum credit exposure to risks	Carrying amount	Maximum credit exposure to risks
Cash & cash equivalents	$ 1,623,640	$ 1,623,640	$ 1,567,675	$ 1,567,675
Notes receivable	1,201	1,201	14,419	14,419
Accounts receivable (including related parties)	1,376,169	1,376,169	1,919,219	1,919,219
Other receivables	24,721	24,721	42,181	42,181
Other financial assets - current	1,700,000	1,700,000	-	-

C. Liquidity risk

The liquidity risk refers to the risk that the position could not be settled as expected. The Company mainly used financial institutions to use loans, and cash & cash equivalents and other instruments to adjust funds, and achieve the goal of flexible use of funds and stable funds. The share capital and working capital of the Company were sufficient to meet all contract obligations, so there would be no liquidity risk due to the inability to raise funds to fulfill contract obligations.

The table below summarizes the Company's non-derivative financial liabilities, grouped by the relevant maturity date based on the earliest possible date of repayment and compiled with its undiscounted cash flow. The Company did not expect that the time when the cash flow of the analysis of the due date occurred would be significantly earlier or the actual amount would be significantly different. The interest cash flow paid at floating interest rates, the undiscounted interest amount derived based on the yield curve on the balance sheet date which was the amount of floating interest rate instrument of a non-derivative financial liability. The amount of the floating interest rate instrument would change according to the different interest rate and the estimated interest rate on the balance sheet date. For more details regarding the analysis of the due date of lease liabilities, please see Note 6 (12)-2) to B.

Items	December 31, 2019						
	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flow	Carrying amount
Non-derivative financial liabilities							
Accounts payable (including related parties)	$1,178,577	$ -	$ -	$ -	$ -	$1,178,577	$1,178,577
Other payables (including related parties)	316,872	-	-	-	-	316,872	316,872

Items	December 31, 2018 Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flow	Carrying amount
Non-derivative financial liabilities							
Accounts payable	$1,091,667	$ -	$ -	$ -	$ -	$1,091,667	$1,091,667
Other payables (including related parties)	488,923	-	-	-	-	488,923	488,923

(4) Information of fair value

1) Fair value hierarchy

The evaluation technique used to measure the fair value of financial and non-financial instruments divided the fair value into Level 1 to Level 3 based on the observable degrees. Each fair value hierarchy was defined as follows:

Level 1: Referring to the public quotation (unadjusted) from the same asset or liability in the active market.

Level 2: In addition to the public quotation of the Level 1, the fair value is derived using observable input parameters that belong to the asset or liability directly (i.e., the price) or indirectly (i.e., derived from price).

Level 3: Referring to the input parameters (non-observable parameters) of the valuation techniques for assets or liabilities that are not based on observable market data to derive fair value.

2) Financial instruments not measured at fair values

The Company's financial instruments not measured at fair values (including cash & cash equivalents, notes receivable and accounts receivable (including related parties), other receivables, other financial assets - current, accounts payable (including related parties), other payables (including related parties) and the like) refer to rational approximate values in the carrying amounts at fair values. Where refundable deposits and guarantee deposits received would not be subject to significant impact in the cash flow discounting, their carrying amounts should be the very rational grounds to estimate the fair values.

3) As of December 31, 2019 and 2018 for financial and non-financial instruments at fair values were classified by the Company based on the attributes, characteristics, risks and fair value hierarchy, with the relevant information as follows:

Financial and non-financial instruments	December 31, 2019 Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss - noncurrent				
Domestic mutual fund beneficiary certificates	$ 23,247	$ -	$ -	$ 23,247
Financial assets at fair values through other comprehensive income - noncurrent				
Listed stocks in Taiwan	$ 207,224	$ -	$ -	$ 207,224
Unlisted stocks (OTC) in Taiwan	876	-	86,665	87,541
Total	$ 208,100	$ -	$ 86,665	$ 294,765

Financial and non-financial instruments	December 31, 2018 Level 1		Level 2		Level 3		Total	
Assets								
Recurring fair value								
Financial assets at fair values through other comprehensive income - noncurrent								
Listed stocks in Taiwan	$	207,011	$	-	$	-	$	207,011
Unlisted stocks (OTC) in Taiwan		1,061		-		87,461		88,522
Total	$	208,072	$	-	$	87,461	$	295,533

4) Evaluation technology and assumptions adopted to measure fair values:

The fair values of the financial and non-financial instruments refer to the amounts of current transaction of the said instruments with the interested counterparties (instead of mandatory means or liquidation). Here at the Company, the methods and assumptions used for the financial and non-financial instruments to measure the fair values are as follows:

A. In case of financial instruments with standard terms and conditions and traded in the active market, the fair value was determined by referring to the market quotation. The listed stocks were counted based on the closing price as fair values, the unlisted (OTC) emerging stocks were counted based on the transaction price as the fair value. Mutual fund beneficiary certificates were counted based on net worth as fair values.

B. For financial instruments with higher complexity, the Company measured the fair value based on the evaluation model developed using evaluation method and technology which were widely used between the fellow traders. Some of the parameters used in such evaluation models were not market observable information. The Company must make appropriate estimates based on assumptions. The Company's unlisted stocks on OTC held by the Company (excluding the emerging stocks that were traded in the active market) were counted based on the market approach or the asset approach to estimate the fair value. The judgment was conducted with reference to the same type company evaluation, third-party quotation, the Company's net worth and business performance. In addition, the significant non-observable input value was mainly current discount. For more details regarding the impact of non-market observable parameters on the evaluation of financial instruments please see Note 12(4)-10).

C. The output of the evaluation model was the approximate value of the estimate and the evaluation technology might not reflect all relevant factors of the Company’s holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model would be appropriately adjusted according to additional parameters, e.g., the model risk or liquidity risk. According to the Company’s fair value evaluation model management policy and related control procedures, the management believes that the fair value of financial instruments and non-financial instruments as shown in the balance sheet should be expressed in a fair way. The evaluation adjustment is appropriate and essential. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to the current market conditions.

D. The Company took credit risks evaluation adjustment into consideration of calculation in fair value of the financial instruments and non-financial instruments to respectively reflect the credit risk of the transaction counterparties and credit quality of the Company.

5) Transfer of fair values between the Level 1 and Level 2 for the years ended December 31, 2019 and 2018: Nil

6) Change in the financial instruments of Level 3 for the years ended December 31, 2019 and 2018.

	Non-derivative equity instruments－Unlisted (OTC) Stocks	
Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance	$ 87,461	$ -
IFRS 9 retrospective application transfer-in	-	151,731
Acquisition this year	-	-
Disposal this year/Capital distribution	-	-
Outward transfer of Level 3	-	(2,020)
Recognized in other comprehensive income	(796)	(62,250)
Ending balance	$ 86,665	$ 87,461

7) The Company adopted IFRS 9 since January 1, 2018 whereunder the unlisted (OTC) stocks used to be carried at costs instead of the previous IAS 39 were measured at the fair value through other comprehensive income. Where the fair value lacked sufficient observable market information, such stocks were transferred into Level 3. Another reason is that the emerging stock of unlisted (OTC) stocks at the end of March 2018, were re-evaluated the trading volume to determine whether it was an active market quotation. Due to the stable trading volume in the market, there is sufficient frequency and quantity of transaction occurrences, which could provide pricing information on a continuous basis, resulting in sufficient observable market information available, the Company, therefore, transferred the fair value used from Level 3 to Level 1 at the end of the month when the event occurred.

8) The Company's evaluation process for the fair value classified in the level 3 was the independent fair value verification of financial instruments conducted by the Company's Financial Department in collaboration with an outsourced professional evaluation agency. The independent sources of data were used to bring the evaluation results closer to the market status as independent, reliable, and other resources consistent with and represent the executable price, and regularly update the required input values and data, and any other necessary fair value adjustments to ensure that the evaluation results would be rational.

9) The quantitative information about the significant unobservable input value of the evaluation model used in Level 3 fair value measurement items and the sensitivity analysis of the significant unobservable input value change are explained as follows:

Items	Fair value as of December 31, 2019	Evaluation technology	Significant unobservable input value	Range (Weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted (OTC) stocks	$ 86,665	Market approach / Asset approach	Liquidity depreciation	10%	Higher the liquidity depreciation, lower the fair value

Items	Fair value as of December 31, 2018	Evaluation technology	Significant unobservable input value	Range (Weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted (OTC) stocks	$ 87,461	Market approach / Asset approach	Liquidity depreciation	10%	Higher the liquidity depreciation, lower the fair value

10) The Company selected the evaluation model and evaluation parameters used after prudential evaluation so it was reasonable to measure the fair value but the use of different evaluation models or evaluation parameters might lead to different evaluation results. For financial assets classified as Level 3 and financial liabilities, if the evaluation parameter changes by 1% basis point, the impact on the current profit/loss or other comprehensive income would be as follows:

			December 31, 2019			
			Recognized in profit or loss		Recognized in other comprehensive income	
Items	Input value	Change	Favorable change	Adverse change	Favorable change	Adverse change
Non-derivative equity instruments:						
Unlisted (OTC) stocks	Liquidity depreciation	+1%	$ -	$ -	$ -	($ 877)
		-1%	$ -	$ -	$ 1,050	$ -

			December 31, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
Items	Input value	Change	Favorable change	Adverse change	Favorable change	Adverse change
Non-derivative equity instruments:						
Unlisted (OTC) stocks	Liquidity depreciation	+1%	$ -	$ -	$ -	($ 971)
		-1%	$ -	$ -	$ 972	$ -

13. Additional disclosure in the notes

(1) Significant transactions and (2) Information relating to investee companies

1) Funds loaned to others: Nil

2) Provision of endorsements and guarantees to others

Name of endorsers and guarantors	Subject on endorsees and Guarantees		Endorsement and guarantee limit for a single entity	Highest balance of endorsement and guarantee for the year	Balance of endorsemen t /guarantee at the end of year	Actual amount drawn down	Amount endorsement and guarantee collated by property	Ratio of accumulated amount of endorsement and guarantee to net worth in the financial statements of the company in the latest year	Maximum amount of endorsement and guarantee	Provision of endorsement and guarantee by parent company to subsidiary	Provision of endorsement and guarantee by subsidiary to parent company	Provision of endorsement and guarantee to the party in Mainland China
	Name of company	Relationship										
KK Enterprise Co., Ltd.	KK Enterprise (Malaysia) Sdn. Bhd.	A subsidiary with direct shareholding in equity up to 70%	Within the maximum limit not in excess of 50% of the total endorsement/guarantee of the Company. ($220,535)	$62,875 (RM8,940)	$62,875 (RM8,940)	$41,776 (RM5,940)	—	7.13%	The total endorsement/guarantee of the Company shall not exceed 50% of the net worth as shown through the latest financial statements of the Company ($441,069)	Yes	No	No

3) Holding of Marketable Securities at the End of Year (Not Including Subsidiaries, Associates and Joint Ventures)

Securities held by	Kind and name of marketable securities		Relationship with the marketable securities issuer	General ledger account	At the end of year			
					Shares in thousands or unit expressed in thousands)	Carrying amount	Shareholding ratio (5)	Fair value
Grand Pacific Petrochemical Corporation	Stock	He Xin Venture Investment Enterprise Co., Ltd.	The Company's director is that company's representative	Financial assets at fair values through other comprehensive income - noncurrent	37	$1,259	2.85	$1,259
		TECO Nanotech Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	19	-	0.08	-
		YODN Lighting Corp.	—	Financial assets at fair values through other comprehensive income - noncurrent	165	876	0.93	876
		Bridgestone Taiwan Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	1,151	85,406	1.42	85,406
		China Development Financial Holding Corporation	—	Financial assets at fair values through other comprehensive income - noncurrent	21,297	207,224	0.14	207,224
	Fund	KGI Victory Money Market Fund	—	Financial assets at fair value through profit or loss - current	2,000	23,247	-	23,247
GPPC Chemical Corporation	Stock	He Xin Venture Investment Enterprise Co., Ltd.	The Company's director is that company's representative	Financial assets at fair values through other comprehensive income - noncurrent	49	1,685	3.80	1,685
		YODN Lighting Corp.	—	Financial assets at fair values through other comprehensive income - noncurrent	64	341	0.36	341
		Kuo Tsung Development Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	200	-	1.06	-
		Kuo Tsung Construction Development Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	200	-	1.31	-

Securities held by	Kind and name of marketable securities		Relationship with the marketable securities issuer	General ledger account	At the end of year			
					Shares in thousands or unit expressed in thousands)	Carrying amount	Shareholding ratio (5)	Fair value
		Bridgestone Taiwan Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	934	69,318	1.15	69,318
		Com2B Corporation	—	Financial assets at fair values through other comprehensive income - noncurrent	750	-	1.67	-
		Grand Pacific Petrochemical Corporation - common shares	The Company's parent company	Financial assets at fair values through other comprehensive income - noncurrent	247	4,603	0.03	4,603
		Grand Pacific Petrochemical Corporation - preferred shares	The Company's parent company	Financial assets at fair values through other comprehensive income - noncurrent	1,776	61,094	8.88	61,094
		China Development Financial Holding Corporation	The Company is that company's director	Financial assets at fair values through other comprehensive income - noncurrent	12,110	117,830	0.08	117,830
GPPC INVESTMENT CORP.	Stock	YODN Lighting Corp.	—	Financial assets at fair values through other comprehensive income - noncurrent	631	3,345	3.54	3,345
	Partnership	China Development Asset Management Corporation's advantageous venture capital limited partnership	—	Financial assets at fair values through other comprehensive income - noncurrent	-	85,723	-	85,723
	Fund	KGI Victory Money Market Fund	—	Financial assets at fair value through profit or loss - current	215	2,504	-	2,504
GPPC Hospitality And Leisure Inc.	Fund	KGI Victory Money Market Fund	—	Financial assets at fair value through profit or loss - current	1,585	18,420	-	18,420
GPPC Development Co., Ltd.	Fund	KGI Victory Money Market Fund	—	Financial assets at fair value through profit or loss - current	11,016	128,045	-	128,045
Goldenpacific Equities Ltd.	Partnership	CDIB Capital Asia Partners L.P.	—	Financial assets at fair values through other comprehensive income - noncurrent	-	163,125	-	154,211
		CDIB Capital Global Opportunities Fund L.P.	—	Financial assets at fair values through other comprehensive income - noncurrent	-	237,669	-	139,248
Videoland Inc.	Stock	China Life Insurance Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	107,882	2,761,780	2.42	2,761,780
		China Development Financial Holding Corporation	—	Financial assets at fair values through other comprehensive income - noncurrent	55,504	540,050	0.37	540,050
	Stock	Jeoutai Technology Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	2,007	$67,687	5.96	$67,687
		Global Mobile Corp.	—	Financial assets at fair values through other comprehensive income - noncurrent	1,440	-	0.52	-
		Great Dream Pictures, Inc.	—	Financial assets at fair values through other comprehensive income - noncurrent	1,000	5,750	9.98	5,750
	Partnership	CDIB Capital Asia Partners L.P.	—	Financial assets at fair values through other comprehensive income - noncurrent	-	139,853	-	139,853

4) Buy or sale of the same marketable security with the accumulated amount reaching NT$300 million or 20% of paid-in capital or more

Company of Buy/sale	Kind and Name of security	General ledger account	Transaction object	Relationship	At Beginning of year		Buy		Sale				At end of year	
					Unit expressed in thousands	Amount	Unit expressed in thousands	Amount	Unit expressed in thousands	Selling price	Carrying cost	Disposal of gain (loss)	Unit expressed in thousands	Amount
Grand Pacific Petrochemical Corporation	KGI Victory Money Market Fund	Financial assets at fair value through profit or loss - current	Open trading market	-	-	-	94,538	$1,095,000 80(Note1)	92,538	$1,073,174	$1,071,833	$1,341	2,000	$23,247
Videoland Inc.	China Life Insurance Co., Ltd.	Financial assets at fair values through other comprehensive income - noncurrent	Centralized Trading Market	-	94,428	$2,629,821	18,454	380,153	5,000	124,560	51,765 196,429(Note 1)	72,795	107,882	2,761,780
Land & Sea Capital Corp.	Zhangzhou Chimei Chemical Co., Ltd.	Investments accounted for using the equity method	Capital increase in cash	-	-	717,809	-	477,374	-	-	- 57,806(Note 2)	-	-	1,137,377

Note: (1) As the amount including investment in equity instruments evaluation profit or loss at fair value through profit loss/other comprehensive income and gain on disposal of investment directly transferred to retained earnings.

(2) Evaluation adjustments accounted for using the equity method.

5) Acquisition of property reaching NT$300 million or 20% of paid-in capital or more: Nil

6) Disposal of property reaching NT$300 million or 20% of paid-in capital or more: Nil

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Purchase (sale) company	Name of transaction object	Relationship	Descriptions of transaction				Description and reasons for difference in transaction terms compared to general transaction		Notes or accounts receivable (payable)	
			Purchas(sales of goods	Amount	Percentage of total purchases (sales)	Grand period	Unit price	Grand period	Balance	Percentage of total notes or accounts receivable (payable)
Grand Pacific Petrochemical Corporation	GPPC Chemical Corporation	The Company's subsidiaries	Sales	$1,286,974	7.93%	Based on sales contracts	The purchase or selling price under the contract is based on the mean price in the three regions, that is, FOB Korea, CFR Taiwan, and CFR SE Asia, in the respective issues of Styrene intelligence reports for the month according to Platt's Far East Petrochemical Scan.	To be settled at the end of each month and paid off 45 days following settlement, if the payment is not received as scheduled, the interest will be calculated at the one-year time deposit annual rate of the Bank of Taiwan as of January 1 of the specific year, however, is limited to 3 months at maximum.	$12,611	0.92%
GPPC Chemical Corporation	Grand Pacific Petrochemical Corporation	The Company's parent company	Purchase	1,286,974	83.43%	Based on purchase contracts	The purchase or selling price under the contract is based on the mean price in the three regions, that is, FOB Korea, CFR Taiwan, and CFR SE Asia, in the respective issues of Styrene intelligence reports for the month according to Platt's Far East Petrochemical Scan.	To be settled at the end of each month and paid off 45 days following settlement, if the payment is not received as scheduled, the interest will be calculated at the one-year time deposit annual rate of the Bank of Taiwan as of January 1 of the specific year, however, is limited to 3 months at maximum.	(12,611)	(57.78%)

8) Receivable from related parties reachingNT$100 million or 20% of paid-in capital or more: Nil

9) Trading in derivative instruments: Nil

10) Significant impact either directly or indirectly, name, location and such information of investees under control or joint ventures (excluding investment in Mainland China)

Name of investor	Name of investee	Location	Main business	Original investments		Holding status at end of year			Current profit/loss of the investee	Profit/loss recognized by the Company	Notes
				Ending balance of current year	Ending balance of prior period	Shares in thousands	Shareholding ratio (%)	Carrying amount			
Grand Pacific Petrochemical Corporation	GPPC Chemical Corporation	No.66, Changxing Rd., Luzhu Dist., Kaohsiung City	Production and sale of impact-resistant and flame-resistant polystyrene	$462,953	$462,953	54,200	100.00	$675,530	$71,268	$69,317	The investment profit/loss recognized including deducted with cash dividend received from parent company $1,066 and deducted NT$885 as the difference in entity base or consolidated base view points.
	GPPC Investment Corp.	10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City	Investment business	170,307	170,307	22,032	81.60	270,250	(10,560)	(8,618)	
	GPPC Development Co., Ltd.	10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City	General hotel business	50,000	-	5,000	38.46	49,531	(1,123)	(469)	Comprehensive shareholding up to control force
	Videoland Inc.	3F, No.480, Ruiguang Rd., Neihu Dist., Taipei City	Radio and television program production, domestic and foreign film copying, domestic film production, distribution, trading and other services	1,536,404	1,536,404	71,093	62.29	4,419,707	213,644	133,080	
	KK Enterprise Co., Ltd.	No.1, Ziqiang 3rd Rd., Nangang Industrial Zone, Nantou City	Manufacture, wholesale and retail of various trademark paper, glue paper and PU Resin	110,190	130,026	7,934	15.73	138,760	33,473	5,264	Comprehensive shareholding up to control force
	Goldenpacific Equities Ltd.	British Virgin Islands	Investment business	10,510	10,510	75	100.00	665,141	10,687	10,687	
	Land & Sea Capital Corp.	British Virgin Islands	Investment business	2,817,223	2,817,223	86,319	100.00	8,375,683	1,139,766	1,124,585	The recognized investment profit and/or loss including adjustment with difference between the entity base and combination base to reduce by NT$15,181
GPPC Investment Corp.	GPPC Hospitality And Leisure Inc.	1F, No.26, Lane 295, Sec. 1, Dunhua S. Rd., Taipei City	Catering service business	40,000	40,000	4,000	100.00	39,586	(10,648)	(10,648)	
Videoland Inc.	KK Enterprise Co., Ltd.	No.1, Ziqiang 3rd Rd., Nangang Industrial Zone, Nantou City	Manufacture, wholesale and retail of various trademark paper, glue paper and PU Resin	238,248	280,862	17,046	33.79	$298,074	33,473	11,314	
	GPPC Investment Corp.	10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City	Investment business	35,372	35,372	4,968	18.40	57,522	(10,560)	(1,942)	Comprehensive shareholding with significant power of influence
	GPPC Development Co., Ltd.	10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City	General hotel business	29,873	-	3,000	23.08	29,724	(1,123)	(308)	
KK Enterprise Co., Ltd.	K.K. Chemical Company Limited	Hong Kong	Trademark paper, glue paper and such business	5,255	5,255	125	49.90	4,262	(144)	(72)	With control force
	Dragon King Inc.	Samoa	Outward investment business	3,258	3,258	100	100.00	4,763	(31)	(31)	
	KK Enterprise (Malaysia) Sdn.Bhd. Bhd.	Malaysia	Trademark paper, glue paper and such business	15,995	15,995	1,680	70.00	57,180	9,911	6,938	

(3) Information on investments in Mainland China

Name of investors	Name of investee in China	Main business lines	Paid-in capital	Method of investment	Beginning amount of accumulated investment with outward remittance from Taiwan this year	Amount of investment remitted outward or retrieved this year		Ending amount of accumulated investment with outward remittance from Taiwan this year	Profit or loss of investees this year Note (5)	The Company's shareholding ratio either directly or indirectly investment Note (4)	Investment gain /loss recognized in the year Note (5)	Carrying amount of investment at end of year Note (4)	Investment gains having been received at end of year
						Outward remittance	Retrieval						
Grand Pacific Petrochemical Corporation	Zhenjiang Chimei Chemical Co., Ltd.	Production and sales of series products and their products using styrene as raw materials and various chemical raw materials and fuel oil handling, storage and transportation and operation	USD368,850	Note (2)	$1,652,206 (USD52,830)	-	-	$1,652,206 (USD52,830)	$4,070,804	30.40%	$1,237,525 (USD40,775)	$5,460,356 (USD182,133)	$473,318 (USD15,496)
	Zhangzhou Chimei Chemical Co., Ltd.	Primary form plastics and synthetic resin manufacturing	CNY880,000	Note (2)	716,901 (USD23,340)	-	-	716,901 (USD23,340)	(49,528)	30.40%	(15,057) (USD496)	1,137,377 (USD37,938)	-
KK Enterprise Co., Ltd.	KK Enterprise (Zhongshan) Co., Ltd.	Trademark paper, glue paper and such business	HKD12,300	Note (3)	21,509 (HKD6,150)	-	-	21,509 (HKD6,150)	11,819	50.00%	5,949 Note (6)	64,986	45,491
	KK Enterprise (Kunshan) Co., Ltd.	Trademark paper, glue paper and such business	USD6,100	Note (1)	206,958 (USD5,168) (Machine USD827)	-	-	206,958 (USD5,168) (Machine USD827)	(7,569)	100.00%	(7,508) Note (6)	196,457	36,061

Name of investor	Amount of accumulated investment remitted from Taiwan to the Mainland China at end of year	Amounts of investment approved by Investment Commission, Ministry of Economic Affairs	Maximum limit of investment in Mainland China as promulgated by Investment Commission, Ministry of Economic Affairs (Note 7)
Grand Pacific Petrochemical Corporation	$2,369,107(USD76,170)	$3,051,304(USD101,778) (Note 8)	$16,339,246
KK Enterprise Co., Ltd.	$228,467 (USD5,168; HKD6,150 and machine USD827)	$228,467(USD5,995; HKD6,150)	$584,371

Note: (1) As direct investment.

(2) Investment in the Mainland China based firm through a company incorporated in a third territory after being approved by the government.

(3) Investment in the Mainland China based firm by outsourcing a company incorporated in a third territory after being approved by the government.

(4) The shareholding ratio and carrying amount of the investment at the end of the year, which is outward investment or investment outsourcing a third territory company either directly or indirectly

(5) Based on the financial statements audited/certified by other certified public accountants of the international Certified Public Accountant Firms in cooperation relationship with the Certified Public Accountant Firms of the Republic of China and other Certified Public Accountant (practicing) of the Company's Certified Public Accountant Firms to recognize the investment gains or losses accounted for using the equity method to the shareholding ratio of investment, either directly or indirectly.

(6) The investment gains and losses recognized in this current year including the realized, unrealized net gains and losses generated by the forward, countercurrent and side stream exchanges.

(7) Under the provisions of the Investment Commission, Ministry of Economic Affairs, the maximum limit for the amounts or percentages of accumulated investment toward Mainland China shall be 60% of the Company's net worth or the consolidated net worth (whichever was the higher).

(8) As of December 31, 2019, the amount of accumulated investment by the Company toward Mainland China as approved by the Investment Commission, Ministry of Economic Affairs totaled at US$187,731 thousand. Pursuant to Article 3 of "Principles for Investment or Technical Cooperation Review in the Mainland China", the amount of capital increase with earnings into Mainland China would not be counted into the accumulated investment. Besides, where the share capital or earnings of investment in Mainland China were remitted back to Taiwan by investor, the accumulated amount of investment could be deducted accordingly. The Company's earnings used for capital increase (additional investment) in

Mainland China as approved by the Investment Commission, Ministry of Economic Affairs came to US$70,457 thousand and the surplus remitted back amounted to US$15,496 thousand, which had both been deducted from the cumulative amounts of approved investment in Mainland China.

(9) The foreign currency amounts in this Table are converted to New Taiwan Dollars the exchange rate quoted on the balance sheet date, except that the amount of investment remitted outward from Taiwan which was measured at historical exchange rates.

2) Significant transactions occurring with Mainland China based investees via a third territory directly or indirectly as follows:

A. Ending balance and percentage of payables regarding purchase amounts & percentage: Nil

B. Ending balance and percentage of receivables regarding sales amounts & percentage:

① Year Ended December 31, 2019 & December 31, 2019

		Sales revenues		Accounts receivable	
Company name of sales	Name of transaction object	Amount	Percentage of net sales	Amount	Percentage of total accounts receivable
Grand Pacific Petrochemical Corporation	Zhenjiang Chimei Chemical Co., Ltd.	$ 8,150	0.05%	$ 1,271	0.09%
KK Enterprise Co., Ltd.	KK Enterprise (Zhongshan) Co., Ltd.	422	0.05%	122	0.09%
KK Enterprise Co., Ltd.	KK Enterprise (Kunshan) Co., Ltd.	13,192	1.41%	3,064	2.37%

② Year Ended December 31, 2018 & December 31, 2018

		Sales revenues		Accounts receivable	
Company name of sales	Name of transaction object	Amount	Percentage of net sales	Amount	Percentage of total accounts receivable
Grand Pacific Petrochemical Corporation	Zhenjiang Chimei Chemical Co., Ltd.	$ 3,382	0.02%	$ 735	0.04%
KK Enterprise Co., Ltd.	KK Enterprise (Zhongshan) Co., Ltd.	506	0.05%	111	0.09%
KK Enterprise Co., Ltd.	KK Enterprise (Kunshan) Co., Ltd.	26,592	2.78%	3,265	2.68%

③ The transactions terms and conditions had been conducted as per the specified selling prices. The payments were collected 30 days – 90 days maturity after account settlement on a monthly basis.

C. Amounts in property transaction and amount of profit or loss so incurred: Nil

D. Ending balance of the endorsements/guarantees of notes or the collateral provided: Nil

E. The highest balance of fund financing, ending balance, interest rate range and total amount of interest in the current year: Nil

F. Other transactions that had a significant impact on the current profit/loss or financial status: Nil

14. Information of the operating segments

The Company already disclosed related information of the operating segments in the consolidated financial statements and hence the disclosure is not required in the individual financial statement.