GPPC Corporation

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

Grand Pacific Petrochemical Corporation
CPA Audit Report

For review by Grand Pacific Petrochemical Corporation Company

Audit Opinions

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

As CPAs, according to the audit results from us and those from other CPAs (please refer to the paragraph about other matters), the above-mentioned individual financial statement, in all major respects, was prepared in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and hence are sufficient to show the individual financial standing of Grand Pacific Petrochemical Corporation as of December 31, 2018 and 2017 and the individual financial performance and individual 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 individual financial statement. Independently governed staff in the accounting firm that the CPAs belong to have followed moral regulations in honor of the profession of CPA and have remained independent of Grand Pacific Petrochemical Corporation and fulfilled other responsibilities under the said regulations. Based on the audit results from us and those from other CPAs, we believe that sufficient and adequate evidence has been obtained for the audit to serve as the basis for expressing the audit opinions.

Key Matters Being Audited

Key matters being audited refer to the most important matters based on the professional judgment of the CPAs to be included in the audit of the 2018 individual financial statement of Grand Pacific Petrochemical Corporation. Such matters were addressed throughout the audit of the individual financial statement and during the formation of audit opinions. The CPAs do not express separate opinions regarding these matters.

Key matters being audited of the 2018 individual financial statement of Grand Pacific Petrochemical Corporation are specified as follows:

Recognition of Income

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

For the accounting policy on the recognition of income, please refer to Note 4 (29) of the individual financial statement. For information on accounting items for income, please refer to the disclosure in Note 6 (36) of the individual financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

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

Impairment evaluation of real estate, plants and equipment

As of December 31, 2018, the book value of real estate, plants, and equipment owned by Grand Pacific Petrochemical Corporation totaled $ 6,600,827 thousand, accounting for around 26% of the total asset value and the value is significant for the individual financial statement. In addition, the overall economic trends, market competition, and technical development can all affect the future operations of the company and accordingly affect the expected economic benefits and the recoverable amount that may be generated in the future by the cash generating units for the assets estimated and determined by the management in order to evaluate if impairment exists. Therefore, the evaluation of impairment of real estate, plants, and equipment is listed by the CPAs as part of the key matters being audited.

For the accounting policy on the impairment of real estate, plants and equipment and non-financial assets, please refer to Note 4(18) and (20) of the individual financial statement. For information on accounting items involving real estate, plants and equipment, please refer to the disclosure in Note 6 (11) of the individual financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

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

Valuation of investment balance adopting the equity method

The investment balance of Grand Pacific Petrochemical Corporation as of December 31, 2017 adopting the equity method totaled $ 13,745,161 thousand, accounting for around 53% of the total asset value. The net worth of comprehensive income (including the portions of profits and losses from subsidiaries, affiliates, and joint ventures recognized using the equity method and the portions of other comprehensive income from subsidiaries, affiliates, and joint ventures recognized using the equity method) totaled $ 914,278 thousand, accounting for around 35% of the total comprehensive income. The impacted value is significant to the individual financial statement. Therefore, the CPAs include valuation of investment balance adopting the equity method as part of the key matters being audited.

For the accounting policy on investments adopting the equity method, please refer to Note 4 (17) of the individual financial statement. For information on accounting items for investments adopting the equity method, please refer to the disclosure in Note 6 (10) of the individual financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

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

Other Matters－Mentioning Audits by other CPAs

As is stated in Note 6 (10) of the individual financial statement, among the investments by Grand Pacific Petrochemical Corporation adopting the equity method, the financial statements of the re-investment company adopting the equity method through KK Enterprise－K.K. Chemical Company Limited and KK Enterprise (Malaysia) Sdn. Bhd. and the reinvestment company Zhenjiang Chimei Chemical Company Limited adopting the equity method through British Virgin Islands Land & Sea Capital Corp. were audited by other CPAs, not us. Therefore, among the opinions expressed by us on the above-mentioned individual financial statement, the amount listed in the above-mentioned financial statement of the Company and the above-mentioned information about the Company in Note 13 of the individual financial statement are completely based on audit reports from other CPAs. The balance of the above-mentioned investments adopting the equity method in the companies by Grand Pacific Petrochemical Corporation as of December 31, 2018 and 2017, was $5,530,087 thousand and $5,518,792 thousand, accounting for 21.35% and 22.87% of the total value, respectively. The portions of profits and losses indirectly recognized adopting the equity method from January 1 to December 31, 2018 and 2017, was $991,644 thousand and $1,549,942 thousand, accounting for 37.65% and 46.81% of the total comprehensive income, respectively.

Responsibilities of Management and Governance Unit to Individual Financial Reports

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

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

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

Responsibilities of CPAs in Inspecting Individual Financial Statement

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

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

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

and implementing audits and for coming up with audit opinions for the individual financial statement.

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

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

The CPAs, from the matters communicated with the governance units, decided key matters to be included in the 2018 individual financial statement audit of Grand Pacific Petrochemical Corporation. The CPAs specify such matters in the audit report unless it is disallowed by law to disclose to the public specific matters or under rare circumstances, the CPAs decide not to communicate specific matters in the audit report as it can be reasonably expected that negative impacts from such communication would be greater than the public interest that will be enhanced.

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

Notice to Readers

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

Individual Balance Sheet

December 31, 2018 and 2017

Unit: NTD 1,000

Code	Assets	December 31, 2018 Value	%	December 31, 2017 Value	%
11xx	Current Assets	$ 5,227,246	20	$ 5,108,128	21
1100	Cash and Cash Equivalents (Note 6(1))	1,567,675	6	1,134,630	5
1150	Net Worth of Notes Receivable (Note 6(2))	14,419	-	15,313	-
1170	Net Worth of Accounts Receivable (Note 6(3))	1,918,484	8	2,144,159	9
1180	Accounts Receivable - Related Party (Note 6(3) and 7)	735	-	77,812	-
1200	Other Receivables (Note 6(4))	42,181	-	30,136	-
1310	Net Worth of Inventory (Note 6(5))	1,604,466	6	1,631,346	7
1410	Advance Payment (Note 6(6))	79,286	-	74,732	-
15xx	Non-current Assets	20,671,256	80	19,027,975	79
1517	Financial Assets at Fair Value through Other Comprehensive Income - (Note 6(7))	295,533	1	-	-
1523	Financial Assets Available for Sale - Non-current (Note 6(8))	-	-	216,169	1
1543	Financial Assets Carried at Cost - Non-current (Note 6(9))	-	-	46,884	-
1550	(Investments Accounted for Using the Equity Method (Note 6(10))	13,745,161	53	11,830,088	49
1600	Property, Plant, and Equipment (Notes 6(11) and 8)	6,600,827	26	6,909,116	29
1840	Deferred Income Tax Assets (Note 6(31))	28,659	-	24,554	-
1920	Refundable Deposits (Note 6(12))	889	-	885	-
1932	Long-term Receivables	187	-	279	-
1xxx	Total of Assets	$ 25,898,502	100	$ 24,136,103	100
Code	Liabilities and Equities				
21xx	Current Liabilities	$ 2,115,208	8	$ 2,363,192	10
2130	Contract Liabilities - Current (Note 6(26))	20,881	-	-	-
2170	Accounts Payable	1,091,667	4	1,515,676	6
2200	Other Payables (Note 6(13))	482,508	2	442,990	2
2220	Other Payables - Related Party (Note 7)	6,415	-	-	-
2230	Current Income Tax Liabilities (Note 6(31))	498,854	2	350,123	1
2250	Liability Reserve - Current (Note 6(14))	12,004	-	12,071	-
2310	Advance Receipts (Note 6(15))	128	-	39,696	1
2399	Other Current Liabilities - Others (Note 6(16))	2,751	-	2,636	-
25xx	Non-current Liabilities	1,044,304	4	1,054,764	4
2550	Liability Reserve - Non-current (Note 6(17))	8,153	-	6,755	-
2570	Deferred Income Tax Liabilities (Note 6(31))	980,012	4	980,086	4
2640	Defined Benefit Liability - Non-current (Note 6(18))	29,872	-	45,198	-
2645	Guarantee Deposits (Note 6(19))	4,075	-	533	-
2670	Other Non-current Liabilities - Others (Note 6(20))	22,192	-	22,192	-
2xxx	Total of Liabilities	3,159,512	12	3,417,956	14
31xx	Equities				
3100	Share Capital (Note 6(21))	9,266,203	36	9,266,203	38
3110	Common Stocks	9,066,203	35	9,066,203	37
3120	Preferred Stocks	200,000	1	200,000	1
3200	Additional Paid-in Capital (Note 6(22))	180,533	1	147,446	1
3300	Retained Earnings (Note 6(23))	12,608,192	48	10,538,796	44
3310	Legal Reserve	1,494,452	6	1,165,588	5
3320	Special Reserve	1,640,828	6	1,658,208	7
3350	Undistributed Earnings	9,472,912	36	7,715,000	32
3400	Other Equities (Note 6(24))	739,639	3	887,872	4
3410	Exchange Differences on Translation of Foreign Financial Statements	(206,080)	(1)	(119,538)	-
3420	Unrealized Income from Financial Assets at Fair Value through Other Co	945,719	4	-	-
3425	Unrealized Income from Financial Assets Available for Sale	-	-	1,007,410	4
3400	Treasury Stocks (Note 6(25))	(55,577)	-	(122,170)	(1)
3xxx	Total of Equities	22,738,990	88	20,718,147	86
3x2x	Total of Liabilities and Equities	$ 25,898,502	100	$ 24,136,103	100

Grand Pacific Petrochemical Corporation

Individual 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(26))	$ 20,305,094	100	$ 18,931,639	100
5000	Operating Cost (Notes 6(5) and (30))	(17,525,024)	(86)	(16,315,485)	(86)
5900	Gross Operating Margin	2,780,070	14	2,616,154	14
5910	Unrealized Gain from Sale (Note 6(10))	(4,744)	-	(13,318)	-
5920	Realized Gain from Sale (Note 6(10))	13,318	-	26,926	-
5950	Net Operating Margin	2,788,644	14	2,629,762	14
6000	Operating Expenses (Note 6(30))	(489,604)	(2)	(464,239)	(3)
6100	Selling Expense	(164,972)	(1)	(148,284)	(1)
6200	Management Expense	(294,335)	(1)	(282,505)	(2)
6300	Research and Development Expense	(30,297)	-	(33,450)	-
6900	Net Operating Profit	2,299,040	12	2,165,523	11
	Non-operating Income and Expenditure				
7010	Other Income (Note 6(27))	62,232	-	53,402	-
7020	Other Interest and Loss (Note 6(28))	63,145	-	(60,038)	-
7050	Financial Cost (Note 6(29))	(419)	-	(447)	-
7070	Share of Profit of Subsidiaries, Associates and Joint Ventures (Note 6(10))	1,211,359	6	1,614,886	9
7000	Total of Non-operating Income and Expenditure	1,336,317	6	1,607,803	9
7900	Income from Continuing Operation before Tax	3,635,357	18	3,773,326	20
7950	Income Tax Expense (Note 6(31))	(675,251)	(3)	(484,684)	(3)
8200	Net Profits of Current Term	2,960,106	15	3,288,642	17
	Other Comprehensive Income				
	Items Not Re-categorized to Income				
8316	Investment in Equity Instruments at Fair Value through Other Unrealized Valuation Income (Note 6(7))	(72,367)	-	-	-
8311	Re-measurement of Defined Benefit Plans (Note 6(18))	7,164	-	(6,762)	-
8330	Share of Other Comprehensive Income of Subsidiaries, - Items Not Re-categorized to Income (Note 6(10))	(175,549)	(1)	2,331	-
8349	Income Tax Associated with Items Not Re-categorized (Note	758	-	1,149	-
8310	Total of Items Not Re-categorized to Income	(239,994)	(1)	(3,282)	-
	Items Possibly Re-categorized to Income Later				
8362	Unrealized Valuation Gains of Financial Assets Available for Sale	-	-	44,511	-
8380	Share of Other Comprehensive Income of Subsidiaries, - Items Possibly Re-categorized to Income (Note 6(10))	(121,532)	(1)	18,071	-
8399	Income Tax Associated with Possibly Re-categorized Items (Note	34,990	-	(36,975)	-
8360	Items Possibly Re-categorized to Income Later	(86,542)	(1)	25,607	-
8300	Other Comprehensive Income of Current Term (Net Worth After	(326,536)	(2)	22,325	-
8500	Total of Comprehensive Income of Current Term	$ 2,633,570	13	$ 3,310,967	17
	Earnings per Share of Common Stock: (NT$) (Note 6(33)				
9750	Fundamental Earnings per Share	$ 3.26		$ 3.64	
9850	Diluted Earnings per Share	$ 3.25		$ 3.63	

Grand Pacific Petrochemical Corporation

Individual Statement of Changes in Equity

January 1 through December 31, 2018 and 2017

Unit: NTD 1,000

Code	Item	Share Capital			Retained Earnings			Other Equities				
		Common Stocks	Preferred Stocks	litional Paid-in Cap	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences on Translation of Foreign Financial	Unrealized Income from Financial Assets at Fair Value through Other	Available for Sale Financial Assets Unrealized Income	Treasury Stock	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
	Appointment and Distribution of Earnings 2016: (Note)											
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)
B7	Preferred Stock Cash Dividends and Stock Dividends	-	-	-	-	-	(32,000)	-	-	-	-	(32,000)
C3	Other Changes in Additional Paid-in Capital: As a result of accepting gifts	-	-	1,061	-	-	-	-	-	-	-	1,061
L7	Disposal of parent company shares by subsidiaries is co	-	-	13,455	-	-	-	-	-	-	77,434	90,889
M1	Adjustment of Additional Paid-in Capital Due to Issuanc	-	-	9,320	-	-	-	-	-	-	-	9,320
M7	Changes in Ownership Equity in Subsidiaries	-	-	6	-	-	-	-	-	-	-	6
D1	Net Profits from January 1 to December 31, 2017	-	-	-	-	-	3,288,642	-	-	-	-	3,288,642
D3	Other Comprehensive Income After Tax from January 1 to December 31, 2017	-	-	-	-	-	(3,282)	(146,788)	-	172,395	-	22,325
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
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
A3	Effect of Retrospective Application and Retrospective Restatement (Note 3(1))	-	-	-	-	-	42,398	-	1,191,225	(1,007,410)	-	226,213
	Appointment and Distribution of Earnings 2017: (Note)											
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)
B7	Preferred Stock Cash Dividends and Stock Dividends	-	-	-	-	-	(32,000)	-	-	-	-	(32,000)
C3	Other Changes in Additional Paid-in Capital: As a result of accepting gifts	-	-	1,725	-	-	-	-	-	-	-	1,725
L7	Disposal of parent company shares by subsidiaries is co	-	-	28,266	-	-	-	-	-	-	66,593	94,859
M1	Adjustment of Additional Paid-in Capital Due to Issuanc	-	-	3,089	-	-	-	-	-	-	-	3,089
M7	Changes in Ownership Equity in Subsidiaries	-	-	7	-	-	-	-	-	-	-	7
D1	Net Profits from January 1 to December 31, 2018	-	-	-	-	-	2,960,106	-	-	-	-	2,960,106
D3	Other Comprehensive Income After Tax from January 1 to December 31, 2018	-	-	-	-	-	5,512	(86,542)	(245,506)	-	-	(326,536)
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

Grand Pacific Petrochemical Corporation			
Individual 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	$ 3,635,357	$ 3,773,326
A20000	Adjusted Items:		
A20010	Income Charges (Credits) not Affecting Cash		
A20100	Depreciation Cost	701,155	714,041
A20900	Interest Expense	419	447
A21200	Interest Income	(16,629)	(4,008)
A21300	Dividend Income	(27,824)	(36,754)
A22400	Share of Profit of Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	(1,211,359)	(1,614,886)
A22500	Net Loss from Disposal and Scrapping of Property, Plant, and Equipment	180	4,447
A22600	Transfer Fees of Property, Plant, and Equipment	46,031	21,726
A23900	Unrealized Gain on Sale	4,744	13,318
A24000	Realized Gain on Sale	(13,318)	(26,926)
A20010	Total of Income Charges (Credits) not Affecting Cash	(516,601)	(928,595)
A30000	Variation in Assets/Liabilities Related to Operating Activities		
A31130	(Increase) Decrease in Notes Receivable	894	(5,273)
A31150	(Increase) Decrease in Accounts Receivable	225,675	(275,117)
A31160	Decrease in Accounts Receivable - Related Party	77,077	63,746
A31180	Increase in Other Receivables	(11,143)	(29,744)
A31200	(Increase) Decrease in Inventory	26,880	(377,680)
A31230	Increase in Advance Payment	(4,554)	(8,439)
A32125	Decrease in Contract Liability	(18,687)	-
A32150	Increase (Decrease) in Accounts Payable	(424,009)	200,699
A32180	Increase in Other Payables	41,010	79,074
A32190	Increase in Other Accounts Payable - Related Party	6,415	-
A32200	Increase in Liability Reserve	1,331	2,118
A32210	Increase in Advance Receipts	-	34,125
A32230	Increase in Other Current Liabilities – Others	115	87
A32240	Decrease in Defined Benefit Liability	(8,162)	(17,359)
A30000	Total of Variation in Assets/Liabilities Related to Operating Activities	(87,158)	(333,763)
A33000	Case In-flows from Business Operation	3,031,598	2,510,968
A33100	Collected Interest	15,727	3,776
A33200	Collected Dividends	75,429	112,975
A33300	Paid Interest	(419)	(447)
A33500	Paid Income Tax	(529,941)	(365,395)
AAAA	Net Cash In-flows from Operating Activities	2,592,394	2,261,877

Grand Pacific Petrochemical Corporation

Notes to Individual 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 individual financial statement herein is expressed in New Taiwan Dollar.

II. Approval date and procedure of the financial statement

This individual financial statement was approved and released 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 Company 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 (the "IASB") and approved by the Financial Supervisory Commission (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 Company that by applying the above-mentioned standards and interpretations it will not result in major impacts on the Company’s individual financial standing and individual 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 Company 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 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	$ 1,134,630	Post-amortized cost	$ 1,134,630	A
Notes, accounts receivable and other receivables	Loans and accounts receivable	2,267,420	Post-amortized cost	2,267,420	A
Stock Investment of Tsec-Listed	Financial assets available for sale	216,169	Financial Assets at Fair Value through Other Comprehensive Income	216,169	B
Stock Investment yet to be listed of Tsec-Listed and OTC-Listed	Financial assets carried at cost	46,884	Financial Assets at Fair Value through Other Comprehensive Income	151,731	B
Refundable deposits	Loans and accounts receivable	885	Post-amortized cost	885	A

Item	January 1, 2018 Book value (IAS 39)	Re-categorized	Re-measured	January 1, 2018 Book value (IFRS 9)	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	$ -	$ 263,053	$ 104,847	$ 367,900	$ 16,785	$ 88,062
Increase: Re-categorized financial assets available for sale (IAS 39)	216,169	(216,169)	—	—	—	—
Increase: Re-categorized financial assets carried at cost (IAS 39)	46,884	(46,884)	—	—	—	—
Total	$ 263,053	$ -	$ 104,847	$ 367,900	16,785	88,062
Investments adopting the equity method Retrospective Application (Description C)	$ 11,830,088	$ -	$ 121,366	$ 11,951,454	25,613	95,753
Effect of Retrospective Application					$ 42,398	$ 183,815

A. Cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, and refundable deposits of the Company 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 Company 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 Company totaled $216,169 thousand and the shares yet to be listed that are measured at cost totaled $46,884 thousand. Therefore, as is required by IFRS 9, equity instruments not meant for the purpose of transaction are made an irreversible choice. The Company chose 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 $104,847 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 $104,847 thousand. In addition, the Company 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 on January 1, 2018 dropped by $16,785 thousand and retained earnings after the adjustment showed an increase of $16,785 thousand.

C. Due to the fact that IFRS 9 is retroactively applicable to subsidiaries using the equity method, the investments using the equity method as of January 1, 2018 were adjusted and increased by $121,366 thousand and the net unrealized profits or losses of other equities - financial assets measured at fair value through other comprehensive income and the unrealized profits or losses of financial assets available for sale were adjusted and increased by $95,753 thousand. Retained earnings were adjusted and increased by $25,613 thousand.

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 individual financial standing and consolidated financial performance significantly except that more related disclosure information has to be provided. For details, please refer to Note 6 (26).

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 Company 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 $39,568 thousand. In addition, as compared to the requirements under IAS 18, advance payment dropped by $20,881 thousand and contract liabilities increased by $20,881 thousand.

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

This revision requires that enterprises should disclose variation in liabilities concerning (from) fund-raising activities, including cash non-cash changes. After evaluation, such revision will increase the variation in liabilities for the Company from disclosure related to (from) fund-raising activities. For details, please refer to Note 6 (32).

(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 Company shall adopt the applicable IFRSs released by the International Accounting Standards Board (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 Company that by applying the above-mentioned standards and interpretations it will not result in major impacts on the Company’s individual financial standing and individual 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 Company 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 Company 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.

The greatest impacts of adopting new standards as evaluated by the Company come from user right assets and lease liabilities recognized currently for warehouses and storage tanks rented through business leases. It is estimated that the above-mentioned difference is likely to result in an increase of $53,957 thousand for both user right assets and lease liabilities as of January 1, 2019.

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

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

The Company 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 Decision

According to preliminary evaluation, by applying the above-mentioned standards and interpretations, it will not result in major impacts on the Company's individual financial standing and consolidated financial performance. The Company 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 individual financial statement is compiled are summarized as follows. Unless specified otherwise, such policies consistently apply to all reporting periods.

(I) Compliance Statement

This individual financial statement is prepared in accordance with the Regulations Governing Securities Issuers' Financial Statements.

(II) Compilation Basis

1.Except for the important items below, this individual 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 Company 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.

4. When preparing individual financial statements, the Company adopts the equity method for subsidiaries, affiliates, or joint ventures that it has investments in. In order for the profits and losses, other combined profits and losses, and equities of the year in this individual financial statement to be identical to those in the Company's consolidated financial statement that belong to the clients of the Company, on the individual and consolidated bases, for several accounting differences, the "investments adopting the equity method", the "shares of profits and losses of subsidiaries, affiliates, and joint ventures recognized adopting the equity method", "shares of profits and losses of subsidiaries, affiliates, and joint ventures recognized adopting the equity method", and related equity items were adjusted.

(III) Conversion of foreign currencies

1. Items listed in the individual financial statement of the Company are weighed by the currency (that is, the functional currency) in the main economic setting where the entity operates. This individual financial statement is expressed in the Company's functional currency, that is, the New Taiwan Dollar.

2. When preparing the 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. The assets and liabilities of overseas operating institutions of the 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.

(IV) 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 Company 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 Company classifies all the liabilities not meeting the above criteria as non-current liabilities:

(V) 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.

(VI) Financial Instruments

Financial assets and financial liabilities are to be recognized when the Company 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.

(VII) 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 Company 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 Company 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 Company, transaction date accounting is adopted.
4. Upon initial recognition, the Company 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 Company 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 Company 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 Company, 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 Company lists them as "financial assets carried at cost."

(VIII) 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 measured at fair value through other comprehensive income in compliance with the transaction practice of the Company, transaction date accounting is adopted.
3. Upon initial recognition, the Company 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 recategorized 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 Company 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 recategorized from equities to profits and losses.

(IX) 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 Company adopts the transaction date accounting.
3. Upon initial recognition, the Company 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 Company 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.

(X) 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 Company measures them at the initial invoiced value.

(XI) 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.

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

1. Financial 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 Company 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 Company lists them as "financial assets carried at cost."

(XIII) Impairment of financial assets

2018

On each balance sheet date, the Company 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 Company evaluates whether 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 Company in deciding whether 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 or the principal;

(3) Concession originally not considered given by the Company 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 other 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 Company 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.

(XIV) De-recognition of Financial Assets

When one of the following conditions is fulfilled, the Company 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.

(XV) 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.

(XVI) 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 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.

(XVII)Investments Adopting the Equity Method / Subsidiary

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

2. The portion of profits or losses for the Company after acquisition of a subsidiary 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. When the portion of losses recognized by the Company

in its subsidiaries is equal to or exceeds the equity held by the Company in the subsidiaries, the shareholding ratio will continue to be applied in the recognition of losses.

3. Unrealized profits and losses from downstream transactions between the Company and its subsidiaries are written off in the individual financial statement. Profits and losses from upstream and side-stream transactions between the Company and its subsidiaries are recognized in the individual financial statement only when they are within the scope irrelevant to the equity that the Company has in the subsidiaries. Necessary adjustments have been made to the accounting policy of the subsidiaries to be consistent with the policy adopted by the Company.
4. When subsidiaries 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 Company will recognize equity changes that are part of the shares that the Company is entitled to in the subsidiary according to the holding ratio as capital reserve.
5. 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.
6. When the Company 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 Company, 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 recategorized from equities to profits and losses.
7. As is required by the Regulations Governing Securities Issuers' Financial Statements, the portions of profits and losses and other combined profits and losses in individual financial reports and those in the financial reports prepared on a consolidated basis that belong to the parent company's clients are the same and the

equities of the clients in individual financial reports and those in financial reports prepared on a consolidated basis that belong to the parent company's clients are identical.

(XVIII) 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 Company 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 Company 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 Company 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	7～25 years
(3) Transport Equipment	2～6 years
(4) Other Equipment	3～8 years

5. Some depreciable assets of the Company were originally declared during taxation adopting the fixed percentage of declining method. The Company, 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.

(XIX)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 Company, 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 Company 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.

(XX) Impairment of Non-financial Assets

The Company 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.

(XXI) Accounts Payable

Accounts 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.

(XXII) 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 Company 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 Company 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 Company 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 Company will list them as financial liabilities carried at cost.

(XXIII) Liability Reserve

The Company 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.

(XXIV)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 Company 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.

(XXV) Financial Liability and Equity Instruments

1. Categorization of Financial Liabilities or Equity Instruments

Liability and equity instruments issued by the Company 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 Company are recognized as the value of the obtained income minus the direct cost of issuance.

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 Company. 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.

(XXVI) 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 Company 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 Company by 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.

(XXVII) 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 fiar value of the granted equity instrument. Any variation is recognized as part of profits and losses for the current term.

(XXVIII) 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 Company 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 Company 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 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 respectively 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 Company 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 Company 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.

(XXIX)) Recognition of Income

2018

Having identified the fulfillment obligation in the contract with a customer, the Company 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 Company 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 Company 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 Company 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 Company 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. 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.

3. Financial Components

The payment terms and conditions of the contract entered into by and between the Company 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.

(4) Cost to secure contracts with customers

Although the incremental cost incurred from securing a contract with a customer for the Company 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 < 2}, either.

③ The value of income can be reliably measured.

④ Economic benefits associated with the transaction in the future are likely to flow into the Company.

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 Company 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, 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 Company and the value of income can be reliably measured.

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

(4) Income from the dividend 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 Company and the value of income can be reliably measured.

(5) 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.

(XXX) 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 Company, 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 Company's individual financial statement is affected by the accounting policy adopted, the accounting estimates and assumptions. Therefore, when the Company 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 individual financial statement, the management must apply suitable professional judgments, estimates, and assumptions. All the estimates and related assumptions made by the Company are optimal 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 Company 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 Company 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 Company 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 Company postpones the adjustment of categorization of financial assets obtained subsequently.

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

The Company decides if impairment has occurred to respective financial assets - equity investments according to IAS 39; such decision relies on major judgment. The Company 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 Company recognizes impairment loss under profits and losses for the current term for "financial assets carried at cost."

3. Business Lease Commitment - The Company as the Leaser

The Company has already signed the business real estate lease for certain real estate combinations. For the sake of evaluating its terms and conditions, the Company 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 Company 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 is based on the default rate and expected loss rate assumed by the Company. The Company takes into consideration historical experiences, current market condition, and prospective information while rendering assumptions and selecting the estimated input value of impairment. For the important assumptions and input values adopted, refer to the descriptions in Note 6 (3) for details. 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 of the Company totaled $1,975,819 thousand.

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

When there is objective evidence showing signs of impairment, the Company 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 Company totaled $2,267,420 thousand.

3. Valuation of Inventory

Due to the fact that the inventory is valued at cost or net realizable value, whichever is lower, the Company 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 Company evaluates The Company 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. As of December 31, 2018 and 2017, the Company book value of inventory was $1,604,466 thousand and $ 1,631,346 thousand, respectively. ((With the allowance for inventory obsolescence and valuation losses being $13,563 thousand and $0, 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 Company 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 Company 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 Company 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 investments held by the Company totaled $88,522 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 yet to be listed or traded publicly without an active market held by the Company totaled $46,884 thousand (with the accumulated impairment value of $16,786 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 Company evaluates the impairment of the said investment. The Company 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 Company, there had not been major impairment loss.

7. Impairment assessment of tangible assets

While impairment of assets is being evaluated, the Company 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 recognized by the Company consistently totaled $36,927 thousand

8. Realizability 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 Company totaled $28,659 thousand and $24,554 thousand, respectively. Deferred income tax assets that are not very likely to have tax income and hence are not recognized by the Company were worth $686 thousand and $583 thousand, respectively.

9. Calculation of Long-term Employee Benefit Liabilities

When calculating the current value of defined benefit obligations, the Company 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 variation in the actuary assumptions can significantly affect the value of defined benefit obligations of the Company. As of December 31, 2018 and 2017The Company book value of the Company's long-term employee benefit liabilities (including net defined benefit liability and liability reserve - non-current) was $38,025 thousand and 51,953 thousand, respectively.

VI. Descriptions of Important Accounting Items

(I) Cash and cash equivalents

Item	December 31, 2018	December 31, 2017
Cash and petty cash	$ 244	$ 246
Checking deposit	170	125
Demand deposit	10,464	6,041
Foreign currency deposit	14,255	29,545
Time deposit on the original due date within three months	650,000	247,066
Bills sold under re-purchase agreements and debts	892,542	851,607
Total	$ 1,567,675	$ 1,134,630

1. None of the Company's cash and cash equivalents are provided as collateral or pledged.
2. The interest rate range of time deposits of the Company within three months of their original expiration date as of December 31, 2018 and 2017 was, respectively, 0.60%～0.63% and 1.65%～1.73%, with the interest to be applied at a fixed annual interest rate.
3. The interest rate range of bills sold under re-purchase agreements and debts of the Company 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) Notes receivable

Item	December 31, 2018	December 31, 2017
Total notes receivable	$ 14,419	$ 15,313
Decrease: Allowance loss/ bad debt (2017)	—	—
Net amount	$ 14,419	$ 15,313

1. None of the Company's notes receivable has expired; the credit loss rate is expected to be 0%.
2. None of the Company's notes receivable are provided as collateral or pledged.

(III) Accounts receivable (including related parties)

Item	December 31, 2018	December 31, 2017
Accounts receivable total	$ 1,918,484	$ 2,144,159
Decrease: Allowance loss/ bad debt (2017)	—	—
Subtotal	1,918,484	2,144,159
Total in Accounts Receivable - Related Party	735	77,812
Decrease: Allowance loss/ bad debt (2017)	—	—
Subtotal	735	77,812
Net amount	$ 1,919,219	$ 2,221,971

2018

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

Aging periods	Credit loss rate is expected	December 31, 2018 Total	Allowance loss	Net amount
Not overdue	0%	$ 1,862,491	$ -	$ 1,862,491
Overdue 1 to 30 days	0%	56,728	—	56,728
Overdue 31 to 90 days	50%	—	—	—
Overdue 91 to 180 days	30%	—	—	—
Overdue 181 to 365 days	50%	—	—	—
Overdue for more than 365 days	100%	—	—	—
Total		$ 1,919,219	$ -	$ 1,919,219

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 Company, it is 0% when not past due or upon delinquency within 30 days, 5% to 30% upon delinquency between 31 and 180 days, 50% upon delinquency between 180 and 365 days, and 100% upon delinquency over 365 days.

For the accounts receivable yet to be past due of the Company, 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 Company 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 Company's management expects that the accounts receivable will not suffer major credit loss as a result of non-fulfillment of the contract by the counter party.

2. The Company 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 Company, 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 Company does not hold any collateral for the said accounts receivable.

If there is any evidence showing that the counter party is faced with serious financial difficulties and the Company cannot reasonably expect the recoverable amount, the Company 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): None.

4. None of the Company'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	$ 2,161,818	$ -	$ 2,161,818
Overdue 1 to 30 days	60,153	—	60,153
Overdue 31 to 90 days	—	—	—
Overdue 91 to 180 days	—	—	—
Overdue 181 to 365 days	—	—	—
Overdue for more than 365 days	—	—	—
Total	$ 2,221,971	$ -	$ 2,221,971

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

2. The receivable that are yet to be past due and impaired of the Company all meet the loan criteria established according to the industrial characteristics, business scale, and profitability of the counter party. While determining the recoverability of

accounts receivable, the Company 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 Company on the balance sheet date, due to the quality of credit has not experienced major changes, the Company's management believes that the amount is still recoverable and the Company does not hold any collateral for the said accounts receivable.

3. Information is analyzed for the variation in the allowance for bad debts recognized for accounts receivable (including related parties): None.

4. None of the Company's accounts receivable are provided as collateral or pledged.

(IV) Other receivables

Item	December 31, 2018	December 31, 2017
Interest receivable	$ 1,135	$ 233
Duty drawback receivable	40,904	28,886
Others	142	1,017
Total	$ 42,181	$ 30,136

(V) Inventory

Item	December 31, 2018	December 31, 2017
Raw material	$ 381,674	$ 380,354
Material	154,865	157,538
In-process inventory	39,739	79,086
Semi-finished product	561,865	601,973
Finished good	226,716	219,927
By-product	3,475	5,442
Raw materials in transit	249,695	187,026
Subtotal	1,618,029	1,631,346
Decrease: The allowance for inventory obsolescence and valuation losses	(13,563)	—
Net amount	$ 1,604,466	$ 1,631,346

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

Item	January 1 through December 31, 2018		January 1 to December 31, 2017	
The value of sales costs related to the inventory	$	17,433,362	$	16,251,057
Increase: Unshared manpower and manufacturing expenses		84,772		70,133
Increase: Inventory net realizable value loss		13,563		—
Increase: Inventory short (net amount)		—		90
Decrease: Inventory over (net amount)	(	121)		—
Decrease: Revenue from sale of scraps	(	6,552)	(	5,795)
Book operating cost	$	17,525,024	$	16,315,485

2. The operating cost between January 1 and December 31, 2018 of the Company included the loss in the net realizable value of the inventory, which was $13,563 thousand, mainly because of the falling prices of raw materials and product quotations.

3. None of the Company's inventory is provided as collateral or pledged.

(VI) Advance payment

Item	December 31, 2018		December 31, 2017	
Advance collection of payments	$	26,083	$	11,743
Pre-paid rent		752		441
Advance insurance premiums		17,051		17,031
Purchase taxes		31,055		44,123
Others		4,345		1,394
Total	$	79,286	$	74,732

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

Item	December 31, 2018		December 31, 2017
Domestic public corporate shares			
China Development Financial Holding Corporation	$	239,363	(Note 1)
Domestic corporate shares yet to be listed			
Coos Venture Capital Corp.		18,412	
TECO Nanotech Co., Ltd.		219	
YODN Lighting Corp.		2,478	
Bridgestone Taiwan Co., LTD.		42,561	
Subtotal		303,033	
Decrease: Adjustment in valuation	(	7,500)	
Net amount	$	295,533	

1. The Company 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 Company 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 Notes 6(8) and (9) for details.
3. Net losses recognized under other comprehensive income as a result of variation in fair value between January 1 and December 31, 2018 of the Company totaled $72,367 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.
4. The Company has no financial assets at fair value through other comprehensive income－non-current in its possession provided as collateral or pledged.

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

Item	December 31, 2018	December 31, 2017
Domestic public corporate shares		
China Development Financial Holding Corporation	(Note 1)	$ 239,363
Decrease: Adjustment in valuation		(23,194)
Net amount		$ 216,169

1. The Company 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 Company 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 $44,511 thousand.
3. None of the financial assets available for sale - non-current held by the Company 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 Company 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 recategorized as part of financial assets available for sale, totaling $239,363 thousand. Related information is provide below:

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

	December 31, 2017	
Item	Book value	Fair value
Public corporate shares	$ 216,169	$ 216,169

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

	January 1 to December 31, 2017	
	Book value	Fictional information of measured by original category
Item	Other Comprehensive Income Recognition of Losses	Current Recognition of Losses
Public corporate shares	$ 44,511	$ 44,511

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

Item	December 31, 2018	December 31, 2017
Domestic corporate shares yet to be listed		
Coos Venture Capital Corp.	(Note 1)	$ 18,412
TECO Nanotech Co., Ltd.		219
YODN Lighting Corp.		2,478
Bridgestone Taiwan Co., LTD.		42,561
Subtotal		63,670
Decrease: Accumulated impairment value		(16,786)
Net amount		$ 46,884

1. The Company 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 in the listed (traded-over-the-counter) corporate shares held by the Company are measured by the cost less impairment loss on the balance sheet date. Due to the fact that the object not traded publicly on an active market, it is impossible to obtain sufficient industrial information of similar companies and related financial information of invested objects, the range of reasonable estimates of the fair value is significant and it is impossible to reasonably evaluate chances of various estimates, the Company's management believes that the fair value cannot be reliably measured. This is why they are categorized as financial assets carried at cost.

3. 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 Company calculates the difference between related recoverable amounts with the cash generating unit and the book value of the stock option investment. The accumulated impairment value of financial assets carried at cost recognized on December 31, 2017 totaled $16,786 thousand.

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

(X)Investments Adopting the Equity Method

1. Investment in subsidiaries

	December 31, 2018		December 31, 2017	
Name of subsidiary	Book value	Holding %	Book value	Holding %
GPPC Chemical Corporation	$ 667,979	100.00%	$ 494,931	100.00%
GPPC Investment Corporation	286,809	81.60%	306,185	81.60%
Videoland Inc.	4,402,183	62.29%	4,226,376	62.29%
KK Enterprise	162,049	15.73%	161,334	15.73%
GOLDENPACIFIC EQUITIES LTD.	680,316	100.00%	679,714	100.00%
Land and Sea Capital Corp.	7,545,825	100.00%	5,961,548	100.00%
Total	$ 13,745,161		$ 11,830,088	

2. The total number of stock options in KK Enterprise held by the Company and its subsidiary Videoland Television Network has reached the control level and hence valuation is done using the equity method.

2. The portions of profits and losses and other comprehensive income of subsidiaries 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 subsidiaries.

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

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

Name of subsidiary	January 1 to December 31, 2018		January 1 to December 31, 2017	
	Current Recognition of Losses	Other Comprehensive Income Recognition of Losses	Current Recognition of Losses	Other Comprehensive Income Recognition of Losses
GPPC Chemical Corporation	$ 41,408	($ 58,578)	($ 21,174)	$ 24,931
GPPC Investment Corporation	(5,488)	(13,086)	1,225	—
Videoland Inc.	250,259	(59,964)	209,363	104,667
KK Enterprise	8,608	(951)	7,858	(257)
GOLDENPACIFIC EQUITIES LTD.	10,806	(22,508)	14,736	(56,282)
Land and Sea Capital Corp.	905,766	(107,004)	1,402,878	(89,632)
Total	$ 1,211,359	($ 262,091)	$ 1,614,886	($ 16,573)

Note: Portions of other comprehensive income of subsidiaries recognized adopting the equity method and modifications made to the individual comprehensive income statement are as follows:

Item	January 1 through December 31, 2018	January 1 to December 31, 2017
Portions of other comprehensive income of subsidiaries recognized adopting the equity method		
- Items Not Re-categorized to Income	($ 175,549)	$ 2,331
- Items Possibly Re-categorized to Income	(121,532)	18,071
- Income Tax Associated with Possibly Re-categorized Items	34,990	(36,975)
Total	($ 262,091)	($ 16,573)

6. The Company wired out the capital worth USD25,421 thousand (NTD785,515 thousand) in August 2018 to invest in British Virgin Islands Land & Sea Capital Corp. and the capital was reinvested in Zhangzhou 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.

7. The value of investments using the equity method was adjusted down due to unrealized sales income for January 1 through December 31, 2018 and 2017, to

$4,744 thousand and $13,318 thousand, respectively. The value of investments using the equity method adjusted up for realized sales income, on the other hand, was $13,318 thousand, and $26,926 thousand, respectively.

8. From January 1 through December 31, 2018 and 2017, the value of investments using the equity method adjusted down because of the receipt of cash dividends from companies invested in by the Company using the equity method was $47,605 thousand and $76,221 thousand, respectively.

From January 1 through December 31, 2018 and 2017, the value of investments using the equity method adjusted up because of the variation in ownership equities held by the Company in its subsidiaries was $7 thousand and $6 thousand, respectively.

8. From January 1 through December 31, 2018 and 2017, the value of investments using the equity method adjusted up because of the release of dividends by the Company to its subsidiaries and the disposal of parent company shares by subsidiaries that is considered a treasury stock transaction was $97,948 thousand and $100,209 thousand, respectively. Please refer to Note 6 (25) for details.

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

12. With regards to the information on subsidiaries of the Company, please refer to Note 4 (3) of the Company's 2017 consolidated financial statement.

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

(XI) Real estate, plants and equipment

Item	December 31, 2018	December 31, 2017
Land	$ 3,185,217	$ 3,185,217
House and Building	1,238,472	1,226,526
Machinery and Equipment	11,428,955	11,288,043
Transport Equipment	35,462	34,431
Other Equipment	1,112,491	1,056,317
Unfinished engineering and equipment to be inspected	47,259	76,740
Cost total	17,047,856	16,867,274
Decrease: Accumulated depreciation value	(10,410,102)	(9,921,231)
Decrease: Accumulated impairment value	(36,927)	(36,927)
Net amount	$ 6,600,827	$ 6,909,116

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	$3,185,217	$1,226,526	$11,288,043	$ 34,431	$1,056,317	$ 76,740	$16,867,274
Addition	—	10,447	136,508	1,309	244,070	46,743	439,077
Disposition	—	—	(56,973)	(278)	(155,213)	—	(212,464)
Re-categorized (note)	—	1,499	61,377	—	(32,683)	(76,224)	(46,031)
December 31, 2018 Balance	$3,185,217	$1,238,472	$11,428,955	$ 35,462	$1,112,491	$ 47,259	$17,047,856
Accumulated depreciation and impairment value:							
January 1, 2018 Balance	$ -	$ 645,266	$ 8,599,888	$ 24,870	$ 688,134	$ -	$ 9,958,158
Depreciation Cost	—	34,731	545,355	2,093	118,976	—	701,155
Disposition	—	—	(56,793)	(278)	(155,213)	—	(212,284)
Impairment Loss (Reserved)	—	—	—	—	—	—	—
December 31, 2018 Balance	$ -	$ 679,997	$ 9,088,450	$ 26,685	$ 651,897	$ -	$10,447,029

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	$3,185,217	$1,204,698	$11,250,144	$ 27,915	$1,038,249	$ 127,175	$16,833,398
Addition	—	27,011	122,563	6,915	98,207	76,705	331,401
Disposition	—	(18,377)	(192,666)	(1,500)	(63,256)	—	(275,799)
Re-categorized (note)	—	13,194	108,002	1,101	(16,883)	(127,140)	(21,726)
December 31, 2017 Balance	$3,185,217	$1,226,526	$11,288,043	$ 34,431	$1,056,317	$ 76,740	$16,867,274
Accumulated depreciation and impairment value:							
January 1, 2017 Balance	$ -	$ 623,030	$ 8,262,880	$ 24,513	$ 605,046	$ -	$ 9,515,469
Depreciation Cost	—	36,528	529,312	1,857	146,344	—	714,041
Disposition	—	(14,292)	(192,304)	(1,500)	(63,256)	—	(271,352)
Impairment Loss (Reserved)	—	—	—	—	—	—	—
December 31, 2017 Balance	$ -	$ 645,266	$ 8,599,888	$ 24,870	$ 688,134	$ -	$ 9,958,158

Note: The net decrease from re-categorization is the transfer of real estate, plants and equipment under expenses.

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

Item	January 1 through December 31, 2018		January 1 to December 31, 2017	
Increase in real estate, plants and equipment	$	439,077	$	331,401
Increase: Decrease in Equipment Accounts Receivable		1,492		27,373
Paid Cash	$	440,569	$	358,774

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

3. Major components of the Company'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
Others	7 years

(3) Transport equipment 2～6 years

(4) Other Equipment

Furniture and office equipment	4～ 7 years
Others	3～8 years

4. Due to the fact that the actual wear of some equipment is greater than expected depreciation, the Company 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 Company, was both $36,927 thousand.

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

(XII) Refundable deposits

Item	December 31, 2018	December 31, 2017
Contract bond - tender bond	$ 360	$ 360
Premium For Lease - Lessee	494	388
Others	35	137
Total	$ 889	$ 885

(XXIII) Other payables

Item	December 31, 2018	December 31, 2017
Salary payable and award	$ 287,459	$ 261,962
Remunerations for employees payable	37,478	38,900
Remunerations for directors/supervisors payable	74,956	77,801
Freight payable	15,425	12,235
Accrued taxes payable	1,779	1,821
Insurance premiums payable	3,529	4,460
Utilities expense payable	2,940	3,158
Cost of renovation payable	20,744	14,220
Service charge payable	18,433	15,544
Labor cost payable	1,810	1,750
Equipment payable	4,543	6,035
Others	13,412	5,104
Total	$ 482,508	$ 442,990

(XIV) Liability Reserve — Current

Item	December 31, 2018	December 31, 2017
Employee Benefits - Vacation payment	$ 12,004	$ 12,071

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	$	12,071	$	13,229
Addition amount of the current term		18,812		18,208
Access amount of the current term	(	17,864)	(	17,225)
Reserve amount of the current term	(	1,015)	(	2,141)
Balance at end of term	$	12,004	$	12,071

(XV) Pre-collected Payments

Item	December 31, 2018		December 31, 2017	
Advance collection of pre-collected	$	-	$	39,568
Pre-collected rent		128		128
Total	$	128	$	39,696

Note: The Company 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 (26) for details.

(XVI) Other Current Liabilities — Others

Item	December 31, 2018		December 31, 2017	
All Collections	$	2,751	$	2,636

(XVII) Liability Reserve — Non-current

Item	December 31, 2018		December 31, 2017	
Plans of Other Long-term Employee Benefit Liabilities	$	8,153	$	6,755

1. Other long-term employee benefit plans of the Company 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 Company are as follows:

Item	December 31, 2018	December 31, 2017
Current Value of Defined Benefit Obligations of Other Long-term Employee Benefit Liabilities	$ 8,153	$ 6,755
Fair value of planned assets	—	—
Net variation in other long-term employee benefits obligations and liabilities	$ 8,153	$ 6,755

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

Item	January 1 through December 31, 2018	January 1 to December 31, 2017
Balance at beginning of term	$ 6,755	$ 3,479
Cost of Other Long-term Employee Benefit Liabilities:		
Current and prior period service cost	735	2,689
Interest Expense	74	37
Re-measured:		
Actuarial gains and losses - population statistics assumption change	77	—
Actuarial gains and losses - financial assumption change	69	—
Actuarial gains and losses - experience adjustments	786	885
Recognized as part of profits and losses	1,741	3,611
Paid benefits	(343)	(335)
Balance at end of term	$ 8,153	$ 6,755

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

6. The value of other long-term employee benefits obligations of the Company 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%～1.000%	0.875%～1.125%
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	($ 140)	$ 143	$ 63	($ 61)
December 31, 2017:				
Impact on Current Value of Defined Benefit Obligations of Other Long-term Employee Benefit Liabilities	($ 109)	$ 113	$ 35	($ 34)

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

(XVIII) Post-retirement Benefit Plan

Item	December 31, 2018	December 31, 2017
Defined Benefit Plan	$ 28,465	$ 43,855
Defined Appropriation Plan	1,407	1,343
Total	$ 29,872	$ 45,198

1. Defined Benefit Plan

(1) The Company has 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 sets aside the pension fund at a certain ratio (currently 3%) 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 (currently 30%) 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

calculates 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	$ 650,725	$ 651,641
Fair value of planned assets	(622,260)	(607,786)
Net Defined Benefit Liability	$ 28,465	$ 43,855

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

Item	January 1 through December 31, 2018	January 1 to December 31, 2017
Value of defined benefit obligations at the beginning of term	$ 651,641	$ 672,293
Current service cost	10,277	11,372
Interest Expense	7,125	7,352
Re-measured:		
Actuarial gains and losses - population statistics assumption change	—	—
Actuarial gains and losses - financial assumption change	6,666	—
Actuarial gains and losses - experience adjustments	3,484	5,609
Paid benefits	(28,468)	(44,985)
Value of defined benefit obligations at the end of term	$ 650,725	$ 651,641

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

Item	January 1 through December 31, 2018	January 1 to December 31, 2017
Fair value of planned assets at the beginning of term	$ 607,786	$ 617,762
Interest income	6,823	6,931
Re-measured:		
Net Interest rewards of planned assets	17,314	(1,153)
Employer appropriation	18,805	29,231

Paid benefits of planned assets	(28,468)	(44,985)
Fair value of planned assets at the end term	$ 622,260	$ 607,786

(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 through December 31, 2018	January 1 to December 31, 2017
Current service cost	$ 10,277	$ 11,372
Interest expense of defined benefit obligations	7,125	7,352
Interest income of planned assets	(6,823)	(6,931)
Recognized as part of profits and losses	$ 10,579	$ 11,793

Re-measured:		
Actuarial gains and losses - population statistics assumption change	$ -	$ -
Actuarial gains and losses - financial assumption change	6,666	—
Actuarial gains and losses - experience adjustments	3,484	5,609
Net Interest rewards of planned assets	(17,314)	1,153
Other Comprehensive Income Recognition of Losses	($ 7,164)	$ 6,762

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	$ 6,254	$ 8,014
Operating expenses		
Selling Expense	385	523
Management Expense	3,641	2,887
Research and Development Expense	299	369
Subtotal	4,325	3,779
Total	$ 10,579	$ 11,793

(7) For the fund assets for the defined benefit retirement plan of the Company, 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 an 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 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%～1.000%	0.875%～1.125%
Future salary increase rate	1.75%～2.00%	1.75%～2.00%
Average duration of defined benefit obligations	5.7～9.1 years	4.4～9.5 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 is 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:

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 the variation in the current value of defined benefit obligations	($ 13,829)	$ 14,283	$ 13,893	($ 13,521)
December 31, 2017:				
Impact on the variation in the current value of defined benefit obligations	($ 14,493)	$ 14,987	$ 14,594	($ 14,186)

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 are $11,705 thousand and $16,351 thousand, respectively.

2. (1) The Company has 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 appropriates 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) The pension fund cost recognized by the Company from January 1 through December 31, 2018 and 2017 was $8,118 thousand and $7,902 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 $1,407 thousand and $1,343 thousand, respectively.

3. 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	$ 6,513	$ 6,244
Operating expenses		
Selling Expense	364	353
Management Expense	965	1,003
Research and Development Expense	276	302
Subtotal	1,605	1,658
Total	$ 8,118	$ 7,902

(XIV) Guarantee deposits

Item	December 31, 2018	December 31, 2017
Premium For Lease - Lessor	$ 50	$ 50
Pick-up deposit	3,582	—
Others	443	483
Total	$ 4,075	$ 533

(XX) Other non-current liabilities — Others

Item	December 31, 2018	December 31, 2017
Disposal of investment unrealized deferred income	$ 22,192	$ 22,192

(XXI) 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.

(XX) 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.

(XXIII) 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(30) 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.

6. 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.

(XXIV) 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	—	(72,367)	—	(72,367)
Rendering Profit and Loss Items	—	—	—	—
Rendering Retained Earnings	—	—	—	—
Portions of adopting the equity method	(121,532)	(173,139)	—	(294,671)
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)	$ 835,015	$ 862,265
Other equity adjusted items is recognized directly	—		44,511	44,511
Rendering Profit and Loss Items	—		—	—
Portions of adopting the equity method	(109,813)		127,884	18,071
Income tax recognized as related to other equities items	(36,975)		—	(36,975)
December 31, 2017 Balance	($ 119,538)		$ 1,007,410	$ 887,872

Note: The Company 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.

(XXV) Treasury stock

1. As of December 31, 2018 and 2017, the value of treasury stock bought back by the

Group was consistently NT$0. <1

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

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

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

(XXVI) Operating revenue

Item		January 1 through December 31, 2018		January 1 to December 31, 2017
Income from contracts with customers				
Sales income	$	20,305,094	$	18,931,639

(1) Breakdown of income from contracts with customers

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

Main product type		January 1 through December 31, 2018		January 1 to December 31, 2017
Sales income				
Petrochemical products	$	11,726,280	$	11,532,394
Plastic product		5,320,817		4,946,060
Hydrogen product		131,383		115,857
Steam power products		427,396		391,946
Nylon product		2,682,897		1,939,323
Raw materials resale		16,321		6,059
Total	$	20,305,094	$	18,931,639

2. Balance of Contract

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

Item		December 31, 2018	December 31, 2017
Contract Assets: N/A.			(Note 1)
Contract Liability - Current			
Product Sales	$	20,881	

(1) The Company 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. The amount re-categorized from

pre-collected payments to contract liabilities as of January 1, 2018 totaled NT$ 39,568 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 contract liabilities from January 1 through December 31, 2018 of the Company.

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

Item	January 1 through December 31, 2018
Contract liabilities balance at beginning of term are recognized as income	
Product Sales	$ 39,568

(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 Company. 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 by the Company as of December 31, 2018, as long as the duration of the contract is less than a year, they are expected to be fulfilled within the coming year and be recognized as income.

3. Contract cost-related assets: None.

(XXVII) Other income

Item	January 1 through December 31, 2018		January 1 to December 31, 2017	
Interest income	$	16,629	$	4,008
Rent income		303		279
Dividend Income		27,824		36,754
Defective Income		1,369		3,175
Management Income		8,400		8,400
Subsidization Income		3,700		—
Overpayment Refunds of Air Contaminant Income		3,042		—
Remunerations for directors/supervisors Income		409		402
Others		556		384
Total	$	62,232	$	53,402

(XXVIII) Other profits and losses

Item	January 1 through December 31, 2018		January 1 to December 31, 2017	
Net Loss Disposal of Property, Plant, and Equipment	($	180)	($	4,447)
Net foreign currency exchange benefit (loss)		65,052	(	53,042)
Spares short and retirement loss	(	757)	(	2,506)
Others	(	970)	(	43)
Total	$	63,145	($	60,038)

(XXIX) Financial cost

Item	January 1 through December 31, 2018		January 1 to December 31, 2017	
Interest Expense	$	419	$	447
Decrease: the capitalization amount of the assets that meet the requirements	—		—	
Total	$	419	$	447

(XXX) 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	$ 438,021	$ 151,162	$ 589,183	$ 423,184	$ 143,656	$ 566,840
Labor Insurance Expense	27,652	8,363	36,015	26,615	8,059	34,674
Pension Expense	12,767	5,930	18,697	14,258	5,437	19,695
Director remuneration	—	94,333	94,333	—	95,618	95,618
Other Employee Benefits Expense	8,791	39,542	48,333	8,654	40,979	49,633
Depreciation Cost	687,612	13,543	701,155	697,750	16,291	714,041
Amortized Expenses	—	—	—	—	—	—
Total	$1,174,843	$ 312,873	$1,487,716	$1,170,461	$ 310,040	$1,480,501

1. As of December 31, 2018 and 2017, the number of employees at the Company was 385 and 383, respectively. The number of directors who are not also employees was consistently 5. The calculation basis is the same as that for employee benefits.
2. 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.
3. 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 variation in 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.

(XXXI) Income tax

1. Components of income tax expenses (profits):

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

Item	January 1 through December 31, 2018	January 1 to December 31, 2017
Current income tax expense	$ 681,637	$ 488,484
Deferred income tax expenses (profits)		
Temporary difference between original generation and rotation	(1,373)	(3,799)
Impact on a change in the exchange rate	(2,048)	—
Deferred income tax (increase) reduces net change	(3,421)	(3,799)
Previous annual income tax adjustment	(2,965)	(1)
Income tax recognized as part of profits and losses expense	$ 675,251	$ 484,684

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

Item	January 1 through December 31, 2018	January 1 to December 31, 2017
Advanced income tax		
Exchange Differences on Conversion of Foreign Operating Agency	($ 34,990)	$ 36,975
Deferred income tax		
Re-measurement of Defined Benefit Plans	1,433	(1,149)
Impact on a change in the exchange rate	(2,191)	—
Deferred income tax (increase) reduces net change	(758)	(1,149)
Income tax recognized as part of other comprehensive profits and losses expense	($ 35,748)	$ 35,826

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 through December 31, 2018	January 1 to December 31, 2017
Income from Continuing Operation before Tax (Loss)	$ 3,635,357	$ 3,773,326
Calculating the income tax before tax (profit) at a statutory rate	727,071	641,466
Effect on income tax of adjusted items		
Effect on items excluded in the determination of taxable income	(248,959)	(276,090)
The tax amount to be paid by the minimum tax system	—	—
Undistributed surplus plus income tax	203,525	123,108
Deduction of losses incurred in the current period	—	—
Deductible losses for the current period	—	—
Current offset of investment offset	—	—
Current income tax expense	681,637	488,484
Deferred income tax (increase) reduces net change	(3,421)	(3,799)
Previous annual income tax adjustment	(2,965)	(1)
Income tax recognized as part of profits and losses expense	$ 675,251	$ 484,684

The applicable tax rate in 2017 of the Company was 17%. 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 Company 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: None.				
Current income tax liability				
Current income tax expense	$	681,637	$	488,484
Decrease: Current prepaid income tax credit	(	182,783)	(	138,361)
Total	$	498,854	$	350,123

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	$	2,664	($	1,304)	$	-	$	1,360
Inventory decline and sluggish loss		—		2,713		—		2,713
Employee leave payment obligation		2,052		349		—		2,401
Defined Employee Benefit Plan		13,561		481		758		14,800
Impairment assessment of tangible assets		6,277		1,108		—		7,385
Total	$	24,554		3,347		758	$	28,659
Deferred income tax liability								
Depreciation expense tax difference		530	(	74)		—		456
Land value added tax preparation		979,556		—		—		979,556
Total	$	980,086	(	74)		—	$	980,012
Net increase (decrease) change			$	3,421	$	758		

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	$	-	$	2,664	$	-	$	2,664
Employee leave payment obligation		2,249	(	197)	—			2,052
Defined Employee Benefit Plan		11,854		558		1,149		13,561
Impairment assessment of tangible assets		6,277	—		—			6,277
Total	$	20,380		3,025		1,149	$	24,554
Deferred income tax liability								
Unrealized exchange profit	$	517	(	517)	—		$	-
Depreciation expense tax difference		787	(	257)	—			530
Land value added tax preparation		979,556	—		—			979,556
Total	$	980,860	(	774)	—		$	980,086
Net increase (decrease) change			$	3,799	$	1,149		

5. Deferred income tax asset items that are not very likely realizable and hence are not recognized of the Company

Item	December 31, 2018		December 31, 2017	
Deferred income tax assets				
Impairment Loss of Financial Assets	$	686	$	583

6. Unrecognized deferred income tax liabilities relevant to investment

The difference associated with the invested subsidiary, if the time point for reversal of the temporary difference can be controlled by the Company, 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 $1,079,681 thousand and $781,837 thousand, respectively.

7.The Company's profit-seeking enterprise income tax had been verified by the tax authority till 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 .

(XXXII) Variation in liabilities from fund-raising activities

Item	January 1 through December 31, 2018	January 1 to December 31, 2017
Guarantee Deposits		
Balance at beginning of term	$ 533	$ 533
Net change in cash flow	3,542	—
Balance at end of term	$ 4,075	$ 533

(XXXIII) 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 Profits of Current Term	$ 2,960,106	905,338	$ 3.26	$ 3,288,642	900,971	$ 3.64
Decrease: Preferred Stock Dividend	(12,000)			(12,000)		
Current net profit of ordinary shareholders	2,948,106			3,276,642		
Impact of dilution of potential ordinary shares						
Remunerations for employees	—	2,005		—	1,535	
Diluted Earnings per Share:						
Current net profit of ordinary shareholders 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 does not have an ultimate parent company and hence the Company is the ultimate controller.

(II) Name of related party and the relationship

Name of related party	Relationship with the Company
GPPC Chemical Corporation	Subsidiary
GPPC Investment Corporation	Subsidiary
Videoland Inc.	Subsidiary
KK Enterprise	Subsidiary
GPPC Hospitality and Leisure Inc.	Subsidiary
Zhenjiang Chimei Chemical Company	Affiliate
Coos Venture Capital Corp.	Substantially related party
Heqiao International Investment Corporation	Substantially related party
All directors, general manager, and vice general manager	Primary management

(III) Major transactions with related parties

1. Sales

Substantially related party	January 1 through December 31, 2018	January 1 to December 31, 2017
Subsidiary	$ 1,103,107	$ 915,729
Affiliate	3,382	3,650
Total	$ 1,106,489	$ 919,379

The Company sells AM to its subsidiaries at the contract price. 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. The quantity is 3,000 to 6,000 tons a month. The payment method is settlement at the end of each month and paid off 45 days following settlement. If the subsidiary fails to make payments as scheduled, the goods will be on hold and interest will be calculated at the one-year time deposit annual rate of the Bank of Taiwan as of

January 1 of the specific year. Such holding period, however, is limited to 3 months at maximum. From January 1 through December 31, 2018 and 2017, the payments for goods and the interest involved that the Company received from its subsidiaries were $0 and $61 thousand, respectively.

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

2. Purchases

Substantially related party	January 1 through December 31, 2018	January 1 to December 31, 2017
Subsidiary	$ 2,739	$ 2,803

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

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

(1) Accounts receivable

Substantially related party	December 31, 2018	December 31, 2017
Subsidiary	$ -	$ 77,812
Affiliate	735	—
Total	$ 735	$ 77,812

(2) Other payables

Substantially related party	December 31, 2018	December 31, 2017
Subsidiary	$ 6,415	$ -

4. Property leases

(1) Assets for rent

		January 1 to December 31, 2018		
Lessee/Substantially related party	Leased Object	Rent income	Pre-collected rent	Deposit
Subsidiary	10F, No. 1, Sec. 4, Nanjing East Road, Taipei City	$ 183	$ 57	$ 50
Substantially related party	10F, No. 1, Sec. 4, Nanjing East Road, Taipei City	119	71	—
Total		$ 302	$ 128	$ 50

Lessee/Substantially related party	Leased Object	January 1 to December 31, 2017		
		Rent income	Pre-collected rent	Deposit
Subsidiary	10F, No. 1, Sec. 4, Nanjing East Road, Taipei City	$ 160	$ 57	$ 50
Substantially related party	10F, No. 1, Sec. 4, Nanjing East Road, Taipei City	119	71	—
Total		$ 279	$ 128	$ 50

Note: ①The Company already signed business lease contracts for offices in coming years with its subsidiaries. As of December 31, 2018 and 2017, as agreed, the Company collected forward notes in advance in the worth of $288 thousand and $432 thousand, respectively, to facilitate cashing at time of actual transaction.

② The above-mentioned properties for rent refer to part of the offices of the Company 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 or with the forward notes issued at once upon signing of the contract.

(2) Rented assets

Leaser - Substantially related party	Leased Object	Rent expenditure	
		January 1 through December 31, 2018	January 1 to December 31, 2017
Subsidiary	HP3 rubber crushing area storage	$ 72	$ 72

Note: The rent is negotiated between the parties reflective of the market price, calculated, and included in the lease contract and paid on a monthly basis.

5. Others

Item	Substantially related party/ Name	January 1 through December 31, 2018	January 1 to December 31, 2017
Management Income (Account other income) (Note 1)	GPPC Chemical Corporation	$ 8,400	$ 8,400
Remunerations for directors/supervisors Income (Account other income)	Subsidiary	409	402
Generation pad technical service fee (Note 2)	Subsidiary	3,965	3,285

Note: (1) GPPC Chemical Corporation values the experience and talent that the

Company has and hence outsourced management and sales, among other operations, to the Company. The parties have reached an agreement and signed the contract.

(2) The various expenses involved in the technical support provided on site by representatives of the Company as authorized by the subsidiary are to be written off according to the actual expenses. The technical service fees collected by the Company are listed as the deductible under various expenses to be written off.

(IV) Information on the compensation of the primary management

Item	January 1 through December 31, 2018	January 1 to December 31, 2017
Salary and other short-term employee benefits	$ 119,186	$ 116,436
Separation Benefits	—	—
Post-retirement Benefits	3,923	3,995
Other long-term benefits	—	—
Share-based Payment	—	—
Total	$ 123,109	$ 120,431

VIII. Pledged Assets

Pledging of Real Estate, Plants and Equipment

Item	Arrest (quality) use	December 31, 2018	December 31, 2017
Land	Comprehensive credit line, purchase guarantee	$ 3,185,217	$ 3,185,217
House and Building	Comprehensive credit line, purchase guarantee	361,517	400,655
Machinery and Equipment	Comprehensive credit line guarantee	1,025,622	1,165,511
Total		$ 4,572,356	$ 4,751,383

IX. Major or Liable and Unrecognized Contract Commitments

1. Endorsement and guarantee: None

2. Notes and certificates of indebtedness for refundable deposits

The Company 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 USD6,000 thousand and NTD5,050,000 thousand and USD29,000 thousand and NTD4,380,000 thousand, respectively.

3. Notes and collaterals for guarantee deposits

   The notes and collaterals for guarantee deposits collected by the Company to ensure fulfillment of contracts were worth NTD129,879 thousand, SGD208 thousand, EUR730 thousand, USD2,710 thousand, and JPY1,850 thousand and NTD160,799 thousand, SGD208 thousand, EUR730 thousand, USD2,710 thousand, and JPY127,850 thousand as of December 31, 2018 and 2017.

4. The balance of the Letters of Credit issued by the Company yet to be used as of December 31, 2018 and 2017 totaled USD7,700 thousand, NTD669,446 thousand, EUR59 thousand, and USD4,865 thousand, and NTD1,283,800 thousand, respectively.

5. 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 $126,903 thousand, respectively.

6. As is required by the contract on the purpose of raw materials entered into by and between the Company and CPC Corporation, Taiwan (CPC Corporation), the Company shall purchase ethylene, benzene, and butadiene in certain quantities from CPC Corporation each year. If the annual purchases made by the Company 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 Company 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 Company 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.

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

8. In order to meet the needs of manufacturing ABS products, the Company purchases propenenitrile from China Petrochemical Development Corporation as the raw material and signs the trading contract. It is guaranteed in the contract that the Company 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.

X. Major disaster losses: None.

XI. Major subsequent matters: None.

XII. Others

(I) Seasonal or cyclic interpretations of interim operations

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

(II) Capital Risk Management

The Company 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, expenditure on dividends in the future.

(III) Financial Instruments

1. Financial instruments by the type

Financial Asset	December 31, 2018	December 31, 2017
Financial Assets at Fair Value through Other Comprehensive Income		
Equity Instrument	$ 295,533	$ -
Financial assets available for sale		
Equity Instrument	—	216,169
Financial assets carried at cost		
Equity Instrument	—	46,884
Financial assets measured by amortized cost		
Cash and cash equivalents	1,567,675	—
Notes receivable and accounts (including related parties)	1,933,638	—
Other receivables	42,181	—
Refundable deposits	889	—
Loans and accounts receivable		
Cash and cash equivalents	—	1,134,630
Notes receivable and accounts (including related parties)	—	2,237,284
Other receivables	—	30,136
Refundable deposits	—	885

Financial Liability	December 31, 2018	December 31, 2017
Financial liability measured by amortized cost		
Accounts Payable	$ 1,091,667	$ 1,515,676
Increase in Other Accounts Payable - Related Party	488,923	442,990
Guarantee Deposits	4,075	533

2. Financial risk management policy

Daily operations of the Company 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 Company 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 Company 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 Company 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 Company 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 Company is engaged in involves several non-functional currencies (the functional currency for the Company is New Taiwan Dollar), it is under the impacts of fluctuating exchange rates. Information on foreign currency assets and liabilities with major impacts from fluctuating exchange rates is as follows:

Item (Foreign currency: functional currency)	December 31, 2018 Foreign currency amount	Foreign currency against functional currency exchange rate	New Taiwan Dollar Amount	December 31, 2017 Foreign currency amount	Foreign currency against functional currency exchange rate	New Taiwan Dollar Amount
Financial Asset						
Monetary item						
USD: NTD	$ 52,430	30.715	$1,610,387	$ 46,274	29.76	$1,377,114
Non-monetary item						
USD: NTD	273,179	30.715	8,390,693	229,385	29.76	6,826,498
Financial Liability						
Monetary item						
USD: NTD	11,159	30.715	342,749	12,330	29.76	366,941

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 individual financial statement, they are not disclosed.

The sensitivity analysis of the exchange rate risk facing the Company 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 Company from appreciation/depreciation of related foreign currencies. When the foreign currency exchange rate rises/falls by 1%, the after-tax net profits of the Company from January 1 through December 31, 2018 and 2017 would increase/decrease by $10,141 thousand and $8,384 thousand, respectively, and the equities would increase/decrease by $83,907 thousand and $68,265 thousand, respectively.

In addition, the unrealized foreign currency exchange losses recognized for January 1 through December 31, 2018 and 2017 of the Company’s currency items totaled, respectively, $6,802 thousand and $15,669 thousand, primarily because of the impacts from fluctuating US Dollar exchange rates.

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 Company 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 Company 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 Company for January 1 through December 31, 2018 and 2017 will not be impacted significantly.

③Price Risk

Due to the fact that investments held by the Company 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 Company is exposed to the price risk of equity instruments. In order to manage the price risk associated with investments in equity instruments, the Company diversify the portfolio and the diversification approach is based on the upper limits set by the Company. 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 Company 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 equities for January 1 through December 31, 2018 and 2017 would increase/decrease by $2,955 thousand and $2,162 thousand, respectively.

(2) Credit risk

Credit risk is the risk of financial losses suffered by the Company as a result of the customer or the counter party of a financial instrument unable to fulfill contract obligations. The credit risk of the Company 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 Company'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

Company, among other factors. In addition, the Company 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 Company follows the corporate policy on the management of the credit risk of bank deposits and other financial instruments. Due to the fact that the Company'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 Company 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 Company, breach of contract is considered by the Company to have occurred to the financial assets.

In order to reduce the credit risk, the management of the Company 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 Company 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(2) and (3) for details.

The credit risk of the Company mainly focuses on the Top 10 sales customers of the Company. As of December 31, 2018 and 2017, the ratios of the above-mentioned customers in the total amount of accounts receivable (including related parties) were 33.97% and 42.12%, respectively.

④ Exposure to Credit Risk

Quality of credit of financial institutions that the Company does business with is optimal and the Company 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 Company 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 Company. In other words, the maximum exposure amount to credit risk on the balance sheet date of cash and cash equivalents and accounts receivables is equal to the book value of the said financial assets on the balance sheet date.

	December 31, 2018		December 31, 2017	
Financial product	Book value	Maximum credit exposure amount	Book value	Maximum credit exposure amount
Cash and cash equivalents	$ 1,567,675	$ 1,567,675	$ 1,134,630	$ 1,134,630
Notes receivable	14,419	14,419	15,313	15,313
Accounts receivable (including related parties)	1,919,219	1,919,219	2,221,971	2,221,971
Other receivables	42,181	42,181	30,136	30,136

(3) Liquidity Risk

Liquidity risk refers to the risk generated because of the impossibility to settle positions as expected. The Company 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 Company 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 Company. 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 Company 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.

Item	December 31, 2018						
	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							
Accounts Payable	$ 1,091,667	$ -	$ -	$ -	$ -	$ 1,091,667	$ 1,091,667
Increase in Other Accounts Payable - Related Party	488,923	–	–	–	–	488,923	488,923

Item	December 31, 2017						
	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							
Accounts Payable	$ 1,515,676	$ -	$ -	$ -	$ -	$ 1,515,676	$ 1,515,676
Other payables	442,990	–	_	–	_	442,990	442,990

(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 Company (including cash and cash equivalents, notes receivable, and accounts receivable (including related parties), other receivables, accounts payable, other payables (including related parties), 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 Company 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				
Financial Assets at Fair Value through Other Comprehensive Income Financial assets carried - Non-current				
Domestic Stock of Tsec-Listed	$ 207,011	$ -	$ -	$ 207,011
Domestic stocks yet to be listed (traded over the counter)	1,061	—	87,461	88,522
Total	$ 208,072	$ -	$ 87,461	$ 295,533

	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	$ 216,169	$ -	$ -	$ 216,169

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 Company 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.

(2) For financial instruments that are relatively more complex, the Company 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 Company 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) held by the Company 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 Company. 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 Company 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 Company 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 Company.

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	151,731	—
Acquisition of Current Term	—	—
Disposal of Current Term/ Distributed Capital	—	—
Transferred Out Third level	(2,020)	—
Other Comprehensive Income Recognition of Losses	(62,250)	—
Balance at end of term	$ 87,461	$ -

7. The Company started to adopt the requirements of IFRS 9 on January 1, 2018 and selectively designated stocks yet to be listed (traded over the counter) 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 Company 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 Company, 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)	$	87,461	Market approach / Asset-Based Approach	Liquidity discount	10%	The higher the liquidity discount, the lower the fair value

10. The valuation model and valuation parameters adopted by the Company 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:

			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)	Liquidity discount	+1%	$ -	$ -	$ -	($ 971)
		-1%	$ -	$ -	$ 972	$ -

XIII. Supplementary Disclosures

(I) Related Information on Major Transactions and (II) Reinvestment Businesses

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 endorsement and guarantee	$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 worth shown in the most recent financial statement	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
Grand Pacific Co., Ltd.	Stock	Coos Venture Capital Corp.	The director of the	Financial assets at fair value through other comprehensive	37	$1,284	2.85	[illegible]
		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 Limited	–	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	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 Venture	–	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

Type and name of	corporate securities held		Relationship with the security issuer	Book entry	End of term			
					Thousand	Book value	Holding	Fair
Videoland Company limited	Stock	Jeou Tai Technology Group	—	Financial assets at fair value through other comprehensive	2,007	$61,110	5.96	$61,1
		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	Amount	Thousand	Selling price	Book cost	(Losses)	Thousand	Amount
Videoland Inc.	KGI Victory Money Market Fund	Financial assets at fair value through other comprehensive income －current	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 Inc.	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	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 Inc.	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	

(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	$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:

(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%
KK Enterprise	Zhongshan KK Adhesion Product Corporation	506	0.05%	111	0.09%
KK Enterprise	Kunshan KK Adhesion Product Corporation	26,592	2.78%	3,265	2.68%

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%	$ -	—
KK Enterprise	Zhongshan KK Adhesion Product Corporation	153	0.01%	35	0.03%
KK Enterprise	Kunshan KK Adhesion Product Corporation	25,960	2.68%	3,077	2.71%

③ The transaction requirements are based on the sale prices agreed upon and the payment collection term is 30 ～ 90 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

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