GPPC Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31,2018 and2017and Independent Auditors' Report

Declaration on the Consolidated Financial Statement of Associated Enterprises

Companies that should be included in the compiled Consolidated Financial Statement of the Associated Enterprises for 2018 (from January 1, 2018 to December 31, 2018) in accordance with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of the Affiliated Enterprises are identical to those that should be compiled in the Consolidated Statement of Parent Company and Subsidiaries per the International Financial Reporting Standard 10 and all the information that should be disclosed in the Consolidated Financial Statement of the Associated Enterprises has been disclosed in the Consolidated Statement of Parent Company and Subsidiaries. Therefore, the Consolidated Financial Statement of Associated Enterprises is not prepared separately.

Please take note of the above declaration.

Name of Company: Grand Pacific Petrochemical Corporation

Person in Charge: Pin-Cheng Yang

March 21, 2019

Grand Pacific Petrochemical Corporation and Its Subsidiaries
CPA Audit Report

For review by Grand Pacific Petrochemical Corporation Company

Audit Opinions

We, as the CPAs, have completed the audit of the consolidated balance sheets dated December 31 of 2018 and 2017 and the consolidated comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flows, and consolidated financial statement from January 1 to December 31 of 2018 and 2017, including summaries of major accounting policies of Grand Pacific Petrochemical Corporation and its subsidiaries.

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 consolidated financial statement, in all major respects, was prepared in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and international financial reporting standards, international accounting standards, interpretations, and interpretation announcements approved and released to take effect by the Financial Supervisory Commission and hence are sufficient to show the consolidated financial standing of Grand Pacific Petrochemical Corporation and its subsidiaries as of December 31, 2018 and 2017 and the consolidated financial performance and consolidated cash flows between January 1 and December 31, 2018 and 2017.

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 consolidated 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 the Grand Pacific Petrochemical Corporation and its subsidiaries 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 2018 consolidated financial statement of Grand Pacific Petrochemical Corporation and its subsidiaries. Such matters were addressed throughout the audit of the consolidated 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 2018 consolidated financial statement of Grand Pacific Petrochemical Corporation and its subsidiaries 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 income from various types of transactions as one of the key matters being audited.

For the accounting policy on the recognition of income, please refer to Note 4 (34) of the consolidated financial statement. For information on accounting items for income, please refer to the disclosure in Note 6 (36) of the consolidated 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 income from various types of transactions 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 sale and items involved in the sale with Top 10 customers in respective transaction patterns and evaluate the legitimacy of the 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 transactions in the respective patterns that take place before and after the balance sheet date and verify them against related certificates in order to evaluate the accuracy of the timing when income is recognized.

Cash and cash equivalents

As of December 31, 2018, the book value of cash and cash equivalents and time deposits and callable bonds with the original expiration date more than three months away (under other financial assets - current in the statement) held by Grand Pacific Petrochemical Corporation and its subsidiaries totaled $5,417,028 thousand, accounting for around 18% of the consolidated total asset value. The value is significant for the overall consolidated financial statement. Due to the fact that congenital risk exists for cash and cash equivalents and time deposits and callable bonds with the original expiration date more than three months away, we list them as part of the key matters being audited.

For the accounting policy on cash and cash equivalents, please refer to Note 4 (6) of the consolidated financial statement. For information on the accounting items for cash and cash equivalents and time deposits and callable bonds with the original expiration date more than three months away, please refer to the disclosure in Note 6(1) and (8) of the consolidated financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

1. Evaluate and test the validity of the internal control system for cash and cash equivalents and time deposits and callable bonds with the original expiration date more than three months away in terms of its design and implementation.
2. Randomly inspect and verify related transaction certificates for major income and payments in cash and review the adequacy of the approval power.
3. Obtain the statement of the balance of cash and cash equivalents and time deposits and callable bonds with the original expiration date more than three months away and verify against the bank reconciliation statement and related transaction certificates in order to confirm the presence. In addition, for external confirmations from current financial institutions, verify the value included in the confirmations and check if there are restrictions and they are adequately disclosed.

<u>Impairment evaluation of real estate, plants, and equipment, investment-oriented property and intangible assets (including good will)</u>

As of December 31, 2018, the book value of real estate, plants, and equipment, investment-oriented property and intangible assets owned by Grand Pacific Petrochemical Corporation and Its subsidiaries totaled $ 8,181,386 thousand, accounting for around 28% of the total consolidated asset value and the value is significant for the overall consolidated 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, investment-oriented property and intangible assets 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, investment-oriented property and intangible assets, refer to Notes 4 (19), (21), (22), and (24). For information on accounting items for real estate, plants, and equipment, investment-oriented property and intangible assets, please refer to the disclosure in Note 6 (14), (15), and (16) of the consolidated 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 and its subsidiaries as of December 31, 2018 adopting the equity method totaled $ 6,227,702 thousand, accounted for around 21% of the total consolidated asset value. The net comprehensive income recognized with the equity method came to $ 639,422 thousand, accounting for around 23% of the total consolidated income. The impacted value is significant to the overall consolidated 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 (18) of the consolidated financial statement. For information on accounting items for investments adopting the equity method, please refer to the disclosure in Note 6 (13) of the consolidated 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. Read the financial statements of underlying entities and audit reports from other CPAs and review important findings and issues identified during audit to facilitate communication and understanding and accordingly evaluate the audit task performed by and audit results from other CPAs of underlying entities.

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 4 (3)-2 and Note 6 (13) of the consolidated financial statement, some subsidiaries in the consolidated financial statement of the Grand Pacific Petrochemical Corporation and its subsidiaries are included - K.K. Chemical Company Limited and KK Enterprise (Malaysia) Sdn. Bhd. and investments adopting the equity method－We did not audit the financial statements of the Zhenjiang Chimei Chemical Company Limited; they were audited by other CPAs. Among the opinions we expressed on the above-mentioned consolidated 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 consolidated financial statement are completed based on audit reports from other CPAs. The total asset values of the said subsidiaries mentioned above as of December 31, 2018 and 2017, were $153,815 thousand and $150,937 thousand, accounting for 0.52% and 0.54% of the total consolidated asset value, respectively. The net worth of operating income from January 1 to December 31, 2018 and 2017, was $172,584 thousand and $164,778 thousand, accounting for 0.70% and 0.71% of the net worth of operating income, respectively. In addition, the related investment balance of invested companies adopting the equity method as mentioned above as of December 31, 2018 and 2017, was $5,509,893 thousand and $5,500,309 thousand, accounting for 18.45% and 19.64% of the total consolidated asset value, respectively. The net worth of comprehensive income from January 1 to December 31, 2018 and 2017, was $638,514 thousand and $1,917,430 thousand, accounting for 22.94% and 54.28% of the total consolidated comprehensive income, respectively.

Other Matters - Individual Financial Statement

Individual financial statements of 2018 and 2017 have been prepared by Grand Pacific Petrochemical Corporation and have been documented in the Audit Report without reservation in the opinions expressed issued by the CPAs; they are submitted for your reference.

Responsibilities of Management and Governance Unit for Consolidated Financial Statement

The management is responsible for preparing an adequately expressed consolidated financial statement in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and international financial reporting standards, international accounting standards, interpretations, and interpretation announcements approved and released to take effect by the Financial Supervisory Commission and maintaining necessary internal control relevant to the compilation of the consolidated financial statement in order to ensure that no significant untruthful expressions caused by frauds or errors exist in the consolidated financial statement.

While preparing the consolidated financial statement, the management is responsible for also evaluating the ability of Grand Pacific Petrochemical Corporation and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries is responsible for supervising the financial reporting process.

Responsibilities of CPAs in Inspecting Consolidated Financial Statement

We audit the consolidated financial statement in order to be reasonably convinced as to whether the consolidated 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 the existence of significant untruthful expressions in the consolidated 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 consolidated 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 consolidated 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, forgery, 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 and its subsidiaries 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 consolidated 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 and its subsidiaries no longer capable of continuing with operation.
5. Evaluate the overall expression, structure, and contents of the consolidated financial statement (including related notes) and whether or not the consolidated 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 its subsidiaries and express opinions about the consolidated financial statement. The CPAs are responsible for providing guidance on, supervising and implementing audits and for coming up with audit opinions for the Group.

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 2018 consolidated financial statement audit of Grand Pacific Petrochemical Corporation and its subsidiaries. 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.

The engagement partners on the audit resulting in this independent auditors' report are Ying-Jia Xiao and Shu-Chang Wang

Crowe Horwath International
Approval document number: FSC Review No.10200032833
March 21, 2019

<u>Notice to Readers</u>

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

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

Grand Pacific Petrochemical Corporation and Its Subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2017

Unit: NTD 1,000

Code	Assets	December 31, 2018		December 31, 2017	
		Value	%	Value	%
11xx	Current Assets	$ 10,852,015	36	$ 9,474,318	34
1100	Cash and Cash Equivalents (Note 6(1))	2,729,454	9	2,122,753	8
1110	Financial Assets at Fair Value through Income - Current (Note 6(2))	39,020	-	-	-
1140	Contract Assets - Current (Note 6(36))	60,364	-	-	-
1150	Net Worth of Notes Receivables (Note 6(3))	394,217	1	392,248	2
1170	Net Worth of Accounts Receivables (Note 6(4))	2,606,345	9	2,859,659	10
1180	Accounts Receivable - Related Party (Notes 6(4) and 7)	735	-	-	-
1200	Other Receivables (Note 6(5))	81,641	-	53,425	-
1220	Income Tax Assets of Current Term (Note 6(41))	310	-	55	-
1310	Net Worth of Inventory (Note 6(6))	1,980,783	7	2,023,166	7
1410	Advance Payment (Note 6(7))	93,541	-	87,698	-
1476	Other Financial Assets - Current (Notes 6(8) and 8)	2,698,945	9	1,676,020	6
1479	Other Current Assets - Others (Note 6(9))	166,660	1	259,294	1
15xx	Non-current Assets	19,007,886	64	18,525,597	66
1517	Financial Assets at Fair Value through Other Comprehensive Income - Non-current (Note 6(10))	4,220,226	14	-	-
1523	Financial Assets Available for Sale - Non-current (Note 6(11))	-	-	3,570,483	13
1543	Financial Assets Carried at Cost - Non-current (Note 6(12))	-	-	459,269	2
1550	Investment with the Equity Method (Note 6(13))	6,227,702	21	5,500,309	19
1600	Property, Plant, and Equipment (Notes 6(14) and 8)	7,427,473	25	7,778,233	28
1760	Net Worth of Investment-oriented Property (Note 6(15))	79,843	-	80,866	-
1780	Intangible Assets (Note 6(16))	674,070	3	674,070	3
1840	Deferred Income Tax Assets (Note 6(41))	49,358	-	44,905	-
1920	Refundable Deposits (Note 6(17))	16,664	-	17,089	-
1985	Long-term Pre-paid Rent (Note 6(18))	9,130	-	9,602	-
1990	Other Non-current Assets - Others (Note 6(19))	303,420	1	390,771	1
1xxx	Total of Assets	$ 29,859,901	100	$ 27,999,915	100

Grand Pacific Petrochemical Corporation and Its Subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2017

Unit: NTD 1,000

Code	Liabilities and Equities	December 31, 2018 Value	%	December 31, 2017 Value	%
21xx	Current Liabilities	$ 2,877,053	9	$ 3,131,118	11
2100	Short-term Borrowing (Note 6(20))	2,833	-	37,581	-
2130	Contract Assets - Current (Note 6(36))	43,819	-	-	-
2150	Notes Payable	78,620	-	74,861	-
2170	Accounts Payable	1,470,375	5	1,869,657	7
2200	Other Payables (Note 6(21))	669,260	2	636,223	2
2230	Income Tax Liabilities of Current Term (Note 6(41))	586,361	2	402,037	2
2250	Liability Reserve - Current (Note 6(22))	17,015	-	17,072	-
2310	Advance Receipts (Note 6(23)	152	-	44,054	-
2355	Payable Lease - Current (Note 6(26))	1,944	-	1,822	-
2399	Other Current Liabilities - Others (Note 6(24))	6,674	-	47,811	-
25xx	Non-current Liabilities	1,361,874	5	1,384,733	5
2550	Liability Reserve - Non-current (Note 6(25))	8,486	-	6,944	-
2570	Deferred Income Tax Liabilities (Note 6(41))	1,249,285	5	1,264,223	5
2613	Payable Lease - Non-current (Note 6(26))	991	-	-	-
2640	Defined Benefit Liability - Non-current (Note 6(27))	74,157	-	87,803	-
2645	Guarantee Deposits (Note 6(28))	4,962	-	1,420	-
2670	Other Non-current Liabilities - Others (Note 6(29))	23,993	-	24,343	-
2xxx	Total of Liabilities	4,238,927	14	4,515,851	16
31xx	Equities That Belong to Clients of Parent Company				
3100	Share Capital (Note 6(30))	9,266,203	31	9,266,203	33
3110	Common Stocks	9,066,203	30	9,066,203	32
3120	Preferred Stocks	200,000	1	200,000	1
3200	Additional Paid-in Capital (Note 6(31))	180,533	1	147,446	-
3300	Retained Earnings (Note 6(32))	12,608,192	42	10,538,796	38
3310	Legal Reserve	1,494,452	5	1,165,588	4
3320	Special Reserve	1,640,828	5	1,658,208	6
3350	Undistributed Earnings	9,472,912	32	7,715,000	28
3400	Other Equities (Note 6(33))	739,639	2	887,872	3
3410	Exchange Differences on Translation of Foreign Financial Sta	(206,080)	(1)	(119,538)	-
3420	Financial Assets at Fair Value through Other Comprehensive I	945,719	3	-	-
	Unrealized Income				
3425	Unrealized Income from Financial Assets Available for Sale	-	-	1,007,410	3
3400	Treasury Stock (Note 6(34))	(55,577)	-	(122,170)	-
31xx	Total of Equities That Belong to Clients of Parent Company	22,738,990	76	20,718,147	74
36xx	Uncontrolled Equities (Note 6(35))	2,881,984	10	2,765,917	10
3xxx	Total of Equities	25,620,974	86	23,484,064	84
3x2x	Total of Liabilities and Equities	$ 29,859,901	100	$ 27,999,915	100

Grand Pacific Petrochemical Corporation and Its Subsidiaries
Consolidated Comprehensive Income Statement
January 1 through December 31, 2018 and 2017

Unit: NTD 1,000

Code	Item	January 1 through December 31, 2018 Value	%	January 1 through December 31, 2017 Value	%
4000	Operating Revenue (Note 6(36))	$ 24,741,138	100	$ 23,350,965	100
5000	Operating Cost (Notes 6(6) and (40))	(20,685,790)	(84)	(19,556,980)	(84)
5900	Gross Operating Margin	4,055,348	16	3,793,985	16
6000	Operating Expenses (Note 6(40))	(1,316,510)	(5)	(1,310,168)	(5)
6100	Selling Expense	(302,890)	(1)	(283,842)	(1)
6200	Management Expense	(979,786)	(4)	(984,074)	(4)
6300	Research and Development Expense	(38,935)	-	(42,252)	-
6450	Reversal Amount of Expected Credit Impairment Loss (Note 6(4))	5,101	-	-	-
6900	Net Operating Profit	2,738,838	11	2,483,817	11
	Non-operating Income and Expenditure				
7010	Other Income (Note 6(37))	268,869	1	225,014	1
7020	Other Interest and Loss (Note 6(38))	62,661	-	(71,995)	-
7050	Financial Cost (Note 6(39))	(1,835)	-	(1,438)	-
7060	Share of Profit of Associates and Joint Ventures Accounted for (Note 6(13))	988,415	4	1,547,677	6
7000	Total of Non-operating Income and Expenditure	1,318,110	5	1,699,258	7
7900	Income from Continuing Operation before Tax	4,056,948	16	4,183,075	18
7950	Income Tax Expense (Note 6(41))	(906,207)	(4)	(735,425)	(3)
8200	Net Profits of Current Term	3,150,741	12	3,447,650	15
	Other Comprehensive Income				
	Items Not Re-categorized to Income				
8316	Investment in Equity Instruments at Fair Value through Other Unrealized Valuation Income (Note 6(10))	(280,712)	(1)	-	-
8311	Re-measurement of Defined Benefit Plans (Note 6(27))	1,822	-	(1,765)	-
8349	Income Tax Associated with Items Not Re-categorized (Note	2,158	-	425	-
8310	Total of Items Not Re-categorized to Income	(276,732)	(1)	(1,340)	-
	Items Possibly Re-categorized to Income Later				
8361	Exchange Differences on Translation of Foreign Financial	223,298	1	(481,153)	(2)
8362	Unrealized Valuation Gains of Financial Assets Available for Sale	-	-	234,492	1
8370	Share of Other Comprehensive Income of Associates and Joint - Items Possibly Re-categorized to Income (Note 6(13))	(348,993)	(1)	369,753	1
8399	Income Tax Associated with Items Possibly Re-categorized to	34,990	-	(36,975)	-
8360	Items Possibly Re-categorized to Income Later	(90,705)	-	86,117	-
8300	Other Comprehensive Income of Current Term (Net Worth After	(367,437)	(1)	84,777	-
8500	Total of Comprehensive Income of Current Term	$ 2,783,304	11	$ 3,532,427	15
8600	Net Profits Belong to:				
8610	Clients of Parent Company	$ 2,960,106	12	$ 3,288,642	14
8620	Uncontrolled Equities (Note 6(35))	190,635	-	159,008	1
		$ 3,150,741	12	$ 3,447,650	15
8700	Comprehensive Income Total Belongs to:				
8710	Clients of Parent Company	$ 2,633,570	11	$ 3,310,967	14
8720	Uncontrolled Equities (Note 6(35))	149,734	-	221,460	1
		$ 2,783,304	11	$ 3,532,427	15
	Earnings per Share of Common Stock: (NT$) (Note 6(43)				
9750	Fundamental Earnings per Share	$ 3.26		$ 3.64	
9850	Diluted Earnings per Share	$ 3.25		$ 3.63	

Grand Pacific Petrochemical Corporation and Its Subsidiaries

Consolidated Statement of Changes in Equity

January 1 through December 31, 2018 and 2017

Unit: NTD 1,000

Code	Item	Share Capital: Common Stocks	Share Capital: Preferred Stocks	Additional Paid-in Capital	Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Undistributed Earnings	Other Equities: Exchange Differences on Translation of Foreign Financial	Other Equities: Unrealized Income from Financial Assets at Fair Value through Other	Other Equities: Available for Sale Financial Assets Unrealized Income	Treasury Stock	Equities That Belong to Clients of Parent Company	Uncontrolled Equity	Total of Equities
A1	Balance as of January 1, 2017	$ 9,066,203	$ 200,000	$ 123,604	$ 925,519	$ 1,700,322	$ 5,566,215	$ 27,250	$ -	$ 835,015	($ 199,604)	$ 18,244,524	$ 2,602,695	$ 20,847,219
	Appointment and Distribution of Earnings 2016:													
B1	Appropriation of Legal Reserve	-	-	-	240,069	-	(240,069)	-	-	-	-	-	-	-
B17	Turnover of Special Reserve	-	-	-	-	(42,114)	42,114	-	-	-	-	-	-	-
B5	Common Stock Cash Dividends	-	-	-	-	-	(906,620)	-	-	-	-	(906,620)	(40,616)	(947,236)
B7	Preferred Stock Cash Dividends and Stock Dividends	-	-	-	-	-	(32,000)	-	-	-	-	(32,000)	-	(32,000)
C3	Other Changes in Additional Paid-in Capital: As a result of accepting gifts	-	-	1,067	-	-	-	-	-	-	-	1,067	4	1,071
L7	Disposal of parent company shares by subsidiaries is considered as a transaction of treasury stocks	-	-	13,455	-	-	-	-	-	-	77,434	90,889	-	90,889
M1	Adjustment of Additional Paid-in Capital Due to Issuan	-	-	9,320	-	-	-	-	-	-	-	9,320	-	9,320
D1	Net Profits from January 1 to December 31, 2017	-	-	-	-	-	3,288,642	-	-	-	-	3,288,642	159,008	3,447,650
D3	Other Comprehensive Income After Tax from January 1 to December 31, 2017	-	-	-	-	-	(3,282)	(146,788)	-	172,395	-	22,325	62,452	84,777
O1	Decrease in Uncontrolled Equity (Cash Capital Decrease of Subsidiary)	-	-	-	-	-	-	-	-	-	-	-	(17,626)	(17,626)
Z1	Balance as of December 31, 2017	$ 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	$ 2,765,917	$ 23,484,064
A1	Balance as of 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	$ 2,765,917	$ 23,484,064
A3	Effect of Retrospective Application and Retrospective Restatement (Note 3(1))	-	-	-	-	-	42,398	-	1,191,225	(1,007,410)	-	226,213	12,745	238,958
	Appointment and Distribution of Earnings 2017:													
B1	Appropriation of Legal Reserve	-	-	-	328,864	-	(328,864)	-	-	-	-	-	-	-
B17	Turnover of Special Reserve	-	-	-	-	(17,380)	17,380	-	-	-	-	-	-	-
B5	Common Stock Cash Dividends	-	-	-	-	-	(906,620)	-	-	-	-	(906,620)	(46,416)	(953,036)
B7	Preferred Stock Cash Dividends and Stock Dividends	-	-	-	-	-	(32,000)	-	-	-	-	(32,000)	-	(32,000)
C3	Other Changes in Additional Paid-in Capital: As a result of accepting gifts	-	-	1,732	-	-	-	-	-	-	-	1,732	4	1,736
L7	Disposal of parent company shares by subsidiaries is considered as a transaction of treasury stocks	-	-	28,266	-	-	-	-	-	-	66,593	94,859	-	94,859
M1	Adjustment of Additional Paid-in Capital Due to Issuan	-	-	3,089	-	-	-	-	-	-	-	3,089	-	3,089
D1	Net Profits from January 1 to December 31, 2018	-	-	-	-	-	2,960,106	-	-	-	-	2,960,106	190,635	3,150,741
D3	Other Comprehensive Income After Tax from January 1 to December 31, 2018	-	-	-	-	-	5,512	(86,542)	(245,506)	-	-	(326,536)	(40,901)	(367,437)
Z1	Balance as of 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	$ 2,881,984	$ 25,620,974

Grand Pacific Petrochemical Corporation and Its Subsidiaries
Consolidated Statement of Cash Flows
January 1 through December 31, 2018 and 2017

Unit: NTD 1,000

Code	Item	January 1 through December 31, 2018	January 1 through December 31, 2017
AAAA	Cash Flows from Operating Activities:		
A00010	Income from Continuing Operation before Tax	$ 4,056,948	$ 4,183,075
A20000	Adjusted Items:		
A20010	Income Charges (Credits) not Affecting Cash		
A20100	Depreciation Cost (including depreciation listed for investment-oriented properties)	856,561	879,591
A20200	Amortized Expenses	741,235	922,026
A20400	Net (Profit) Loss of Financial Assets at Fair Value through Income	(20)	24
A20900	Interest Expense	1,835	1,438
A21200	Interest Income	(67,249)	(34,992)
A21300	Dividend Income	(156,062)	(154,091)
A22300	Share of Profit of Associates and Joint Ventures Accounted for Using the Equity Method	(988,415)	(1,547,677)
A22500	Net Loss from Disposing and Scrapping of Property and Equipment	943	5,779
A22600	Transfer Fees of Property, Plant, and Equipment	46,031	21,726
A23100	Profits from Disposing Investments	(94)	(57)
A23500	Impairment Loss of Financial Assets	-	540
A23700	Impairment Loss of Non-Financial Assets	10,007	22,366
A20010	Total of Income Charges (Credits) not Affecting Cash	444,772	116,673
A30000	Variation in Assets/Liabilities Related to Operating Activities		
A31110	Net Decrease in Financial Assets Available for Transaction	-	130,060
A31115	Net Increase in Financial Assets Measured Compulsorily at Fair Value through Income	(38,906)	-
A31125	Increase in Contract Assets	(60,364)	-
A31130	(Increase) Decrease in Notes Receivable	(1,969)	43,604
A31150	(Increase) Decrease in Accounts Receivable	253,314	(262,541)
A31160	Increase in Accounts Receivable - Related Party	(735)	-
A31180	Increase in Other Receivables	(13,447)	(21,521)
A31200	(Increase) Decrease in Inventory	42,383	(372,659)
A31230	Increase in Advance Payment	(5,843)	(1,234)
A31240	Decrease in Other Current Assets - Others	66	538
A32125	Decrease in Contract Liability	(111)	-
A32130	Increase (Decrease) in Notes Payable	3,759	(15,558)
A32150	Increase (Decrease) in Accounts Payable	(399,282)	99,722
A32180	Increase in Other Payables	36,627	71,227
A32200	Increase in Liability Reserve	1,485	3,233
A32210	Increase in Advance Receipts	28	31,067
A32230	Increase (Decrease) in Other Current Liabilities - Others	(41,137)	34,583
A32240	Decrease in Defined Benefit Liability	(11,824)	(48,189)
A30000	Total of Variation in Assets/Liabilities Related to Operating Activities	(235,956)	(307,668)
A33000	Case In-flows from Business Operation	4,265,764	3,992,080
A33100	Collected Interest	52,480	28,327
A33200	Collected Dividends	964,327	495,948
A33300	Paid Interest	(1,835)	(1,438)
A33500	Paid Income Tax	(704,381)	(504,128)
AAAA	Net Cash In-flows from Operating Activities	4,576,355	4,010,789

BBBB	Cash Flows from Investment Activities:		
B00010	Acquisition of Financial Assets at Fair Value through Other Comprehensive Income	(236,237)	-
B00030	Capital Allocation for Financial Assets at Fair Value through Other Comprehensive Income	9,585	-
B01200	Acquisition of Financial Assets Carried at Cost	-	(73,122)
B01400	Capital Allocation of Financial Assets Carried at Cost	-	8,833
B01800	Acquisition of Investments with the Equity Method	(716,901)	(52,080)
B02700	Cancellation of Property, Plant, and Equipment	(535,792)	(442,202)
B02800	Disposal of Property, Plant, and Equipment	241	182
B03800	(Increase) Decrease in Refundable Deposits	425	(395)
B06500	Increase in Other Financial Assets	(1,022,925)	(137,114)
B07100	Increase in Advance Payment for Equipment	-	(7,391)
B06700	Increase in Other Non-current Assets	(570,697)	(1,194,465)
BBBB	Net Cash Out-flows from Investment Activities	(3,072,301)	(1,897,754)
CCCC	Cash Flows from Fundraising Activities: (Note 6(42))		
C00200	Decrease in Short-term Borrowing	(34,748)	(57,725)
C03000	Increase in Guarantee Deposits	3,542	298
C04000	Decrease in Lease Payable	(2,776)	(3,688)
C04500	Issuance of Cash Dividend	(938,620)	(938,620)
C05000	Disposal of Treasury Stock	94,859	90,889
C09900	Additional Paid-in Capital Due to Return and Transfer of Dividend Unclaimed Past Deadline	1,736	1,071
C09900	Acquisition of Cash Dividend by Subsidiary from Parent Company	3,089	9,320
C09900	Subsidiary Issuance of Cash Dividend to Uncontrolled Equity	(46,416)	(40,616)
C09900	Subsidiary Paying Cash Capital Decrease Value to Uncontrolled Equity	(17,626)	(22,666)
CCCC	Net Cash Out-flows from Fundraising Activities	(936,960)	(961,737)
DDDD	Impacts of Fluctuating Exchange Rate on Cash and Cash Equivalents	39,607	(94,508)
EEEE	Increase in Cash and Cash Equivalents of Current Term	606,701	1,056,790
E00100	Balance of Cash and Cash Equivalents in Beginning of Term	2,122,753	1,065,963
E00200	Balance of Cash and Cash Equivalents at End of Term	$ 2,729,454	$ 2,122,753
E00210	Cash and Cash Equivalents Listed in Consolidated Balance Sheet	$ 2,729,454	$ 2,122,753

Grand Pacific Petrochemical Corporation and Its Subsidiaries

Notes to Consolidated Financial Statement

January 1 through December 31, 2018 and 2017

(Unless specified otherwise, the currency unit is NTD 1,000.)

I. Company History

Grand Pacific Petrochemical Corporation (hereinafter referred to as “the Company”) was approved to be established on September 25, 1973 according to the Company Act and other applicable laws and regulations. It was originally named Dadechang Petrochemical Corporation and the name was changed to Grand Pacific Petrochemical Corporation in 1985. The Company’s main scope of operation is as follows:

(I) Manufacturing of petrochemical raw materials

(II) Manufacturing of synthetic resin and plastics

(III) Manufacturing of other chemical products

(IV) Cogeneration, thermal energy supply, and international trade

(V) Operations that are not prohibited or restricted by law besides the said approved ones

The Company’s factory is located in Dashe District, Kaohsiung.

The Company’s stock started to be traded in the Taiwan Stock Exchange on December 21, 1988.

There is no ultimate parent company for the Company.

New Taiwan Dollar is the functional currency of the Company. Due to the fact that the Company is listed in Taiwan, for the sake of increased comparability and consistency, the consolidated financial statement herein is expressed in New Taiwan Dollar.

Unless specified otherwise, the Company and its subsidiaries consisting of the consolidated financial statement are referred to collectively as “the Group.”

II. Approval date and procedure of the financial statement

This consolidated financial statement was approved by the Board of Directors on March 21, 2019.

III) Newly Released and Revised Standards and Applicable Interpretation

(I) Impacts from the newly released and revised International Financial Reporting Standards adopted by the Financial Supervisory Commission (the “FSC”):

According to the FSC Review No. 1060025773 order dated July 14, 2017 and the FSC Review No. 1060023231 order dated June 28, 2017 from the Financial Supervisory Commission, the Group shall adopt the applicable international financial reporting standards (IFRS), international accounting standards (IAS), interpretations (IFRIC), and interpretation announcements (SIC) (hereinafter referred to as the “IFRSs”) released by the International Accounting Standards Board (hereinafter referred to as the "IASB") and approved by the Financial Supervisory Commission (hereinafter referred to as the “FSC”) to be applicable in 2018 while preparing financial statements.

The following summarizes the newly released, modified, and revised guidelines and interpretations of IFRSs approved by the FSC to be applicable in 2018:

The newly released/ modified/ revised guidelines and interpretations	An effective date released by the IASB
International Accounting Standard 7 Revision of "Disclosure Initiative"	January 1, 2017
The newly released/ modified/ revised guidelines and interpretations	An effective date released by the IASB
International Accounting Standard 12 Revision of “Deferred Tax Assets for Unrealised Losses ”	January 1, 2017
Annual improvement for the 2014-2016 - International Financial Reporting Standard 12 “Disclosure of Interests in Other Entities”	January 1, 2017
International Financial Reporting Standard 9 “Financial Instrument”	January 1, 2018
International Financial Reporting Standard 15 "Revenue from Contracts with Customer”	January 1, 2018
International Financial Reporting Standard 15 Revision of “Clarifications to IFRS 15 Revenue from ‘Contracts with Customers’ Issues emerging from TRG discussions”	January 1, 2018
International Financial Reporting Standard 2 Revision of “Classification and Measurement of Share-Based Payment Transactions”	January 1, 2018
International Financial Reporting Standard 4 Revision of “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
International Accounting Standard 40 Revision of "Transfers of Investment Property”	January 1, 2018
International Financial Reporting Interpretations Committee 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018
Annual improvement for the 2014-2016 - International Financial Reporting Standard 1 “First-time Adoption of International Financial Reporting Standards”	January 1, 2018
Annual improvement for the 2014-2016 - International Accounting Standard 28 “Investments In Associates And Joint Ventures”	January 1, 2018

Besides the descriptions below, it is evaluated by the Group that by applying the above-mentioned standards and interpretations it will not result in major impacts on the Group’s consolidated financial standing and consolidated financial performance:

1. International Financial Reporting Standard 9 "Financial Instruments"
   (1) Financial asset liability instruments are determined according to the business operation model and properties of contract cash flows. They can be categorized

into financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets measured at post-amortized cost. Financial asset equity instruments are categorized as financial assets at fair value through profit or loss, unless an enterprise makes an irreversible choice to recognize the fair value of equity instruments not meant for purpose of transaction under other comprehensive income.

(2) For the impairment assessment of financial asset liability instruments, the expected credit loss model shall be adopted. Whether there is significant increase in the credit risk of the said instruments is evaluated on each balance sheet date so that the 12-month expected credit loss or the expected credit loss for the duration (Interest income prior to occurrence of impairment is estimated according to the total book value of assets) applies. If impairment has occurred, on the other hand, interest income following occurrence of impairment is estimated with the book net worth after allowance for bad debts is appropriated. For accounts receivable (excluding major financial components), allowance for bad debts is recognized according to the expected credit loss for the duration.

(3) IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosure” among other standards are amended accordingly as well. Based on the transitional requirements of IFRS 9, the Group evaluates the operational model and categorizes financial assets according to IFRS 9 to appropriate categories based on the facts and situations that were present on January 1, 2018 (initial date of application) and adjusts them retroactively and chooses not to re-arrange the comparison period. On January 1, 2018 the type of measure and book value of financial assets in the respective categories according to the decisions based on IAS 39 and IFRS 9 and their variation are summarized as follows:

	International Accounting Standard (IAS) 39		International Financial Reporting Standard (IFRS) 9		
Classification of Financial Asset	Measurement Type	Book value	Measurement Type	Book value	Description
Cash and cash equivalents	Loans and accounts receivable	$ 2,122,753	Post-amortized cost	$ 2,122,753	A
Notes, accounts receivable and other receivables	Loans and accounts receivable	3,305,332	Post-amortized cost	3,305,332	A
Other financial assets－current	Loans and accounts receivable	1,676,020	Post-amortized cost	1,676,020	A
Stock Investment of Tsec-Listed and OTC-Listed	Financial assets available for sale	3,570,483	Financial Assets at Fair Value through Other Comprehensive Income	3,570,483	B
The shares yet to be listed and limited partnership investment	Financial assets carried at cost	459,269	Financial Assets at Fair Value through Other Comprehensive Income	698,227	B
Refundable deposits	Loans and accounts receivable	17,089	Post-amortized cost	17,089	A

Item	January 1, 2018 Book value (IAS 39)	Re-categorized	Re-measured	January 1, 2018 Book value (IAS 39)	January 1, 2018 Effect of Retained Earnings	January 1, 2018 Effect of Other Equities
Financial assets at fair value through other comprehensive profits or losses－Equity Instrument	$ -	$ 4,029,752	$ 238,958	$ 4,268,710	$ 47,739	$ 191,219
Increase: Re-categorized financial assets available for sale (IAS 39)	3,570,483	(3,570,483)	－	－	－	－
Increase: Re-categorized financial assets carried at cost (IAS 39)	459,269	(459,269)	－	－	－	－
Total	$ 4,029,752	$ -	$ 238,958	$ 4,268,710	47,739	191,219
Decrease: Belong to Effect of Uncontrolled Equity					(5,341)	(7,404)
Belong to Effect of Clients of Parent Company					$ 42,398	$ 183,815

A. Cash and cash equivalents, notes receivable, accounts receivable, other receivables, and other financial assets－current (bank savings with restricted purposes and time deposits with the original expiration date more than three months away) and refundable deposits of the Group were originally classified as loans and accounts receivable according to IAS 39. Due to the fact that the operational model involves collection of contract cash flows in nature, as is required by IFRS 9, they are classified as financial assets measured at post-amortized cost and the expected credit loss is evaluated. In addition, the Group performed impairment assessment as required by IFRS 9 on the above-mentioned assets before January 1, 2018 and no differences occurred. Therefore, the book value is not impacted.

B. The investments classified as shares available for sale according to IAS 39 of the Group totaled $3,570,483 thousand and the shares yet to be listed that are measured at cost and limited partnership investments totaled $459,269 thousand. Therefore, as is required by IFRS 9, equity instruments not meant for the purpose of transaction are made an irreversible choice. The Group choses to designate all of them to be measured at fair value through other comprehensive income and then re-measured at fair value. Therefore, financial assets measured at fair value through other comprehensive income as of January 1, 2018 increased by $238,958 thousand and the net adjustment of the unrealized income of financial assets at fair value through other comprehensive income (including those belonging to uncontrolled equities) increased by $238,958 thousand. In addition, the Group already recognized impairment loss of investments in shares measured at cost and accumulated it under retained earnings according to IAS 39. Due to the fact that such shares were designated to be measured at fair value through other comprehensive income according to IFRS 9 and impairment would no longer be evaluated, however, the net adjustment in other equities - unrealized income of financial assets at fair value through other comprehensive income (including those belonging to uncontrolled equities) on January 1, 2018 dropped by $47,739 thousand and retained earnings after the adjustment showed an increase of $47,739 thousand (including those belonging to controlled equities).

2. International Financial Reporting Standard 15 "Revenue from Contracts with Customer" and related amendments

International Financial Reporting Standard 15 "Revenue from Contracts with Customer" replaces International Accounting Standard 11 "Construction Contracts", International Accounting Standard 18 "Revenue", and related interpretations and interpretation announcements.

As is required by the said standard, income shall be recognized as soon as the customer gains control over the product or service. When the customer is capable of taking charge of how the asset is used and acquiring nearly all residual benefits of the asset, it means that the customer has already gained control over the product or service.

A core principle of the standard is that "an enterprise recognizes income in order to describe the transfer of product or service committed to the customer. The value of such income reflects the considerations that the customers is expected to be entitled to in exchange for the said product or service." According to the core principle, when an enterprise recognizes income, the following five steps need to be utilized in order to determine the time points and value recognized of the income:

(1) Identify contracts with customers;

(2) Identify implementation obligations as stated in the contract;

(3) Determine the transaction price;

(4) Split the transaction price to implementation obligations in the contract; and

(5) Recognize income upon fulfillment of implementation obligations.

In addition, the standard also includes a set of integrated disclosure requirements that will make an enterprise to provide users of its financial statements with the nature, amount, timing, and uncertainty, among other comprehensive information, of the income and cash flows deriving from contracts with customer.

In addition, the “elaborations of International Financial Reporting Standard 15 ‘Revenue from Contracts with Customers’” amended to IFRS 15 clarify how to identify implementation obligations in the contract (that is, committed transfer of the product or service to the customer), how to determine that an enterprise is the handler (by providing the product or service) or the agent (responsible for arranging the provision of the product or service), and the decision over whether the income obtained through authorization should be recognized at a certain time point or within a certain period of time. Besides the above clarifications, the current amendment also covers two additional simplified requirements that help reduce the cost and complexity for an enterprise upon initial application of the standard.

Evaluation reveals that applying the above-mentioned standards and the results of its related amendments does not impact the Group’s consolidated financial standing and consolidated financial performance significantly except that more related disclosure information has to be provided. For details, please refer to Note 6 (36).

3. Expression of contract assets and contract liabilities

Because of the applicability of related requirements in IFRS 15, as agreed in the contract, the product or service is already transferred to the client. Rights for which considerations are collected unconditionally, however, are not available are listed under contract assets. Obligations for which considerations are already collected as agreed upon in the contract or are collectible from the customer and hence the product or service needs to be transferred to the client are listed as contract liabilities. Before they may be applicable under IFRS 15, they appear as advance payment on the Balance Sheet. The Group followed the requirements of IFRS 15 and modified accounting items appearing in the Balance Sheet on January 1, 2018. They are reclassified to contract liability from advance payment and the value was $43,930 thousand. In addition, as compared to the requirements under IAS 18, accounts receivable decreased as of December 31, 2018 by $60,364 thousand and the contract assets increased by $60,364 thousand. Advance payment dropped by $43,819 thousand and contract liabilities increased by $43,819 thousand.

4. International Accounting Standard 7: Revision of "Disclosure Initiative"

This revision requires that enterprises should disclose variations in liabilities concerning (from) fund-raising activities, including cash and non-cash changes. After evaluation, such revision will increase the variation in liabilities from disclosure related to (from) fund-raising activities. For details, please refer to Note 6 (42).

(II) Impacts of not adopting newly released and revised International Financial Reporting Standards acceptable to the FSC:

According to the FSC Review No. 1070324857 order dated July 17, 2018 and the FSC Review No. 1070324155 order dated June 13, 2018 from the Financial Supervisory Commission, the Group shall adopt the applicable IFRSs released by the International Accounting Standards Board (hereinafter referred to as the "IASB") and approved by the FSC to be applicable in 2019 and the Regulations Governing Securities Issuers' Financial Statements while preparing financial statements.

The following summarizes the newly released, modified, and revised standards and interpretations approved by the FSC to be applicable in 2019:

The newly released/ modified/ revised guidelines and interpretations	An effective date released by the IASB
International Financial Reporting Standard 16 "Leases"	January 1, 2019
International Financial Reporting Interpretations Committee 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
International Financial Reporting Standard 9 Revision of “Prepayment Features With Negative Compensation And Modifications Of Financial Liabilities”	January 1, 2019
International Accounting Standard 28 Revision of “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
International Accounting Standard 19 Revision of “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Annual improvement of 2015-2017	January 1, 2019

Besides the descriptions below, it is evaluated by the Group that by applying the above-mentioned standards and interpretations it will not result in major impacts on the Group’s consolidated financial standing and consolidated financial performance:

International Financial Reporting Standard 16 "Leases"

International Financial Reporting Standard 16 "Leases" replaces International Accounting Standard 17 "Leases" and related interpretations and interpretation announcements. Such standard requires that the lessee shall recognize user right assets and lease liabilities (excluding leases with a term shorter than 12 months or involving low value target assets). The leaser accounting processes remain the same and are handled by the two types, operating lease and financing lease; only related disclosures are added.

The Group plans to follow the transitional requirements under IFRS 16 by choosing not to rearrange the comparative period and recognize the applicable retroactive conversion difference as part of the retained earnings on January 1, 2019.

For the time being, according to the agreement on the management of business leases according to IAS 17, lease liabilities as of January 1, 2019 will be discounted with the remaining lease payments by the incremental borrowing rate of interest for lessees on that day. All user right assets will be weighed with the value of the lease liabilities on that day, with the previously recognized advance payments or due lease payments adjusted.

The Group will apply the following appropriate practices in the measurement of user right assets and lease liabilities as of January 1, 2019:

1. For lease combinations with reasonable similar properties, a single discount rate is used to weigh lease liabilities.
2. Leases that are completed prior to December 31, 2019 will be treated as short-term leases.
3. Besides payment of the rent, incremental cost generated from the lease will not be included in the weighing of user right assets on January 1, 2019.
4. When weighing lease liabilities, the determination over the lease conditions (such as the lease period) will be based on expected conditions as of January 1, 2019.

According to the Group's evaluation, by applying the new standard, it is expected that the above-mentioned difference might result in an increase in the user right assets and lease liabilities as of January 1, 2019 by NT$453,036 thousand, respectively.

In addition, no major impacts are expected with regard to the accounting processes of the Group for the leader.

(III) Impacts of International Financial Reporting Standards already released by the IASB yet to be approved by the FSC:

The Group is not adopting the following IFRSs released by the IASB yet to be approved by the FSC; the actual applicability effective date is based on the requirements of the FSC.

The newly released/ modified/ revised guidelines and interpretations	An effective date released by the IASB
International Financial Reporting Standard 3 Revision of "Definition of a Business"	January 1, 2020
International Accounting Standard 1 & 8 Revision of "Definition of. Material"	January 1, 2020
International Financial Reporting Standard 17 "Insurance Contracts"	January 1, 2021
International Financial Reporting Standard 10 & International Accounting Standard 28 Revision of "Sale or contribution of assets between and investor and its associate or joint venture"	Waiting for the decision of IASB

According to preliminary evaluation, by applying the above-mentioned standards and interpretations, it will not result in major impacts on the Group’s consolidated financial standing and consolidated financial performance. The Group will continue to evaluate related impact values and will disclose them once evaluation is completed.

IV. Summary and Descriptions of Major Accounting Policies

Major accounting policies adopted while this consolidated financial statement is compiled are summarized as follows. Unless specified otherwise, such policies consistently apply to all reporting periods.

(I) Compliance Statement

This consolidated financial statement is prepared in accordance with the Regulations Governing Securities Issuers' Financial Statements and the IFRSs approved and released to take effect by the FSC.

(II) Compilation Basis

1.Except for the important items below, this consolidated financial statement is compiled according to historical cost:

(1) Financial assets and liabilities at fair value through profit or loss measured at fair value

(2) Financial assets at fair value through other comprehensive income measured at fair value/financial assets available for sale

(3) Liabilities of payment agreement on the basis of cash delivered shares measured at fair value

(4) Defined benefit liabilities recognized according to the net worth of pension fund assets with the current value of defined benefit obligations removed

2. Compiling financial statements meeting IFRSs requires some important accounting estimates. While the accounting policy of the Group is applied, it also relies on the management to apply their judgment over items that involve a high level of judgment or complexity or involve major assumptions and estimates of the consolidated financial statement. Please refer to Note 5 for the descriptions.

3. The Group traces back to apply IFRS 9 and IFRS 15 for the first time on January 1, 2018 and chooses not to rearrange the financial statements and notes during the 2017 comparative period and recognizes conversion difference as the retained earnings or other equities on January 1, 2018. The financial statements and notes during the 2017 comparative period are compiled according to IAS 39, IAS 18, and related interpretations and interpretation announcements.

(III) Consolidation Basis

1. Principles for Compiling Consolidated Financial Statement

(1) The Group includes all subsidiaries as entities in the compilation of the consolidated financial statement. Subsidiaries are entities controlled by the Group (including structural entities). When the Group 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 Group has control over the entity. Subsidiaries are included in the consolidated financial statement as soon as the Group gains control and consolidation is terminated on the date when the control is lost.

(2) Transactions, balance, and unrealized income between companies within the Group have been written off. Necessary adjustments have been made to the accounting policy of the subsidiaries to be consistent with the policy adopted by the Group.

(3) Profits and losses and respective components of other comprehensive income belong to the parent company's client and uncontrolled equities. The total comprehensive income also belongs to the parent company's client and uncontrolled equities even if balance of deficits occurs to uncontrolled equities as such.

(4) If the variance in the shares held in a subsidiary results in loss of control (and transaction of uncontrolled equities), it is handled as transaction of equities; that is, it is considered as transactions with the client. The difference between the adjusted value of uncontrolled equities and the fair value of paid or collected considerations is recognized directly as equities.

(5) When the Group loses control over the subsidiary, the remaining investments in the said former subsidiary are re-measured at fair value and serve as the fair value of financial assets originally recognized or the cost of investments in the affiliates or joint ventures originally recognized. The difference between the fair value and the book value is recognized as the profits and losses for the current term. For all values previously recognized as part of other comprehensive income that are related to the said subsidiary, the accounting process, if with the same basis as the direct disposition of related assets or liabilities by the Group, that is, just as the interest or loss previously recognized as part of the comprehensive income, will be re-categorized as profits and losses upon disposal of related assets or liabilities. In this case, when control over the

subsidiary is lost, such interest or loss is re-categorized from equities to profits and losses.

2. Subsidiaries included in the consolidated financial statement are as follows:

Name of investing	Name of subsidiary	Nature of operations	Holding ratio or funding	
			12/31/2018	12/31/2017
Grand Pacific Petrochemical	GPPC Chemical Corporation	Production and distribution of collision-resistant and	100.00%	100.00%
Grand Pacific Petrochemical	GPPC Investment Corporation	General investment	81.60%	81.60%
Grand Pacific Petrochemical	Land & Sea Capital Corp.	Investment Business	100.00%	100.00%
Grand Pacific Petrochemical	GOLDENPACIFIC EQUITIES	Investment Business	100.00%	100.00%
Grand Pacific Petrochemical Corporation	Videoland Inc.	General imports and exports trading, production of broadcasting and TV programs, re-production of	62.29%	62.29%
Grand Pacific Petrochemical Corporation	KK Enterprise	Production, manufacturing, and distribution, wholesale, packaging materials, various	15.73%	15.73%
GPPC Investment Corporation	GPPC Hospitality and Leisure Inc.	Catering	100.00%	-
Videoland Inc.	GPPC Investment Corporation	General investment	18.40%	18.40%
Videoland Inc.	KK Enterprise	Production, manufacturing, and distribution, wholesale, packaging materials, various	33.79%	33.79%
Videoland Inc	Videoland Holding Limited	Investment Business	-	100.00%
KK Enterprise	K.K. Chemical Company Limited	Trademark paper and tape, etc.	49.90%	49.90%
KK Enterprise	Zhongshan KK Adhesion Product	Trademark paper and tape, etc.	50.00%	50.00%
KK Enterprise	Kunshan KK Adhesion Product Corporation	Trademark paper and tape, etc.	100.00%	100.00%
KK Enterprise	Dragon King Inc.	Re-investment Business	100.00%	100.00%
KK Enterprise	KK Enterprise (Malaysia) Sdn. Bhd.	Trademark paper and tape, etc.	70.00%	70.00%

Note: (1) Because the Company's direct and indirect holding ratios of the subsidiary both exceed 50% or the Company has substantial control over the subsidiary, the subsidiary is included in the consolidated financial statement.

(2)Among the above-mentioned consolidated entities, the financial statement about K.K. Chemical Company Limited and KK Enterprise (Malaysia) Sdn. Bhd. was audited and certified by other CPAs.

3. Variation in the increase and decrease of companies among the entities in the compiled consolidated financial statement of the current term.

(1) GPPC Investment Corporation reinvested in October 2018 and established the subsidiary, GPPC Hospitality and Leisure Inc.. The Group holds direct and indirect shares and has control over the subsidiary. Therefore, starting from the date when the control was gained, the subsidiary's income and expenses have been included in the consolidated financial statement.

(2) For the purpose of streamlining the investment framework, Videoland Inc. canceled its investment in Videoland Holding Limited in August 2018 and remitted back all remaining properties. Therefore, since the date when it lost control, the company's income and expenses have been included as part of the consolidated financial statement.

4. Subsidiaries not included in the consolidated financial statement: None.

5. Different adjustment and processing methods during the accounting period of the subsidiary: None.

6. The ability of the subsidiary to transfer funds to the parent company is significantly restricted and the nature and extent of such restriction:

Among the cash and bank deposits as of December 31, 2017 and 2018, there are \$132,048 thousand and \$120,722 thousand in China and under local foreign exchange control. Such foreign exchange control restricts remittance of funds out of China (unless through normal share dividends).

7. Subsidiaries with major uncontrolled equities for the Group

The uncontrolled equities of the Group as of December 31, 2018 and 2017 were \$2,881,984 thousand and \$2,765,917 thousand, respectively. The following is the information of subsidiaries with major uncontrolled equities for the Group:

(1) December 31, 2018 and January 1 through December 31, 2018

Name of subsidiary	Ratio of non-controlling shareholders	Uncontrolled Equity	Profits and losses to non-controlling interests
Videoland Inc. and subsidiary company	37.71%	$ 2,266,152	$ 151,505
KK Enterprise and subsidiary company	50.48%	615,832	39,130
Total		$ 2,881,984	$ 190,635

(2) December 31, 2017 and January 1 through December 31, 2017

Name of subsidiary	Ratio of non-controlling shareholders	Uncontrolled Equity	Profits and losses to non-controlling interests
Videoland Television Network and subsidiary company	37.71%	$ 2,159,720	$ 126,747
KK Enterprise and subsidiary company	50.48%	606,197	32,261
Total		$ 2,765,917	$ 159,008

(3) For the information of the main operation site and the country where each of the above-mentioned subsidiaries is registered, please refer to Note 10 (1)(2)-10 for details.

(4) Overview of financial information of subsidiaries:

① Balance Sheet

	Videoland Inc. and subsidiary company	
Item	December 31, 2018	December 31, 2017
Current Assets	$ 2,105,054	$ 1,619,498
Non-current Assets	4,369,200	4,510,055
Current Liabilities	(441,635)	(377,314)
Non-current Liabilities	(23,199)	(25,059)
Equities	$ 6,009,420	$ 5,727,180

	KK Enterprise and subsidiary company	
Item	December 31, 2018	December 31, 2017
Current Assets	$ 961,061	$ 970,537
Non-current Assets	571,528	622,450
Current Liabilities	(292,366)	(371,194)
Non-current Liabilities	(114,243)	(107,696)
Equities	$ 1,125,980	$ 1,114,097

② Comprehensive Income Statement

	Videoland Television Network and subsidiary company	
Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Operating revenue	$ 2,299,327	$ 2,531,185
Net Profits of Current Term	401,764	336,109
Other Comprehensive Income	(96,266)	168,031
Total of Comprehensive Income	$ 305,498	$ 504,140
Comprehensive Income Total Belongs to Uncontrolled Equity:	$ 115,203	$ 190,111
Paid Uncontrolled Equity Dividend	$ 21,519	$ 21,519

Item	KK Enterprise and subsidiary company			
	January 1 to December 31, 2018		January 1 to December 31, 2017	
Operating revenue	$	1,775,236	$	1,643,053
Net Profits of Current Term		66,230		56,999
Other Comprehensive Income	(	7,593)	(	1,644)
Total of Comprehensive Income	$	58,637	$	55,355
Comprehensive Income Total Belongs to Uncontrolled Equity:	$	34,531	$	31,349
Paid Uncontrolled Equity Dividend	$	24,897	$	19,097

③ Statement of Cash Flows

Item	Videoland Inc. and subsidiary company			
	January 1 to December 31, 2018		January 1 to December 31, 2017	
Net Cash In-flows from Operating Activities	$	1,297,585	$	1,362,882
Net Cash Out-flows from Investment Activities	(	1,038,520)	(	1,277,950)
Net Cash Out-flows from Fundraising Activities	(	57,054)	(	57,058)
Impact on a change in the exchange rate		—		—
Increase in Cash and Cash Equivalents of Current Term		202,011		27,874
Balance of Cash and Cash Equivalents in Beginning of Term		672,438		644,564
Balance of Cash and Cash Equivalents at End of Term	$	874,449	$	672,438

Item	KK Enterprise and subsidiary company			
	January 1 to December 31, 2018		January 1 to December 31, 2017	
Net Cash In-flows from Operating Activities	$	88,236	$	209,224
Net Cash Out-flows from Investment Activities	(	23,201)	(	35,073)
Net Cash Out-flows from Fundraising Activities	(	81,500)	(	158,329)
Impact on a change in the exchange rate	(	4,115)	(	3,783)
Increase (decrease) in Cash and Cash Equivalents of Current Term	(	20,580)		12,039
Balance of Cash and Cash Equivalents in Beginning of Term		244,814		232,775
Balance of Cash and Cash Equivalents at End of Term	$	224,234	$	244,814

(IV) Conversion of foreign currencies

1. Items listed in the financial statement of each entity within the Group are weighed by the currency (that is, the functional currency) in the main economic setting where the entity operates. This consolidated financial statement is expressed in the

Company’s functional currency, that is, the New Taiwan Dollar.

2. When preparing each individual financial statement, if the currency (foreign currency) used in the transaction is not the functional currency, it shall be documented in the functional currency converted according to the spot exchange rate on the day of transaction or measurement. The conversion difference generated from such transaction is recognized as the income for the current term. At the end date of the reporting period, the balance of foreign currency monetary assets and liabilities is valued and adjusted according to the spot exchange rate on the balance sheet date. The conversion difference generated as a result of adjustment is recognized as profits and losses for the current term. The balance of foreign currency non-monetary assets and liabilities is valued and adjusted according to the spot exchange rate on the balance sheet date. When it is measured at fair value through profit or loss, the exchange difference generated as a result of adjustment is recognized as profits and losses for the current term. If it is measured at fair value through comprehensive income, the resultant exchange difference, on the other hand, is recognized as part of other comprehensive income. If it is not measured at fair value, the historical exchange rate on the initial transaction date will be adopted for the measurement. All profits or losses from exchange are recognized and reported as other interest and loss in the comprehensive income statement according to the nature of transaction.

3. When preparing the consolidated financial statement, assets and liabilities of overseas operating institutions of the consolidated company (including subsidiaries, affiliates, joint ventures, or branches in countries or using currencies different from those of the Company) were converted to New Taiwan Dollar according to the spot exchange rate on the date shown on each balance sheet date; income and expenses are converted with the mean exchange rate of the current term. All the exchange differences generated as a result of conversion are recognized as other comprehensive income.

4. When disposition of an overseas operating institution results in the loss of control, shared control, or major impacts of the said overseas operating institution, all the equities having to do with the said institution are to be re-classified as income. When partial disposition of a subsidiary of the overseas operating institution does not result in loss of control in the subsidiary, the accumulated exchange difference recognized under other comprehensive income is included as part of equity transactions proportionally and is calculated as such; it, however, will not be

recognized as profits and losses. When partial disposition of affiliates or joint ventures of the overseas operating institution does not result in major impacts such as loss of equity or joint control over the said affiliate or joint venture, the accumulated exchange differences recognized under other comprehensive income are reclassified according to the disposition ratio as profits and losses.

(V) Criteria for differentiating assets and liabilities between current and non-current

1. Assets meeting one of the following criteria are categorized as current assets:

(1) Assets that are expected to be realized or are intended to be sold or consumed within a normal business cycle;

(2) Those held for trading purpose

(3) Those expected to be realized within 12 months after the balance sheet date

(4) Cash or cash equivalents, excluding those meant for exchange, to pay off debts, or under other restrictions in more than 12 months after the balance sheet date.

The Group classifies all the assets not meeting the above criteria as non-current assets:

2. Liabilities meeting one of the following criteria are categorized as current liabilities:

(1) Liabilities that are expected to be paid off within a normal business cycle

(2) Those held for trading purpose

(3) Liabilities that are expected to expire and be paid off within 12 months after the balance sheet date

(4) Liabilities whose payment deadline cannot be unconditionally extended to at least 12 months after the balance sheet date. Provisions for liabilities may be based on the counter party's choice. When equity instruments are issued to lead to pay-off, the categorization is not affected.

The Group classifies all the liabilities not meeting the above criteria as non-current liabilities:

(VI) Cash and cash equivalents

Cash and cash equivalents include inventory cash, bank deposits, and short-term and highly liquid investments that may be converted to a fixed amount of cash at any time at minimal risk associated with the change in value. Time deposits meeting the definition above and whose purpose is to satisfy short-term operational cash commitment are classified as cash equivalents.

(VII) Financial Instruments

Financial assets and financial liabilities are to be recognized when the Group becomes a party to the terms and conditions in the specific financial instrument contract.

When recognized initially, financial assets and financial liabilities are measured at fair value. Upon initial recognition, transaction costs that may be attributed directly to the acquisition or release of financial assets and financial liabilities (excluding financial assets and financial liabilities classified to be measured at fair value through profit or loss) shall be added to or deducted from the fair value of the said financial assets or financial liabilities. The transaction cost that may be directly attributed to the acquisition or release of financial assets or financial liabilities measured at fair value through profits and losses, on the other hand, is recognized as profits and losses immediately.

(VIII) Financial assets measured at fair value

2018

1. Financial assets at fair value through profit or loss include those mandated to be measured at fair value through profit or loss and those designated to be measured at fair value through profit or loss. Financial assets mandated to be measured at fair value through profit or loss include investments in equity instruments not designated by the Group to be measured at fair value through other comprehensive income and investments in liability instruments not qualified to be measured at post-amortized cost or at fair value through other comprehensive income.
2. For financial assets that are measured at post-amortized cost or at fair value through other comprehensive income, when they may be eliminated or when major decreases are measured or recognized differently, the Group designates them upon initial recognition to be financial assets at fair value through profit or loss.
3. For financial assets measured at fair value through profit or loss in compliance with the transaction practice of the Group, transaction date accounting is adopted.
4. Upon initial recognition, the Group measures them at fair value; related transaction costs are recognized as part of profits and losses and subsequently measures them at fair value, with the interest or loss recognized as part of profits and losses.
5. When the right to collect dividends is defined and economic benefits associated with dividends are likely to flow in and the value of such dividends can be reliably measured, the Group recognizes income from dividends as part of profits and losses.

2017

1. Financial assets at fair value through profit or loss include those held to be traded

and those designated upon initial recognition to be measured at fair value through profit or loss. If financial assets are meant mainly to be sold within a short term at the time they are acquired, they are classified as financial assets held to be traded. For derivatives, except for those designated to be hedging items according to hedge accounting, all are classified as financial assets held to be traded. When financial assets meet one of the following criteria, the Group designates them to be measured at fair value through profit or loss upon initial recognition:

(1) Mixed (combined) contract; or

(2) May be eliminated or major decreases are measured or recognized differently; or

(3) Investments whose performance is managed and evaluated on the basis of fair value according to written risk management or investment strategies

2. For financial assets measured at fair value through profit or loss in compliance with the transaction practice of the Group, transaction date accounting is adopted.

3. Financial assets at fair value through profit or loss are measured at fair value upon initial recognition; related transaction costs, on the other hand, are recognized as part of profits and losses for the current term. They are measured subsequently at fair value, with the variation in fair value recognized as part of profits and losses for the current term. For publicly quoted investments in equity instruments with no active market or derivatives linked to such publicly quoted investments in equity instruments with no active market hence requiring delivery of such equity instruments upon settlement, when the fair value cannot be reliably measured, the Group lists them as “financial assets carried at cost.”

(IX) Financial assets at fair value through other comprehensive income (applicable to 2018)

1. Upon initial recognition, an irreversible choice is made to list variation in fair value of investments in equity instruments not held to be traded under other comprehensive income or investments in liability instruments meeting all of the criteria below:

The financial assets are held under the operation model for the purpose of collecting contract cash flows and for sale.

(2) The cash flows generated on specific dates from terms and conditions of the contract are completely meant to pay for the principal and the interest of the principal in circulation.

(2) For financial assets at fair value through other comprehensive income that meet the transaction practice in the Group, transaction date accounting is adopted.

3. Upon initial recognition, the Group measures at fair value plus transaction cost and subsequently measures at fair value:

(1) Variation in fair value of equity instruments is recognized under other comprehensive income. Upon de-recognition, the accumulated interest or loss previously recognized under other comprehensive income may not be re-categorized later to profits and losses; instead, it is re-recognized under retained earnings. When the right to collect dividends is defined and economic benefits associated with dividends are likely to flow in and the value of such dividends can be reliably measured, the Group recognizes income from dividends as part of profits and losses.

(2) Variation in fair value of liability instruments is recognized under other comprehensive income. Impairment loss, interest income, and profit or loss from foreign exchange prior to de-recognition are recognized as part of profits and losses. Upon de-recognition, accumulated interest or loss previously recognized under other comprehensive income will be re-categorized from equities to profits and losses.

(X) Financial assets at post-amortized cost (applicable to 2018)

1. The following criteria have to be fulfilled at the same time:

(1) The financial assets are held under the operation model for the purpose of collecting contract cash flows.

(2) The cash flows generated on specific dates from terms and conditions of the contract are completely meant to pay for the principal and the interest of the principal in circulation.

2. For financial assets at post-amortized cost that meet the transaction practice, the Group adopts the transaction date accounting.

3. 3. Upon initial recognition, the Group measures at fair value plus transaction cost and subsequently interest income and impairment loss are recognized during the circulation period adopting the effective interest method according to the amortization procedure. Meanwhile, upon de-recognition, the interest or loss is recognized as part of profits and losses.

4. The time deposits disqualified as cash equivalents held by the Group, due to the short duration involved and the insignificant impacts upon cashing, are measured at investment value.

(XI) Accounts and notes receivable (applicable to 2018)

They are the accounts and notes already collected unconditionally as a result of transfer of products or service in exchange for considerable values as agreed upon in the contract. They are short-term accounts and notes receivable without interest. Due to the fact that impacts from cashing are minimal, the Group measures them at the initial invoiced value.

(XII) Loans and accounts receivable (applicable to 2017)

Loans and accounts receivables generated initially are accounts receivable from customers generated as a result of selling products or providing service during normal business process. They are measured at fair value upon initial recognition and at the value subsequently adopting the effective interest method with impairment deducted from the post-amortized cost. They are short-term accounts receivable without interest. Due to the fact that impacts from cashing are minimal, they are subsequently measured at the initial invoiced value.

(XIII) Financial assets available for sale (applicable to 2017)

1. Financials available for sale are non-derivative financial assets available for sale or yet to be classified into any other category.
2. For financial assets available for sale in compliance with the transaction practice, the Group adopts transaction date accounting.
3. Upon initial recognition, the Group measures financial assets available for sale at fair value plus transaction cost and subsequently measures at fair value. The variation in fair value is recognized under other comprehensive income. For publicly quoted investments in equity instruments with no active market or derivatives linked to such publicly quoted investments in equity instruments with no active market hence requiring delivery of such equity instruments upon settlement, when the fair value cannot be reliably measured, the Group lists them as “financial assets carried at cost.”

(XIV) Impairment of financial assets

2018

On each balance sheet date, the Group considers all reasonable supporting information (including prospective information) regarding other investments in liability instruments at fair value through other comprehensive income and financial assets measured at post-amortized cost and accounts receivable consisting of major financial components or contract assets, leases receivable, loan commitment, and financial guarantee contracts and measures allowance loss according to the 12-month expected credit loss for those without an significant increase in credit risk after initial recognition. For those with a significant increase in credit risk after initial recognition, on the other hand, the allowance loss is measured according to the expected credit loss for the duration. For accounts receivable or contract assets without major financial components, the allowance loss is measured according to the expected credit loss for the duration.

2017

1. On each balance sheet date, the Group evaluates whether or not any objective evidence of impairment exists already to show that a certain financial asset or a set of financial assets experienced one or multiple events (that is loss events) after initial recognition and that the loss events have impacts that may be reliably estimated on the estimation of future cash flows of a certain financial asset or a set of financial assets.
2. The policy adopted by the Group in deciding whether or not an objective evidence of impairment loss exists is as follows:
   (1) Major financial difficulties facing the issuer or the debtor;
   (2) Default, such as delinquency in paying or failure to pay interest on the principal;
   (3) Concession originally not considered given by the Group to the debtor for economic or legal causes related to the financial difficulties experienced by the debtor;
   (4) Increased possibility for the debtor to declare bankruptcy or to begin another financial restructuring;
   (5) Disappearance of active market for the said financial asset due to financial difficulties;
   (6) Measurable decrease in the estimated cash flows in the future for a set of financial assets after initial recognition of the said assets. Despite the fact that such decrease is yet to be determined to be associated with a certain individual financial asset in the set, such data include undesirable changes in the payment status of the debtor for the set of financial assets or national or regional economic status related to breach of contract for assets in the set of financial assets;
   (7) Information on major changes that have occurred in the technical, market, or regulatory settings where the issuer operates with undesirable impacts and evidence showing that it is likely impossible to recover the cost of investments in the said equities; or
   (8) Significant or persistent decline in the fair value of investments in equity instruments to a level below the cost
3. When it is evaluated by the Group that objective evidence of impairment exists and impairment loss has occurred, it shall be handled according to each of the following

categories:

(1) Loans and accounts receivable

Impairment loss is recognized as part of profits and losses for the current term with the difference between the book value of the asset and the current value of estimated cash flows in the future discounted according to the original effective interest of the said financial asset. When the value of impairment loss decreases subsequently and such decrease may be objectively linked to events after the impairment is recognized, the impairment loss previously recognized, without recognizing the impairment, is reversed under the profits and losses of the current term within the expected limit of post-amortized cost on the date of reversal. The value of impairment loss recognized and reversed is reflected in the adjustment of the book value of assets in the contra account.

(2) Financial assets available for sale

They are re-categorized from other comprehensive income to profits and losses of the current term after impairment loss previously included as part of profits and losses of the financial asset is deducted from the difference between the cost of acquiring the asset (with the paid principal and amortized value deducted) and the current fair value. For investments in liability instruments, when the fair value increases subsequently and the increase can be objectively linked to events that occur after impairment loss is recognized, such impairment loss is reversed as profits and losses of the current term. For equity instrument investments, impairment loss already recognized as income may not be reversed through income of the current term. The value of impairment loss recognized and reversed is reflected in the adjustment of the book value of assets in the contra account.

(3) Financial assets carried at cost

Impairment loss is recognized as part of profits and losses for the current term with the difference between the book value of the asset and the current value of estimated cash flows in the future discounted according to the current market return of the said financial asset. Such impairment loss may not be subsequently reversed. The value of impairment loss recognized and reversed is reflected in the adjustment of the book value of assets in the contra account.

(XV) De-recognition of Financial Assets

When one of the following conditions is fulfilled, the Group will de-recognize financial assets:

1. The contract right to collect cash flows from financial assets has expired.

2. The contract right to collect cash flows from financial assets has been transferred and nearly all risks and rewards associated with the ownership of financial assets have been transferred.
3. The contract right to collect cash flows from financial assets has been transferred and control over financial assets is not retained.

(XVI) Rents/Businesses Leases Receivable (Leaser)

1.According to the conditions of the lease contract, when nearly all risks and rewards associated with ownership of lease have been transferred to be borne by the lessee, it is categorized as financing lease.

(1) In the beginning of a lease, it is recognized as "rents receivable" according to the net worth of investments in the lease (including the initial direct cost). The difference between the total value of rents receivable and the current value is recognized as "unearned financing income of a financing lease."

(2) Subsequently, on a systematic and reasonable basis, financing income is amortized within the lease period in order to reflect the fixed return on the net worth of the investment in the lease held by the leaser.

(3) The lease payments relevant to the period (excluding service cost) offsets the total value of investment in the lease in order to reduce the principal and the unearned financing income.

2.With any incentive given to the leaser deducted, the business lease income is amortized and recognized as part of profits and losses for the current term with the straight line method within the lease period.

(XVII) Inventory

Inventory is measured by the cost or the net realizable value, whichever is lower. The perpetual inventory system is adopted. The cost is determined by the weighted average method. The cost of finished products and in-process products includes the cost of raw materials, direct manpower, other direct costs, and production-related manufacturing expenses (amortized according to normal throughput), excluding borrowing cost. In the comparison of whether or not the cost or the net realizable value is lower, the item by item method is adopted. Net realizable value refers to the balance after the estimated cost yet to be devoted till completion and related variable selling expenses are deducted from the estimated selling price during a normal business process.

(XVIII) Investments adopting the equity method/Affiliates

1. Affiliates refer to entities on which the Group has a major influence yet no control, which generally means holding of at least 20% of shares with voting rights directly

or indirectly. The Group adopts the equity method when handling investments in affiliates. Upon acquisition, they are recognized by the cost, including the good will already identified upon acquisition, with any accumulated impairment loss estimated to occur subsequently deducted.

2. The share of profits or losses for the Group after acquisition of an affiliate is recognized as part of profits and losses for the current term and the share of other comprehensive income after acquisition is recognized as part of other comprehensive income. If the share of losses borne by the Group in any affiliate equals to or exceeds its equity in the said affiliate (including any other unsecured receivables), the Group does not recognize further losses, unless legal obligations or constructive obligation have occurred for the Group in the said affiliate or the Group has made the payment on behalf of the affiliate.
3. Profits and losses from downstream, upstream, and side-stream transactions between the Group and the affiliate are recognized in the financial statement only when they are within the scope irrelevant to the equity that the Company has in the affiliate. Necessary adjustments have been made to the accounting policy of the affiliate to be consistent with the policy adopted by the Group.
4. When affiliates experience equity changes that are not profits and losses or other comprehensive income in nature and that do not have an effect on the holding ratio in the affiliate, the Group will recognize equity changes that are part of the shares that the Group is entitled to in the affiliate according to the holding ratio as capital reserve.
5. When the affiliate increases the number of new shares issued, if the Group fails to subscribe or acquire them proportionally to result in a variation in the investment ratio, the increase and decrease in the variation in the net worth of the stock option is to adjust the capital reserve and the investments accounted for using the equity method. If it results in a decreased investment ratio, besides the above-mentioned adjustment, the interest or loss that has to do with the decrease in the ownership equity and previously recognized under other comprehensive income and needs to be re-categorized as part of profits and losses upon disposition of related assets or liabilities is re-categorized as part of profits and losses according to the decrease ratio.
6. When the Group loses its major influence on the affiliate and the remaining investment in the affiliate is re-measured at fair value, the difference between the fair value and the book value is recognized as profits and losses for the current term.

7. When the Group disposes of an affiliate, if it loses major influence on the affiliate, for all values previously recognized as part of other comprehensive income that are related to the said affiliate, the accounting process, if with the same basis as the direct disposition of related assets or liabilities by the Group, that is, just as the interest or loss previously recognized as part of the comprehensive income, will be re-categorized as profits and losses upon disposal of related assets or liabilities. In this case, when major influence over the affiliate is lost, such interest or loss is re-categorized from equities to profits and losses. If there is still a major influence on the affiliate, only the amount previously recognized under other comprehensive income is transferred out in accordance with the above-mentioned way proportionally.
8. When the Group disposes of an affiliate, if the major influence on the affiliate is lost, capital reserve related to the affiliate will be transferred to be profits and losses. If there is still a major influence on the affiliate, on the other hand, it will be transferred to be recognized as part of profits and losses proportionally to the disposition.

(XIX) Real estate, plants and equipment

1. Real estate, plants, and equipment are booked on the basis of the acquisition cost and related interest during the construction period is capitalized.
2. The subsequent cost will only be included as part of the book value of assets or recognized as a single asset when the future economic benefits related to the item are very likely to flow into the Group and the cost of such item can be reliably measured. The book value of the restored portions shall be de-recognized. All the other maintenance costs are recognized as part of profits and losses for the current term at the time of occurrence.
3. The cost model is adopted during subsequent measurements of real estate, plants and equipment. Except for land for which depreciation is not recognized, depreciation is recognized with the straight line method according to the estimated durability. If respective components of real estate, plants and equipment are significant, depreciation is recognized separately.
4. The Group reviews the residual value, durability, and depreciation method of respective assets on the end date of each fiscal year. If the expected residual value and durability differ from previous estimates or if there are already major changes to the expected consumption pattern of future economic benefits integral of the assets, the requirements for accounting estimate changes in International

Accounting Standard 8. Accounting Policies, Changes in Accounting Estimates, and Errors will be followed starting from the date when the changes occur. Durability of each asset is as follows:

(1) House and Building 4～56 years

(2) Machinery and Equipment 5～25 years

(3) Transport Equipment 2～7 years

(4) Other Equipment 3～10 years

5. Some depreciable assets of the Group were originally declared during taxation adopting the fixed percentage of declining method. The Group, however, changed it to the average method in 1998. This change was approved by the National Tax Administration of Southern Taiwan Province, Ministry of Finance through its (1998) STP Review (I) No. 87051967 letter with records on file.

(XX)Lease Assets/Business Lease (Lessee)

1.According to the conditions of the lease contract, when nearly all risks and rewards associated with ownership of lease have been transferred to be borne by the Group, it is categorized as financing lease.

(1) In the beginning of a lease, the lower of the fair value and the current payable value of minimum rent of lease assets is recognized under assets and liabilities.

(2) Subsequent minimum payable rents are assigned to the financial cost and to decrease liabilities yet to be paid. The financial cost is amortized by each term during the lease period in order to fixate the interest rate for the period calculated according to the balance of the liabilities.

(3) Real estate, plants and equipment acquired under financing lease are recognized for depreciation according to the durability of the asset. If it cannot be reasonably confirmed that the Group will acquire the ownership upon expiration of the lease period, the shorter of the durability and the lease period of the said asset is recognized for depreciation.

2. With any incentive given to the leaser deducted, the business lease income is amortized and recognized as part of profits and losses for the current term with the straight line method within the lease period.

(XXI)Investment Real Estate

Investment real estate is the real estate held for earning the rent or capital appreciation or both and also includes real estate held for the time being with the future purpose yet to be determined. Investment real estate is measured at acquisition cost and later by the value with their cost minus accumulated depreciation and accumulated impairment loss. Except for land, depreciation is recognized with the straight line method according to the estimated durability. The durability is 40 years. Upon de-recognition of investment real estate, the difference between the net value from the disposal and the book value of the specific asset is recognized as profits and losses for the specific term.

(XXII)Intangible Assets

1. Separate Acquisition

Intangible assets that are acquired alone with limited durability are originally recognized by their cost and later by the value with their cost minus accumulated depreciation and accumulated impairment loss. Intangible assets within the durability period are amortized on the straight-line basis. The Group reviews at least on the end date of each year the estimated durability, residual value, and amortization method and postpone impacts where changes in accounting estimates apply. Upon de-recognition of intangible assets, the difference between the net value from the disposal and the book value of the specific asset is recognized as profits and losses for the specific term.

2. Good Will

The goodwill obtained from corporate consolidation is based on the amount of goodwill recognized on the acquisition date as the cost and is subsequently measured by the value after accumulated impairment loss is deducted from the cost. For the sake of impairment testing, the good will needs to be amortized to the various cash generating units or the group of cash generating units within the Group expected to benefit from the synergistic effect of the said consolidation.

(XXIII) Program Broadcasting Cost

The program broadcasting cost includes the prices paid to purchase externally the broadcasting right of films, outsourced production of films, or self-production of programs and the manufacturing expenses with economic benefits in the future; all are booked on the basis of the actual cost. Externally purchased broadcasting right of films is based on the respective program and is amortized among films recognized under operating cost for the current time at the time when they are actually played. The broadcasting right of re-authorized films is transferred to be the re-authorization cost of films recognized under operating cost for the current term upon actual delivery. Investments in outsourced production of films and self-production of programs, on the other hand, are transferred to be the manufacturing expenses and film-making cost under operating cost for the current term upon actual broadcasting. The cost of broadcasting programs is listed under other non-current assets and is expected to be transferred to be under other current assets. At the end of a term, if evaluation shows that the fair value is below the booked cost yet to be amortized, the impairment amount, on the other hand, will be recognized under profits and losses for the current term.

(XXIV)Impairment of Non-financial Assets

The Group estimates the recoverable amount for assets with signs of impairment on the balance sheet date. When the recoverable amount is below the book value, on the other hand, the impairment loss is recognized. The recoverable amount refers to the result of the fair value of an asset less the disposal cost or the use value, whichever is higher. Besides good will, when impairment of assets already recognized from the previous year no longer exists or decreases, the impairment loss is reversed. The book value of assets increased due to impairment loss from reversal, however, does not exceed the book value of the asset less depreciation or amortization on the condition that impairment loss is not recognized.

(XXV) Loans

Loans are measured by the results after the transaction cost is deducted from the fair value upon initial recognition. Subsequently, for any difference between the value with the transaction cost deducted and the redemption value, the effective interest method is adopted for measurement within the loan period according to the post-amortized cost.

(XXVI) Accounts and Notes Payable

Accounts and notes payable are the payment obligations upon acquisition of goods or service from the supplier during a normal business process. They are measured at fair value upon initial recognition and at the value subsequently adopting the effective interest method according to the post-amortized cost. They are short-term accounts payable without interest. Due to the fact that impacts from cashing are minimal, they are subsequently measured at the initial invoiced value.

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

2018

1. They are the financial liabilities available for transaction whose main purpose is to be sold or bought back within the short term, excluding derivatives that are designated to be hedging tools according to hedge accounting. Financial liabilities designed to be measured at fair value through profit or loss. When financial liabilities meet one of the following criteria, the Group designates them to be measured at fair value through profit or loss upon initial recognition:

(1) Mixed (combined) contract; or

(2) May be eliminated or major decreases are measured or recognized differently; or

(3) Instruments whose performance is managed and evaluated on the basis of fair value according to written risk management policies

2. Upon initial recognition, the Group measures them at fair value; related transaction costs are recognized as part of profits and losses and subsequently measures them at fair value, with the interest or loss recognized as part of profits and losses.

3. For financial liabilities designated to be measured at the fair value through profit or loss, however, if the changes in the fair value have to do with credit risk, unless it is required to recognize them under profits and losses in order to prevent against inappropriate distribution accounting ratios or as part of a loan commitment and financial guarantee contract, they are recognized under other comprehensive income.

2017

1. Financial liabilities at fair value through profit or loss include those held to be traded and those designated upon initial recognition to be measured at fair value through profit or loss. They are the financial liabilities available for transaction whose main purpose is to be sold or bought back within the short term at the time of acquisition, excluding derivatives that are designated to be hedging tools according to hedge accounting. When financial liabilities meet one of the following criteria, the Group designates them to be measured at fair value through profit or loss upon initial recognition:

(1) Mixed (combined) contract; or

(2) May be eliminated or major decreases are measured or recognized differently; or

(3) Instruments whose performance is managed and evaluated on the basis of fair value according to written risk management policies

2. Financial liabilities at fair value through profit or loss are measured at fair value upon initial recognition; related transaction costs, on the other hand, are recognized as part of profits and losses for the current term. They are measured subsequently at fair value, with the variation in fair value recognized as part of profits and losses for the current term. For derivative liabilities that are not linked to equity instruments without quotation that cannot be reliably measured at fair value and must be delivered through settlement with the said equity instruments, the Group will list them as financial liabilities carried at cost.

(XXVIII) Liability Reserve

The Group carries the current legal or constructive obligations for prior events and is very likely to require outflows of resources with economic benefits in order to pay off the said obligations and when the value of the said obligations can be reliably estimated, liability reserve is recognized. The measurement of liability reserve is based on the best estimated current value payable in order to pay off the obligations on the balance sheet date. The discount rate adopted is the pre-tax discount rate that reflects the time value of market to currency for the time being and evaluated specific liability risk. The discounted amortization is recognized under interest expenses. For operating losses in the future, liability reserve may not be recognized.

(XXIX)Employee Benefits

1. Short-term Employee Benefits

   Short-term employee benefits are measured with the non-discounted value expected to be paid and will be recognized under expenses when related services are provided.

2. Post-retirement Benefits

   (1) Defined Appropriation Plan

   The pension fund with a defined appropriation plan is to be recognized as the pension fund cost for the current term according to the accrual basis. The pre-paid fund is recognized under assets within the scope of refundable cash or reduced payment in the future.

   (2) Defined benefit plan

   ① Net obligations under the defined benefit plan are calculated at discounted benefit value in the future earned by employees for the current term or from prior service and the current value of defined benefit obligations on the balance sheet date is adopted to subtract the fair value of planned assets. Defined net benefit obligations are calculated each year by the actuary adopting the expected unit welfare law. The discount rate, on the other hand, is determined by referring to the market dividend yield of high-quality corporate bonds with consistent currency and term with those of the defined benefit plan on the balance sheet date. In a country without an advanced market for such bonds, it is the market dividend yield of government bonds (on the balance sheet date) adopted.

   ② Remeasurements generated from the defined benefit plan are recognized under other comprehensive income for the current term of occurrence and are expressed under retained earnings.

   ③ Related expenses of the service cost from the previous term are recognized immediately as part of profits and losses.

3. Separation Benefits

   Separation benefits are the benefits provided as a result of termination of contract with an employment prior to the normal retirement date or termination when an employee decides to accept the invitation by the Company to accept the benefits in exchange for employment. The Group recognizes expenses when it is no longer possible to cancel the offer of separation benefits or recognize related recombination costs, whichever occurs first. Welfare that is not expected to be completely paid off within 12 months after the balance sheet date shall be cashed.

4. Remunerations for employees and directors/supervisors

   Remunerations for employees and directors/supervisors are recognized under expenses and liabilities upon presence of legal or construction obligations and when the value can be reasonably estimated. Upon differences between the actual assigned value decided later and the estimated value, it will be handled as changes in accounting estimates.

(XXX) Financial Liability and Equity Instruments

1. Categorization of Financial Liabilities or Equity Instruments

   Liability and equity instruments issued by the Group are categorized as financial liabilities or equities according to the definitions of substantial and financial liability and equity instruments in contracts and agreements.

2. Equity Instrument

   Equity instruments are any contract that signifies the remaining equities of an enterprise after all debts are subtracted from assets. Equity instruments issued by the Group are recognized with the result after the direct release cost is subtracted from the acquisition cost.

3. Financial Liability

   Financial liabilities that are not available for transaction and are not designated to be measured at fair value through profit or loss are measured at post-amortized cost on the end date of the accounting period subsequently.

4. De-recognition of Financial Liabilities

   Financial liabilities are only de-recognized upon dismissal, cancellation, or expiration of obligations by the Group. Upon de-recognition of financial liabilities, the difference between the book value and total value of paid considerations (including any non-cash assets transferred or liabilities undertaken) is to be recognized as part of profits and losses.

5. Offsetting of Financial Assets and Liabilities

   Only when there are enforceable rights before the law to offset recognized financial assets and liabilities and delivery on the net worth basis or simultaneous realization of assets and payoff of liabilities are intended can financial assets and financial liabilities be offset and be expressed as net worth in the balance sheet.

(XXXI) Share Capital and Treasury Stock

1. Share Capital

   Common stock is categorized as equity. The categorization of preferred stock is based on the substantial and financial liability and equity instrument definitions in contracts and agreements and is evaluated according to the special rights annexed to the preferred stock. It is categorized as liability when the basic properties of financial liabilities are demonstrated; otherwise, it is categorized as equity. For the incremental cost directly belonging to the newly released shares or stock options, the net worth after income tax is deducted is listed as value deduction under equities.

2. Treasury Stock

   The Group recalls released shares and recognize them as “treasury stock” according to the considerations (including direct attributable cost) paid upon buyback to be the deductible under equities. When the disposal price of the treasury stock disposed of is above the book value, the difference is listed as part of capital reserve - transaction of treasury stock. When the disposal price is below the book value, the difference, on the other hand, writes off the capital surplus from gain on disposal of assets generated from transaction of treasury stocks of the same type and in case of shortage, it is debited from retained earnings. The book value of treasury stock is based on the weighted average and is calculated separately reflective of the cause of recall.

   Upon write-off of treasury stock, capital reserve - share issuance premium and share capital is debited proportionally to the stock option. When the book value is above the total of the book value and the share issuance premium, the difference writes off the capital reserve generated from the transaction of treasury stocks of the same type. In case of shortage, it is debited from retained earnings. When the book value is below the total of the book value and the share issuance premium, on the other hand, the capital reserve generated from the transaction of treasury stocks of the same type is debited.

Shares held in the Group by the subsidiaries shall be considered as and handled as treasury stock when the share of profits or losses is recognized adopting the equity method and upon compilation of the financial statement.

(XXXII) Share-based Payment

1. According to the share-based payment agreement with equity delivery, the obtained service from employees is measured at fair value of equity instruments given on the grant date and is recognized as compensation cost during the vesting period and equity is adjusted relatively. The fair value of equity instruments shall reflect impacts from vesting conditions and non-vesting conditions for the market price. Recognized compensation cost is adjusted as expected and will reflect the reward sizes according to the service conditions and non-market price vesting conditions until the final recognized value is recognized with the vested size on the vesting date.
2. The share-based payment agreement with cash delivery is recognized as compensation cost and liability during the vesting period at fair value of undertaken liabilities and is measured on respective balance sheet dates and settlement dates at fair value of the granted equity instrument. Any variation is recognized as part of profits and losses for the current term.

(XXXIII) Income Tax

1. Income tax expenses include income tax paid for the current term and deferred income tax. Except for income tax that is relevant to items recognized as other comprehensive income or directly recognized as equity is respectively recognized as other comprehensive income or directly recognized as equity, income tax is recognized as part of profits and losses.
2. The Group calculates the income tax for the current term according to the tax rate already established in legislation or with substantial legislation on the balance sheet date in the country of operation or where taxable income is generated. The management periodically evaluates how income tax is declared according to applicable income tax laws and regulations and estimates the income tax liability according to the taxes expected to be payable to the taxation agency under applicable circumstances. Undistributed earnings are levied for income tax according to the Income Tax Act. Once distribution of earnings is approved through the shareholders' meeting in the coming year after the year when the earnings are generated, the actual distribution of earnings is considered while the income tax for undistributed earnings is recognized.

3.For the deferred income tax, the balance sheet method is adopted. The temporary difference from the book value shown in the balance sheet is recognized on the taxation basis for assets and liabilities. Deferred income tax liabilities deriving from the initially recognized good will, on the other hand, are not recognized. If the deferred income tax originates from the initial recognition of assets or liabilities in the transaction (excluding corporation consolidations) and accounting profits or taxation income (taxation loss) is not impacted at the time of transaction, on the other hand, it will not be recognized. The temporary difference associated with the invested subsidiary and affiliate, if the time point for reversal of the temporary difference can be controlled by the Group and the temporary difference is very unlikely to be reversed in a foreseeable future, will not be recognized. For the deferred income tax, legislation or substantial legislation on the balance sheet date is adopted and the tax rate (and taxation law) expected to be applicable upon realization of deferred income tax or upon pay-off of deferred income tax liabilities is to be followed.

4. The temporary difference of deferred income tax is very likely used to be written off within the scope of offsetting taxes in the future and the deferred income tax assets yet to be recognized or already recognized on each balance sheet date are re-evaluated.

5. Only when there are enforceable rights before the law to offset income tax assets against liabilities recognized for the current term and net worth-based payoff or simultaneous realization of assets and payoff of liabilities are intended can income tax assets and income tax liabilities for the current term be offset. Only when there are enforceable rights before the law to offset income tax assets and income tax liabilities for the current term and the deferred income tax assets and liabilities are generated by the same taxpaying entity or different tax-paying entities with taxes to be collected by the same agency yet only when the respective entities intend to pay off on the net worth basis or simultaneously realize assets and pay off liabilities can the deferred income tax assets be offset against liabilities.

6. For tax incentives as a result of expenditure by the Group for compliance with regulatory incentive items, income tax credit accounting is adopted. For the later period of carryover of unused income tax credit, deferred income tax assets are recognized when it is very likely that taxes collected in the future are within the scope of unused income tax credit.

7. The Group lists the estimated difference of income tax from the previous year and the adjusted difference approved by the tax collection agency as the adjustments of

income tax for the current year.

(XXXIV)) Recognition of Income

2018

Having identified the fulfillment obligation in the contract with a customer, the Group amortizes the transaction price among respective obligations to be fulfilled under the contract and recognizes the income upon satisfaction of each fulfillment obligation.

1. Sales Income

(1) For the respective products manufactured by the Group and sold on the market, the income is recognized upon transfer of control over the product to the customer. In other words, as soon as the product is delivered to the customer, the customer has discretion over the distribution channels and pricing of the product and there are no implementation obligations yet to be fulfilled by the Group that are likely to affect the customer's willingness to accept the product. As soon as the product is delivered to the designated location, the risk of being obsolete and lost is transferred to the customer. Only when the customer accepts the product according to the sales contract or there is objective evidence supporting that all acceptance criteria have been fulfilled does the delivery of the product occur.

(2) The Group provides standard warranty to sold products and is obligated to provide the refund upon discovery of product defects. The liability reserve is recognized upon sale.

(3) Accounts receivable are recognized upon delivery of the product to the customer and starting from the said time point, the Group owns unconditional rights over contract prices and can collect considerations from the customer upon time elapse. The advance payment collected prior to delivery of the product is recognized as contract liabilities.

(4) For processing of self-owned materials, the control over the ownership of processed products is not transferred. Therefore, the self-owned materials are not recognized as income.

2. Labor Income

(1) Advertising Income

When the Group signs a contract over advertising trailer with a customer, the income is recognized upon actual completion of broadcasting according to the extent of fulfillment of the implementation obligation. The extent of fulfillment of the implementation obligation is decided on the basis of the percentage of actual provided services in the overall labor to be provided.

(2) Video Income

The Groups signs the basic channel agency agreement with its customers so that cable TV service providers and other public broadcasters can transmit self-produced programs or agency channels through the satellite to be viewed by cable TV or network platform users. During the service contract period, the Group continues to provide users with the TV channel viewing right and the network bandwidth user right, among other obligations it has to fulfill. Therefore, it is recognized as income on the straight line basis during the service period.

(3) Licensing Income

The Group signs a contract with its customers and licensed the broadcasting right of films and the copyright of programs of the Group to the customers. Therefore, the licensing income is recognized during the authorized period reflective of the nature of licensing or recognized upon transfer of control over the rights to the customers. When the Group is to be engaged in activities with a major influence on the film broadcasting right and program copyright to directly impact the authorized customers yet such activities will not result in the nature of such authorization being the right strategy to provide access to intellectual properties upon transfer of service to the customers, related royalties are recognized as income on the straight line basis during the authorized period. If the authorization does not meet the above-mentioned criteria and is to provide customers with the right to use intellectual properties in nature, it is recognized as income upon transfer of authorization.

(4) Customers pay considerations according to the payment schedule as agreed upon in the contract. When the service already provided by the Group exceeds the amount payable by the customer, it is recognized as contract assets. If the amount payable by the customer exceeds the service already provided by the Group, it is recognized as contract liabilities.

3. Refund Liability

Income from sales and services are recognized at the net worth from the contract price with the estimated discount and other similar allowances deducted. The amount of income to be recognized is limited to the portion that is very unlikely to experience a reversal in the future and the estimates are updated on each balance sheet date. Related estimated payable discounts and other similar allowances for customers of sales and services as of the balance sheet date are recognized as refund liability.

4. Financial Components

The payment terms and conditions of the contract entered into by and between the Group and its customer are consistent to market practice. Therefore, it is determined that the contract does not contain significant financial components. In addition, for contracts with a time interval between transfer of the promised product or service and collection of considerations within a year, the transaction prices of significant financial components are not adjusted in order to reflect the time value of currency.

(5) Cost to secure contracts with customers

Although the incremental cost incurred from securing a contract with a customer for the Group is expected to be recoverable, related contract periods are shorter than a year; therefore, such cost is recognized as the operating cost or expense for the current term at the time of occurrence.

<u>2017</u>

The income is the fair value of collected or receivable considerations for the product sold to or service provided to the customer through normal business activities and is expressed with the net worth with estimated return, discount, and other similar allowances from the customer deducted.

1. Product Sales

(1) Product sales are recognized under income when all of the following criteria are fulfilled:

①Major risks and rewards associated with the ownership of the product have been transferred to the customer.

②The Group does not continuously get involved in the management of sold products and does not maintain effective control , either.

{1 } The value of income can be reliably measured.

{2 } Economic benefits associated with the transaction in the future are likely to flow into the Group.

⑤ Costs that have occurred or will occur and are associated with transaction can be reliably measured.

In substantial terms, income from the product sales is recognized upon delivery of the product and transfer of legitimate ownership.

(2)For processing of self-owned materials, the ownership of the processed product and significant risks are not transferred. Therefore, the self-owned materials are not treated as sales.

(3) The Group offers the quantity discount and defect return rights for sold products. The future discounts and value of returned goods are reasonably estimated according to historical experiences and other factors of concern. Liability reserve is set aside upon recognition of sales.

2. Labor Income, Service Income, Advertising and Licensing Income, Rent Income, Dividend Income, and Interest Income

(1) The income generated from labor provided according to the contract is recognized reflective of the extent of fulfillment of the contract. Among the labor to be provided, if a certain action item is far more important than other action items, the income shall be recognized upon completion of the said specific action item.

(2) Service income is to be recognized according to the contents of related agreements on the condition, however, that the economic benefits of the transaction are very likely to flow into the Group and the value of income can be reliably measured.

(3) Advertising income is to be recognized upon completion of broadcasting or upon general completion of the production cost. Licensing income for cable TV channels is to be recognized on the monthly basis according to the contract period. Copyright licensing income is to be recognized upon delivery of the product proportionally to the number of episodes delivered as compared to the number episodes agreed upon in the contract.

(4) Rent income is to be recognized during the lease period on the straight-line basis.

(5) Income from the dividends generated by investments is to be recognized when shareholders' entitlement to collection is defined on the condition, however, that economic benefits related to the transaction are very likely to flow in the Group and the value of income can be reliably measured.

(6) Interest income is to be recognized according to the outstanding principal and the applicable effective interest rate on the accrual basis with the elapsed time.

(XXXV) Government Subsidies

Government subsidies are recognized at fair value when it can be reasonably confirmed that the enterprise will follow the additional conditions for the government subsidies and that such subsidies will be received. If the nature of government subsidies is to compensate for expenses incurred within the Group, such government subsidies are recognized as part of profits and losses for the current term on a systematic basis during the period when related expenses are incurred. Government subsidies related to real estate, plants and equipment are recognized as non-current liabilities and are recognized as part of the profits and losses for the current term with the straight line method according to the estimated durability of related assets.

V. Major Sources of Major Accounting Judgments, Estimates, and Assumed Uncertainty

Results of the Group's consolidated financial statement is affected by the accounting policy adopted, the accounting estimates and assumptions. Therefore, when the Group adopts the major accounting policy in Note 4, for information that is uneasy to be obtained from other sources and is likely to result in major adjustment risk of the book values of assets and liabilities in the next consolidated financial statement, the management must apply suitable professional judgments, estimates, and assumptions. All the estimates and related assumptions made by the Group are optimum estimates made according to the requirements of IFRSs approved and released by the FSC. The estimates and assumptions are based on historical experiences and other factors considered to be relevant. The actual results and estimates, however, may differ somehow. The Group continues to review estimates and assumptions. If modifications made to estimates only affect the current term, modifications to accounting estimates are recognized for the current term. If the estimates affect the current term and future periods at the same time, they are recognized for the current term and future periods with modifications to the estimates.

(I) Major judgments adopted in accounting policy

Except for judgments involving estimates (Refer to (II) mentioned below), the management recognizes judgments regarding amounts with significant impacts in the financial statement while adopting the accounting policy:

1. Judgment over the operational model in the classification of financial assets (applicable to 2018)

The Group evaluates the operational model that financial assets belong to according to the level of joint management reflected in the group of financial assets in order to accomplish specific operating purposes. Such assessment needs to take into consideration all relevant evidence, including how asset performance is measured, the risk of affecting performance, and how the compensation for related managers is decided and requires utilization of judgment. The Group constantly evaluates the operational model to determine if it is appropriate and monitors financial assets measured at post-amortized cost and investments in debt instruments measured at fair value through other comprehensive income that are de-recognized before the expiration date in order to understand the cause of disposal and to evaluate if such disposal falls in line with the goal of the operational model. If it is found that the operational model has changed, the Group postpones the adjustment of categorization of financial assets obtained subsequently.

2. Financial assets - Impairment of investments in equities (applicable to 2017)

   The Group decides if impairment has occurred to respective financial assets - equity investments according to IAS 39; such decision relies on major judgment. The Group evaluates the time and amount of the fair value of respective equity investments below the cost and the financial soundness and short-term business prospects of the invested, including industrial and departmental performance, technical transformation, and operating and financing cash flows, among other factors.

   When the lower-than-cost fair value of respective equity investments are significant or long-lasting, the Group recognizes impairment loss under profits and losses for the current term for “financial assets carried at cost.”

3. Investment Real Estate

   Some of the investment real estate held by the Group is meant for earning the rent or capital appreciation and also includes real estate held for the time being with the future purpose yet to be determined while the remainder is meant for self-use. When respective components can be sold separately, only when the portion held for self-use is insignificant in the respective real estate can such real estate be categorized under investment real estate.

4. Business Lease Commitment - The Group as the Leaser

   The Group has already signed the business real estate lease for certain real estate combinations. For the sake of evaluating its terms and conditions, the Group retains major risks and rewards over the ownership of the real estate and such lease is treated as business lease.

(II) Important accounting estimates and assumptions

The accounting estimates made by the Group are based on the reasonable expectations of future events according to the circumstances on a specific day. The actual results, however, might vary from the estimates. There might be estimates and assumptions over the risk of major adjustments in the book values of assets and liabilities for the coming fiscal year. Please refer to the descriptions below:

1. Estimated impairment of financial assets (applicable to 2018)

   The estimated impairment of accounts receivable and contract assets is based on the default rate and expected loss rate assumed by the Group. The Group takes into consideration historical experiences, current market condition, and prospective information while rendering assumptions and selecting the estimated input value of impairment. For all important assumptions and input values adopted, refer to the descriptions in Note 6 (4). If the actual cash flows in the future are below expectations, significant impairment loss may result. As of December 31, 2018, the book value of accounts receivable and contract assets of the Group totaled $3,143,302 thousand (with the allowance loss of $12,619 thousand deducted).

2. Estimated Impairment of Accounts Receivable (applicable to 2017)

When there is objective evidence showing signs of impairment, the Group takes into consideration estimated cash flows in the future. The value of impairment loss is measured by the difference between the book value of the assets and the current value discounted at the original effective interest rate of the specific financial asset of estimated cash flows in the future (excluding the future credit loss yet to occur). If the actual cash flows in the future are below expectations, significant impairment loss may result. As of December 31, 2017, the book value of accounts receivable of the Group totaled $3,305,332 thousand (with the allowance loss of $17,781 thousand deducted).

3. Valuation of Inventory

Due to the fact that the inventory is valued at cost or net realizable value, whichever is lower, the Group must apply judgment and estimates to determine the new realizable value of the inventory on the balance sheet date. Due to the rapid changes in the industrial environment, the Group evaluates the value of the inventory on the balance sheet date due to normal damage and consumption, obsolescence or absence of market sale value and writes off the inventory cost to net realizable value. Such inventory valuation is mainly based on the product demand during a specific period in the future for estimation so major changes are likely. {1 > As of December 31, 2018 and 2017, The book value of the inventory was $1,980,783 thousand and $ 2,023,166 thousand, respectively. (With the allowance for inventory obsolescence and valuation losses being $59,566 thousand and $46,691 thousand, respectively, deducted)

4. Fair value measurement and valuation procedure (applicable to 2018)

When no quotations are available on the active market for assets and liabilities measured at fair value, the Group determines whether valuation is to be outsourced or not and decides an adequate fair value evaluation technique according to applicable laws and regulations or by judgment. When it is impossible to obtain first-rate input values while the fair value is being estimated, the Group refers to the analysis of the financial standing and operational outcome of the invested, the latest transaction price, the quotation of the same equity instrument on a non-active market, the quotation of a similar instrument on an active market, and comparable company evaluation multiplier while deciding the input value. If the actual variation in the input value in the future differs from expectations, it might result in variation of the fair value. The Group periodically updates respective input values reflective of the market status in order to monitor if the fair value is measured adequately. For information on the fair value evaluation technique and input value, please refer to the descriptions in Note 12 (4) for details. As of December 31, 2018, the book value of corporate shares yet to be listed or traded publicly and limited partnership investments held by the Group totaled NT$726,191 thousand.

5. Fair value of financial instruments (applicable to 2017)

The fair value of financial instruments with no active market or without quotations is decided with the evaluation method. Under the said circumstances, fair value is evaluated form observable data or model of similar financial instruments. If there are no observable parameters on the market, the fair value of financial instruments is evaluated through adequate assumptions. When an evaluation model is adopted to decide the fair value, all such models have to be calibrated in order to ensure that the output reflects the actual data and market price. Only observable data may be adopted for the model whenever possible. Please refer to the descriptions in Note 12 (4) for details. As of December 31, 2017, the book value of corporate shares with no active market yet to be listed or traded publicly and limited partnership investments held by the Group totaled $459,269 thousand. (with the accumulated impairment value of $47,739 thousand deducted).

6.Impairment Assessment of Investments Adopting the Equity Method

When there are impairment signs showing that a certain investment adopting the equity method might have been impaired so that the book value cannot be recovered, the Group evaluates the impairment of the said investment. The Group evaluates the recoverable amount according to the discounted value of expected cash flows in the future of the invested that the Group is entitled to or the expected cash dividends to be received, and cash flows in the future generated from disposal of investments and analyzes the legitimacy of related assumptions. As of December 31, 2018 and 2017, according to the careful assessments made by the Group, there had not been major impairment loss.

7. Impairment Evaluation of Tangible Assets, Intangible Assets (Excluding Good Will), and Other Non-current Assets

While impairment of assets is being evaluated, the Group needs to rely on subjective judgment, the asset use model, and industrial characteristics and decides the independent cash flows of a specific asset group, the durable years of assets, and possible income and expenses to occur in the future. Any estimation change as a result of changing economic conditions or strategies can result in major impairment in the future. As of December 31, 2018 and 2017, the accumulated impairment value of tangible assets, intangible assets (excluding good will) and other non-current assets was NT$85,510 thousand and NT$79,844 thousand, respectively.

8. Impairment Evaluation of Good Will

When deciding whether or not goodwill has experienced impairment, it is required to estimate the usable value amortized to the cash generating unit of goodwill. In order to calculate the usable value, the management shall estimate the cash flows in the future expected from the cash generating unit and decides the suitable discount rate to be adopted when calculating the current value. If the actual cash flows are below expectations, significant impairment loss may result. As of December 31, 2018 and 2017, the good will value recognized by the Group after impairment loss totaled NT$674,070 thousand.

9. Reliability of Deferred Income Tax Assets

Deferred income tax assets are only recognized when there is likely sufficient tax income in the future for writing off the temporary difference. In the evaluation of the realizability of deferred income tax assets, major accounting judgments and estimates by the management is involved, including the expected growths and profitability rates in the future sales income, the usable income tax credit,and taxation planning, among other assumptions. Any change in the global economic environment, industrial environment, and laws and regulations can result in major adjustments of deferred income tax assets. As of December 31, 2018 and 2017, the deferred income tax assets recognized by the Group totaled $49,358 thousand and $44,905 thousand, respectively. Deferred income tax assets that are not very likely to have tax income and hence are not recognized by the Group were worth $14,223 thousand and $11,764 thousand, respectively.

10. Calculation of Long-term Employee Benefit Liabilities

When calculating the current value of defined benefit obligations, the Group must apply judgment and estimates in order to decide related actuary assumptions on the balance sheet date, including the discount rate and the growth rate of compensation in the future. Any variations in the actuary assumptions can significantly affect the value of defined benefit obligations of the Group. As of December 31, 2018 and 2017, the book value of the Group’s long-term employee benefit liabilities (including net defined benefit liability and liability reserve - non-current) was $82,643 thousand and $94,747 thousand, respectively.

VI. Descriptions of Important Accounting Items

(I) Cash and cash equivalents

Item	December 31, 2018	December 31, 2017
Cash and petty cash	$ 1,580	$ 1,903
Checking deposit	25,637	23,835
Demand deposit	462,637	419,382
Time deposit on the original due date within three months	1,308,800	785,026
Bills sold under re-purchase agreements and debts	930,800	892,607
Total	$ 2,729,454	$ 2,122,753

1. None of the Group's cash and cash equivalents are provided as collateral or pledged.
2. The market interest rate range of time deposits of the Group within three months of their original expiration date as of December 31, 2018 and 2017 was, respectively, 0.60%～0.65% and 0.65%～1.73%, with the interest to be applied at a fixed annual interest rate or dynamically.
3. The market interest rate range of bills sold under re-purchase agreements and debts of the Group within three months of the undertaking period as of December 31, 2018 and 2017 was, respectively, 0.51%～3.10% and 0.38%～1.67%.

(II) Financial assets measured at fair value through other comprehensive income－current

Item	December 31, 2018	December 31, 2017
Measured Compulsorily at Fair Value through Income		
Mutual fund beneficiary certificates	$ 39,000	$ -
Increase: Adjustment in valuation	20	—
Total	$ 39,020	$ -

1. For the statement of financial assets at fair value through profit or loss－current, refer to Note 13 (1) (2)-3 for details.
2. The net profits recognized by the Group under profits and losses for the current term between January 1 and December 31, 2018 and 2017, totaled $114 thousand and $33 thousand, respectively.
3. The Group has no financial assets at fair value through other comprehensive income－current in its possession provided as collateral or pledged.

(III) Notes receivable

Item	December 31, 2018	December 31, 2017
Total notes receivable	$ 394,217	$ 392,248
Decrease: Allowance loss/ bad debt (2017)	—	—
Net amount	$ 394,217	$ 392,248

1. None of the Group's notes receivable has expired; the credit loss rate is expected to be 0%.

2. None of the Group's notes receivable are provided as collateral or pledged.

(IV) Accounts receivable (including related parties)

Item	December 31, 2018	December 31, 2017
Accounts receivable total	$ 2,618,964	$ 2,877,440
Decrease: Allowance loss/ bad debt (2017)	(12,619)	(17,781)
Subtotal	2,606,345	2,859,659
Total in Accounts Receivable - Related Party	735	—
Decrease: Allowance loss/ bad debt (2017)	—	—
Subtotal	735	—
Net amount	$ 2,607,080	$ 2,859,659

2018

1. The aging analysis and allowance loss measured according to the provision matrix for accounts receivable (including related parties) are as follows:

December 31, 2018

Aging periods	Total	Allowance loss	Net amount
Not overdue	$ 2,524,724	$ -	$ 2,524,724
Overdue 1 to 30 days	77,182	—	77,182
Overdue 31 to 90 days	9,783	5,001	4,782
Overdue 91 to 180 days	591	591	—
Overdue 181 to 365 days	811	419	392
Overdue for more than 365 days	6,608	6,608	—
Total	$ 2,619,699	$ 12,619	$ 2,607,080

The above are analyzed on the basis of the number of days delinquent.

For the expected credit loss rate (with abnormal items excluded, it shall be 100% recognized) within the respective aging ranges mentioned above of the Group , it is 0% ~ 50% when not past due or upon delinquency within 90 days, 30% ~ 100% upon delinquency between 90 ~365 days, and 100% upon delinquency over 365 days.

For the accounts receivable yet to be past due of the Group, the expected credit loss risk is extremely low. For some of the accounts receivable already past due on the balance sheet date, on the other hand, the Group takes into consideration all reasonable supporting information such as other credit reinforcement protection and subsequent payment collection and write-off and the credit quality is evaluated to be without major changes. Meanwhile, the credit risk is not significantly increased after initial recognition. Therefore, the Group's management expects that the accounts receivable will not suffer major credit loss as a result of non-fulfillment of the contract by the counterparty.

2. The Group adopts the simplified approach of IFRS 9 by recognizing the allowance loss for accounts receivable according to the expected credit loss for the duration. The expected credit loss for the duration is calculated with the provision matrix, taking into consideration breach-of-contract records and historical experiences in payment collection, the increase in delayed payments exceeding the average load period, and also the current financial standing of the customer as well as observable national or regional industrial and economic situation changes and prospects relevant to arrears of receivables prospectively for the future. As is shown by the historical experience in credit loss of the Group, there is no significant difference in the loss patterns among different customer populations. Therefore, the provision matrix does not distinguish further the customer populations; instead, the expected credit loss rate is established only by the number of delinquent days for accounts receivable and according to the actual circumstances. The Group does not hold any collateral for the said accounts receivable.

   If there is any evidence showing that the counterparty is faced with serious financial difficulties and the Group cannot reasonably expect the recoverable amount, the Group will recognize 100% allowance loss or write off related accounts receivable directly; nevertheless, claims will continue and the recovered amounts are recognized under profits or losses.

3. Information is analyzed for the variation in allowance loss recognized for accounts receivable (including related parties).

Item	January 1 to December 31, 2018
Balance at beginning of term (IAS 39)	$ 17,781
Effect of IFRS 9 Retrospective Application	—
Balance at beginning of term (IFRS 9)	17,781
Increase: Appropriation of Impairment Loss	—
Decrease: Reserved of Impairment Loss	(5,101)
Decrease: The current write-off does not be recovered.	(61)
Balance at end of term	$ 12,619

4. None of the Group’s accounts receivable are provided as collateral or pledged.

2017

1. The aging analysis of accounts receivable (including related parties) is as follows:

	December 31, 2017		
Aging periods	Total	Impairment	Unimpaired
Not overdue	$ 2,787,753	$ —	$ 2,787,753
Overdue 1 to 30 days	62,770	—	62,770
Overdue 31 to 90 days	13,497	8,610	4,887
Overdue 91 to 180 days	4,432	183	4,249
Overdue 181 to 365 days	2,100	2,100	—
Overdue for more than 365 days	6,888	6,888	—
Total	$ 2,877,440	$ 17,781	$ 2,859,659

The above are analyzed on the basis of the number of days delinquent.

2. The accounts receivable that are yet to be past due and impaired of the Group all meet the loan criteria established according to the industrial characteristics, business

scale, and profitability of the counterparty. While determining the recoverability of accounts receivable, the Group takes into consideration any change in the quality of credit from the original credit date to the balance sheet date. The allowance for bad debts takes reference of the aging analysis, historical experiences, and prior records of arrears and current financial standing analyzed of the counterparty in order to estimate the amount that cannot be recovered. In addition, for accounts receivable for which the allowance for bad debts is yet to be recognized by the Group on the balance sheet date, due to the quality of credit has not experienced major changes, the Group's management believes that the amount is still recoverable and the Group does not hold any collateral for the said accounts receivable.

3. Information is analyzed for the variation in allowance loss recognized for accounts receivable (including related parties).

Item	January 1 to December 31, 2017	
Balance at beginning of term	$	14,965
Increase: Appropriation of Impairment Loss (Bad Debts)		2,816
Decrease: Reserved of Impairment Loss (Bad Debts)		—
Decrease: The current write-off does not be recovered.		—
Balance at end of term	$	17,781

As of December 31, 2017, all the amounts of the allowance for bad debts were impairment losses evaluated for the group and there were no impairment losses of accounts receivable individually evaluated.

4. None of {1 > the Group's accounts receivable (including related parties) are provided as collateral or pledged.

(V) Other receivables

Item	December 31, 2018		December 31, 2017	
Interest receivable	$	30,239	$	15,470
Duty drawback receivable		50,633		35,160
Royalty Refundable Withholding Tax		—		268
Others		769		2,527
Total	$	81,641	$	53,425

(VI) Inventory

Item	December 31, 2018	December 31, 2017
Raw material	$ 503,927	$ 500,237
Material	179,646	178,427
In-process inventory	180,486	207,565
Semi-finished product	565,418	606,879
Finished good	350,778	383,435
By-product	3,475	5,442
Raw materials in transit	256,619	187,872
Subtotal	2,040,349	2,069,857
Decrease: The allowance for inventory obsolescence and valuation losses	(59,566)	(46,691)
Net amount	$ 1,980,783	$ 2,023,166

1. The value of sales costs related to the inventory is as follows:

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
The value of sales costs related to the inventory	$ 19,217,243	$ 17,808,666
Increase: Other operating cost	1,356,840	1,657,434
Increase: Unshared manpower and manufacturing expenses	106,878	95,093
Increase: Inventory short (net amount)	—	95
Increase: Inventory net realizable value loss	12,875	4,157
Decrease: Inventory over (net amount)	(121)	—
Decrease: Revenue from sale of scraps	(7,925)	(8,465)
Book operating cost	$ 20,685,790	$ 19,556,980

2. The operating costs between January 1 and December 31, 2018 and 2017 included the loss in the net realizable value of the inventory, which was $12,875 thousand and $4,157 thousand, respectively, mainly because of the falling prices of raw materials and product quotations.
3. None of the Group’s inventory is provided as collateral or pledged.

(VII) Advance payment

Item	December 31, 2018		December 31, 2017	
Advance collection of payments	$	28,161	$	12,593
Pre-paid rent		1,003		407
Advance insurance premiums		18,503		18,534
Advance manufacturing expenses		132		244
Inventory of supply		2,519		2,441
Advertising exchange goods and gifts		2,014		1,352
Purchase taxes		31,268		44,123
Allowance tax		922		1,088
Others		9,019		6,916
Total	$	93,541	$	87,698

(VIII) Other financial assets－current

Item	December 31, 2018		December 31, 2017	
Bank deposits with restricted purposes	$	11,371	$	12,563
Time deposit on the original due date over three months		2,348,514		1,663,457
Callable bonds with an undertaking period more than three months		339,060		—
Total	$	2,698,945	$	1,676,020

1. Bank deposits with restricted purposes refer to restricted reserve account with a designated purpose. Please refer to the descriptions in Note 8 (2) for details.
2. The time deposits with the original expiration date more than three months away and callable bonds more than three months away held by the Group do not meet the definition for cash equivalents and hence are categorized under other financial assets - current. Due to the fact that impacts from discounting are insignificant for the short duration involved, they are measured at investment value.
3. The market interest rate range of time deposits of the Group within an original expiration date more than three months away as of December 31, 2018 and 2017 was, respectively, 0.90%～3.32% and 1.015%～2.23%.
4. The market interest rate range of callable bonds with an undertaking period more than three months as of December 31, 2018 was 2.97%～3.50% and it has been agreed that they would be redeemed before August 22, 2019.

5. It is evaluated by the Group that the expected credit risk of the above-mentioned financial assets is not high and the credit risk did not increase after initial recognition.

(IX) Other current assets－Others

Item	December 31, 2018	December 31, 2017
Program Broadcasting Cost － Current (note)	$ 166,660	$ 259,228
Others	—	66
Total	$ 166,660	$ 259,294

Note: Cost of broadcasting programs - current; refers to the descriptions in Note 6 (19) for details.

(X) Financial assets at fair value through other comprehensive income－Non-current

Item	December 31, 2018	December 31, 2017
Domestic public corporate shares		
China Life Insurance Company Limited		
China Development Financial Holding Corporation	$ 788,348	(Note 1)
Domestic or foreign corporate shares yet to be listed	1,123,868	
Coos Venture Capital Corp.	18,412	
TECO Nanotech Co., Ltd.	219	
Guozong Development Company Limited	5,000	
Guozong Construction Development Enterprise	5,000	
YODN Lighting Corp.	9,754	
Bridgestone Taiwan Co., LTD.	77,104	
Jeou Tai Technology Group	26,604	
Global Mobile Corp.	14,400	
Great Dream Pictures, Inc.	10,000	
Com2B Corp.	8,961	
Domestic or foreign limited partnership's equities		
CDIB Capital Asia Partners L.P.	350,044	
CDIB Capital Global Opportunities Fund L.P.	139,248	
China Development Advantageous Venture Investment Limited Partnership	74,490	
Subtotal	2,651,452	
Increase: Adjustment in valuation	1,568,774	
Total	$ 4,220,226	

1. The Group started to adopt IFRS 9 on January 1, 2018 and chooses not to rearrange the comparison period according to the transitional requirements in IFRS 9.
2. The above-mentioned investments held by the Group are not the operational model for short-term profits. The management believes that if variation in the short-term fair value of such investments is included as part of profits or losses, it is against the above-mentioned investment plan. Therefore, such investments are chosen and designated to be measured at fair value through other comprehensive income. Such investments were originally categorized as financial assets available for sale according to IAS 39 (including booked financial assets carried at cost). For the re-categorization and 2017 information, please refer to the descriptions in Notes 3(1)-1 and Note 6(11) and (12) for details.
3. The invested limited partnership equity in CDIB Capital Asia Partners L.P. newly added by the Group between January 1 and December 31, 2018 totaled USD 738 thousand (NTD 22,499 thousand). In addition, capital distribution of the limited partnership equity between January 1 and December 31, 2018 totaled USD 313 thousand (NTD 9,585 thousand). As of December 31, 2018, the Group had accumulatively invested in the limited partnership equity in CDIB Capital Asia Partners L.P. totaling USD 11,270 thousand. The expected total investment value of the Group is USD 13,000 thousand.
4. Between January 1 and December 31, 2018, the Group had additionally invested in the limited partnership equity in CDIB Capital Global Opportunities Fund L.P. totaling USD 4,534 thousand (NTD 139,248 thousand). The expected total investment value of the Group is USD 30,000 thousand.
5. The Group increased its investment in the limited partnership equity of China Development Industrial Bank (Venture Capital Investment) between January 1 and December 31, 2018. The expected total investment value of the Group is 200,000 thousand.
6. The investment in structural entity’s equity held by the Group is limited partnership equity in nature and hence no transaction quantity and unit transaction price are available and rights and obligations are undertaken only within the scope of the investment contract without a significant influence on the investment. In other words, the maximum exposure amount on the balance sheet date is the book value of the said financial asset.

7. Net losses recognized under other comprehensive income as a result of variation in fair value between January 1 and December 31, 2018 of the Group totaled $280,712 thousand and are accumulated as part of other equities. The amount of accumulated profits or losses directly transferred to be under retained earnings as a result of disposal of investments is 0.
8. The Group has no financial assets at fair value through other comprehensive income －non-current in its possession provided as collateral or pledged.

(XI) Financial assets available for sale－ Non-current

Item	December 31, 2018	December 31, 2017
Domestic public corporate shares		
China Life Insurance Company Limited	(Note 1)	$ 788,348
China Development Financial Holding Corporation		1,123,868
Subtotal		1,912,216
Increase: Adjustment in valuation		1,658,267
Total		$ 3,570,483

1. The Group started to adopt IFRS 9 on January 1, 2018 and chooses not to rearrange the comparison period according to the transitional requirements in IFRS 9.
2. The value recognized by the Group under profits and losses for the current term between January 1 and December 31, 2017 totaled $0 and the net profits recognized under other comprehensive income totaled $234,492 thousand.
3. None of the financial assets available for sale - non-current held by the Group is provided as collateral or pledged.
4. For the shares of listed companies originally categorized to be measured at fair value through profit or loss, due to fluctuating international economic situation in the third quarter of 2008 and the confidence crisis on the global financial market results in collapsing values of financial commodities. The Group does not intend to sell the financial assets in the table below to be traded within a short period of time. Therefore, according to the requirements in Section 50 (C) of IAS 39, such financial assets on July 1, 2008 are suitably re-categorized as part of financial assets available for sale, totaling $375,468 thousand. Related information is provided below:

   (1) Information about the balance of the position is yet to be de-recognized for the above-mentioned recategorized assets:

Item	December 31, 2017	
	Book value	Fair value
Public corporate shares	$ 339,085	$ 339,085

(2) Variation in fair value of re-categorized financial assets and fictional information that assumes that financial assets are not recategorized:

Item	January 1 to December 31, 2017	
	Book value	Fictional information of measured by original category
	Other Comprehensive Income Recognition of Losses	Current Recognition of Losses
Public corporate shares	$ 69,821	$ 69,821

(XII) Financial assets carried at cost - Non-current

Item	December 31, 2018	December 31, 2017
Domestic or foreign corporate shares yet to be listed		
Coos Venture Capital Corp.	(Note 1)	$ 18,412
TECO Nanotech Co., Ltd.		219
Guozong Development Company Limited		5,000
Guozong Construction Development Enterprise		5,000
YODN Lighting Corp.		9,754
Bridgestone Taiwan Co., LTD.		77,104
Jeou Tai Technology Group		26,604
Global Mobile Corp.		14,400
Great Dream Pictures, Inc.		10,000
Com2B Corp.		8,961
Subtotal		$ 175,454

Item	December 31, 2018	December 31, 2017
(Continued from Previous Page)	(Note 1)	$ 175,454
Foreign limited partnership's equities		
CDIB Capital Asia Partners L.P.		331,554
Subtotal		507,008
Decrease: Accumulated impairment value		(47,739)
Net amount		$ 459,269

1. The Group started to adopt IFRS 9 on January 1, 2018 and chooses not to rearrange the comparison period according to the transitional requirements in IFRS 9.
2. The above-mentioned shares of listed (traded-over-the-counter) companies and limited partnership equity investments held by the Group are measured by the cost less impairment loss on the balance sheet date. Due to the fact that the object is not traded publicly on an active market, it is impossible to obtain sufficient industrial information of similar companies and related financial information of invested companies, the range of reasonable estimates of the fair value is significant and it is impossible to reasonably evaluate chances of various estimates, the Group's management believes that the fair value cannot be reliably measured. This is why they are categorized as financial assets carried at cost.
3. The invested limited partnership equity in CDIB Capital Asia Partners L.P. newly added by the Group between January 1 and December 31, 2017 totaled USD 2,423 thousand (NTD 73,122 thousand). In addition, capital distribution of the limited partnership equity between January 1 and December 30, 2017 totaled USD 295 thousand (NTD 8,833 thousand). As of December 31, 2017, the Group had accumulatively invested in the limited partnership equity in CDIB Capital Asia Partners L.P. totaling USD 10,845 thousand. The expected total investment value of the Group is USD 13,000 thousand.
4. The investment in the structural entity's equity held by the Group is limited partnership equity in nature and hence no transaction quantity and unit transaction price are available and rights and obligations are undertaken only within the scope of the investment contract without a significant influence on the investment. In other words, the maximum exposure amount on the balance sheet date is the book value of the financial assets carried at cost.

5. Due to the fact that some of the financial assets carried at cost continue to suffer from deficits, which is determined to be sure of impairment signs, the Group calculates the difference between related recoverable amounts with the cash generating unit and the book value of the stock option investment. The amount of impairment loss recognized between January 1 and December 31, 2017 totaled 540 thousand. Such impairment loss was already listed under other profits and losses in the consolidated income statement. The accumulated impairment value of financial assets carried at cost recognized by the Group as of December 31, 2017 totaled 47,739 thousand.

6. None of the financial assets carried at cost held by the Group is provided as collateral or pledged.

(XIII)Investments Adopting the Equity Method

1. Investment in Affiliates

Affiliate name	December 31, 2018 Book value	December 31, 2018 Holding %	December 31, 2017 Book value	December 31, 2017 Holding %
Zhenjiang Chimei Chemical Company Limited	$ 5,509,893	30.40%	$ 5,500,309	30.40%
Zhangzhou Chimei Chemical Company Limited	717,809	30.40%	—	—
Total	$ 6,227,702		$ 5,500,309	

2. The portions of profits and losses and other comprehensive income of affiliates recognized using the equity method between January and December 31, 2018 and 2017 are recognized according to the financial statements audited by CPAs during the same period of respective affiliates.

3. Portions of profits and losses and other comprehensive income of affiliates recognized adopting the equity method are as follows:

Affiliate name	January 1 to December 31, 2018 Current Recognition of Losses	January 1 to December 31, 2018 Other Comprehensive Income Recognition of Losses	January 1 to December 31, 2017 Current Recognition of Losses	January 1 to December 31, 2017 Other Comprehensive Income Recognition of Losses
Zhenjiang Chimei Chemical Company Limited	$ 988,415	($ 349,901)	$ 1,547,677	$ 369,753
Zhangzhou Chimei Chemical Company Limited	—	908	—	—
Total	$ 988,415	($ 348,993)	$ 1,547,677	$ 369,753

4. The Group remitted CNY160,512 thousand (USD23,340 thousand/ NT$716,901 thousand) in August 2018 to invest in Changzhou Chimei Chemical Company Limited. The said investment has been submitted to and approved by the Investment Commission of MOEA through MOEA Review (II) No. 10700087220 dated 04 June 2018.

5. None of the Group's Investments using the equity method is provided as collateral or pledged.

6. For the information of the nature of operation, the main operation site, and the country where each of the above-mentioned affiliates is registered, please refer to the disclosure of information on investments in Mainland in Note 13 (3) for details.

7. The overview of financial information of main affiliates of the Group is as follows: (The following overview of financial information is prepared on the basis of the financial statements of respective affiliates according to the IFRSs and reflects the adjustments made upon adoption of the equity method.)

(1) Zhenjiang Chimei Chemical Company Limited

① Balance Sheet

Item	December 31, 2018	December 31, 2017
Current Assets	$ 27,101,894	$ 25,175,406
Non-current Assets	9,028,267	9,215,641
Current Liabilities	(15,344,042)	(13,719,206)
Non-current Liabilities	—	—
Equities	20,786,119	20,671,841
Company Holding ratio	30.40%	30.40%
The company's equities	6,318,980	6,284,240
Unrealized Income	(809,087)	(783,931)
Affiliate investment book value	$ 5,509,893	$ 5,500,309

② Comprehensive Income Statement

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Operating revenue	$ 72,921,032	$ 73,402,472
Net Profits of Current Term	3,251,366	5,089,436
Other Comprehensive Income	—	—
Total of Comprehensive Income	$ 3,251,366	$ 5,089,436
Affiliate Collected Dividends	$ 808,265	$ 341,857

(2) Zhangzhou Chimei Chemical Company Limited

① Balance Sheet

Item	December 31, 2018	December 31, 2017
Current Assets	$ 2,279,983	$ -
Non-current Assets	84,477	—
Current Liabilities	(3,247)	—
Non-current Liabilities	—	—
Equities	2,361,213	—
Company Holding ratio	30.40%	—
The company's equities	717,809	—
Unrealized Income	—	—
Affiliate investment book value	$ 717,809	$ -

② Comprehensive Income Statement

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Operating revenue	$ -	$ -
Net Profits of Current Term	—	—
Other Comprehensive Income	—	—
Total of Comprehensive Income	$ -	$ -
Affiliate Collected Dividends	$ -	$ -

Note: Zhangzhou Chimei Chemical Company Limited was established in August 2018 and is still during its founding stage; no major profits or losses occurred in 2018.

(XIV) Real estate, plants and equipment

Item	December 31, 2018	December 31, 2017
Land	$ 3,410,682	$ 3,410,682
House and Building	1,599,726	1,587,140
Machinery and Equipment	13,468,888	13,392,891
Transport Equipment	103,537	101,235
Other Equipment	1,393,925	1,277,374
Unfinished engineering and equipment to be inspected	51,489	102,532
Cost total	20,028,247	19,871,854
Decrease: Accumulated depreciation value	(12,545,939)	(12,036,143)
Decrease: Accumulated impairment value	(54,835)	(57,478)
Net amount	$ 7,427,473	$ 7,778,233

Item	Land	House and Building	Machinery and Equipment	Transport Equipment	Other Equipment	Unfinished engineering and equipment to be inspected	Total
Cost:							
January 1, 2018 Balance	$3,410,682	$1,587,140	$13,392,891	$ 101,235	$1,277,374	$ 102,532	$19,871,854
Addition		12,887	165,108	4,590	313,477	57,655	553,717
Disposition	—	(3,718)	(161,687)	(3,511)	(176,635)	—	(345,551)
Re-categorized (note)	—	4,791	76,043	1,580	(19,747)	(108,698)	(46,031)
Impact on the exchange rate	—	(1,374)	(3,467)	(357)	(544)	—	(5,742)
December 31, 2018 Balance	$3,410,682	$1,599,726	$13,468,888	$ 103,537	$1,393,925	$ 51,489	$20,028,247
Accumulated depreciation and impairment value:							
January 1, 2018 Balance	$ -	$ 890,430	$10,250,008	$ 82,246	$ 870,937	$ -	$12,093,621
Depreciation Cost	—	46,025	667,312	7,990	134,211	—	855,538
Disposition	—	(3,676)	(162,121)	(3,391)	(175,179)	—	(344,367)
Impairment Loss (Reserved)	—	—	—	—	—	—	—
Impact on the exchange rate	—	(1,037)	(2,259)	(248)	(474)	—	(4,018)
December 31, 2018 Balance	$ -	$ 931,742	$10,752,940	$ 86,597	$ 829,495	$ -	$12,600,774

Item	Land	House and Building	Machinery and Equipment	Transport Equipment	Other Equipment	Unfinished engineering and equipment to be inspected	Total
Cost:							
January 1, 2017 Balance	$3,410,682	$1,566,781	$13,351,205	$ 93,912	$1,272,256	$ 127,175	$19,822,011
Addition	—	27,859	156,845	10,052	117,576	102,497	414,829

Disposition	—	(20,142)	(245,671)	(4,049)	(79,686)	—	(349,548)
Re-categorized (note)	—	13,194	131,655	1,529	(32,539)	(127,140)	(13,301)
Impact on the exchange rate	—	(552)	(1,143)	(209)	(233)	—	(2,137)
December 31, 2017 Balance	$3,410,682	$1,587,140	$13,392,891	$ 101,235	$1,277,374	$ 102,532	$19,871,854

Item	Land	House and Building	Machinery and Equipment	Transport Equipment	Other Equipment	Unfinished engineering and equipment to be inspected	Total
Accumulated depreciation and impairment value:							
January 1, 2017 Balance	$ -	$ 859,130	$ 9,836,593	$ 78,938	$ 787,389	$ -	$11,562,050
Depreciation Cost	—	47,616	660,716	7,211	162,913	—	878,456
Disposition	—	(15,964)	(244,464)	(3,863)	(79,296)	—	(343,587)
Impairment Loss (Reserved)	—	—	—	—	—	—	—
Impact on the exchange rate	—	(352)	(2,837)	(40)	(69)	—	(3,298)
December 31, 2017 Balance	$ -	$ 890,430	$10,250,008	$ 82,246	$ 870,937	$ -	$12,093,621

Note: The net variation in re-categorization between January 1 and December 31, 2018 and 2017 is the transfer of fees of real estate, plants and equipment, that is $46,031 thousand and $21,726 thousand, respectively, and inbound remittance from advance equipment payment of $0 and $8,425 thousand, respectively.

1. The adjustment in the real estate, plants and equipment obtained from the statement of cash flows is as follows:

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Increase in real estate, plants and equipment	$ 553,717	$ 414,829
Increase: Decrease in Equipment Accounts Receivable	(14,036)	27,373
Decrease: Rented assets	(3,298)	—
Paid Cash	$ 535,792	$ 442,202

2. Capitalized amount and interest rate range of the cost of loans for real estate, plants and equipment: None.

3. Major components of the Group's real estate, plants and equipment have depreciation calculated by the following durability on the straight line basis:

(1) House and Building

Main part of house and premise	26～56 years
Auxiliary equipment of house	11～21 years
Air-conditioning equipment	5～ 8 years
Fire prevention equipment	4～ 6 years
Greening of roads	4～11 years

(2) Machinery and Equipment

Chemical equipment	8～ 25 years
Cogeneration equipment	16 years
Gas supply equipment	10 years
Broadcasting equipment	5～ 6 years
Others	7 years

(3) Transport Equipment

SNG vehicle	5～ 7 years
OB broadcasting vehicle	6～ 7 years
Others	2 ～ 6 years

(4) Other Equipment

Furniture and office equipment	4～ 7 years
Lease improvement	10 years
Others	3 ～ 8 years

4. Due to the fact that the actual wear and tear of some equipment is greater than the expected depreciation, the Group expects that cash in-flows in the future of such equipment will be reduced to result in the recoverable amount less than the book value. As of December 31, 2018 and 2017, the accumulated impairment value of real estate, plants and equipment recognized, after careful evaluation by the Group, was $54,835 thousand and $54,478 thousand, respectively.

5. For information on real estate, plants and equipment provided as collateral, please refer to the descriptions in Note 8 (1) for details.

(XV) Investment Real Estate

Item	December 31, 2018	December 31, 2017
Land	$ 60,363	$ 60,363
House and Building	71,208	71,208
Subtotal	131,571	131,571
Decrease: Accumulated depreciation value	(51,728)	(50,705)
Decrease: Accumulated impairment value	—	—
Net amount	$ 79,843	$ 80,866

Item	Land	House and Building	Total
Cost:			
January 1, 2018 Balance	$ 60,363	$ 71,208	$ 131,571
Addition	—	—	—
Disposition	—	—	—
Impact on the exchange rate	—	—	—
December 31, 2018 Balance	$ 60,363	$ 71,208	$ 131,571
Accumulated depreciation and impairment value:			
January 1, 2018 Balance	$ -	$ 50,705	$ 50,705
Depreciation Cost	—	1,023	1,023
Disposition	—	—	—
Impact on the exchange rate	—	—	—
December 31, 2018 Balance	$ -	$ 51,728	$ 51,728

Item	Land	House and Building	Total
Cost:			
January 1, 2017 Balance	$ 60,363	$ 71,208	$ 131,571
Addition	—	—	—
Disposition	—	—	—
Impact on the exchange rate	—	—	—
December 31, 2017 Balance	$ 60,363	$ 71,208	$ 131,571

Item	Land		House and Building		Total	
Accumulated depreciation and impairment value:						
January 1, 2017 Balance	$	-	$	49,570	$	49,570
Depreciation Cost		—		1,135		1,135
Disposition		—		—		—
Impact on the exchange rate		—		—		—
December 31, 2017 Balance	$	-	$	50,705	$	50,705

1. Capitalized amount and interest rate range of the cost of loans for investment real estate: None.
2. Rent income and direct operation cost of investment real estate:

Item	January 1 to December 31, 2018		January 1 to December 31, 2017	
Rent income of investment real estate	$	5,400	$	5,040
Current emerge of rent income and direct operation cost of investment real estate	$	1,023	$	1,135
Current not generation of rent income and direct operation cost of investment real estate	$	-	$	-

3. The investment real estate of the Group is located in Dali, Taichung City. The said lot is meant for software industry in nature and hence transactions on a comparable market are not frequent and it is impossible to obtain reliable alternative fair value estimates. As a result, it is impossible to reliably decide the fair value.
4. There has not been any impairment of investment real estate after careful evaluations by the Group.
5. All the investment real estate of the Group is self-owned equity and is not provided as collateral or pledged.

(XVI)Intangible Assets

Item	December 31, 2018	December 31, 2017
Good Will	$ 674,070	$ 674,070
Decrease: Accumulated impairment value	—	—
Net amount	$ 674,070	$ 674,070

1. There has not been any impairment of intangible assets after careful evaluations by the Group.

2.Good will is amortized to the Group's cash generating units identified by the operating department:

Item	December 31, 2018	December 31, 2017
Good Will		
Business Division of TV Media	$ 658,915	$ 658,915
Other Division	15,155	15,155
Total	$ 674,070	$ 674,070

3.Good will is amortized to the cash generating units identified by the Group. The recoverable amount is evaluated by the use value and the use value is forecasted and calculated with the pre-tax cash flows in accordance with the management's financial budget. The recoverable value calculated by the Group according to the use value is greater than the book value; therefore, good will has not experienced major impairment and when used to calculate the use value, the gross profit margin, growth rate, and discount rate are primarily considered. The management decides the budget gross profit margin according to prior performance and its expectations of developments on the market. The adopted weighted mean growth rate and the forecast in the industrial report are identical. The adopted discount rate is the pre-tax rate and reflects the specific risks of related operating departments.

(XVII) Refundable deposits

Item	December 31, 2018	December 31, 2017
Contract bond	$ 805	$ 1,491
Premium For Lease - Lessee	12,345	11,914
EcoGarantie(R)	2,000	2,000
Others	1,514	1,684
Total	$ 16,664	$ 17,089

(XVIII) Long-term pre-paid rent

Item	December 31, 2018	December 31, 2017
Land access	$ 9,130	$ 9,602

1. The land user right is obtained from the Land Administration Bureau of the People's Republic of China to facilitate the use of production premises and office buildings. The user right is good for 50 years. The Group is entitled to the land user right, income right, and disposition rights for assignment and subletting, etc. within the duration of land use and is responsible for paying respective taxes for using the land.
2. The amortized value of the land user right between January 1 and December 31, 2018 and 2017 is consistently $279 thousand . By the single entry functionality type, it is listed under operating cost.
3. There has not been any impairment of land user right according to the Group's careful evaluations.
4. None of the Group's land user right is provided as collateral or pledged.

(XIX) Other non-current assets－Others

Item	December 31, 2018	December 31, 2017
Program Broadcasting Cost — Non-current	$ 298,492	$ 382,854
Long-term prepaid expense	4,741	7,638
Others	187	279
Total	$ 303,420	$ 390,771

1 The program broadcasting cost includes the cost of purchasing externally the broadcasting right of films, outsourcing of film-making, or self-production of programs. Related details are given below:

Item	December 31, 2018	December 31, 2017
Movie library	$ 285,926	$ 259,228
Advance purchase	174,139	358,952
Prepayment-preserving	35,762	46,268
Subtotal	495,827	664,448
Decrease: Accumulated impairment value - Program Broadcasting Cost	(30,675)	(22,366)
Decrease: Amortization portion within a year	(166,660)	(259,228)
Program Broadcasting Cost — Non-current	$ 298,492	$ 382,854

It is expected to amortize part of it within a year under other current assets - others. Please refer to Note 6 (9) for details.

2.Due to the fact that some programs were not broadcast due to the lack of popularity on the market or extended storage between January 1 and December 31, 2018 and 2017, the Group expects that cash flows of such programs in the future will be reduced. Therefore, the estimated recoverable amount is $38,252 thousand and $0, less than the book value. Therefore, the Group recognized the impairment loss of such programs between January 1 and December 31, 2018 and 2017 to be $10,007 thousand and $22,366 thousand, respectively. The Group adopts the use value while deciding the recoverable value of such programs. The discount rate adopted for January 1 through December 31, 2018 and 2017, was 9.20% and 7.51%, respectively. The impairment loss has been included in the extra incomes and expenses - other profits and losses in the consolidated income statement. As of December 31, 2018 and 2017, the accumulated impairment value of the programs recognized by the Group was $ 30,675 thousand and $ 22,366 thousand, respectively.

3. None of the programs held by the Group is provided as collateral or pledged.

4. All the amortized entries for the program broadcasting cost and long-term pre-paid fees are as follows:

Item	January 1 to December 31, 2018		January 1 to December 31, 2017	
Operating cost	$	737,594	$	917,491
Operating expenses		3,362		4,256
Total	$	740,956	$	921,747

(XX) Short-term Borrowings

Property	December 31, 2018			December 31, 2017		
	Amount		Interest rate range	Amount		Interest rate range
Credit loan	$	2,240	0.90%～4.01%	$	33,057	0.90%～4.31%
Import financing		593	1.32%		4,524	1.32%
Total	$	2,833		$	37,581	

The Group signs short-term comprehensive loan contracts with respective banks and provides the promissory note showing the specific amount to show its commitment to pay off the loan. For information on the provision of collateral and pledge for short-term borrowings, please refer to Note 8 (1) and Note 9-2 for details.

(XXI) Other Payables

Item	December 31, 2018	December 31, 2017
Salary payable and award	$ 388,766	$ 360,490
Remunerations for employees payable	52,043	49,216
Remunerations for directors/supervisors payable	77,145	79,639
Freight payable	19,680	15,140
Accrued taxes payable	20,704	21,567
Insurance premiums payable	8,827	10,501
Utilities expense payable	8,324	7,685
Cost of renovation payable	22,227	14,839
Service charge payable	18,433	16,188
Labor cost payable	4,823	2,806
Equipment payable	20,471	6,435
Uncontrolled Equity (Capital Decrease of Subsidiary) payable	—	17,626
Others	27,817	34,091
Total	$ 669,260	$ 636,223

(XXII) Liability Reserve — Current

Item	December 31, 2018	December 31, 2017
Employee Benefits - Vacation payment	$ 17,015	$ 17,072

1. Employee benefits liability reserve—current is estimated and recognized for the vested rights of employees to service and leave. Under most circumstances, sick leave and maternity or paternity leave is contingent in nature and is dependent on events to occur in the future instead of accumulating. Therefore, such cost is recognized upon occurrence of leave.

2. Variable information of employee benefits liability reserve－current is as follows:

Item	January 1 to December 31, 2018		January 1 to December 31, 2017	
Balance at beginning of term	$	17,072	$	17,233
Addition amount of the current term		24,308		23,224
Access amount of the current term	(	20,532)	(	20,723)
Reserve amount of the current term	(	3,833)	(	2,662)
Balance at end of term	$	17,015	$	17,072

(XXIII) Pre-collected Payments

Item	December 31, 2018		December 31, 2017	
Advance collection of pre-collected	$	-	$	43,930
Pre-collected rent		71		71
Others		81		53
Total	$	152	$	44,054

Note: The Group started to apply applicable requirements of IFRS 15 on January 1, 2018. Obligations that require transfer of products or services to the customer upon collection of or permission to collect considerations as agreed upon in the contract are recognized as contract liabilities. Please refer to Note 6 (36) for details.

(XXIV) Other Current Liabilities — Others

Item	December 31, 2018		December 31, 2017	
All Collections	$	6,502	$	47,811
Others		172		—
Total	$	6,674	$	47,811

(XXV) Liability Reserve — Non-current

Item	December 31, 2018		December 31, 2017	
Plans of Other Long-term Employee Benefit Liabilities	$	8,486	$	6,944

1. Other long-term employee benefit plans of the Group refer to the long-term service award and consolation money for employees. Payment criteria for the long-term service award and the consolation money are based on the base points obtained according to the number of years in service.

2. Components of other long-term employee benefits obligations and liabilities already recognized by the Group are as follows:

Item	December 31, 2018		December 31, 2017	
Current Value of Defined Benefit Obligations of Other Long-term Employee Benefit Liabilities	$	8,486	$	6,944
Fair value of planned assets		—		—
Net variation in other long-term employee benefits obligations and liabilities	$	8,486	$	6,944

3. Net variation in other long-term employee benefits obligations and liabilities is as follows:

Item	January 1 to December 31, 2018		January 1 to December 31, 2017	
Balance at beginning of term	$	6,944	$	3,550
Cost of Other Long-term Employee Benefit Liabilities:				
Current service cost		752		381
Prior period service cost		—		2,316
Interest Expense		78		38
Subtotal	$	830	$	2,735

Item	January 1 to December 31, 2018		January 1 to December 31, 2017	
(Continued from Previous Page)	$	830	$	2,735
Re-measured:				
Actuarial gains and losses - population statistics assumption change		147		—
Actuarial gains and losses - financial assumption change		7		—
Actuarial gains and losses - experience adjustments		901		994
Recognized as part of profits and losses		1,885		3,729
Paid benefits	(	343)	(	335)
Balance at end of term	$	8,486	$	6,944

4. The amount of benefit costs recognized under profits and losses of other long-term employee benefits plans mentioned above is consistently listed under management

cost as a single entry by the type of function.

5. Composition of Planned Assets:

The Group is not configured with related assets and payment only occurs when it actually happens.

6. The current value of other long-term employee benefits obligations of the Group is precisely calculated by a qualified actuary. Primary assumptions on the date of measure for the actuary valuation are as follows:

Item	2018	2017
Discount rate	0.875%～1.125%	0.875%～1.375%
Future salary increase rate	1.75%～2.00%	1.75%～2.00%

The assumptions of the death rate in the future are estimated according to the Fifth Experience Mortality Table of the Insurance Industry in the region of Taiwan.

7. The analysis of the current value of other long-term employee benefits obligations affected as a result of the variation in the primary actuary assumptions adopted is as follows:

(1)Interest Rate Risk

A reduced interest rate of government bonds will result in increased current values of other long-term employee benefits obligations; the return on liability investment in planned assets, however, increases, too. Both exercise partial write-off effects on other long-term employee benefits liabilities.

(2) Salary Risk

Calculations of the current values of other long-term employee benefits obligations refer to the compensation in the future for members enrolled in the plan. Therefore, the increase in the compensation of members enrolled in the plan will result in the increase in the current value of other long-term employee benefits obligations.

8. If major reasonable possible changes occur, respectively, to actuary assumptions, with other assumptions remaining unchanged, the amount increased (decreased) in the current value of other long-term employee benefits obligations is as follows:

Item	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2018:				
Impact on Current Value of Defined Benefit Obligations of Other Long-term Employee Benefit Liabilities	($ 147)	$ 151	$ 70	($ 69)

Item	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2017:				
Impact on Current Value of Defined Benefit Obligations of Other Long-term Employee Benefit Liabilities	($ 113)	$ 117	$ 39	($ 38)

In practice, due to the fact that actuary assumptions might be pegged to one another, the possibility of variation in a single assumption is minimal. In other words, the above-mentioned sensitivity analysis might not be able to reflect the actual variation in the current value of other long-term employee benefits obligations. In addition, in the above-mentioned sensitivity analysis, the current value of other long-term employees benefits obligations on the end date of the reporting period is precisely calculated adopting the projected unit credit method; it is measured on the same basis as that for the defined benefit liability on the balance sheet. The method adopted for the sensitivity analysis of the current term is the same as the assumption and that adopted in the previous term.

9. The expected appropriation and payment for the above-mentioned other long-term employee benefits plan in 2019 of the Group are NT$0 and NT$608 thousand, respectively.

(XXVI) Payable Rent

The Group rents transport equipment through financial leasing. The lease period is 3 years. Upon expiration of the lease period, there are no terms in the said lease about an renewals or acquisition right and an extension. The Group uses the ownership over leased assets to be the collateral for the payable rent. Interest rates of all financing lease obligations are already fixed at the start date of the contract. As of December 31, 2018 and 2017, the annual interest rate range is 2.616% and 1.50%, respectively. The minimum payable total amount of rent in the future as of December 31, 2018 and 2017 and its current value are as follows:

Item	December 31, 2018		
	Financial lease of total liabilities	Future financial costs	Financial lease of total liabilities
Current			
Less than 1 year	$ 1,998	$ 54	$ 1,944
Non-current			
1 to 5 years	999	8	991
Over 5 years	—	—	—
Subtotal	999	8	991
Total	$ 2,997	$ 62	$ 2,935

Item	December 31, 2017		
	Financial lease of total liabilities	Future financial costs	Financial lease of total liabilities
Current			
Less than 1 year	$ 1,830	$ 8	$ 1,822
Non-current			
1 to 5 years	—	—	—
Over 5 years	—	—	—
Subtotal	—	—	—
Total	$ 1,830	$ 8	$ 1,822

(XXVII) Post-retirement Benefit Plan

Item	December 31, 2018	December 31, 2017
Defined Benefit Plan	$ 69,702	$ 83,329
Defined Appropriation Plan	4,455	4,474
Total	$ 74,157	$ 87,803

1. Defined Benefit Plan

(1) The Company and the domestic subsidiaries of the Group have defined benefits for retirement in place as required by the Labor Standards Act which are applicable to the duration of service of all official employees under the Labor Pension Statutes enforced on July 1, 2005 and subsequent duration of service of employees that chose to continue to apply the Labor Standards Act following the enforcement of the Labor Pension Statutes. For employees who meet the retirement criteria, payment of the pension fund is calculated by the duration of service and the mean salary for the 6 months prior to retirement. If the duration of service is within 15 years, inclusive, the employee is entitled two base points per

year. If the duration of service exceeds 15 years, the employee is entitled to a base point upon each anniversary. The maximum number of base points, however, is limited at 45. The Company and its domestic subsidiaries set aside the pension fund at a certain ratio to the total monthly salary and save it in the Retirement Reserve account with the Bank of Taiwan under the name of Employee Retirement Reserve Supervisory Committee. In addition, to meet the needs of high-ranking managers, the Company set up the Manager Retirement Fund Management Committee in September 2004 and sets aside the pension fund for managers at a certain ratio to the total salary paid to managers each month and saves it in the exclusive account with a financial institution under the name of Managerial Retirement Reserve of the Company. The Company and its domestic subsidiaries calculate the balance in the above-mentioned Retirement Reserve account for the employees before the end of each year. If the balance is insufficient to pay the amount of pension fund calculated as mentioned above for employees expected to meet the retirement criteria within the coming year, the Company will set aside the difference in a lump sum by the end of March in the coming year.

(2) The amount recognized on the Balance Sheet of the defined benefit plan is as follows:

Item	December 31, 2018		December 31, 2017	
Current value of defined benefit obligations	$	924,215	$	922,805
Fair value of planned assets	(	854,513)	(	839,476)
Net Defined Benefit Liability	$	69,702	$	83,329

(3) The variation in the current value of defined benefit obligations is as follows:

Item	January 1 to December 31, 2018		January 1 to December 31, 2017	
Value of defined benefit obligations at the beginning of term	$	922,805	$	950,480
Current service cost		12,936		14,328
Interest Expense		10,584		10,823
Re-measured:				
Actuarial gains and losses - population statistics assumption change		233		2,827
Actuarial gains and losses - financial assumption change		13,586	(	4)
Actuarial gains and losses - experience adjustments		7,713	(	2,823)
Paid benefits (Note)	(	43,642)	(	52,826)
Value of defined benefit obligations at the end of term	$	924,215	$	922,805

Note: The benefits payments between January 1 and December 31, 2018 and 2017 include benefits payments out of planned assets, which were $42,942 thousand and $50,038 thousand, respectively, and those booked were $700 and $2,788 thousand, respectively.

(4) Variation in the fair value of planned assets is as follows:

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Fair value of planned assets at the beginning of term	$ 839,476	$ 820,797
Interest income	9,857	9,587
Re-measured:		
Net Interest rewards of planned assets	23,354	(1,765)
Employer appropriation	24,768	60,895
Paid benefits of planned assets	(42,942)	(50,038)
Fair value of planned assets at the end term	$ 854,513	$ 839,476

(5) The amount of the defined benefit costs in the defined benefit plan recognized on the comprehensive income statement is as follows:

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Current service cost	$ 12,936	$ 14,328
Interest expense of defined benefit obligations	10,584	10,823
Interest income of planned assets	(9,857)	(9,587)
Recognized as part of profits and losses	$ 13,663	$ 15,564

Re-measured:		
Actuarial gains and losses - population statistics assumption change	$ 233	$ 2,827
Actuarial gains and losses - financial assumption change	13,586	(4)
Actuarial gains and losses - experience adjustments	7,713	(2,823)
Net Interest rewards of planned assets	(23,354)	1,765
Other Comprehensive Income Recognition of Losses	($ 1,822)	$ 1,765

6. The amount of net defined benefit costs recognized under profits and losses of the above-mentioned benefit plan is as follows as a single entry by the type of function:

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Operating cost	$ 7,437	$ 9,387
Operating expenses		
Selling Expense	522	709
Management Expense	5,366	5,052
Research and Development Expense	338	416
Subtotal	6,226	6,177
Total	$ 13,663	$ 15,564

(7) For the fund assets for the defined benefit retirement plan of the Company and its subsidiaries, operation is outsourced to the Bank of Taiwan according to the items in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (that is, to be saved in domestic and international financial institutions, to be invested in domestic and international listed, traded-over-the-counter, or private placement equity securities, and to be invested in domestic and international real estate security-based instruments) within the ratio and scope of amount for outsourced operation defined in the investment utilization plan for the year of the specific fund. For related operations, they are supervised by the Supervisory Committee of the Labor Retirement Fund. The minimum income decided to be distributed each year from the fund may not be below the income calculated with a two-year time deposit interest rate of a local bank. In case of shortage, the treasury will supplement it upon approval by the competent authority. Due to the fact that the Company is not entitled to take part in the operation and management of the said fund, it is impossible to disclose the categorization of the fair values of planned assets as required in Section 142 of IAS 19. For the fair values of all assets consisting the fund as of December 31, 2018 and 2017, please refer to the annual pension fund utilization report announced by the government.

(8) The current value of defined benefit obligations of the Company and its domestic subsidiaries is precisely calculated by a qualified actuary. Primary assumptions on the date of measure for the actuary valuation are as follows:

Item	2018	2017
Discount rate	0.875%～1.250%	0.875%～1.375%
Future salary increase rate	1.75%～2.00%	1.75%～2.00%
Average duration of defined benefit obligations	5.7～13.1 years	4.4～13 years

The assumptions of the death rate in the future are estimated according to the Fifth Experience Mortality Table of the Insurance Industry in the region of Taiwan.

(9) The Company and its domestic subsidiaries are exposed to the risks below due to the pension fund system of the Labor Standards Act:

①Interest Rate Risk

A reduced interest rate of government bonds will result in increased current values of defined benefit obligations; the return on liability investment in planned assets, however, increases, too. Both exercise partial write-off effects on net defined benefit liabilities.

② Salary Risk

Calculations of the current values of defined benefits obligations refer to the compensation in the future for members enrolled in the plan. Therefore, the increase in the compensation of members enrolled in the plan will result in the increase in the current value of defined benefits obligations.

(10) If major reasonable possible changes occur, respectively, to actuary assumptions, with other assumptions remaining unchanged, the amount increased (decreased) in the current value of defined benefits obligations is as follows:

	Discount rate		Future salary increase rate	
Item	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2018:				
Impact on the variation in the current value of defined benefit obligations	($ 21,216)	$ 21,969	$ 21,377	($ 20,752)
December 31, 2017:				
Impact on the variation in the current value of defined benefit obligations	($ 22,192)	$ 23,011	$ 22,428	($ 21,744)

In practice, due to the fact that actuary assumptions might be pegged to one another, the possibility of variation in a single assumption is minimal. In other words, the above-mentioned sensitivity analysis might not be able to reflect the actual variation in the current value of defined benefits obligations. In addition, in the above-mentioned sensitivity analysis, the current value of defined benefits obligations on the end date of the reporting period is precisely calculated adopting the projected unit credit method; it is measured on the same basis as that for the defined benefit liability on the balance sheet. The method adopted for the sensitivity analysis of the current term is the same as the assumption and that adopted in the previous term.

(11) The expected appropriation and payment for the above-mentioned defined benefits plan in 2019 of the Company and the domestic subsidiaries are NT$23,949 thousand and NT$20,883 thousand, respectively.

2. Defined Appropriation Plan

(1) The Company and the domestic subsidiaries of the Group have defined appropriation guidelines in place for retirement that are applicable to national employees as required by the Labor Pension Statutes. The Company sets aside 6% of the monthly salary to be the labor pension for the personal accounts of employees with the

Labor Insurance Bureau in accordance with the labor pension system defined in the Labor Pension Statutes that employees choose to apply. The payment of the pension fund can be done on a monthly basis or in a lump sum according to the amount in the personal retirement account of each employee and the accumulated income. After the Company and the domestic subsidiaries appropriate a fixed amount to the Labor Insurance Bureau under this plan, they are relieved of the legal or constructive duty to pay additional values.

(2) Overseas subsidiaries of the Group follow the retirement guidelines specified by the local government. The pension fund or retirement fund reserve is set aside from the salary paid to each local employee. The funds of each employee are to be centrally managed by the government. Such companies, except for the appropriations on a monthly basis or on a yearly basis as required by the local government, do not have further obligations.

(3) The pension fund cost recognized by the Group from January 1 through December 31, 2018 and 2017 was $26,514 thousand and $27,048 thousand, respectively. The amount of net defined benefit liability according to the above-mentioned defined appropriation plan by the Company as of December 31, 2018 and 2017 was $4,455 thousand and $4,474 thousand, respectively.

4. The amount of the pension fund cost from the above-mentioned defined appropriation plan recognized under profits and losses is as follows as a single entry by the type of function:

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Operating cost	$ 10,032	$ 9,789
Operating expenses		
Selling Expense	1,306	1,485
Management Expense	14,626	15,210
Research and Development Expense	550	564
Subtotal	16,482	17,259
Total	$ 26,514	$ 27,048

(XXVIII) Guarantee deposits

Item	December 31, 2018	December 31, 2017
Premium For Lease - Lessor	$ 900	$ 900
Pick-up deposit	3,582	—
Others	480	520
Total	$ 4,962	$ 1,420

(XXIX) Other Non-current Liabilities — Others

Item	December 31, 2018	December 31, 2017
Disposal of investment unrealized deferred income	$ 23,993	$ 24,343

(XXX) Share Capital

1. Common Stock and Preferred Stock

Item	December 31, 2018	December 31, 2017
Rated shares (Thousand shares)	1,000,000	1,000,000
Rated Share Capital	$ 10,000,000	$ 10,000,000
Shares of issued and fully paid (Thousand shares)		
- Common Shares	906,620	906,620
- Preferred Shares	20,000	20,000
- Issued Shares Total (Thousand shares)	926,620	926,620
Issued Share Capital - Common Shares	$ 9,066,203	$ 9,066,203
Issued Share Capital - Preferred Shares	200,000	200,000
Issued Share Capital Total	$ 9,266,203	$ 9,266,203

The common stock and preferred stock is worth NT$10 per issued share. Each share is entitled to one voting right and the right to collect dividends.

2.preferred stock, 20,000 thousand shares in total, was issued upon capital increase in cash in August 1984 of the Company, with the rights and obligations as follows:

(1) In case of any earnings in the final accounting books, 6% for the preferred stock dividend shall first be assigned. For the remainder of earnings that may be distributed, the distribution may be decided by the Board of Directors according to the holding ratio of common stock and preferred stock and distribution may begin upon approval through the shareholders' meeting.

(2) Remaining properties of the Company, if any, are prioritized for the distribution.

(3) For the remainder, the rights available are identical to those of the common stock.

(XXXI) Capital Reserve

Item	December 31, 2018	December 31, 2017
Treasury Stock Transaction Premium	$ 177,734	$ 146,379
Gifted assets	2,786	1,061
Recognition of Changes in Ownership Equity in Subsidiaries	13	6
Total	$ 180,533	$ 147,446

As is required by the Company Act, the premium from releasing shares in excess of their denomination and the capital reserve as a gift and obtained, besides the option to be used for making up deficits, when the Company does not have accumulated deficits, new shares or cash may be issued proportionally to the existing shares among the shareholders. In addition, according to applicable requirements of the Securities Exchange Act, when the above-mentioned capital reserve is set aside to be the capital, the sum of such appropriations a year may not exceed 10% of the paid-in capital size. In the event that such shortage is not the result of earnings reserve already appropriated to make up capital deficits, the Company may not appropriate the capital reserve. In addition, the variation in the ownership equity in the subsidiaries and dividends yet to be claimed by shareholders past the deadline that are recognized may be used to make up the deficits.

(XXXII) Retained Earnings

1. As is required by the Articles of Incorporation, in cases of earnings in the final accounting book, after taxes are paid, deficits are made up, 10% as the legal reserve is set aside, and the special reserve is set aside or reversed according to the deductibles for shareholders' equity that occurs for the year, they are the earnings that may be distributed for the year. Together with the accumulated earnings yet to be distributed from the previous year, they are the accumulated earnings available for distribution and from which 6% as the preferred stock dividends shall be distributed first. If the dividends of preferred stock for each year are not fully assigned, the shortage is entitled to prioritized distribution and be made up for the year in the next year where earnings are available for distribution. The remaining earnings yet to be distributed are to be distributed after the Board of Directors has stipulated the distribution proposal according to regulatory requirements, the dividend policy, and funding status, among others, and submitted it to and have it approved through the shareholders' meeting.

   In addition, for information on the distribution policy, estimation and recognition basis, and actual assignment of remunerations for employees and directors and supervisors, refer to Note 6(40) for details.

2. The Company's dividend policy is as follows:

   The industrial environment that the Company is in is changeable and the corporate life cycle is at the steady growth phase, the economic settings will be kept track of in order to realize sustainable management. In light of the Company's long-term financial planning, future funding demand, and protection over shareholders' rights, the cash dividend released each year by the Company is not below 10% of the sum of cash and share dividends combined that are released for the year (excluding the 6% dividend for preferred stock).

3. The legal reserve, besides being used to make up for the Company's deficits and be

issued to shareholders in the form of new share or cash according to their original holding ratio, may not be used. For new shares or cash released, the limit is 25% of the paid-in capital size.

4. For the distribution of earnings, the Company appropriates and reverses the special reserve according to FSC Issuance No. 1010012865 letter dated April 6, 2012 and FSC Issuance No. 1010047490 letter dated November 21, 2012, and the requirements indicated in the "Applicability Questions and Answers of Appropriating Special Reserve after the International Financial Reporting Standards (IFRSs) are adopted" shall be followed. Later, in case of any reversal of the net worth of other equity deductibles, earnings may be distributed with regard to the reversal.

5. The Company held the general shareholders' meetings on June 15, 2018 and June 16, 2017, respectively, where the earnings distribution proposals for 2017 and 2016 were approved as follows:

	Distributed Earnings		Per Dividend (NT$)	
Items	2017	2016	2017	2016
Appropriation of Legal Reserve	$ 328,864	$ 240,069	—	—
Appropriation of Special Reserve (Reserved)	(17,380)	(42,114)	—	—
Preferred Stock Dividend - Cash	12,000	12,000	$ 0.60	$ 0.60
Preferred Stock Shareholder Bonus - Cash	20,000	20,000	1.00	1.00
Common Stock Shareholder Bonus - Cash	906,620	906,620	1.00	1.00
Common Stock Shareholder Bonus - Stock	—	—	—	—

With regard to the distribution of earnings as stipulated by the Board of Directors and decided through the shareholders' meeting, you may search the Market Observation Post System.

7. The 2018 earnings distribution proposal of the Company is still pending stipulation by the Board of Directors and decision through the shareholders' meeting. For related information, you may search the Market Observation Post System after related meetings are called for.

(XXX III) Other Equity Items

Item	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Income from Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Income from Financial Assets Available for Sale	Total
January 1, 2018 Balance	($ 119,538)	$ -	$ 1,007,410	$ 887,872
Effect of Retrospective Application and Retrospective Restatement	—	1,191,225	(1,007,410)	183,815
Other equity adjusted items is recognized directly	223,298	(280,712)	—	(57,414)
Belong to Uncontrolled Equity	4,163	35,206	—	39,369
Rendering Profit and Loss Items	—	—	—	—
Rendering Retained Earnings	—	—	—	—
Portions of adopting the equity method	(348,993)	—	—	(348,993)
Income tax recognized as related to other equities items	34,990	—	—	34,990
December 31, 2018 Balance	($ 206,080)	$ 945,719	$ -	$ 739,639

Item	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Income from Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Income from Financial Assets Available for Sale	Total
January 1, 2017 Balance	$ 27,250	(Note 1)	$ 835,015	$ 862,265
Other equity adjusted items is recognized directly	(481,153)		234,492	(246,661)
Belong to Uncontrolled Equity	1,587		(62,097)	(60,510)
Rendering Profit and Loss Items	—		—	—
Portions of adopting the equity method	369,753		—	369,753
Income tax recognized as related to other equities items	(36,975)		—	(36,975)
December 31, 2017 Balance	($ 119,538)		$ 1,007,410	$ 887,872

1. The Group started to adopt IFRS 9 on January 1, 2018 and chooses not to rearrange the comparison period according to the transitional requirements in IFRS 9.
2. The related exchange difference generated from the conversion from the functional

currency to the presentation currency of the Group (that is, New Taiwan Dollar) of the net assets of overseas operating institutions is directly recognized as the exchange currency converted from the financial statement of an overseas operating institution under other comprehensive income.

(XXXIV) Treasury Stock

1. As of December 31, 2018 and 2017, the value of treasury stock bought back by the Group was consistently $0.

2. The current-term variation in the investments in the Company's stock held by subsidiaries that is considered to be treasury stock is summarized as follows:

January 1 to December 31, 2018

		Balance at beginning of term		Addition of Current Term		Decrease of Current Term		End at beginning of term	
Name of subsidiary	Type	Shares	value	Shares	value	Shares	value	Shares	value
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

January 1 to December 31, 2017

		Balance at beginning of term		Addition of Current Term		Decrease of Current Term		End at beginning of term	
Name of subsidiary	Type	Shares	value	Shares	value	Shares	value	Shares	value
GPPC Chemical Corporation	Common Shares	6,478	$ 149,746	_	$ -	3,350	$ 77,434	3,128	$ 72,312
	Preferred Shares	1,776	49,858	_	_	—	_	1,776	49,858
Total		8,254	$ 199,604	_	$ -	3,350	$ 77,434	4,904	$ 122,170

(1) As of December 31, 2018 and 2017, the value of profits from disposing of the Company’s shares by subsidiaries and transferred to be capital reserve - transaction value of treasury stock was T$28,266 thousand and T$13,455 thousand, respectively.

(2) From January 1 through December 31, 2018 and 2017, the value of cash dividends received by subsidiaries from the parent company and transferred to be capital reserve - transaction value of treasury stock was $3,089 thousand and $9,320 thousand, respectively.

(3) As of December 31, 2018 and 2017, the fair value of the Company’s shares held by subsidiaries was $66,946 thousand and $158,686 thousand, respectively. .

(4) The Company’s shares held by subsidiaries are treated as the treasury stock and are not entitled to participation in the capital increase in cash and voting rights of

the Company. The remaining rights are the same as those of general shareholders.

(XXXV) Uncontrolled Equity

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Balance at beginning of term	$ 2,765,917	$ 2,602,695
Effect of Retrospective Application and Retrospective Restatement	12,745	—
Belong to Uncontrolled Equity:		
Net Profits of Current Term	190,635	159,008
Exchange Differences on Translation of Foreign Financial Statements	(4,163)	(1,587)
Financial Assets at Fair Value through Other Comprehensive Income Unrealized Income	(35,206)	—
Unrealized Income from Financial Assets Available for Sale	—	62,097
Re-measurement of Defined Benefit Plans	(1,837)	1,942
Income tax related to other comprehensive income	305	—
As a result of accepting gifts additional paid-in capital	4	4
Issuance of Cash Dividend	(46,416)	(40,616)
Cash Capital Decrease of Subsidiary	—	(17,626)
Balance at end of term	$ 2,881,984	$ 2,765,917

(XXXVI) Operating Revenue

Item	January 1 to December 31, 2018	January 1 to December 31, 2018
Income from contracts with customers		
Sales income	$ 22,441,811	$ 20,819,780
Labor Income	2,299,327	2,531,185
Total	$ 24,741,138	$ 23,350,965

(1) Breakdown of income from contracts with customers

Income of the Group is from products and services that are transferred at a certain time point and provided and gradually transferred with time. The income can be further broken down into the following primary product lines and types of service:

Primary product lines and types of service	January 1 to December 31, 2018	January 1 to December 31, 2017
Sales income		
Petrochemical products	$ 10,623,421	$ 10,617,487
Plastic product	6,785,217	6,106,114
Hydrogen product	131,381	115,857
Steam power products	427,396	391,946
Nylon product	2,682,897	1,939,323
Packing material product	1,775,236	1,643,053
Plastic raw materials resale	16,263	6,000
Subtotal	22,441,811	20,819,780
Labor Income		
Advertising service	1,318,542	1,495,553
Video service	706,122	706,122
Authorization and other services	274,663	329,510
Subtotal	2,299,327	2,531,185
Total	$ 24,741,138	$ 23,350,965

2. Balance of Contract

Related contract assets and liabilities recognized by the Group that are related to contracts with customers are as follows:

Item	December 31, 2018	December 31, 2017
Contract Assets - Current		(Note 1)
Advertising contract	$ 25,250	
Licensing agreement	35,114	
Total	$ 60,364	

The credit risk for the Group's contract assets after initial recognition is not increased. It is expected that the credit loss rate is 0%.

Item	December 31, 2018	December 31, 2017
Contract Liability - Current		(Note 1)
Advertising contract	$ 269	
Licensing agreement	22,669	
Product Sales	20,881	
Total	$ 43,819	

(1) The Group started to adopt related requirements in IFRS 15 on January 1, 2018. As agreed in the contract, the product or service is already transferred to the client. Rights for which considerations are collected unconditionally, however, are not available are listed under contract assets. Obligations for which considerations are already collected as agreed upon in the contract or are collectible from the customer and hence the product or service needs to be transferred to the client are listed as contract liabilities. The amount re-categorized from pre-collected payments to contract liabilities as of January 1, 2018 totaled $ 43,930 thousand.

(2) Major variation in contract assets and contract liabilities

The variation in contract assets and contract liabilities mainly comes from the time point when obligations are fulfilled and the difference in customer payment time points. There are no major changes in the contract assets and contract liabilities from January 1 through December 31, 2018 of the Group.

(3) Contract liabilities at beginning of term are recognized as income.

Item	January 1 to December 31, 2018
Contract liabilities balance at beginning of term are recognized as income	
Advertising contract	$ 4,363
Product Sales	39,567
Total	$ 43,930

(4) Contract fulfillment obligations already satisfied in the previous term are recognized as income for the current term.

There were no contract fulfillment obligations that were already satisfied (or partially satisfied) from January 1 through December 31, 2018 of the Group. Due to the variation in the transaction price or the variation in consideration recognition limits, however, income recognition was adjusted for the current term.

(5) Contracts with customers yet to be fulfilled

For contracts with customers yet to be fulfilled as of December 31, 2018, except for those described below, the remainder, as long as the duration of the contract is less than a year, is expected to be fulfilled within the coming year and be recognized as income.

The transaction prices spread out in fulfillment obligations yet to be completely satisfied and time points when they are expected to be recognized as income by the Group are as follows:

Expected to perform and recognize income	December 31, 2018		
	Video contract	Licensing agreement	Total
January 1, 2019～December 31, 2019	$ 706,122	$ 131,050	$ 837,172
January 1, 2020～December 31, 2020	706,122	123,884	830,006
January 1, 2021～December 31, 2021	—	102,383	102,383
January 1, 2022～December 31, 2022	—	69,621	69,621
January 1, 2023～December 31, 2023	—	—	—
Total	$ 1,412,244	$ 426,938	$ 1,839,182

3. Contract cost-related assets: None.

(XXXVII) Other Income

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Interest income	$ 67,249	$ 34,992
Rent income	6,515	6,203
Dividend Income	156,062	154,091
Subsidization Income	3,700	—
Defective Income	1,896	3,338
Remunerations for directors/supervisors and traveling expenses Income	23,960	17,286
Overpayment Refunds of Air Contaminant Income	3,042	—
Others	6,445	9,104
Total	$ 268,869	$ 225,014

(XXXVIII) Other Profits and Losses

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Net (Profit) Loss of Financial Assets at Fair Value through Income	$ 20	($ 24)
Net Loss Disposal of Property, Plant, and Equipment	(943)	(5,779)
Profits from Disposing Investments	94	57
Net foreign currency exchange benefit (loss)	91,458	(37,315)
Impairment Loss of Financial Assets	—	(540)
Impairment Loss of Non-Financial Assets	(10,007)	(22,366)
Spares short and retirement loss	(757)	(10,007)
Direct operation cost of investment real estate	(1,023)	(1,135)
Legal litigation settlement loss	(15,000)	—
Others	(1,181)	(2,386)
Total	$ 62,661	($ 71,995)

(XXXIX) Financial Cost

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Interest Expense	$ 1,835	$ 1,438
Decrease: the capitalization amount of the assets that meet the requirements	—	—
Total	$ 1,835	$ 1,438

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

Property	January 1 to December 31, 2018			January 1 to December 31, 2017		
	For operating cost	For operating expense	Total	For operating cost	For operating expense	Total
Employee Benefits Expense						
Salary Expense	$ 585,292	$ 555,621	$1,140,913	$ 567,277	$ 539,589	$1,106,866
Labor Insurance Expense	40,817	41,689	82,506	39,634	43,133	82,767
Pension Expense	17,469	22,708	40,177	19,176	23,436	42,612
Other Employee Benefits Expense	15,072	147,681	162,753	15,120	146,827	161,947
Depreciation Cost (Note)	751,844	103,694	855,538	763,874	114,582	878,456
Amortized Expenses	737,873	3,362	741,235	917,770	4,256	922,026
Total	$2,148,367	$ 874,755	$3,023,122	$2,322,851	$ 871,823	$3,194,674

Note: Depreciation cost of investment real estate recognized in the consolidated financial statement from January 1 through December 31, 2018 and 2017 was $1,023 thousand and $1,135 thousand, respectively and was listed under extra incomes and expenses - other profits and losses.

1. As is required by the Articles of Incorporation, the Company shall assign 1% of the profitability for the current year to be the employee remunerations and no more than 2% of profitability for the current year to be the remunerations for directors and supervisors. In cases of accumulated deficits, however, the Company shall make up for them. The profitability for the current year as indicated in the preceding paragraph refers to the profits before remunerations assigned to employees and directors and supervisors are subtracted from pre-tax profits for the current year.
2. The administration of the Company estimates the remunerations payable to employees and directors and supervisors according to the profitability for the said year and takes into consideration expected value to be released and the upper and lower limit ratios defined in the Articles of Incorporation. The value prior to deduction of remunerations for employees and directors and supervisors from the pre-tax net profit is followed for the estimation. The estimated remunerations for employees between January 1 and December 31, 2018 and 2017 of the Company were $37,478 thousand and $38,908 thousand, respectively, and those for directors and supervisors were $74,956 thousand and $77, 801 thousand, respectively. In case of major variation in the value to be released as decided by the Board of Directors after the date when the annual consolidated financial statement is approved and released, such variation is adjusted from the original recognition to be the annual expenses. If there is still variation in the annual financial statement after it is approved and released, it will be handled as a variation in the accounting estimates and will be adjusted and booked in the following year.

3. The Company’s Board of Directors decided on March 21, 2019 and March 22, 2018, respectively, to distribute remunerations for employees in 2018 and 2017 to be $37,478 thousand and $38,900 thousand, respectively and remunerations for directors and supervisors to be $74,956 thousand and $77,801 thousand. The amounts decided to be distributed as mentioned above did not show significant

differences from the estimates listed as expenses in the Company's 2018 and 2017 financial statements. The above-mentioned remunerations are released in cash.

4. For information on the remunerations for the Company's employees and directors and supervisors, you may search the Market Observation Post System of Taiwan Stock Exchange.

(XXXXI) Income Tax

1. Components of Income Tax Expenses (Profits):

(1) Income tax recognized as part of profits and losses

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Current income tax expense	$ 892,969	$ 619,131
Deferred income tax expenses (profits)		
Temporary difference between original generation and rotation	19,240	116,078
Impact on a change in the exchange rate	(1,477)	—
Impact on the exchange rate	(6)	9
Deferred income tax (increase) reduces net change	17,757	116,087
Previous annual income tax adjustment	(4,519)	207
Income tax recognized as part of profits and losses expense	$ 906,207	$ 735,425

(2) Income tax recognized as related to other comprehensive income

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Deferred income tax		
Exchange Differences on Conversion of Foreign Operating Agency	($ 34,990)	$ 36,975
Re-measurement of Defined Benefit Plans	747	(425)
Impact on a change in the exchange rate	(2,905)	—
Deferred income tax (increase) reduces net change	(37,148)	36,550
Income tax recognized as part of other comprehensive profits and losses expense	($ 37,148)	$ 36,550

2. Adjustments made to the income expenses obtained from accounting and recognized as part of profits and losses for the current year are as follows:

Item	January 1 to December 31, 2018	January 1 to December 31, 2017
Income from Continuing Operation before Tax (Loss)	$ 4,056,948	$ 4,183,075
Calculating the income tax before tax (profit) at a statutory rate	811,390	711,123
Effect on income tax of adjusted items		
Effect on items excluded in the determination of taxable income	38,972	13,965
The tax amount to be paid by the minimum tax system	—	1,555
Undistributed surplus plus income tax	228,641	152,047
Deduction of losses incurred in the current period	—	179
Deductible losses for the current period	(1,968)	(322)
Current offset of investment offset	—	—
	(184,066)	(259,416)
Current income tax expense	892,969	619,131
Deferred income tax (increase) reduces net change	17,757	116,087
Previous annual income tax adjustment	(4,519)	207
Income tax recognized as part of profits and losses expense	$ 906,207	$ 735,425

The applicable tax rate for entities of the Group under the Income Tax Act of the Republic of China is 17% in 2017. After the revisions made in February 2018, the tax rate for business income tax has been adjusted from 17% to 20% in the Income Tax of the Republic of China, effective in 2018. In addition, the tax rate applicable to undistributed earnings of 2018 will be reduced from 10% to 5%.

The tax rate applicable to subsidiaries in Mainland China is 25%. The taxable amounts in other jurisdictions are calculated according to the tax rate applicable in each of the said jurisdictions. The Group has evaluated related impacts from income tax regarding the said variation in the tax rate.

3. Balance of income tax assets (liabilities) for the current term

Item	December 31, 2018	December 31, 2017
Current income tax assets		
Advanced income tax	$ 310	$ 55

Current income tax liability				
Current income tax expense	$	892,969	$	619,131
Decrease: Current prepaid income tax credit	(	306,608)	(	217,094)
Total	$	586,361	$	402,037

4. Balance of deferred income tax assets (liabilities)

Item	January 1 to December 31, 2018							
	Balance at beginning of term		Recognized as part of profits and losses		Other Comprehensive Income Recognition of Losses		Balance at end of term	
Deferred income tax assets								
Unrealized exchange loss	$	3,549	($	1,660)	$	-	$	1,889
Inventory decline and sluggish loss		5,729		1,813		—		7,542
Employee leave payment obligation		2,901		500		—		3,401
Defined Employee Benefit Plan		17,750	(	130)		2,158		19,778
Impairment assessment of tangible assets		10,847		3,411		—		14,258
Unrealized Gain on Sale		2,264	(	1,314)		—		950
Loss deduction (Note)		179	(	179)		—		—
Others		1,686	(	146)		—		1,540
Total	$	44,905		2,295		2,158	$	49,358
Deferred income tax liability								
Unrealized exchange profit	$	-		97		—	$	97
Investment in Affiliates		201,497		20,029	(	34,990)		186,536
Depreciation expense tax difference		530	(	74)		—		456
Land value added tax preparation		1,062,196		—		—		1,062,196
Total		$ 1,264,223		20,052	(	34,990)		$ 1,249,285
Net increase (decrease) change			($	17,757)	$	37,148		

Item	January 1 to December 31, 2017			
	Balance at beginning of term	Recognized as part of profits and losses	Other Comprehensive Income Recognition of Losses	Balance at end of term
Deferred income tax assets				
Unrealized exchange loss	$ -	$ 3,549	$ -	$ 3,549
Inventory decline and sluggish loss	5,169	560	—	5,729
Employee leave payment obligation	2,928	(27)	—	2,901
Defined Employee Benefit Plan	17,359	(34)	425	17,750
Impairment assessment of tangible assets	7,051	3,796	—	10,847
Unrealized Gain on Sale	4,578	(2,314)	—	2,264
Loss deduction (Note)	—	179	—	179
Others	1,092	594	—	1,686
Total	$ 38,177	6,303	425	$ 44,905
Deferred income tax liability				
Unrealized exchange profit	$ 1,064	(1,064)	—	$ -
Investment in Affiliates	40,811	123,711	36,975	201,497
Depreciation expense tax difference	787	(257)	—	530
Land value added tax preparation	1,062,196	—	—	1,062,196
Total	$ 1,104,858	122,390	36,975	$ 1,264,223
Net increase (decrease) change		($ 116,087)	($ 36,550)	

Note: Deduction for deficits is recognized as part of profits and losses. The amount includes the deduction generated/applied for the current term and adjustment in the variation from previous annual estimates.

5. Deferred income tax asset items that are not very likely realizable and hence are not recognized of the Group are as follows:

Item	December 31, 2018		December 31, 2017	
Deferred income tax assets				
Defined Employee Benefit Plan	$	8,446	$	6,854
Impairment Loss of Financial Assets		686		583
Loss deduction		5,091		4,327
Total	$	14,223	$	11,764

6. Unrecognized deferred income tax liabilities relevant to investment

The temporary difference associated with the invested subsidiary, if the time point for reversal of the temporary difference can be controlled by the Group, is very unlikely to be reversed in a foreseeable future; therefore, deferred income tax liabilities are not recognized. The taxable temporary difference in the deferred income tax liabilities relevant to invested subsidiaries and yet to be recognized as of December 31, 2018 and 2017 was $1,097,761 thousand and $792,605 thousand, respectively.

7.For the business income taxes of the Company and domestic subsidiaries in the Group, except for GPPC Chemical Corporation and GPPC Investment Corporation, for which it was approved to 2017, the remainder was approved by the taxation agency to 2016.

8. Due to the fact that uncertainties remain for the distribution of earnings as determined through the 2019 shareholders' meeting, consequences of the additional potential income tax levied of undistributed earnings of 2018 cannot be reliably determined yet .

(XXXXII) Variation in Liabilities from Fund-raising Activities

Item	Short-term Borrowing		Lease Payable		Guarantee Deposits	
January 1, 2018	$	37,581	$	1,822	$	1,420
Net change in cash flow	(	34,748)	(	2,776)		3,542
Non-change in cash flow - rented assets		—		3,889		—
December 31, 2018	$	2,833	$	2,935	$	4,962

(XXXXIII) Earnings per Share

The basic earnings per share of the Company is calculated by the net profits (losses) for the current term divided by the number of weighted average common stock shares outstanding. The additional shares as a result of undistributed earnings or capital reserve transferred capital increase, on the other hand, is adjusted and calculated retroactively.

If the Company may choose to issue employee remunerations in the form of shares or cash, in the calculation of diluted earnings per share, it is assumed that issuance of shares will be adopted for employee remunerations and the weighted average shares outstanding are included in the calculation when the said common stock exercises the diluting effect in order to calculate the diluted earnings per share. When the diluted earnings per share are calculated prior to issuance of shares as employee remunerations as determined in the following year, the diluting effect from the said potential common stock shall continue to be taken into consideration, too.

	January 1 to December 31, 2018			January 1 to December 31, 2017		
	After-tax amount	Weighted average number of shares outstanding (thousand shares)	(NT$) Earnings per share	After-tax amount	Weighted average number of shares outstanding (thousand shares)	(NT$) Earnings per share
Basic earnings per share:						
Net That Belong to Clients of Parent Company	$ 2,960,106	905,338	$ 3.26	$ 3,288,642	900,971	$ 3.64
Decrease: Preferred Stock Dividend	(12,000)			(12,000)		
Net profit attributable to ordinary shareholders of the parent company	2,948,106			3,276,642		
Impact of dilution of potential ordinary shares						
Remunerations for employees	—	2,005		—	1,535	
Diluted Earnings per Share:						
Net profit attributable to ordinary shareholders of the parent company						
Add potential shares	$ 2,948,106	907,343	$ 3.25	$ 3,276,642	902,506	$ 3.63

VII. Related Party Transaction

(I) Parent company and the ultimate controller

The Company is the ultimate controller of the Group.

(II) Name of related party and the relationship

Name of related party	Relationship with the Group
Zhenjiang Chimei Chemical Company	Affiliate
Coos Venture Capital Corp.	Substantially related party
Heqiao International Investment	Substantially related party
China Development Asset Management	Substantially related party
All directors, general manager, and vice	Primary management

(III) Major transactions with related parties

When preparing the consolidated financial statement, transactions between the Company and its subsidiaries (that is, related parties of the Company), balance in the account, income, and expenses have all been written off and hence are not disclosed in the note. Please refer to Note 13(1)(2)-11 for details. The transactions between the Group and related parties are as follows:

(III) Major transactions with related parties

1. Sales

Substantially related party	January 1 to December 31, 2018	January 1 to December 31, 2017
Affiliate	$ 3,382	$ 3,650

There are no significant differences in the selling price and sales trading conditions for related parties and those for ordinary customers of the Group.

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

Accounts receivable

Substantially related party	December 31, 2018	December 31, 2017
Affiliate	$ 735	$ -

3. Assets for rent

(1) Rent income

Lessee/Substantially related party	Leased Object	Leased Period	January 1 to December 31, 2018	January 1 to December 31, 2017
Substantially related party	10F, No. 1, Sec. 4, Nanjing East Road, Taipei City	August 16, 2018 ~ August 15, 2019 and March 31, 2019. (Renewal)	$ 119	$ 119

(2) Pre-collected rent

Item	December 31, 2018	December 31, 2017
Substantially related party	$ 71	$ 71

(3) The above-mentioned properties for rent refer to part of the offices of the Group put up for rent. The rent is negotiated between the parties reflective of the market price and calculated and included in the lease contract. The rent is collected on a yearly basis.

4. Rented assets

(1) Rent expenditure

Leaser/Substantially related party	Leased Object	Leased Period	January 1 to December 31, 2018	January 1 to December 31, 2017
Substantially related party	9F., No. 269, Sec. 1, Dunhua South Rd., Taipei City	March 1, 2017～February 28, 2027	$ 5,943	$ 1,981

(2) Refundable deposits

Item	December 31, 2018	December 31, 2017
Substantially related party	$ 1,040	$ 1,040

(3) The Group rented from a substantially related party the property on the 9th floor at No. 269, Section 1, Dunhua South Road, Taipei City and the auxiliary parking space(s). There was no rent expenditure between March 1 and August 31, 2017 due to waiver of rent to facilitate remodeling.

(4) The Group has signed a contract for renting the property for operational purpose in the future with the substantially related party and as of December 31, 2018 and 2017, the forward notes (not tabulated) already issued as agreed upon were consistently $1,040 thousand to facilitate cashing at time of actual transaction in the future.

(5) The rent is negotiated between the parties reflective of the market price, calculated, and included in the lease contract and the forward note is issued to facilitate cashing by the month.

(IV) Information on the compensation of the primary management

Item	January 1 to December 31, 2018		January 1 to December 31, 2017	
Salary and other short-term employee benefits	$	176,740	$	169,609
Separation Benefits		—		—
Post-retirement Benefits		4,165		4,340
Other long-term benefits		—		—
Share-based Payment		—		—
Total	$	180,905	$	173,949

VIII. Pledged Assets

(I) Pledging of Real Estate, Plants and Equipment

Item	Arrest (quality) use	December 31, 2018		December 31, 2017	
Land	Comprehensive credit line, purchase guarantee	$	3,209,800	$	3,209,800
House and Building	Comprehensive credit line, purchase guarantee		401,274		440,651
Machinery and Equipment	Comprehensive credit line guarantee		1,025,622		1,165,511
Total		$	4,636,696	$	4,815,962

(II) Pledging of Other Assets

Item	Arrest (quality) use	December 31, 2018		December 31, 2017	
Bank savings	Reserve account	$	11,371	$	12,563

IX. Major or Liable and Unrecognized Contract Commitments

1. Endorsement and guarantee: None

2. Notes and certificates of indebtedness for refundable deposits

(1) The Group issues promissory notes showing the specific amount and certificates of indebtedness to financial institutions to show its commitment to paying off the loans. As of December 31, 2018 and 2017, the amounts were USD13,000 thousand and NTD5,142,000 thousand and USD36,000 thousand and NTD4,522,000 thousand, respectively.

(2) In order to obtain the exclusive broadcasting right of SBL games and exclusive business soliciting right through field advertisements, the Group issued the

promissory note to the Chinese Taipei Basketball Association. As of December 31, 2018 and 2017, the amount was consistently $10,000 thousand.

3. Notes and collaterals for guarantee deposits

The notes and collaterals for guarantee deposits collected by the Group to ensure fulfillment of contracts were worth NTD160,332 thousand, SGD208 thousand, EUR730 thousand, USD2,710 thousand, and JPY1,850 thousand and NTD195,082 thousand, SGD208 thousand, EUR730 thousand, USD2,710 thousand, and JPY127,850 thousand as of December 31, 2018 and 2017.

4. For the sake of purchasing materials and for other purposes, the Group authorized financial institutions to provide the performance bond. As of December 31, 2018 and 2017, it was $6,000 thousand and $8,285 thousand, respectively.

5. The balance of the Letters of Credit issued by the Group yet to be used as of December 31, 2018 and 2017 totaled USD8,225 thousand, NTD670,446 thousand, EUR59 thousand, and USD5,271 thousand, and NTD1,284,800 thousand, respectively.

6. As of December 31, 2018 and 2017, the major capital expenditure on real estate, plants and equipment for which a contract had been signed yet to be paid was $39,973 thousand and $178,608 thousand, respectively.

7. As of December 31, 2018 and 2017, the amount yet to be paid for films to be delivered under the film purchase contract and program production outsourcing contract already signed by the Group was 1,183,857 thousand and 1,281,637 thousand, respectively.

8. As is required by the contract on the purpose of raw materials entered into by and between the Group and CPC Corporation, Taiwan (CPC Corporation), the Group shall purchase ethylene, benzene, and butadiene in certain quantities from CPC Corporation each year. If the annual purchases made by the Group fall short of the minimum contract quantities, CPC Corporation may adjust the supply volume for the coming year down, depending on the circumstances. In addition, the ethylene, benzene and butadiene that the Group promises to purchase from CPC Corporation are meant as the raw materials for the factory to produce styrene and acrylonitrile butadiene styrene copolymer resins. Unless with approval from government agencies or as internal allocation to be used as the raw materials for petrochemical products, they may not be used for other purposes or be re-sold (if, in order to meet the needs for allocating petrochemical products and with prior written consent from CPC Corporation in advance, the Group may assign all or part of the ethylene, benzene, and butadiene to be used by petrochemical users of CPC Corporation as raw materials for petrochemical products). Otherwise, CPC Corporation may discontinue the supply of ethylene, benzene, and

butadiene at any time and terminate the contract.

9. In order to meet the needs of manufacturing ABS products, the Group purchases butadiene from Formosa Petrochemical Corporation as the raw material and signs the trading contract. It is guaranteed in the contract that the Group shall purchase at least 100 tons of butadiene a month from Formosa Petrochemical Corporation to be the raw material for products such as ABS.

10. In order to meet the needs of manufacturing ABS products, the Group purchases propenenitrile from China Petrochemical Development Corporation as the raw material and signs the trading contract. It is guaranteed in the contract that the Group shall purchase at least 3,600 to 7,200 tons of China Petrochemical Development Corporation a month to be the raw material for products such as ABS.

11. Major Operation Agreement

(1) Income

The important long-term contracts that have already taken effect such as basic channel exclusive dealership contracts and the NBA broadcasting authorization contract signed by the Group in order to meet operational demand are irreversible major operation agreements. The statement of authorization amounts to be collected each year in the future by the Group is as follows:

Item	December 31, 2018	December 31, 2017
Less than 1 year	$ 834,393	$ 118,473
1 to 5 years	972,319	382,203
Over 5 years	—	—
Total	$ 1,806,712	$ 500,676

(2) Expenditure

The important long-term contracts that have already taken effect such as the satellite TV supply business authorized products public broadcasting authorization contract, the music and recorded products public playing authorization contract, the SBL games authorization contract, the baseball games broadcasting authorization contract, and lease contracts for offices, parking spaces, properties, and operating sites signed by the Group in order to meet operational demand are irreversible major operation agreements. As of December 31, 2018 and 2017, the forward notes (not tabulated) already issued as agreed upon were $19,185 thousand and $18,761 thousand, respectively, to facilitate cashing at time of actual transaction in the future. The statement of authorization amounts and minimum rents to be paid each year in the future by the Group is as follows:

Item	December 31, 2018		December 31, 2017	
Less than 1 year	$	65,373	$	80,773
1 to 5 years		83,089		142,060
Over 5 years		18,964		24,762
Total	$	167,426	$	247,595

X. Major disaster losses: None.

XI. Major subsequent matters: None.

XII. Others

(I) Seasonal or cyclic interpretations of interim operations

Operations of the Group are not affected by seasonal or cyclic factors.

(II) Capital Risk Management

The Group manages capital in order to keep a normal capital foundation and, by optimizing the balance of debts and equities, maximize the rewards for shareholders. Related costs, risks, and returns are examined and measured periodically in order to ensure an optimal profitability level and financial ratio. When it is necessary, various fund-raising methods are adopted in order to balance the overall capital structure and to support the various capital expenditures, operating funds, pay off debits, expenditures on dividends in the future.

(III) Financial Instruments

1. Financial instruments by the type

Financial Asset	December 31, 2018		December 31, 2017	
Financial assets measured at fair value				
Measured Compulsorily at Fair Value through Income	$	39,020	$	-
Financial Assets at Fair Value through Other Comprehensive Income				
Equity Instrument		4,220,226		—
Financial assets available for sale				
Equity Instrument		—		3,570,483

Financial Asset	December 31, 2018	December 31, 2017
Financial assets carried at cost		
Equity Instrument	$ -	$ 459,269
Financial assets measured by amortized cost		
Cash and cash equivalents	2,729,454	—
Contract Assets - Current	60,364	—
Notes receivable and accounts (including related parties)	3,001,297	—
Other receivables	81,641	—
Other financial assets－current	2,698,945	—
Refundable deposits	16,664	—
Loans and accounts receivable		
Cash and cash equivalents	—	2,122,753
Bills receivable and accounts receivable	—	3,251,907
Other receivables	—	53,425
Other financial assets－current	—	1,676,020
Refundable deposits	—	17,089

Financial Liability		
Financial liability measured by amortized cost		
Short-term Borrowing	2,833	37,581
Notes payable and accounts	1,548,995	1,944,518
Other payables	669,260	636,223
Guarantee Deposits	4,962	1,420

2. Financial risk management policy

Daily operations of the Group are subject to impacts by multiple financial risks, including market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to reduce related financial risks, the Group is devoted to identify, evaluate, and circumvent uncertainties on the market and to reduce potential undesirable impacts of variation on the market on the financial performance of the Company.

For the above-mentioned financial risks, the Group has established suitable policies, procedures, and internal control according to related regulations. Important financial activities need to be reviewed by the Board of Directors according to applicable regulations and the internal control system. While a financial plan is being implemented, the Group needs to strictly follow applicable financial operating procedures about the overall financial risk management and division of responsibilities.

3. Property and Extent of Major Financial Risks

(1) Market Risk

The market risk of the Group is the risk of volatility in fair value or cash flows of financial instruments as a result of the varying prices on the market. Mark risk mainly includes exchange rate risk, interest rate risk, and price risk.

① Exchange Rate Risk

Due to the fact that the business that the Group is engaged in involves several non-functional currencies (the functional currency for the Company and some subsidiaries is New Taiwan Dollar and that for some subsidiaries is US Dollar, Hong Kong Dollar, Malaysian Dollar, and RMB), it is under the impacts of fluctuating exchange rates. Information about foreign currency assets and liabilities that are subject to impacts of major fluctuations in the exchange rate is as follows: (including currency items valued in non-functional currencies that are already written off in the consolidated financial statement)

	December 31, 2018			December 31, 2017		
Item (Foreign currency: functional currency)	Foreign currency amount	Foreign currency against functional currency exchange rate	New Taiwan Dollar Amount	Foreign currency amount	Foreign currency against functional currency exchange rate	New Taiwan Dollar Amount
Financial Asset						
Monetary item						
USD: NTD	$ 66,032	30.715	$2,028,173	$ 58,883	29.76	$1,752,358
USD: RMB	224	6.8683	6,880	180	6.5192	5,357
USD: MYR	4	4.3188	123	16	4.3188	476
USD: HKD	94	7.8335	2,887	94	7.8172	2,797
RMB: NTD	755	4.4720	3,376	799	4.5650	3,647
RMB: USD	3,648	0.1456	16,314	—	_	—
RMB: HKD	3	0.1456	13	3	1.1991	14
HKD: RMB	43	0.8768	169	43	0.8340	164
SGD: MYR	21	3.1609	472	19	3.1476	423
Non-monetary item						
RMB: USD	1,573,524	0.1456	7,036,799	1,376,620	0.1534	6,284,270
Financial Liability						
Monetary item						
USD: NTD	11,197	30.715	343,916	12,578	29.76	374,321
USD: RMB	266	6.8683	8,170	2,046	6.5192	60,889
USD: MYR	246	4.3188	7,556	385	4.3188	11,458
HKD: RMB	—	—	—	9,100	0.8340	34,644
EUR: NTD	92	35.20	3,238	29	35.57	1,032

Note: When non-monetary assets in foreign currencies are measured at historical exchange rate on the transaction date, due to the fact that there are no major impacts on the consolidated financial statement, they are not disclosed.

The sensitivity analysis of the exchange rate risk facing the Group focuses mainly on the primary monetary items and non-monetary items in foreign currencies on the end date of the financial reporting period and the impacts on the profits and losses and equities of the Group from appreciation/depreciation of related foreign currencies. When the foreign currency exchange rate rises/falls by 1%, the after-tax net profits of the Group from January 1 through December 31, 2018 and 2017 would increase/decrease by $13,564 thousand and $10,648 thousand, respectively, and the equities would increase/decrease by $70,368 thousand and $62,843 thousand, respectively.

In addition, the net foreign currency exchange profits or losses (realized or not realized) recognized for January 1 through December 31, 2018 and 2017 of the Group was $91,548 thousand and (37,315) thousand, respectively. Due to the numerous types of foreign currencies involved in monetary transactions, in practice, it is impossible to clearly define the types of exchange profits or losses and disclose them by each foreign currency. Therefore, they are expressed through an overview of amounts.

②Interest Rate Risk

The interest rate risk is the risk of volatility in the fair value or cash flows in the future of financial instruments as a result of changing interest rates on the market. The interest rate risk of the Group mainly comes from borrowings at floating interest rates. Some risks, however, are written off by cash and cash equivalents held at floating interest rates. Because the Group periodically evaluates the changing trends in interest rate and responds in a timely manner, it is expected that no major risks associated with changing interest rates on the market will occur. If the borrowing interest rate increases or decreases by 10 base points, with all the other factors remaining unchanged, the after-tax net profits of the Group for January 1 through December 31, 2018 and 2017 will decrease or increase by $37 thousand and $55 thousand, respectively.

③Price Risk

Due to the fact that investments held by the Group are mainly categorized as financial assets at fair value through other comprehensive income in the Balance Sheet (financial assets available for sale and carried at cost in 2017), the Group is exposed to the price risk of equity instruments. In order to manage the price risk associated with investments in equity instruments, the Group diversify the portfolio and the diversification approach is based on the upper limits set by the Group. Prices of financial instruments such as financial assets at fair value through other comprehensive income (financial assets available for sale and carried at cost in 2017) invested in by the Group will be affected by the uncertainty of future values of the said investment target. If the price of such financial instruments rises or falls by 1%, with all the other factors remaining unchanged, the after-tax net profits for January 1 through December 31, 2018 and 2017 would decrease or increase by $390 thousand and $0, respectively and the equities would increase or decrease by $42,202 thousand and $35,705 thousand, respectively.

(2) Credit risk

Credit risk is the risk of financial losses suffered by the Group as a result of the customer or the counter party of a financial instrument unable to fulfill contract obligations. The credit risk of the Group is caused the operating activities (mainly accounts and notes receivable) and financial activities (mainly bank deposits and various types of financial instruments). Operation-related credit risk and financial credit risk are managed separately.

① Operation-related credit risk

The operating unit follows the Group’s policy, procedure, and control over customer credit risk while managing customer credit risk. The credit risk evaluation of all customers includes comprehensive evaluation of the customer’s financial standing, rating from a credit evaluation institution, prior transaction experiences, current economic environment, and internal evaluation done by the Group, among other factors. In addition, the Group uses certain credit reinforcing instruments when the timing is right (such as advance collection of payments) in order to reduce the credit risk of specific customers.

② Financial Credit Risk

The Finance Department of the Group follows the corporate policy on the management of the credit risk of bank deposits and other financial instruments. Due to the fact that the Group’s counter parties are determined through the internal control procedure and are banks with good credit ratings and financial institutions and companies or organizations of the investment grade and higher that are free of major contract fulfillment concerns, there is no major credit risk.

③ Information on Credit Risk of Accounts Receivable

The Group assumes adopting the premises provided in IFRS 9 that when payment terms are past due by more than 30 days as agreed upon in the terms and conditions of a contract, it is considered that the credit risk for the financial assets since initial recognition has significantly increased. When the payment terms are more than 365 days past due as agreed upon in the terms and conditions of the contract or when it is quite impossible for the borrower to fulfill the credit obligations by paying the full amount to the Group, breach of contract is considered by the Group to have occurred to the financial assets.

In order to reduce the credit risk, the management of the Group assigns a specialized team to take charge of deciding the loan limit, loan approval and other monitoring procedures in order to ensure that appropriate action has been taken for recovery of accounts receivable. In addition, the Group reviews the recoverable amounts of accounts receivable one by one on the balance sheet date in order to ensure that appropriate impairment losses have been appropriated for accounts receivable that cannot be recovered. For information on the aging analysis of accounts receivable and the variation in allowance loss, please refer to Notes 6(3) and (4) for details.

④ Exposure to Credit Risk

Quality of credit of financial institutions that the Group does business with is optimal and the Group does business with multiple financial institutions in order to diversify credit risk. The possibility of expected occurrence of defaults is quite minimal. In addition, all the sales of the Group only involve approved third parties with optimal credit ratings. Credit limit is given to the customer according to the loan procedure. Meanwhile, the credit standing of the customer is kept track of continuously with the possibility of recovering accounts receivable being evaluated periodically and adequate allowance loss being appropriated. Therefore, it is believed by the administration that there is no significantly concentrated credit risk for the accounts receivable of the Group. In other words, the maximum exposure amount to credit risk on the balance sheet date of cash and cash equivalents, contract assets－current, accounts receivables and other financial assets－current is equal to the book value of the said financial assets.

Financial product	December 31, 2018 Book value	December 31, 2018 Maximum credit exposure amount	December 31, 2017 Book value	December 31, 2017 Maximum credit exposure amount
Cash and cash equivalents	$ 2,729,454	$ 2,729,454	$ 2,122,753	$ 2,122,753
Contract Assets - Current	60,364	60,364	—	—
Notes receivable	394,217	394,217	392,248	392,248
Accounts receivable (including related parties)	2,607,080	2,607,080	2,859,659	2,859,659
Other receivables	81,641	81,641	53,425	53,425
Other financial assets －current	2,698,945	2,698,945	1,676,020	1,676,020

(3) Liquidity Risk

Liquidity risk refers to the risk generated because of the impossibility to settle positions as expected. The Group primarily allocates funds by borrowing from financial institutions and instruments such as cash and cash equivalents in order to accomplish the goal of utilizing funds and stabilizing funds flexibly. The capital and operating funds of the Group are sufficient to support fulfillment of all contract obligations; therefore, there is no liquidity risk as a result of the impossibility to raise funds to fulfill contract obligations.

The table below summarizes the non-derivative financial liabilities of the Group. They are grouped by the related expiration dates. The table is prepared according to the earliest date possible for mandated repayment and the cash flow yet to be discounted. The Group does not expect a significantly earlier time point of occurrence for the analysis of cash flows by the expiration date or a significantly different value from the actual value. The amount of interest yet to be discounted for the interest cash flows paid at the floating rate is inferred according to the yield curve on the balance sheet date. In other words, the amount of the floating rate instrument for non-derivative financial liabilities will change as a result of the difference between the floating rate and the interest rate estimated on the balance sheet date.

	December 31, 2018						
Item	Within 6 months	6 months to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Contract of Cash Flows	Book value

Non-derivative financial liability							
Short-term Borrowing	$ 2,857	$ -	$ -	$ -	$ -	$ 2,857	$ 2,833
Notes Payable	78,620	-	-	-	-	78,620	78,620
Accounts Payable	1,470,375	-	-	-	-	1,470,375	1,470,375
Other payables	667,070	2,190	-	-	-	669,260	669,260

	December 31, 2017						
Item	Within 6 months	6 months to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Contract of Cash Flows	Book value
Non-derivative financial liability							
Short-term Borrowing	$ 37,784	$ -	$ -	$ -	$ -	$ 37,784	$ 37,581
Notes Payable	74,861	-	-	-	-	74,861	74,861
Accounts Payable	1,869,657	-	-	-	-	1,869,657	1,869,657
Other payables	632,546	3,677	-	-	-	636,223	636,223

(IV) Information on Fair Value

1. Fair Value Grade

In order to evaluate the valuation technique adopted for the fair value of financial and non-financial instruments, the fair value, by its observable extent, is divided to Grade 1 to Grade 3. 1. Each grade of fair value is defined as follows:

Grade 1 is the public quotation (without adjustment) of the same asset or liability from an active market.

Grade 2 is the fair value inferred with the input parameters that are directly (price) or indirectly (inferred from price) observable belonging to the said asset or liability besides the public quotation in Grade 1.

Grade 3 is the fair value inferred with the input parameters (not observable parameters) of the asset or liability with a valuation technique that is not based on observable market data.

2. Financial instruments not measured at fair value

The book value of financial instruments not measured at fair value of the Group (including cash and cash equivalents, contract assets - current, notes receivable, accounts receivable (including related parties), other receivables, other financial assets - current, short-term borrowings, notes payable, accounts payable, other payables, etc.) is the reasonable approximation of fair value. The book value of refundable deposits and guarantee deposits shall be a reasonable basis for estimating the fair value due to the fact that the expected cash flows discounted or not do not result in significant impacts.

3. For financial and non-financial instruments measured at fair value as of December 31, 2018 and 2017, the Group categorized them according to the nature, characteristics, risk, and fair value grade of the asset and liability. Related information is given below:

	December 31, 2018			
Financial and non-financial instruments	First level	Second level	Third level	Total
Asset				
Repeatable fair value				
Measured Compulsorily at Fair Value through Income				
Other financial assets－current				
Mutual fund beneficiary certificates	$ 39,020	$ -	$ -	$ 39,020
Financial Assets at Fair Value through Other Comprehensive Income				
Financial assets carried - Non-current				
Domestic Stock of Tsec-Listed	$ 3,494,035	$ -	$ -	$ 3,494,035
Domestic stocks yet to be listed (traded over the counter)	5,526	－	720,665	726,191
Total	$ 3,499,561	$ -	$ 720,665	$ 4,220,226

	December 31, 2017			
Financial and non-financial instruments	First level	Second level	Third level	Total
Asset				
Repeatable fair value				
Financial assets available for sale － Non-current				
Domestic Stock of Tsec-Listed	$ 3,570,483	$ -	$ -	$ 3,570,483

4. Valuation techniques and assumptions adopted in the measurement of fair value

The fair value of financial and non-financial instruments refers to the current strike value of the said instrument when transacted by the willing party (instead of in a compulsory way or through liquidation). The methods and assumptions applied by the Group in the evaluation of the fair value of financial and non-financial instruments are as follows:

(1) For financial instruments meeting the standard terms and conditions and traded on an active market, the fair value is decided with reference to quotations on the market, respectively. The closing price of a listed stock is its fair value. For

emerging stocks yet to be listed (traded over the counter), the strike price is the fair price. For mutual fund beneficiary certificates, the net worth is the fair value.

(2) For financial instruments that are relatively more complex, the Group measures the fair value according to valuation model independently developed applying the valuation method and techniques widely adopted in the industry. Some of the parameters used in this type of valuation model are not information that can be observed on the market and hence the Group has to make appropriate estimates based on assumptions. The fair value of shares of companies yet to go public (be traded over the counter) (excluding emerging stocks with transactions on an active market) and limited partnerships held by the Group is estimated by the market-based approach or asset-based approach; the determination is based on the valuation of similar companies, quotations provided by a third party, net corporate worth, and operating condition. In addition, the major unobservable input value is mainly liquidity discount. For the impacts that parameters that are not observable on the market have on financial instruments, please refer to the information in Note 12 (4)-10.

(3) The output of the valuation model is an estimated approximate value and the valuation technique might not be able to reflect all factors concerning the financial instruments and non-financial instruments held by the Group. Therefore, estimated values from the valuation model will be adequately adjusted reflective of additional parameters, such as the model risk or liquidity risk, etc. According to the management policy and related control procedures of the Group for the fair value valuation model, the management believes that adjustment of the valuation is appropriate and necessary in order to adequately present the fair value of financial instruments or non-financial instruments in the balance sheet. The price information and parameters adopted during valuation are carefully evaluated and adequately adjusted reflective of the current market status.

(4) The Group includes credit risk valuation adjustments in the calculation and consideration of the fair value of financial instruments and non-financial instruments in order to separately reflect the credit risk of the counter party and the quality of credit of the Group.

5. Transfer between Grade 1 and Grade 2 fair values from January 1 through December 31, 2018 and 2017: None.

6. Variation in Grade 3 financial instruments from January 1 through December 31, 2018 and 2017

Item	Non-derivative equity instrument - stocks yet to be listed (traded over the counter)	
	January 1 to December 31, 2018	January 1 to December 31, 2017
Balance at beginning of term	$ -	$ -
Effect of IFRS 9 Retrospective Application	698,227	—
Acquisition of Current Term	236,237	—
Disposal of Current Term/ Distributed Capital	(9,585)	—
Transferred Out Third level	(10,526)	—
Other Comprehensive Income Recognition of Losses	(199,264)	—
Impact on the exchange rate	5,576	—
Balance at end of term	$ 720,665	$ -

7. The Group started to adopt the requirements of IFRS 9 on January 1, 2018 and selectively designated stocks yet to be listed (traded over the counter) and limited partnership equities carried at cost according to IAS 39 to be measured at fair value through other comprehensive income. Due to the fact that sufficient observable market information is lacking for the fair value adopted, they are transferred to be Grade 3. In addition, the trading volume of emerging stocks held and yet to be listed (traded over the counter) was re-evaluated at the end of March 2018 in order to determine whether it belongs to quotation on an active market. Because the steady trading volume on the market is associated with sufficient transaction occurrence frequency and quantity, pricing information can be provided continuously and sufficient observable market information can be obtained. As a result, the Group transferred the fair value adopted at the end of the month of the said event from Grade 3 to Grade 1.

8. For the valuation procedure of fair values that are categorized to Grade 3 of the Group, the corporate Finance Department is responsible, through division of labor with external professional valuation institutions, for verifying independently the fair values of financial instruments. With independent sources of data, the valuation outcome closely reflects the market status and data are confirmed to be independent, reliable, consistent with other sources, and reflective of enforceable prices. Meanwhile, the required input values and data and any other necessary adjustment in the fair value are updated periodically in order to ensure reasonable valuation outcome.

9. Descriptions are provided below regarding the quantification information of significantly unobservable input values and sensitivity analysis of the variation in significantly unobservable input values of the valuation model adopted for the measurement of Grade 3 fair values:

Item	December 31, 2018 Fair value	Valuation techniques	Major unobservable input value	Interval (weighted average)	Input value and fair value relationship
Non-derivative equity instruments:					
Stocks yet to be listed (traded over the counter) And limited partnership	$ 720,665	Market approach / Asset-Based Approach	Liquidity discount	10.00%～ 26.25%	The higher the liquidity discount, the lower the fair value

10. The valuation model and valuation parameters adopted by the Group are the results of careful evaluations. Therefore, measurement of fair values is reasonable. The different valuation models or valuation parameters adopted, however, might result in different valuation outcomes. For financial assets and liabilities categorized to be Grade 3, if the valuation parameters vary by 1% base points, impacts on the profits and losses or other comprehensive income for the current term are as follows:

			January 1 to December 31, 2018			
			Recognized as part of profits and losses		Other Comprehensive Income Recognition of Losses	
Item	Input value	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Non-derivative equity instruments:						
Stocks yet to be listed (traded over the counter) And limited partnership	Liquidity discount	+1%	$ -	$ -	$ -	($ 6,744)
		-1%	$ -	$ -	$ 6,868	$ -

XIII. Supplementary Disclosures

(I) Related Information on Major Transactions and (II) Reinvestment Businesses (before consolidated write-off):

1. Lending of funds to others: None.

2. Endorsement and guarantee for others

Name of endorser/guarantor	The endorsed party		Single enterprise Limits of endorsement and guarantee	Maximum balance of endorsement and guarantee of current term	Endorsement at end of term Balance of guarantee	Actual allocated value	Value of Endorsement and guarantee with property as the collateral	Accumulated ratio of the value of endorsement and guarantee in the net worth of financial statements of the most recent term	Maximum limits of endorsement and guarantee	Endorsement and guarantee provided by the parent company to the subsidiary	Endorsement and guarantee provided by the subsidiary to the parent company the subsidiary	Endorsement and guarantee in Mainland China
	Name of Company	Relationship										
KK Enterprise	KK Enterprise (Malaysia) Sdn. Bhd.	Stock option 70% subsidiary	no more than 50% of the total limits available at the Company for	$63,581 (RM8,940)	$63,581 (RM8,940)	$42,245 (RM5,940)	—	6.17%	The total value of external endorsements and guarantees of the Company is limited at 50% of the net	Yes	No	No

3. Holding of securities at end of term (excluding investments in subsidiaries, affiliates, and joint venture control)

Type and name of	corporate securities held		Relationship with the security issuer	Book entry	End of term			
					Thousand	Book value	Holding	Fair value
Grand Pacific Co., Ltd.	Stock	Coos Venture Capital Corp.	The director of the Company	Financial assets at fair value through other comprehensive	37	$1,284	2.85	$1,284
		TECO Nanotech Co., Ltd.	—	Financial assets at fair value through other comprehensive	19	—	0.08	—
		YODN Lighting Corp.	—	Financial assets at fair value through other comprehensive	165	1,061	0.93	1,061
		Bridgestone Taiwan Co., LTD.	—	Financial assets at fair value through other comprehensive	1,151	86,177	1.42	86,177
		China Development Financial Holding	—	Financial assets at fair value through other comprehensive	21,297	207,011	0.14	207,011
GPPC Chemical Limited	Stock	Coos Venture Capital Corp.	The director of the parent	Financial assets at fair value through other comprehensive	49	1,712	3.80	1,712
		YODN Lighting Corp.	—	Financial assets at fair value through other comprehensive	64	413	0.36	413
		Guozong Development Company	—	Financial assets at fair value through other comprehensive	200	—	1.06	—
		Guozong Construction Development	—	Financial assets at fair value through other comprehensive	200	—	1.31	—
		Bridgestone Taiwan Co., LTD.	—	Financial assets at fair value through other comprehensive	934	69,792	1.15	69,792
		Com2B Corporation	—	Financial assets at fair value through other comprehensive	750	—	1.67	—
		Grand Pacific Petrochemical Corporation	The parent company of the	Financial assets at fair value through other comprehensive	247	5,407	0.03	5,407
		Grand Pacific Petrochemical Corporation	The parent company of the	Financial assets at fair value through other comprehensive	1,776	61,539	8.88	61,539
		China Development Financial Holding	The Company is the corporate	Financial assets at fair value through other comprehensive	12,110	117,709	0.08	117,709
GPPC Investment Limited	Stock	YODN Lighting Corp.	—	Financial assets at fair value through other comprehensive	631	4,052	3.54	4,052
	Partnership	China Development Advantageous	—	Financial assets at fair value through other comprehensive	—	62,637	—	62,637
GOLDENPACIFIC EQUITIES LTD.	Partnership	CDIB Capital Asia Partners L.P.	—	Financial assets at fair value through other comprehensive	—	154,211	—	154,211
		CDIB Capital Global Opportunities Fund L.P.	—	Financial assets at fair value through other comprehensive	—	139,248	—	139,248
GPPC Hospitality And Leisure Inc.	Fund	KGI Victory Money Market Fund	—	Financial assets at fair value through other comprehensive	3,375	39,020	—	39,020
Videoland Inc.	Stock	Jeou Tai Technology Group	—	Financial assets at fair value through other comprehensive	2,007	$61,110	5.96	$61,110
		Global Mobile Corp.	—	Financial assets at fair value through other comprehensive	1,440	—	0.52	—
		Great Dream Pictures, Inc.	—	Financial assets at fair value through other comprehensive	1,000	12,283	9.98	12,283
		China Life Insurance Company Limited	—	Financial assets at fair value through other comprehensive	94,428	2,629,821	2.35	2,629,821
		China Development Financial Holding	—	Financial assets at fair value through other comprehensive	55,504	539,494	0.37	539,494
	Partnership	CDIB Capital Asia Partners L.P.	—	Financial assets at fair value through other comprehensive	—	132,211	—	132,211

4. Value of the same security bought or sold accumulatively reaching NT$ 300 million or 20% and above of the paid-in capital size: None

Company bought or sold	Security Type and name	Book entry	Counter party	Relationship	At start of term		Bought		Sold				At end of term	
					Thousand	value	Thousand	value	Thousand	Selling price	Book cost	(Losses)	Thousand	value
Videoland Inc.	KGI Victory Money Market	Financial assets at fair value through other	Open trading market	—	—	—	39,829	$460,000	39,829	$460,094	$460,000	$94	—	—
Grand Pacific Co., Ltd.	British Virgin Land & Sea	Investments adopting	Capital	—	60,898	$5,961,548	25,421	785,515 798,762	—	—	—	—	86,319	$7,545,825
Land & Sea Capital Corp.	Zhangzhou Limited	Investments adopting	initiated and	—	—	—	—	716,901 908 (Note)	—	—	—	—	—	717,809

Note: It is the adjustment in valuation using the equity method.

5. Value of real estate obtained reaching NT$ 300 million or 20% and above of the paid-in capital size: None.

6. Value of real estate dispose of reaching NT$ 300 million or 20% and above of the paid-in capital size: None.

7. Value of sales and purchases with the related parties reaching NT$ 100 million or 20% and above of the paid-in capital size: None

Purchases (Sales) Name of company	Name of counter party	Relationship	Transaction status				Differences in the requirements for the transaction and those for ordinary transactions and the cause		Notes and accounts receivable (payable)	
			Purchases (Sales)	Amount	Ratio to all purchases	Loan period	Unit price	Loan period	Balance	Ratio to all notes and
Grand Pacific Petrochemical Corporation	GPPC Chemical Corporation	Subsidiary of the Company	Sales	$1,103,107	5.43%	Based on the Sales Contract	The contract purchase or selling price 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.	Settled at the end of the month and to be completely collected within 45 days after settlement. If collection cannot be fulfilled by the deadline, the one-year time deposit annual rate of the Bank of Taiwan as of January 1 of the specific year will be adopted to calculate the interest. Delinquency is limited to 3 months only.	—	—
GPPC Chemical Corporation	Grand Pacific Petrochemical Corporation	The parent company of the Company	Purchase	1,103,107	86.72%	Based on the Purchase Contract	The contract purchase or selling price 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.	Settled at the end of the month and to be paid off within 45 days after settlement. If it is not paid off by the deadline, the one-year time deposit annual rate of the Bank of Taiwan as of January 1 of the specific year will be adopted to calculate the interest. Delinquency is limited to 3 months only.	—	—

8. Accounts receivable form related parties reaching NT$ 100 million or 20% and above of the paid-in capital size: None.

9. Engagement in transaction of derivatives: None.

10. Related information on the name and location of the company invested in with direct or indirect major impacts, control, or joint venture control (excluding investments in Mainland China)

Name of investing	Name of company invested in	Location	Main scope of operation	Original investment value		Number of shares held at end of			Profits or losses of the	Profits or losses from	Remark:
				End of	End of last	Thousand	Ratio %	Book value			
Grand Pacific Co., Ltd.	GPPC Chemical Limited	No. 66 Changxing Luzhu District,	Production and distribution Ethylene	$462,953	$462,953	54,200	100.00	$667,979	$45,813	$41,408	Profits or losses from investments cash dividends in the value of $1,316, the difference between the the consolidated basis
	GPPC Investment Limited	10F, No. 1, Sec. 4, Taipei City	Investment	170,307	170,307	22,032	81.60	286,809	(6,726)	(5,488)	
	Videoland Co., Ltd.	3F, No. 480, District, Taipei	Production of TV programs, Reproduction of domestic among other trading	1,536,404	1,536,404	71,093	62.29	4,402,183	401,764	250,259	
	KK Enterprise Limited	No. 1, Ziqiang 3rd Nankung	Various trademark paper, Production, wholesale, and	130,026	130,026	9,918	15.73	162,049	54,723	8,608	Comprehensive holding with the
	GOLDENPACIFIC EQUITIES LTD.	British Virgin	Investment Business	10,510	10,510	75	100.00	680,316	10,806	10,806	
	Land & Sea Capital Corp.	British Virgin	Investment Business	2,817,223	2,031,708	86,319	100.00	7,545,825	920,064	905,766	Profits or losses from investments $14,298 as a result of the difference between the
GPPC Limited	GPPC Hospitality And Leisure Inc.	No. 26, Lane 295, Dunhua South 1F	Catering	40,000	—	4,000	100.00	39,586	(414)	(414)	
Videoland Inc	KK Enterprise Limited	No. 1, Ziqiang 3rd Nankung	Various trademark paper, Production, wholesale, and	280,862	280,862	21,307	33.79	348,100	54,723	18,492	
	GPPC Investment Limited	10F, No. 1, Sec. 4, Taipei City	Investment	35,372	35,372	4,968	18.40	61,255	(6,726)	(1,238)	Comprehensive holding with the
	Videoland Holding Limited	British Virgin	Investment Business	—	321	—	—	—	(39)	(39)	The investment was canceled in
KK Enterprise Limited	K.K. Chemical Company Limited	Hong Kong	Trademark paper and tape,	5,255	5,255	125	49.90	4,415	(143)	(72)	With the potential to exercise
	Dragon King Inc.	Samoa	Reinvestment Business	3,258	3,258	100	100.00	4,759	(44)	(44)	
	KK Enterprise (Malaysia) Sdn.Bhd. Bhd.	Malaysia	Trademark paper and tape,	15,995	15,995	1,680	70.00	50,494	12,645	8,852	

11. Business Relationship between Parent Company and Subsidiaries and Important Transactions

(1) January 1 through December 31, 2018 and December 31, 2018

Name of trader	Counter party	Relationship with the Trader	Status of transaction			
			Entry	value	Transaction requirements	Ratio in consolidated overall revenue or total assets
Grand Pacific Petrochemical Corporation	GPPC Chemical Corporation	Parent company versus subsidiary	Sales income	$1,103,107	The contract purchase or selling price 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.	4.46%
			Other income	8,400	As is required by the contract	0.03%
			Technical support income (Listed as expense deductible)	3,965	As is required by the contract	0.02%
	GPPC Investment Corp.	Parent company versus subsidiary	Rent income	23	As is required by the Lease Contract	—
	GPPC Hospitality and Leisure Inc.	Parent company versus subsidiary	Rent income	23	As is required by the Lease Contract	—
	Videoland Inc.	Parent company versus subsidiary	Rent income	137	As is required by the Lease Contract	—
	KK Enterprise Company	Parent company versus subsidiary	Other income	409	As is required by the Articles of Incorporation	—
GPPC Chemical Corporation	Grand Pacific Petrochemical Corporation	Subsidiary versus parent company	Sales income	2,739	Valued according to the general transaction price	0.01%
			Rent income	72	As is required by the Lease Contract	—
			Other receivables	6,415	Payments for goods to be collected, 45 days	0.02%
Videoland Inc.	Grand Pacific Petrochemical Corporation	Subsidiary versus parent company	Pre-paid rent	57	As is required by the Lease Contract	—
			Refundable deposits	50	As is required by the Lease Contract	—
	KK Enterprise Company	Subsidiary versus subsidiary	Other income	409	As is required by the Articles of Incorporation	—

Name of trader	Counter party	Relationship with the Trader	Status of transaction			
			Entry	Value	Transaction requirements	Ratio in consolidated overall revenue
KK Enterprise Company	KK Enterprise (Malaysia) Sdn.	Parent company	Sales income Accounts receiva Endorsement and	$30,724 8,578 63,581	Valued according to the general transaction p 90 days Based on the endorsement and guarantee ope	0.12% 0.03% 0.21%
	Kunshan KK Limited	Parent company	Sales income Accounts receiva	26,592 3,265	Valued according to the general transaction p 90 days	0.11% 0.01%
	Zhongshan KK Limited	Parent company	Sales income Accounts receiva	506 111	Valued according to the general transaction p 90 days	— —
K.K. Chemical Company Limited	Zhongshan KK Limited	Subsidiary versu	Other receivable	6,425	90 days	0.02%
Zhongshan KK Limited	Kunshan KK Limited	Subsidiary versu	Sales income Accounts receiva	8,412 449	Valued according to the general transaction p 90 days	0.03% —
Kunshan KK Adhesion Limited	Zhongshan KK Limited	Subsidiary versu	Sales income	6,104	Valued according to the general transaction p	0.02%
	Dragon King Inc.	Subsidiary versu	Sales income	245	Valued according to the general transaction p	0.01%
Dragon King Inc.	Zhongshan KK Limited	Subsidiary versu	Other receivable	3,495	90 days	0.01%

(2) January 1 through December 31, 2017 and December 31, 2017

Name of trader	Counter party	Relationship with the Trader	Status of transaction			
			Entry	Value	Transaction requirements	Ratio in consolidated overall revenue or total assets
Grand Pacific Petrochemical Corporation	GPPC Chemical Corporation	Parent company versus subsidiary	Sales income	$915,729	The contract purchase or selling price 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.	3.92%
			Accounts receivable	77,812	Payments due are settled at the end of each month and to be completely collected within 45 days after settlement. If it is impossible to collect payments as scheduled, it will be handled as delinquency and interest will be calculated by the one-year time deposit annual rate of the Bank of Taiwan as of January 1 of the specific year. Duration of delinquency, however, is limited to 3 months.	0.28%
			Interest income	61	As is required by the contract	—
			Other income	8,400	As is required by the contract	0.04%
			Technical support income (Listed as expense deductible)	3,285	As is required by the contract	0.01%
	GPPC Investment Corp.	Parent company versus subsidiary	Rent income	23	As is required by the Lease Contract	—
	Videoland Inc.	Parent company versus subsidiary	Rent income	137	As is required by the Lease Contract	—
	KK Enterprise Company	Parent company versus subsidiary	Other income	402	As is required by the Articles of Incorporation	—
GPPC Chemical Corporation	Grand Pacific Petrochemical Corporation	Subsidiary versus parent company	Sales income	2,803	Valued according to the general transaction price	0.01%
			Rent income	72	As is required by the Lease Contract	—
Videoland Inc.	Grand Pacific Petrochemical Corporation	Subsidiary versus parent company	Pre-paid rent	57	As is required by the Lease Contract	—
			Refundable deposits	50	As is required by the Lease Contract	—
	KK Enterprise Company	Subsidiary versus subsidiary	Other income	402	As is required by the Articles of Incorporation	—

Name of trader	Counter party	Relationship with the Trader	Status of transaction			
			Entry	Value	Transaction requirements	Ratio in consolidated overall revenue
KK Enterprise Company	KK Enterprise (Malaysia) Sdn.	Parent company	Sales income	$36,050	Valued according to the general transaction p	0.15%
			Accounts receiva	6,655	90 days	0.02%
			Endorsement and	63,224	Based on the endorsement and guarantee ope	0.23%
	Kunshan KK Limited	Parent company	Sales income	25,960	Valued according to the general transaction p	0.11%
			Accounts receiva	3,077	90 days	0.01%
	Zhongshan KK Limited	Parent company	Sales income	153	Valued according to the general transaction p	—
			Accounts receiva	35	90 days	—
			Other receivable	17,322	90 days	0.06%
K.K. Chemical Company Limited	Zhongshan KK Limited	Subsidiary versu	Other receivable	6,238	90 days	0.02%
Zhongshan KK Limited	Kunshan KK Limited	Subsidiary versu	Sales income	11,703	Valued according to the general transaction p	0.05%
			Accounts receiva	521	90 days	—
Kunshan KK Adhesion Limited	Zhongshan KK Limited	Subsidiary versu	Sales income	6,252	Valued according to the general transaction p	0.03%
			Accounts receiva	17	90 days	—
	Dragon King Inc.	Subsidiary versu	Sales income	2,803	Valued according to the general transaction p	0.01%
			Accounts receiva	903	90 days	—
Dragon King Inc.	Zhongshan KK Limited	Subsidiary versu	Other receivable	3,387	90 days	0.01%

(III) Information on Investment in Mainland China

1.

Investing company Name	Name of company invested in in Mainland China	Main scope of operation	Paid-in capital size	Investment Method	Accumulated investment value remitted from Taiwan at start of current term	Remitted or recovered of current term Investment amount		Accumulated investment value remitted from Taiwan at end of current term	Profits or losses of the current term of the company invested in Note (5)	Company direct or indirect investment holding ratio Note (4)	Recognition of the current term Profits or losses from investments Note (5)	End of term investment Book value Note (4)	Investment income already received as of current term
						Remitted	Recovered						
Grand Pacific Petrochemical Corporation	Zhenjiang Chimei Chemical Company Limited	Production and distribution of product lines with SM as the raw material and loading/unloading, storage, transportation, and operation of their products and various types of chemicals and fuel oils	USD358,850	Note (2)	$1,652,206 (USD52,830)	—	—	$1,652,206 (USD52,830)	$3,251,366	30.40%	$988,415 (USD32,686)	$5,509,893 (USD179,388)	$473,318 (USD15,496)
	Zhangzhou Chimei Chemical Company Limited	Production of primary-form plastic and synthetic resin	CNY528,000	Note (2)	—	$716,901 (USD23,340)	—	716,901 (USD23,340)	—	30.40%	—	717,809 (USD23,370)	—
KK Enterprise	Zhongshan KK Adhesion Product Corporation	Trademark paper and tape, etc.	HKD12,300	Note (3)	39,135 (HKD10,700)	—	$17,626 (HKD4,550)	21,509 (HKD6,150)	15,570	50.00%	7,802 Note (6)	71,508	35,366
	Kunshan KK Adhesion Product Corporation	Trademark paper and tape, etc.	USD6,100	Note (1)	206,958 (USD5,168) (Machinery USD827)	—	—	206,958 (USD5,168) (Machinery USD827)	3,011	100.00%	3,016 Note (6)	211,357	36,061

Investing company Name	Accumulated remittance from Taiwan at end of current term Investment value in Mainland China	MOEA Investment Commission -approved investment value	Requirements of the Investment Board, Ministry of Economic Affairs Investment limit in Mainland China (Note 7)
Grand Pacific Petrochemical Corporation	$2,369,107 (USD76,170)	$4,923,553(USD160,298)	$15,372,584
KK Enterprise	$228,467(USD5,168、HKD6,150, and machinery	$228,467(USD5,995、HKD6,150)	$675,588

Note: (1) Direct investment.

(2) Re-investment in Mainland China through a third place with approval from the government

(3) Re-investment in Mainland China through a company established in a third place with approval from the government

(4)The holding ratio in re-investments or direct or indirect investments through a company in a third place and book value of the investment at end of term

(5) Profits or losses from direct and indirect investments recognized with the equity method according to the financial statements audited and certified by other CPAs at an international accounting firm in Taiwan or CPAs in other accounting firms certified by the Company. Zhangzhou Chimei Chemical Company Limited was still during its founding stage in 2018; no major profits or losses occurred.

(6)The profits and losses from investments recognized for the current term include realized and unrealized net profits or losses from downstream, upstream, and side-stream transactions.

(7) As is required by the Investment Board, Ministry of Economic Affairs, the accumulated value or ratio of investments in Mainland China may not exceed 60% of the net worth or consolidated net worth (whichever is higher) of the company.

(8)The value of foreign currencies in this table, except for the investment value remitted out of Taiwan, which is measured at historical exchange rate, is consistently converted to New Taiwan Dollar according to the exchange rate on the balance sheet date.

2. Major transactions that have incurred directly or indirectly through a third region with the companies invested in in Mainland China:

Zhongshan KK Adhesion Product Corporation and Kunshan KK Adhesion Product Corporation are already included as entities in the consolidated financial statement due to the fact that the Group holds 50% and above of the shares combined from direct and indirect investments. Major transactions that have occurred directly or indirectly through an enterprise in a third region between the Group and Zhongshan KK Adhesion Product Corporation and Kunshan KK Adhesion Product Corporation were already completely written off at the time the consolidated financial statement was prepared. For disclosures on important transactions between the Group and the companies invested in in Mainland China, please refer to Note 13 (1)(2)-11 for details.

In addition, major transactions that occurred from January 1 through December 31, 2018 and 2017, directly or indirectly through an enterprise in a third region between the Group and Zhenjiang Chimei Chemical Company Limited are as follows:

(1) Balance of the value and percentage of purchases and corresponding payables at end of term and the percentage: None.

(2) Balance of the value and percentage of sales and corresponding payables at end of term and the percentage:

①January 1 through December 31, 2018 and December 31, 2018

		Sales income		Accounts receivable	
Name of sale company	Name of counter party	Amount	Accounting for sales Net percentage	Amount	Accounts receivable Total percentage
Grand Pacific Petrochemical Corporation	Zhenjiang Chimei Chemical Company Limited	$ 3,382	0.02%	$ 735	0.04%

②January 1 through December 31, 2017 and December 31, 2017

		Sales income		Accounts receivable	
Name of sale company	Name of counter party	Amount	Accounting for sales Net percentage	Amount	Accounts receivable Total percentage
Grand Pacific Petrochemical Corporation	Zhenjiang Chimei Chemical Company Limited	$ 3,650	0.02%	$ -	—

③ The transaction requirements are based on the sale prices agreed upon and the payment collection term is 30 days after monthly settlement.

(3)Property transaction value and the incurred profits or losses: None.

(4) Balance of notes endorsement and guarantee or collaterals at end of term and the purpose: None.

(5) Maximum value, balance at end of term, interest rate bracket, and total value of interest for current term of financing: None.

(6) Other transactions with major impacts on profits or losses of the current term or financial standing: None.

XIV. Information of Operating Department

(I) The operating department is the corporate component that meets the following characteristics at the same time:

1. Engaged in operating activities that may generate income and incur expenses
2. The operating results are reviewed periodically by the operation decision makers of the corporation in order to make decisions over the assignment of resources to the said department and evaluate the performance of the department.
3. There is individual separate financial information available.

(II) The Group reviews the links between respective management departments and products and services from the perspective of the operation decision maker and divides the operating unit into three operating departments that should be reported:

1. Petrochemical business: The department is responsible for the manufacturing, processing, and trading of related products with SM as the raw material.
2. TV media business: The department is responsible for producing TV programs, importation, exportation, dealership, and release of cable TV programs and dealership of various types of advertisements and their planning and production.
3. Packing material business: The department is responsible for the manufacturing, processing, and trading of various types of packing materials such as trademark paper and releasing paper.

The other operating activities and related information of the operating departments that are not reported by the Group are combined in the disclosure under “Other Departments.”

(III) Departments that should be reported by the Group are strategic business units meant to provide different products and services. Each strategic business unit requires different techniques and marketing strategies and hence need to be managed separately.

(IV) The Group’s management supervises the operating outcome of their respective sales unit in order to make decisions over distribution of resources and performance evaluation. The performance of the operating department is based on the operating profits or losses. Such amount determined is provided to the primary operation decision maker and is used to help assign resources to the department and evaluate its performance. The method consistent to that for operating profits or losses in the consolidated financial statement is adopted, too. The operating cost of the main office, income tax expenses (profits), and non-current profits and losses (non-operating income and expenditure) in the consolidated financial statement, however, are managed on the basis of the parent company and is not amortized to the departments that should be reported. The amount reported is consistent to that in the report used by the operation decision maker. Transfer pricing among operating departments is based on the normal transactions similar to those with external third parties. The accounting policy of the operating department is generally identical to the important accounting policies summarized and stated in Note 4 of the consolidated financial statement.

(V) Financial Information of Operating Department

1. January 1 through December 31, 2018 and December 31, 2018

Item	Business Division of Petrochemistry	Business Division of TV Media	Business Division of Packing Material	Other Division	Adjustment (Regulation) and Write-off	Total
Income						
Revenue from external customers	$ 20,666,575	$ 2,299,327	$ 1,775,236	$ -	$ -	$ 24,741,138
Inter-departmental income	1,105,846	—	72,583	—	(1,178,429)	—
Total Income	$ 21,772,421	$ 2,299,327	$ 1,847,819	$ -	($ 1,178,429)	$ 24,741,138
Division profit and loss	$ 2,303,222	$ 356,703	$ 78,235	($ 8,772)	$ 9,450	$ 2,738,838
Non-operating Income and Expenditure						1,318,110
Income from Continuing Operation before Tax						$ 4,056,948
Division profit and loss includes:						
Depreciation and amortized	$ 709,661	$ 817,651	$ 69,461	$ -	$ -	$ 1,596,773
Division Asset	$ -	$ -	$ -	$ -	$ 29,859,901	$ 29,859,901
Division Liability	$ -	$ -	$ -	$ -	$ 4,238,927	$ 4,238,927

2. January 1 through December 31, 2017 and December 31, 2017

Item	Business Division of Petrochemistry	Business Division of TV Media	Business Division of Packing Material	Other Division	Adjustment (Regulation) and Write-off	Total
Income						
Revenue from external customers	$ 19,176,727	$ 2,531,185	$ 1,643,053	$ -	$ -	$ 23,350,965
Inter-departmental income	918,532	—	82,921	—	(1,001,453)	—
Total Income	$ 20,095,259	$ 2,531,185	$ 1,725,974	$ -	($ 1,001,453)	$ 23,350,965
Division profit and loss	$ 2,139,156	$ 270,547	$ 66,599	($ 1,842)	$ 9,357	$ 2,483,817
Non-operating Income and Expenditure						1,699,258
Income from Continuing Operation before Tax						$ 4,183,075
Division profit and loss includes:						
Depreciation and amortized	$ 722,526	$ 1,003,095	$ 74,834	$ -	$ 27	$ 1,800,482
Division Asset	$ -	$ -	$ -	$ -	$ 27,999,915	$ 27,999,915
Division Liability	$ -	$ -	$ -	$ -	$ 4,515,851	$ 4,515,851

3. Information on Adjustment (Regulation) and Write-off

(1) Inter-departmental income is written off upon consolidation.

(2) Departmental profits or losses adjustment (regulation) and write-off mainly deal with the interdepartmental profits and losses, which are written off upon consolidation.

(3) Due to the fact that the value of departmental assets and liabilities measured is not an indicator to be measured by the operation decision maker, the value of assets and liabilities that should be disclosed is determined to be $0 while the value of assets and liabilities yet to be amortized, on the other hand, is listed under Adjustment (Regulation) and Write-off.

(VI) Income from Primary Products and Services

Please refer to the descriptions in Note 6 (36) for details.

(VII) Information by the Region

Income of the Group from external customers is distinguished by the location where sales or service is provided. For non-current assets, it is distinguished by the location of the asset. Information by the region is provided below:

Area	Revenue from external customers		Non-current Assets	
	January 1 through December 31, 2018	January 1 to December 31, 2017	December 31, 2018	December 31, 2017
Taiwan	$ 16,670,278	$ 16,625,303	$ 8,413,853	$ 8,837,167
China	6,158,105	5,446,776	87,759	105,383
Asia	1,715,429	1,065,000	8,988	8,081
Americas	106,801	109,785	—	—
African region	83,555	98,818	—	—
European region	3,212	1,660	—	—
Oceania region	3,758	3,623	—	—
Total	$ 24,741,138	$ 23,350,965	$ 8,510,600	$ 8,950,631

Note: non-current assets do not include assets categorized to be non-current assets available for sale, financial instruments, deferred income tax assets, post-retirement benefit assets, and assets generated from the insurance contract.

(VIII) Primary Customer Information

The list of customers contributing to 10% and above of the net worth of consolidated operating income of the Group alone from January 1 through December 31, 2018 and 2017 is provided below:

	January 1 to December 31, 2018				January 1 to December 31, 2017		
Customer	Amount	Net amount of Operating revenue %	Affiliated reporting department	Customer	Amount	Net amount of Operating revenue %	Affiliated reporting department
Company A	$ 4,993,987	20.18%	Business Division of Petrochemistry	Company A	$ 5,112,621	21.89%	Business Division of Petrochemistry