

Stock Code: 1304

USI Corporation
2018 Annual Report

USI Corporation Website: <https://www.usife.com.tw>

Annual Report Query Website: <http://mops.twse.com.tw>

Date of Publication: April 30, 2019

I. Spokesperson of the Company:

Name: Wu, Ming-Tsung

Position: Vice President, Sales Department

Telephone No.: +886-2-2627-4745

E-mail Address: mtwu@csl.usife.com.tw

Acting Spokesperson of the Company:

Name: Kan, Ling

Position: Group Controller

Telephone No.: +886-2-8751-6888 extension 3795

E-mail Address: ekan@tpe.usife.com.tw

II. Head Office, Branch Offices and Plants:

| Name | Address | Telephone No. |
|---------------------------------|---|---------------|
| Head Office and Kaohsiung Plant | No. 330, Fengren Road, Renwu District, 814 Kaohsiung City | (07)735-9998 |
| Taipei Office | 12th Floor, No. 37, Jihu Road, Neihu District, 114 Taipei City | (02)8751-6888 |

III. Stock Transfer Agent:

Name: Stock Affairs Department, USI Corporation

Address: 6th Floor, No. 17, Lane 120, Section 1, Neihu Road, Neihu District, Taipei City

Joint Stock Affairs Website: <https://www.usig.com.tw/USIGStockHome.aspx>

Telephone No.: +886-2-2650-3773

IV. Name of Certificated Public Accountants (CPAs) Auditing the Financial Statements in the Most Recent Fiscal Year:

Name: CPAs Chuang, Pi-Yu and Kuo, Cheng-Hung

Name of Accounting Firm: Deloitte & Touche

Address: 20th Floor, No. 100, Songren Road, 110 Taipei City

Website: <https://www2.deloitte.com/tw>

Telephone No.: +886-2-2725-9988

V. Name of Overseas Securities Trading Venue and Method of Information Query: None

VI. Company Website: <https://www.usife.com.tw>

Table of Contents

| | <u>Page</u> |
|-----------|--|
| Chapter 1 | Letter to Shareholders 1 |
| Chapter 2 | Company Profile |
| | I. Date of Founding 6 |
| | II. Company History 6 |
| Chapter 3 | Corporate Governance Report |
| | I. Organization System 10 |
| | II. Details of Directors, General Manager, Deputy General Manager, Senior Managers, Heads of Departments and Branches 14 |
| | III. Remuneration Paid to Directors (Including Independent Directors), General Manager and Deputy Manager during the Most Recent Fiscal Year 23 |
| | IV. Implementation of Corporate Governance 33 |
| | V. Information Regarding CPA Fees 92 |
| | VI. Information Regarding Replacement of CPAs 93 |
| | VII. The Company's Directors, General Manager, Managerial Officer in Charge of Finance or Accounting Who Has Served in a CPA's Accounting Firm or Its Affiliated Companies in the Most Recent Fiscal Year Shall Disclose Their Names, Positions and the Period of Employment in CPA's Accounting Firm or Its Affiliated Companies 94 |
| | VIII. Equity Transfer or Changes in Equity Pledged by the Company's Directors, Managerial Officers or Shareholders with Shareholding Percentage Exceeding Ten (10) Percent in the Most Recent Fiscal Year up to the Publication Date of this Annual Report 95 |
| | IX. Information Regarding the Top 10 Shareholders in Terms of Number of Shares Held, Who Are Related Parties or Each Other's Spouses and Relatives within the Second Degree of Kinship .. 98 |
| | X. Number of Shares Held by the Company, Its Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Investment Companies in the Same Investment Companies, and the Combined Calculation of Shareholding Percentages 99 |

| | | |
|-----------|---|-----|
| Chapter 4 | Funding Status | |
| | I. Capital and Shares | 100 |
| | II. Issuance of Corporate Bonds | 108 |
| | III. Issuance of Preferred Shares | 111 |
| | IV. Issuance of Global Depository Receipts | 111 |
| | V. Issuance of Employee Stock Options | 111 |
| | VI. Issuance of New Restricted Employee Shares | 111 |
| | VII. Status of New Share Issuance in Connection with Mergers and Acquisitions | 111 |
| | VIII. Implementation of Capital Utilization Plan | 111 |
| Chapter 5 | Operations Overview | |
| | I. Business Content | 112 |
| | II. Market, Production and Sales Overview | 132 |
| | III. Average Years of Service, Average Age and Distribution of Academic Qualifications of Employees in the Most Recent Two Fiscal Years up to the Publication Date of this Annual Report | 162 |
| | IV. Information Regarding Environmental Protection Expenditure | 162 |
| | V. Labor Relations | 171 |
| | VI. Important Contracts | 189 |
| Chapter 6 | Financial Summary | |
| | I. Condensed Balance Sheet, Statement of Comprehensive Income, as well as Name and Audit Opinions of CPAs in the Most Recent Five Years | 205 |
| | II. Financial Analysis in the Most Recent Five Fiscal Years | 209 |
| | III. Audit Committee's Audit Report in the Most Recent Fiscal Year | 213 |
| | IV. Financial Statements in the Most Recent Fiscal Year | 214 |
| | V. The Company's Parent Company-only Financial Statements Audited by CPAs in the Most Recent Fiscal Year | 380 |
| | VI. Any Financial Difficulties Experienced by the Company and Its Affiliated Companies during the Most Recent Year up to the Publication Date of this Annual Report, as well as the Impact of the Aforesaid Difficulties on the Financial Position of the Company Shall be Listed | 507 |

| | | |
|-----------|---|-----|
| Chapter 7 | Review and Analysis of Financial Position and Financial Performance | |
| I. | Financial Position | 508 |
| II. | Financial Performance | 509 |
| III. | Cash Flow | 510 |
| IV. | Material Expenditure and Its Impact on the Company's Financial Operations in the Most Recent Fiscal Year | 511 |
| V. | Investment Policies, Profit/loss Analysis and Improvement Plans in the Most Recent Fiscal Year, as well as Investment Plans for the Coming Fiscal Year | 511 |
| VI. | Risk Analysis and Evaluation | 512 |
| VII. | Other Important Matters | 530 |
| Chapter 8 | Special Notes | |
| I. | Information Regarding Affiliated Companies | 533 |
| | (I) Consolidated Business Report of Affiliated Companies | 533 |
| | (II) Consolidated Financial Statements of Affiliated Companies | 556 |
| II. | Private Placement of Securities in the Most Recent Fiscal Year up to the Publication Date of this Annual Report | 557 |
| III. | Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Fiscal Year up to the Publication Date of this Annual Report | 557 |
| IV. | Other Necessary Supplementary Notes to Be Included | 557 |
| V. | Any Event which has a Material Impact on Shareholders' Rights and Interests or the Company's Securities as Prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, that Have Occurred in the Most Recent Fiscal Year up to the Publication Date of this Annual Report Shall be Indicated Individually | 557 |

Chapter 1 Letter to Shareholders

Dear Shareholders,

Looking back at 2018, the Company has posted consolidated revenue of NT\$60,890,000,000, an increase of NT\$2,760,000,000 from the previous year, of which the budget achievement rate was 101%. The Company's consolidated profit before taxes in 2018 was NT\$2,520,000,000, a decrease of NT\$970,000,000 from the previous year. The consolidated net profit after tax was NT\$1,880,000,000, the budget achievement rate was 69%, and the consolidated net profit after tax attributed to owners of the Company was NT\$540,000,000.

The Company's operating performance in 2018 was as follows:

Sales and Marketing:

With regard to the Company's operating status this year, due to the annual maintenance of the international naphtha cracking plants, which caused tight ethylene supply, and the demand for ethylene derivatives was high, resulting in high ethylene spot prices. Higher than the international PE price, most of the time ethylene and PE spreads were very unfavorable, thus leading to an increase in ethylene cost from the previous year. EVA was affected by the new Mainland Chinese solar energy subsidy policy starting June 1. After the middle of June, the demand for solar-grade EVA was freezing. Fortunately, the recovery began in September. The production capacity was shifted to foam-grade EVA during this period, but the annual sales of EVA were still lower than the previous year. The sales volume for EVA/PE products reached 361,000 tons, a decrease of 13,000 tons from the previous year, whereas average selling prices rose by 4% from the previous year, but the profits were reduced due to rising raw material costs. In terms of ABS/PS products, ABS profit was right in the first half of the year, so it continued to increase sales volume for more profit; In pursuit of sales growth of GPS/EPS, raw material and finished product inventory did not exceed preset level, reducing the impact of SM price fluctuations Impact on operations. During the third quarter when the US-China trade war warmed up, the Mainland Chinese ABS demand and market prices fell sharply, and ABS business turned into a loss. The Mainland Chinese policy of anti-dumping duties on SM import from US/South Korea/Taiwan made the Asian SM price higher than that of Europe and the United States, and the cost of export sales was high, which affects export competitiveness. In the fourth quarter, downstream demand gradually increased from

the bottom, and sales increased gradually. However, due to the rapid sharp price decline of the main raw material SM, the operational performance was affected. However, the overall operation of ABS/PS products was still growing compared to the previous year and had total sales of 434,000 tons, an increase of 18,000 tons from the previous year. The new VCM capacity in Asia has been released, making supply relatively sufficient. However, due to the relative increase in raw material costs, the price difference with PVC has decreased from the previous year. At the beginning of the year, PVC supply was tight under the influence of the cold weather in the United States and the annual maintenance of the PVC plants. The Mainland Chinese government was conducting a series of environmental inspections. The price was firmer. When the Indian government removed the interference of commodity service tax and revitalized economic policy, the demand increased. At the same time, it drove the Bangladesh market up as well as the demand for PVC. In the second half of the year, the US-China trade was tense, the US imposed economic sanctions on Iran, and the currency value of emerging countries depreciated, weakening purchasing power. Until the end of the rainy season in India in October, the resumption of currency and the demand increase pushed up PVC prices. After deducting the amount of VCM used for the production of PVC powder, the Company has exported 49,000 tons of VCM, an increase of 7% from the previous year. After deducting the amount of PVC powder used for the production of self-produced downstream processed products, the Company has exported 356,000 tons of PVC powder, an increase of 5% from the previous year. For chemical products, due to the price correction and the supply-demand balancing of domestic caustic soda, the total production output of chemical products was 68,000 tons (calculated based on 100% concentration), whereas the total sales of chemical products were 63,000 tons, an increase of 6% from the previous year. On the self-made processed product of PVC powder, building materials products had grown due to the release of government public constructions and the booming of the housing market. The rubber cloth products were in the midst of a tense US-China trade relationship, and the orders of downstream customers were in decline. Low-priced bids from Mainland China, Mexico, India, and Southeast Asian countries and tariff barriers affected sales. The ferrite core business continued to focus on the sales of automotive electronics products, as well as lean production and labor-saving automatic equipment. However, the ferrite core business was still in deficiency. The sales volume for these products this year was 8,000 tons, an increase of 1% from the previous year.

Production Management:

The annual production volume of PE/EVA was 371,000 tons. The annual production volume of ABS/PS was 432,000 tons. The annual production volume of VCM and PVC powder were 445,000 tons and 402,000 tons respectively. The annual production volume of ferrite cores was 8,000 tons. Continuously improve the production process, upgrade old equipment to improve production efficiency and quality, and build a raw material recovery system to reduce raw material consumption rate. The Company will continue to implement lean production and introduce automated equipment, and adopt information production systems to streamline, automate and digitalize the production and increase overall productivity. At the same time, the Company continued to pay serious attention to and strictly implement workplace safety and environmental protection, as well as strengthen predictive maintenance measures to ensure the safety of every plant and operating environments.

Corporate Social Responsibility:

In addition to continuing efforts in energy saving, carbon reduction, and public safety for the environment, through USI Education Foundation, the Company supports the disadvantaged, rural communities and provides cares to the eco-system of the environment. Furthermore, the Company has also taken practical actions to fulfill corporate social responsibility by offering scholarships to college and university students, sponsoring education-related public welfare organizations and activities organized by service-based societies and clubs at colleges and universities.

Research and Development:

Continuously optimized the process of the cyclic block copolymer production plant for optical grade material. Customers had successfully verified and adopted in biomedical testing, optical lenses, unique packaging materials, etc. Successfully produced and developed high VA grade EVA products to enhance competitiveness in response to the development of new applications. Developed unique EVA specifications and achieved high-value products in applications such as foaming and inks. Develop low-temperature acrylonitrile-butadiene-styrene polymer (ABS) with high impact strength to meet the standards and strength requirements of low-temperature helmets in Europe and America. Developed rapid prototyping EPS expandable polystyrene (EPS) for high-end electronics and components, and panel packaging materials. Developed disposable tableware GPPS with special color.

Continued on the path of the electronics industry, and actively developed power supply for cloud server, communication-related products, and automotive electronics. In terms of the power supply for cloud server, due to the Internet of Things (IoT) and 5G mobile broadband services, as well as the artificial intelligence (AI) technology and application, the demand for computing servers has increased significantly, and the need for communication-related products has grown steadily.

Comprehensive Annual Operating Performance:

Concerning the Company's operating status this year, profits were squeezed due to the selling price did not match up the rising in raw material costs despite an increase in sales volume of petrochemical products. The consolidated net operating income from the Company's businesses was NT\$ 1,930,000,000, an increase of 43% from the previous year, of which the budget achievement rate was 59%. The consolidated non-operating net income including dividend income and gain on disposal of financial instruments was NT\$590,000,000.

Overview of 2019 Operational Plan and Strategic Planning for Future Development:

Looking ahead to the year of 2019, the amount of annual maintenance of naphtha cracking plants will be reduced compared with that of 2018. The supply of ethylene will be more relaxed. Also, the Mainland Chinese government has announced that the solar energy policy will remain unchanged in early November 2018, and the market is watching solar energy prospects. Before the second half of 2020, EVA has no new capacity into production; the pressure on EVA oversupply should be alleviated. However, affected by the China-US trade war, the market expects that the future economic situation will not be promising, and overall demand may decline. The Company will strive to find a stable, low-cost ethylene source, reduce production costs, and dedicate to improve product quality and continue to develop differentiated products. Besides efforts to ensure product quality and service advantages, we are more active in research and development to enhance product competitiveness. The electronics industry is still full of opportunities, and we look forward to emerging from the low point and creating better profits through the reinforced competitiveness in our ferrite core businesses and active development of new businesses. High PVC demand in emerging markets and the implementation of enhanced environmental audit and reduction of production using calcium carbide method in Mainland China will help PVC/VCM prices toward the positive side. At the same time, we continue to remove bottlenecks to increase production capacity,

replace equipment, install PVC automatic packaging machines, and build automated storage systems to enhance overall operational efficiency, reduce energy consumption, and promote process safety management (PSM) to ensure safe operation. We also actively develop high value-added and differentiated new products. It is hoped that the highest profit can be obtained through the overall planning of the industry chain. We are looking to achieve an annual sales volume of 390,000 tons for PE/EVA products, 540,000 tons for the Vinyl series and the downstream products, and 450,000 tons for ABS/PS products throughout the whole year. SiC high-purity powder is widely used in semiconductor and optoelectronic processing equipment for its excellent high-temperature resistance and corrosion resistance. The Company has made some progress and will actively invest in the SiC ceramic applications, laying a new challenge. In addition to its commitment to developing high value-added products, the Company also continuously strives to ensure product quality and service advantage, make good use of vertical integration, actively engage in active management and enhance product competitiveness to enable the sustainable development and growth of the Company.

I want to express my utmost gratitude to all our beloved shareholders for your continuous support and encouragement for the Company. I wish everyone good health and all the best.

Chairman of the Board

Quintin Wu



General Manager

Wang, Ke-Shun



Chapter 2 Company Profile

I. Date of Founding

The Company was founded on May 26, 1965.

II. Company History:

1. The Company's current capital is NT\$11.9 billion, with over 80,000 shareholders and 500 employees. Since 1972, the Company has been listed on the Taiwan Stock Exchange.
2. The main business of the Company is to design, develop, manufacture and sell polyethylene plastic pellets. The Company's head office and factory are located in Renwu District, Kaohsiung. Polyethylene produced by the Company can be classified as the following: Low-Density Polyethylene (LDPE), Ethylene Vinyl Acetate (EVA), High-Density Polyethylene (HDPE) and Linear Low-Density Polyethylene (LLDPE). Polyethylene plastic pellets are processed by downstream manufacturers to produce a wide range of plastic products for everyday use.
3. At the beginning of our founding, the Company was a wholly-owned subsidiary of National Distillers and Chemical Corporation (NDCC) from the United States of America. The Company built Taiwan's first ever LDPE plant in the Kaohsiung area, where production started in May 1968. After consecutive expansions and the addition of EVA production lines, the current production capacity of the plant stands at 150,000 metric tons per annum.
4. In July 1980, the Company merged with United Polymers Corporation and added the production and sale of HDPE, thus having an annual production capacity of 80,000 metric tons.
5. In December 1989, the Company's LLDPE plant was completed. In addition to LLDPE, the plant was also designed to produce HDPE. The annual production capacity of the second plant stands at approximately 130,000 metric tons.
6. The primary raw material for the Company's product is ethylene, which is supplied by the third, fourth and fifth naphtha cracking plants owned by CPC Corporation.
7. On November 15, 1982, NDCC sold all its shares in the Company (approximately 43% of the total shares issued) to a Hong Kong company, Shing Lee Enterprise Limited.
8. The Company set up a research and development (R&D) division in Linkou, Greater Taipei, which serves as an independent R&D center. Due to its outstanding performance, the Company was awarded the top prize in the consumer petrochemical category during the 4th National Industrial Innovation Award organized by the Ministry of Economic Affairs on December 18, 1995.
9. Since March 1, 1997, the Company participated in the management of China General Plastics Corporation (CGPC) via indirect investment, thereby expanding our scope of business and creating the synergistic effect of resource

integration. Furthermore, the Company is also actively diversifying our investments in various sectors, including electronics, materials, finance, venture capital, and others, to enhance our profitability.

10. In September 1997, CGPC subscribed to NT\$800 million worth of new shares issued by Taiwan VCM Corporation (TVCM), thus achieving an actual shareholding ratio of 87.22% in the company.
11. In March 1998, our plant successfully obtained its ISO 14001 certification. On March 10, 1999, the Company won the Outstanding Plant Award in the 1998 Pollution Control Assessment by the Environmental Protection Administration under the Executive Yuan. The Company's mission is to provide excellent products and services and satisfy customer needs. Through total quality management, as well as environmental, safety and health management, the Company is committed to enhancing operating performance to gain a competitive advantage.
12. In May 2000, Taita Chemical Company (TTC) completed the first EPS production line at its Zhongshan plant in Mainland China. The second production line was completed in October within the same year and went into production smoothly.
13. In June 2000, Acme Electronics Corporation (ACME) established Acme Electronics (Cayman) Corp. in the Cayman Islands, with a shareholding ratio of 21.05%, and invested in Acme Electronics (Kunshan) Co., Ltd. through Acme Electronics (Cayman) Corp.
14. In July 2000, Acme Electronics (Kunshan) Co., Ltd. successfully obtained a business license and began the construction of its plant. The plant went into production in July 2001.
15. In March 2001, the Company successfully obtained its OHSAS 18001 certification.
16. In May 2001, the trial run for the new GPS/IPS NOVA production process was completed at TTC's Cianjhen plant with an annual production capacity of 100,000 metric tons, and the plant went into production smoothly.
17. USI Management Consulting Corporation (UM), which was founded in 2001, is responsible for implementing a common platform for the Group's administration, industrial relations, management policy, tax administration, procurement, customs administration, information engineering, finance and accounting operations in order to enhance the synergistic effect of resource integration through common service functions in our group.
18. In December 2002, the Company converted our ISO 9002 certification to ISO 9001 certification.
19. In response to the promotion of the use of electronic systems by the Industrial Development Bureau, the Company set up an e-service system for the petrochemical industry in 2003.
20. In October 2004, the third EPS production line at TTC's Zhongshan plant in Mainland China was completed, thus increasing its production capacity to

150,000 tons.

21. In November 2004, Acme Electronics Corporation invested 100% in Acme Electronics (Guangzhou) Co., Ltd. via a company established in a third region, namely Golden Amber Enterprises Ltd.
22. In September 2005, TTC completed the construction of its EPS plant in Tianjin, Mainland China. A production trial run was also completed in October in the same year. Its production capacity is 100,000 metric tons.
23. In March 2006, the Company invested in USI Trading (Shanghai) Co., Ltd. via Swanlake Traders Ltd. This company was then transferred to Asia Polymer Corporation (APC) on October 19, 2016.
24. In March 2008, ACME presented the outcome of the New Leading Sapphire Product Development Guidance Program.
25. In the third quarter of 2008, TTC completed the debottlenecking project at its Cianjhen plant, and its Zhongshan plant in Mainland China, thus increasing the production capacity at each plant to 66,000 tons and 180,000 tons respectively.
26. In May 2009, CGPC established a wholly-owned subsidiary known as CGPC Polymer Corporation, with a registered capital of NT\$800 million. A PVC powder plant with an annual production capacity of 170,000 tons was built in Linyuan Industrial Park, Kaohsiung. The plant officially began operations in February 2012.
27. In December 2009, ACME acquired Acme Components (Malaysia) Sdn. Bhd. via Acme Electronics (Cayman) Corp.
28. In 2010, the Company engaged in capital increase by earnings and issued 120 new shares for every one thousand shares owned, thus issuing 92,568,379 shares in total. The Company's paid-in capital after the capital increase was NT\$8,639,715,000.
29. In June 2010, the Company won the Excellence Award in the 2009 Excellent Unit for the Promotion of Labor Health and Safety organized by the Ministry of Labor under the Executive Yuan.
30. In October 2010, ACME divested its Sapphire business and transferred this business to its wholly-owned subsidiary, USI Optronics Corporation to implement organization restructuring and specialization, thereby enhancing competitiveness and operating performance.
31. In 2011, the Company engaged in capital increase by earnings and issued 150 new shares for every one thousand shares owned, thus issuing 129,595,731 shares in total. The Company's paid-in capital after the capital increase was NT\$9,935,673,000.
32. In June 2011, the Company won the Excellence Award in the 2010 Excellent Unit for the Promotion of Labor Health and Safety organized by the Ministry of Labor under the Executive Yuan.
33. In December 2011, the Company's Board of Directors decided to invest NT\$3.1 billion to build an EVA production line with an annual production capacity of 40,000 to 45,000 tons in the Kaohsiung plant. The production line

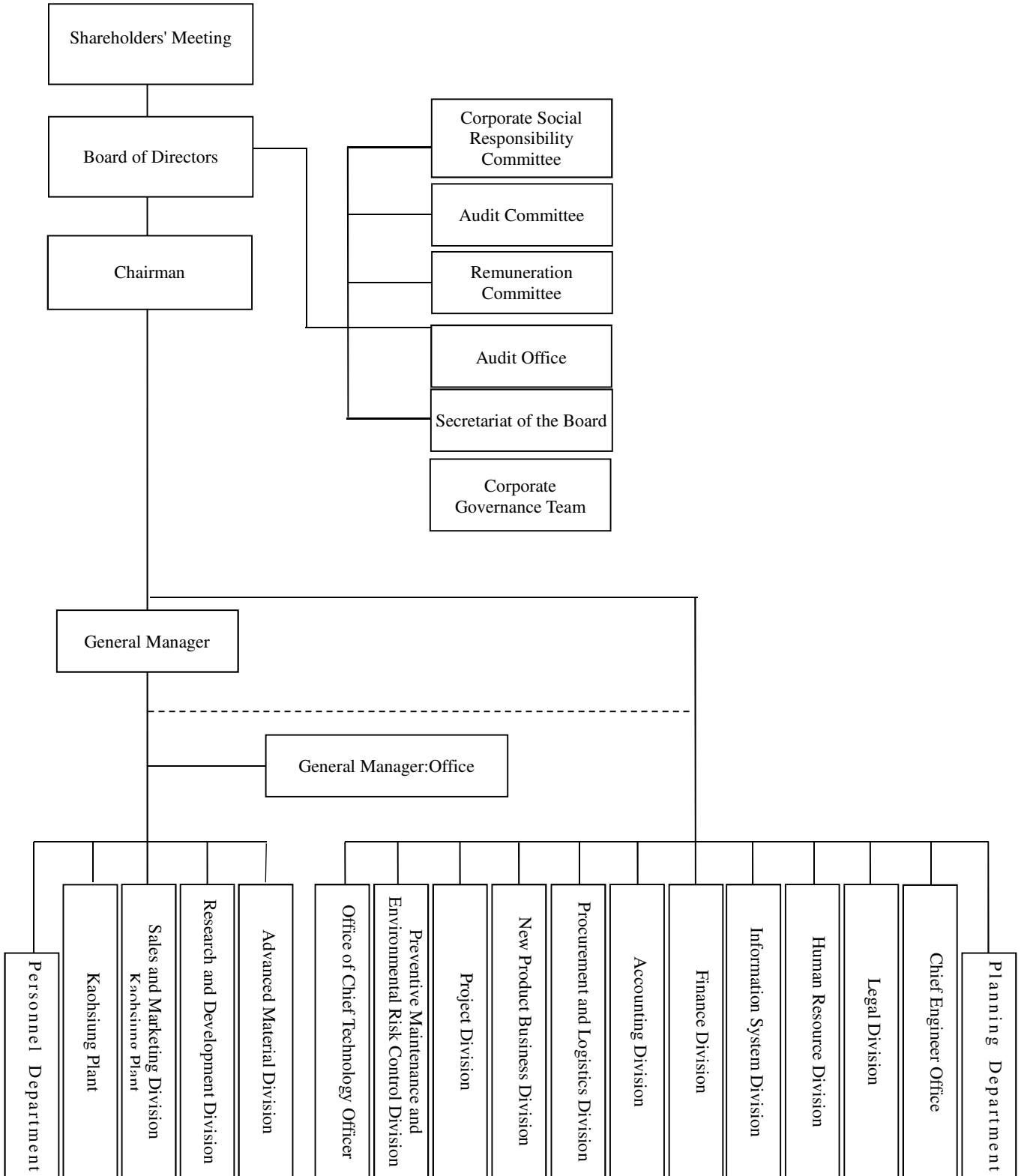
went into production in 2016.

34. In December 2011, APC's Board of Directors decided to invest NT\$3.1 billion to build an EVA production line with an annual production capacity of 40,000 to 45,000 tons in its Linyuan plant. The production line went into production in 2016.
35. In 2012, the Company engaged in capital increase by earnings and issued 150 new shares for every one thousand shares owned, thus issuing 149,035,091 ordinary shares in total. The Company's paid-in capital after the capital increase was NT\$11,426,024,000.
36. In March 2013, the Company's Board of Directors decided to invest in and build a cyclic block copolymer production plant, with an estimated investment of NT\$2.7 billion.
37. In November 2013, the Company's Board of Directors decided to indirectly invest in and establish USIG (Shanghai) Co., Ltd. in Shanghai, Mainland China via its wholly-owned subsidiary, Cypress Epoch Limited.
38. In February 2014, the Company's Board of Directors decided to invest indirectly in the production of petrochemical-related products in Gulei Petrochemical Industrial Park located in Zhangzhou City, Fujian, Mainland China via the investment by a company established in a third region.
39. In March 2014, the Company's Board of Directors decided to establish INOMA Corporation via a joint venture.
40. On August 30, 2016, the Ministry of Economic Affairs approved the change of the Company's registered address to No. 330, Fengren Road, Renwu District, Kaohsiung City.
41. In November 2016, the Company indirectly invested in the establishment of Fujian Gulei Petrochemical Co., Ltd. for the production of petrochemical-related products at Gulei Petrochemical Park located in Zhangzhou, Fujian, China.
42. In 2017, the Company engaged in capital increase by earnings and issued 20 new shares for every one thousand shares owned, thus issuing 22,852,047 ordinary shares in total. The Company's paid-in capital after the capital increase was NT\$11,654,544,000.
43. In 2018, the Company engaged in capital increase by earnings and issued 20 new shares for every one thousand shares owned, thus issuing 23,309,088 ordinary shares in total. The Company's paid-in capital after the capital increase was NT\$11,887,635,000.

Chapter 3 Corporate Governance Report

I. Organization System

(I) Organizational Chart: May 13, 2019



(II) Responsibilities and Functions of Major Divisions

| Department | Main Responsibilities and Functions |
|------------------------------------|---|
| General Manager | Responsible for the Company's overall operations |
| Kaohsiung Plant | Responsible for matters related to manufacturing, research and development (R&D), storage, quality control, coordinating transportation of company products and maintenance of plant equipment, work safety and environmental protection |
| Office of Chief Technology Officer | Responsible for integrating product R&D and innovation at each petrochemical-related affiliated company |
| Research and Development Division | <ol style="list-style-type: none"> 1. Product research and enhancement 2. Provide customers with relevant technologies and assist in handling customer complaints 3. Market development for new products |
| Sales and Marketing Division | <ol style="list-style-type: none"> 1. Market analysis and product promotion 2. Customer service 3. Receive and handle customer complaints |
| Personnel Department | <ol style="list-style-type: none"> 1. Planning of human resources strategies and compliance with labor laws 2. Establish and promote recruitment and appointment systems 3. Develop and promote strategic payroll management system 4. Formulation, implementation, evaluation and assessment of training methods |
| Audit Office | <ol style="list-style-type: none"> 1. Implement internal audit and improve work flows in the Company 2. Evaluate the soundness and reasonableness of the Company's internal control systems, as well as the effectiveness of their implementations at all departments and divisions |
| Procurement and Logistics Division | <ol style="list-style-type: none"> 1. Purchase and audit major capital expenditures including bulk raw materials, machinery and equipment 2. Plan the supervision and execution of trading and transportation, warehousing and customs-related operations |
| Accounting Division | <ol style="list-style-type: none"> 1. Preparation and analysis of financial statements, annual reports, and budgets to be used by decision-making units for the management and formulation of strategies 2. Establishment, evaluation and implementation of accounting systems 3. Planning and reporting of various taxes 4. Regular announcement or reporting of financial performance |
| Finance Division | <ol style="list-style-type: none"> 1. Fund management, and planning and scheduling of fundraising activities 2. Short-term financial management and long-term investments 3. Property insurance 4. Credit control 5. Collection of delayed payments 6. Handling of various shares-related matters |
| Information System Division | Plan, build, develop and manage various information systems and facilities at the Company |
| Human Resource Division | <ol style="list-style-type: none"> 1. Plan human resources strategies and systems 2. Planning of training and organizational development strategies 3. Plan and handle salary and benefits 4. Provide employee services and handle general affairs 5. Assist overseas branches in organizational planning, as well as dispatch and training of personnel |
| Legal Division | Provide legal advice, handle legal cases and affairs |

| Department | Main Responsibilities and Functions |
|---|---|
| Chief Engineer Office | <ol style="list-style-type: none"> 1. Assist and participate in the construction of new plants, or deal with such constructions entirely 2. Assist and participate in the improvement of equipment and local manufacturing processes in operation, or deal with such cases entirely 3. Integration of engineering personnel and engineering specifications |
| Project Division | Planning, preparation, supervision and implementation of plant construction in overseas investment plans |
| Planning Department | <ol style="list-style-type: none"> 1. Develop and propose product trees, according to markets for current products and products to be invested in the future, as well as the technical strengths and weaknesses of such products, for future planning and development 2. Track and analyze the macroeconomy 3. Track and analyze upstream industries and future competitors 4. Coordination and follow-up of various projects |
| Secretariat of the Board | <ol style="list-style-type: none"> 1. Plan and handle matters related to Board of Directors' meetings 2. Handle matters related to Shareholders' Meetings such as convening Shareholders' Meetings, dealing with various announcements and reporting associated with Shareholders' Meetings, preparing agenda handbooks and keeping information regarding shareholders present at Shareholders' Meetings in accordance with the law 3. Assist in promoting and handling decrees issued by the competent authority |
| Remuneration Committee | <ol style="list-style-type: none"> 1. Professionally and objectively assess the salary and remuneration policy for Directors and managers and propose recommendations to the Board of Directors as reference for its decisions. 2. Encourage managers to fulfill their duties in the Company's operations, improve management performance, core competitiveness and short, medium, and long-term profitability, and create shareholders' value. |
| Audit Committee | <ol style="list-style-type: none"> 1. Formulation, revision, and evaluation of the effectiveness of internal control system. 2. Formulate or revise procedures for major financial business actions including the acquisition or disposal of assets, engaging in derivative trading, loaning of funds to others, making endorsement or guarantees for others. 3. Transactions of major assets or derivatives. 4. Significant loaning of funds, endorsements or provision of guarantees 5. Appointment, dismissal, and compensation of CPAs. 6. Review the annual financial statements and the semi-annual financial statements. 7. Other major items required by the Company or the competent authority. |
| Corporate Social Responsibility Committee | <ol style="list-style-type: none"> 1. Review the corporate social responsibility policy. 2. Review the operations of the Corporate Social Responsibility Committee. 3. Review the Company's strategies, objectives and actions for corporate social responsibility policies, and provide guidance and follow-up of the progress and performance improvements of various action plans. 4. Supervise the preparation of the corporate sustainability report. 5. Review and record other corporate social responsibility matters. |
| Corporate Governance Team | <ol style="list-style-type: none"> 1. Process matters related to the meetings of the Board of Directors and Shareholders' Meetings in accordance with the law. 2. Prepare the minutes of the Board of Directors and Shareholders' Meetings. 3. Assist Directors in assuming their duties and continuing education. 4. Provide Directors with information required for performing their duties. |

| Department | Main Responsibilities and Functions |
|--|--|
| | <ol style="list-style-type: none"> 5. Assist Directors in compliance with laws and regulations. 6. Other matters stipulated in the Articles of Association or contracts. |
| New Product Business Division | <ol style="list-style-type: none"> 1. Assist in formulating marketing strategies for new businesses, and establish appropriate business models 2. Responsible for developing new products or acquiring new customers in order to increase revenue 3. Integrate company resources and generate synergy to enhance the successful development of new businesses |
| Preventive Maintenance and Environmental Risk Control Division | <ol style="list-style-type: none"> 1. Assist the Group in establishing preventive maintenance systems at all plants 2. Improve and enhance existing equipment 3. Equipment fault management and prevention 4. Routine/non-routine audit, counseling and training 5. Environment risk management planning and technical supervision 6. Plan and promote compliance with laws related to energy conservation and carbon reduction, and establish related systems |
| Advanced Material Division | <ol style="list-style-type: none"> 1. Planning and development of high-value products. 2. Responsible for CBC-related businesses and focus on marketing strategies and market development. 3. Coordination of fireproof materials and coating-related businesses. 4. Integrate the Group's resources and green environmental protection building materials planning and development. |

II. Details of Directors, General Manager, Deputy General Manager, Senior Managers, Heads of Departments and Branches:

(I) Composition of the Board of Directors

1. Information regarding members of the Board of Directors

As of April 14, 2019: Unit: Shares

| Title (Note 1) | Nationality or Place of Registration | Name | Gender | Date Elected (Appointed) | Term | Date First Elected (Note 2) | Shares Held when Elected | | Current Number of Shares Held | | Shares Held by Spouse and Minors | | Shares Held in the Name of Other Persons | | Main Work Experience and Academic Qualifications (Note 3) | Current Position Held in the Company and Other Companies | Executive Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship | | |
|---|--|---|--------|--------------------------------|------------|-----------------------------------|--------------------------|----------------------------|----------------------------------|----------------------------|-------------------------------------|----------------------------|---|----------------------------|---|---|--|------------------|--------------|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship |
| Chairman and Chief Executive Officer | Hong Kong | Shing Lee Enterprise (Hong Kong) Limited | – | June 8, 2017 | 3 years | December 2, 1982 | 288,834,000 | 25.28% | 173,776,546 | 14.62% | – | – | 0 | 0% | Chairman of USI Corporation | (Note 6) | Director | Yu Ching-Shou | In-law |
| | Taiwan (R.O.C.) | Representative: Quintin Wu | Male | | | December 2, 1982 (Note 4) | – | – | 113,122 | 0.01% | – | – | 0 | 0% | | | | | |
| Director | Hong Kong | Shing Lee Enterprise (Hong Kong) Limited | – | June 8, 2017 | 3 years | December 2, 1982 | 288,834,000 | 25.28% | 173,776,546 | 14.62% | – | – | 0 | 0% | Bachelor of Engineering, Kyushu University (Japan) | Chairman, Shing Lee Enterprise (Hong Kong) Limited Director: United Polymers Corporation and Forum Pacific Inc. | Chairman of the Board | Quintin Wu | In-law |
| | Hong Kong | Representative: Yu Ching-Shou | Male | | | December 2, 1982 | – | – | 0 | 0% | 12,500,000 | 1.05% | 0 | 0% | | | | | |
| Director | Hong Kong | Shing Lee Enterprise (Hong Kong) Limited | – | June 8, 2017 | 3 years | December 2, 1982 | 288,834,000 | 25.28% | 173,776,546 | 14.62% | – | – | 0 | 0% | (Note 7) | Director: Taiwan Institute of Economic Research Independent Director: AUO and CTCI | None | None | None |
| | Taiwan (R.O.C.) | Representative: Shih Yen-Shiang (Note 5) | Male | | | June 8, 2017 | – | – | 0 | 0% | 0 | 0% | 0 | 0% | | | | | |
| Director | Hong Kong | Shing Lee Enterprise (Hong Kong) Limited | – | June 8, 2017 | 3 years | December 2, 1982 | 288,834,000 | 25.28% | 173,776,546 | 14.62% | – | – | 0 | 0% | (Note 8) | Director: INOMA Corporation | None | None | None |
| | Taiwan (R.O.C.) | Representative: Kao Che-I | Male | | | June 8, 2017 | – | – | 0 | 0% | 0 | 0% | 0 | 0% | | | | | |

| Title (Note 1) | Nationality or Place of Registration | Name | Gender | Date Elected (Appointed) | Term | Date First Elected (Note 2) | Shares Held when Elected | | Current Number of Shares Held | | Shares Held by Spouse and Minors | | Shares Held in the Name of Other Persons | | Main Work Experience and Academic Qualifications (Note 3) | Current Position Held in the Company and Other Companies | Executive Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship | | |
|-------------------------|--|---|--------|--------------------------------|--------------------------|-----------------------------------|--------------------------|----------------------------|----------------------------------|----------------------------|-------------------------------------|----------------------------|---|----------------------------|--|--|--|------|--------------|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship |
| Director | Hong Kong | Shing Lee Enterprise (Hong Kong) Limited | — | June 8, 2017 | 3 years | December 2, 1982 | 288,834,000 | 25.28% | 173,776,546 | 14.62% | — | — | 0 | 0% | Bachelor of Electrical Engineering, National Taiwan University (Taiwan); General Manager at Taiwan VCM Corporation; General Manager at Asia Polymer Corporation; General Manager at USI Corporation | Director: Asia Polymer Corporation Supervisor: Taiwan VCM Corporation | None | None | None |
| | Taiwan (R.O.C.) | Representative: Huang Kuang-Che | Male | | | June 13, 2008 | — | — | 157,185 | 0.01% | 0 | 0% | 0 | 0% | | | | | |
| Director | Hong Kong | Shing Lee Enterprise (Hong Kong) Limited | — | June 8, 2017 | 3 years | December 2, 1982 | 288,834,000 | 25.28% | 173,776,546 | 14.62% | — | — | 0 | 0% | (Note 9) | (Note 10) | None | None | None |
| | Taiwan (R.O.C.) | Representative: Chang Chi-Chung | Male | | | June 13, 2008 | — | — | 0 | 0% | 0 | 0% | 0 | 0% | | | | | |
| Director | Hong Kong | Shing Lee Enterprise (Hong Kong) Limited | — | April 25, 2018 | 2 years 1 month | December 2, 1982 | 288,834,000 | 25.28% | 173,776,546 | 14.62% | — | — | 0 | 0% | (Note 11) | (Note 12) | None | None | None |
| | Taiwan (R.O.C.) | Representative: Wang Ke-Shun | Male | | | April 25, 2018 | — | — | 40,704 | 0% | 0 | 0% | 0 | 0% | | | | | |
| Independent Director | Taiwan (R.O.C.) | Chen Chung | Male | June 8, 2017 | 3 years | June 6, 2014 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | (Note 13) | Director: Lien Hwa Industrial Corporation and Union Petrochemical Corporation Independent Director: TransGlobe Life Insurance Inc. | None | None | None |
| Independent Director | Taiwan (R.O.C.) | Tsai Li-Hsing (Note 14) | Male | June 8, 2017 | 3 years | June 6, 2014 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | (Note 15) | (Note 16) | None | None | None |
| Independent Director | Taiwan (R.O.C.) | Hai Ying-Chun | Male | June 8, 2017 | 3 years | June 6, 2014 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | (Note 17) | (Note 18) | None | None | None |

Note 1: For institutional shareholders, their names and representatives should be stated (for representatives, the names of institutional shareholders they represent should be

indicated respectively), and filled in Table 1.

- Note 2: Any disruption of duty as a director or supervisor after the date they are elected should be included in a separate note.
- Note 3: Work experiences of any individual in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, should be disclosed along with job titles and responsibilities.
- Note 4: From February 17, 1992 to May 18, 1993, institutional shareholder Shing Lee Enterprise (Hong Kong) Limited experienced a disruption of duty as a Director because the representative of the company was replaced.
- Note 5: The corporate shareholder, Shing Lee Enterprise (Hong Kong) Limited, has replaced Mr. Shih Yen-Shiang with Mr. Wang Ke-Shun as the representative on April 25, 2018. The information on Mr. Shih Yen-Shiang has been disclosed until the date of the replacement.
- Note 6: Chairman: China General Plastics Corporation, Asia Polymer Corporation, Taita Chemical Company Limited, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technology Corporation, Chong Loong Trading Co., Ltd., USI Investment Co., Ltd., CGPC Polymer Corporation, Asia Polymer Investment Corporation, Taiwan United Venture Capital Corporation, USI Management Consulting Corporation, Taiwan United Venture Management Corporation, Thintec Materials Corporation, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.
- Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong) Corporation, Swanlake, USI International, Acme Components (Malaysia), Forever Young, Curtana, Swanson (Singapore), Swanson (Malaysia), Swanson International, Swanson (India), Swanson (Kunshan), Golden Amber Enterprises, Acme (BVI), Acme (Kunshan), Acme (Guangzhou), Forum Pacific, Taita (BVI), APC (BVI), CGPC (BVI), CGPC America, Krystal Star, A.S. Holdings (UK), Shun'an Coating, API Swanson, Acme Ferrite, Swanson (Tianjin), Cypress Epoch, Ever Conquest Global, Every Victory Global, Dynamic Ever Investments, Asia Polymer (Shanghai), PT. Swanson Plastics Indonesia, Emerald Investment Corporation, KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd. and CTCI Group.
- General Manager: United Polymers Corporation and USI Management Consulting Corporation.
- Chief Executive Officer: USI Corporation, Asia Polymer Corporation, China General Plastics Corporation, Taita Chemical Company Limited, Acme Electronics Corporation and USI Optronics Corporation.
- Executive Director: Chinese National Federation of Industries
- Note 7: Department of Chemistry, National Taiwan University; PhD in Chemistry, Massachusetts Institute of Technology; Minister of Economic Affairs; Director General of Small and Medium Enterprise Administration; Director General of Industrial Development Bureau; Chairman of Sinotech Engineering Consultants, Inc.; Director of Taiwan Tobacco and Wine Monopoly Bureau; Chairman of CPC Corporation; Adjunct Chair Professor at Chung Yuan Christian University.
- Note 8: Department of Chemical Engineering, National Taiwan University; PhD in Chemical Engineering, Perdue University; Chief Scientist, Dow Chemical; Senior Consultant and Expert, Industrial Technology Research Institute (Chairman Office); Senior Advisor, Chi Lin Technology Co., Ltd.
- Note 9: PhD in Chemical Engineering, Massachusetts Institute of Technology; Vice President of Operations, Powerchip Semiconductor; Vice President of Operations, Vanguard International Semiconductor Corporation; General Manager of USI.
- Note 10: Director: Taiwan United Venture Management Corporation, USIFE Investment Co., Ltd., Acme Electronics (Kunshan) Co., Ltd., Thintec Materials Corporation, CGPC, USI Optronics Corporation, Cypress Epoch, Ever Victory Global, USIG (Shanghai) Co., Ltd., Dynamic Ever Investments Ltd., Ever Conquest Global Limited and Fujian Gulei Petrochemical.
- Note 11: Master of Business Administration, Andrews University, Michigan (U.S.A.); Bachelor of Chemistry, National Tsing Hua University (Taiwan); and General Manager, China Petrochemical Development Corporation

- Note 12: Chairman: USIG (Shanghai) Co., Ltd.
Director: Cypress Epoch Limited, Dynamic Ever Investments Limited, Ever Victory Global Limited, Forum Pacific Trading Ltd., Swanlake Traders Ltd., USI (Hong Kong) Co., Ltd., USI Management Consulting Corp., Chong Loong Trading Co., Ltd., Taiwan United Venture Capital Corp., INOMA Corporation, USI Trading (Shanghai) Co., Ltd., Union Polymer International Investment Corp., Swanson Technologies Corporation and USI Education Foundation.
Supervisor: Fujian Gulei Petrochemical Co., Ltd.
General Manager: USI, USIG (Shanghai) Co., Ltd. and Chong Loong Trading Co., Ltd.
- Note 13: Masters of Law, National Taiwan University (Taiwan); Visiting Scholar, Goethe University Frankfurt (Germany); Senior Advisor to the President, Office of the President (Taiwan); Chair Professor at School of Law and School of Business, Soochow University (Taiwan); President of the Executive Yuan, Taiwan (R.O.C.); Vice President of the Executive Yuan, Taiwan (R.O.C.); Chairman of the Financial Supervisory Commission under the Executive Yuan, Taiwan (R.O.C.); Chairman of the Taiwan Stock Exchange; Deputy Minister of Finance, Taiwan (R.O.C.); Director General of Financial Supervisory Commission, Ministry of Finance, Taiwan (R.O.C.); Director General of Insurance Bureau, Ministry of Finance, Taiwan (R.O.C.); and Chairman of Taiwan Cooperative Bank.
- Note 14: The Independent Director Mr. Tsai Li-Hsing resigned on March 19, 2019 and his information shall be disclosed to the date of his resignation. The Company is expected to re-elect an Independent Director in the 2019 Shareholders' Meeting.
- Note 15: PhD and Material Science and Engineering, Cornell University (U.S.A.); General Manager and Chief Executive Officer, Taiwan Semiconductor Manufacturing Company; Chairman and Chief Executive Officer, TSMC Solid State Lighting; Chairman and Chief Executive Officer, TSMC Solar; and Chairman and Chief Executive Officer, Chunghwa Telecom Co., Ltd.
- Note 16: Chairman: Richtek Technology Corporation
Director: MediaTek Inc. and Lam Research Corporation
Chief Executive Officer: MediaTek Inc.
- Note 17: Masters of International Management, University of Texas at Dallas; General Manager, GE Capital Taiwan; Chairman and Chief Executive Officer, Delta Electronics, Inc.
- Note 18: Chairman: Delta Electronics, Inc.
Director: CTCI Corporation, Delta International Holding Ltd., etc.

2. Major shareholders of institutional shareholders

As of April 14, 2019

| Name of Institutional Shareholder (Note 1) | Major Shareholders of Institutional Shareholders (Note 2) | |
|--|---|---------|
| Shing Lee Enterprise (Hong Kong) Limited | Sunpower Enterprises Ltd. | 56% |
| | Xanadu International. Co., Ltd. | 12% |
| | Silver Hero Ventures Ltd. | 8% |
| | Social Lucky Int'l Investment Ltd. | 8% |
| | Rich Grade Holdings Ltd. | 8% |
| | Asia Dynamic Overseas Ltd. | 4.6667% |
| | Best Perspective Overseas Ltd. | 3.3333% |

Note 1: For directors whose representatives are institutional shareholders, the name of these representatives should be filled.

Note 2: Fill in the name of the major shareholders of these institutional shareholders (include top 10 major shareholders by shareholding percentage) and their shareholding percentages. If the major shareholder is a juristic person, his/hername should be filled in Table 2 below.

3. Institutional shareholders whose major shareholders are juristic persons

As of April 14, 2019

| Name of Juristic Person (Note 1) | Major Shareholders of Juristic Persons (Note 2) | |
|------------------------------------|---|------|
| Sunpower Enterprises Ltd. | Yu, Kin-Shiu & Yu Wu, Hsiao-Chung; Yu, Wen-Tsorng | 60% |
| Silver Hero Ventures Ltd. | Jeffrey Wu | 90% |
| Social Lucky Int'l Investment Ltd. | Wu, I-Kuang | 100% |
| Asia Dynamic Overseas Ltd. | Seaquest Ventures Inc. | 100% |
| Best Perspective Overseas Limited | Seaquest Ventures Inc. | 100% |
| Xanadu International Co., Ltd. | Bill Wu | 50% |
| | Wu Shung, Hui-Cheng | 50% |
| Rich Grade Holdings Ltd. | Wu, Chiao-Feng | 50% |
| | Chang, Ching-Jen | 50% |

Note 1: If the major shareholder of institutional shareholders as shown in Table 1 is a juristic person, the name of the juristic person should be filled.

Note 2: Fill in the name of the major shareholders of these juristic person (include top 10 major shareholders by shareholding percentage) and their shareholding percentages.

4. Information regarding members of the Board of Directors

April 30, 2019

| Criteria | Does the individual have over 5 years of professional experience and the following professional qualifications | | | Status of Independence (Note 2) | | | | | | | | | | Number of companies in which the director or supervisor also serves concurrently as an Independent Director | |
|--------------------------|--|---|---|---------------------------------|---|---|---|---|---|---|---|---|----|---|---|
| | Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company | Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company | Have work experience in business, law, finance, accounting or other areas relevant to the business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Name (Note 1) | | | | | | | | | | | | | | | |
| Quintin Wu | | | ✓ | | | ✓ | | | ✓ | | | ✓ | | | 0 |
| Yu Ching-Shou | | | ✓ | ✓ | | ✓ | | | ✓ | ✓ | | ✓ | | | 0 |
| Shih Yen-Shiang (Note 3) | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | 2 |
| Kao Che-I | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | 0 |
| Huang Kuang-Che | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | 0 |
| Chang Chi-Chung | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | 0 |
| Wang Ke-Shun (Note 3) | | | ✓ | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | | 0 |
| Chen Chung | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 1 |
| Tsai Li-Hsing (Note 4) | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Hai Ying-Chun | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |

Note 1: Adjust the number of rows where necessary.

Note 2: Insert "V" in the box if a director or supervisor meets the following criteria during his/her term of office and two (2) years prior to the date elected. ✓

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not serving as a director or supervisor of any of the Company's affiliated companies (this restriction does not apply to independent directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country).
- (3) Not a natural person shareholder who holds more than one (1) percent of total shares issued by the Company or is ranked top 10 in terms of number of shares held, including shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship to the individuals listed in the three preceding criteria.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds more than five (5) percent of the total number of shares issued by the Company or is one of the top 5 shareholders by number of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company.
- (7) Not a professional, owner, partner, director (member of the governing board), supervisor

(member of the supervising board) or managerial officer of a sole proprietorship, partnership, company, or institution who provides commercial, legal, financial, accounting, or consultation services to the Company or to any of its affiliated companies, or spouse thereof. However, this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

- (8) Not a spouse or a relative within the second degree of kinship with any director.
- (9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
- (10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

Note 3: On April 25, 2018, the institutional shareholder, Shing Lee Enterprise (Hong Kong) Limited, has replaced Mr. Shih Yen-Hsiang with Mr. Wang Ke-Shun as the representative.. The information on Mr. Shih Yen-Shiang has been disclosed until the date of the replacement.

Note 4: Independent Director Mr. Tsai Li-Hsing resigned on March 19, 2019 and his information has been disclosed to the date of his resignation.

(II) General Manager, Deputy General Manager, Senior Managers, Heads of Departments and Branches

As of April 14, 2019; Unit: Shares

| Title (Note 1) | Nationality | Name | Gender | Date Elected (Appointed) | Shares Held | | Shares Held by Spouse and Minors | | Shares Held in the Name of Other Persons | | Main Work Experience and Academic Qualifications (Note 2) | Current Position Held in Other Companies | Managerial Officers Who Are Spouses or Relatives within the Second Degree of Kinship | | |
|-------------------------------|--------------------|------------------|--------|--------------------------------|------------------------|----------------------------|-------------------------------------|----------------------------|--|----------------------------|--|---|---|------|--------------|
| | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship |
| Chief Executive Officer | Taiwan (R.O.C.) | Quintin Wu | Male | March 22, 2007 | 113,122 | 0.01% | — | — | 0 | 0% | Chairman of USI Corporation | (Note 3) | None | None | None |
| General Manager | Taiwan (R.O.C.) | Wang Ke-Shun | Male | October 1, 2017 | 40,704 | 0% | 0 | 0% | 0 | 0% | Master of Business Administration, Andrews University, Michigan (U.S.A.); Bachelor of Chemistry, National Tsing Hua University (Taiwan); and General Manager, China Petrochemical Development Corporation | (Note 4) | None | None | None |
| Vice President | Taiwan (R.O.C.) | Liu Han-Tai | Male | September 8, 2009 | 0 | 0% | — | — | 0 | 0% | PhD in Chemical Engineering, Pennsylvania State University (U.S.A.) | Director: Taita Chemical Co., Ltd., Swanson, Thintec Materials Corporation, Taiwan VCM Corporation, APC, CGPC, Ever Victory Global Ltd., Dynamic Ever Investments Ltd., CGPC (Zhongshan) Corporation Supervisor: China General Terminal and Distribution Corporation | None | None | None |
| Senior Manager | Taiwan (R.O.C.) | Wu Ming-Tsung | Male | January 21, 2016 | 9 | 0% | 0 | 0% | 0 | 0% | Master in Chemical Engineering, National Taiwan University | Director: USI Trading (Shanghai) Co., Ltd. | None | None | None |

| Title (Note 1) | Nationality | Name | Gender | Date Elected (Appointed) | Shares Held | | Shares Held by Spouse and Minors | | Shares Held in the Name of Other Persons | | Main Work Experience and Academic Qualifications (Note 2) | Current Position Held in Other Companies | Managerial Officers Who Are Spouses or Relatives within the Second Degree of Kinship | | |
|-----------------------|--------------------|------------------|--------|--------------------------------|------------------------|----------------------------|-------------------------------------|----------------------------|--|----------------------------|---|--|---|------|--------------|
| | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship |
| | | | | | | | | | | | | Senior Manager: APC | | | |
| Finance Manager | Taiwan (R.O.C.) | Yang Wen-Li | Male | December 6, 2018 | 0 | 0% | 0 | 0% | 0 | 0% | (Note 5) | None | None | None | None |
| Accounting Manager | Taiwan (R.O.C.) | Kuo Chuan-Hua | Female | September 1, 2015 | 0 | 0% | 0 | 0% | 0 | 0% | Master of Accounting, Tamkang University (Taiwan) | Accounting Manager: United Polymers Corporation, Thintec Materials Corporation and USI Management Consulting Corporation | None | None | None |

Note 1: Information regarding General Manager, Deputy General Manager, Senior Managers, Heads of Departments and Branches should be included, whereas information regarding positions equivalent to General Manager, Deputy General Manager or Senior Managers should be disclosed regardless of job title.

Note 2: Work experiences of any individual in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, should be disclosed along with job titles and responsibilities.

Note 3: Chairman: CGPC, Asia Polymer Corporation, Taita Chemical Company Limited, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technologies Corporation, Chong Loong Trading Co., Ltd., USI Investment Co., Ltd., CGPC Polymer Corporation, Asia Polymer Investment Corporation, Taiwan United Venture Capital Corporation, USI Management Consulting Corporation, Taiwan United Venture Management Corporation, Thintec Materials Corporation, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.

Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics (India), Swanson Plastics (Kunshan) Co., Ltd., Golden Amber Enterprises, ACME Electronics (BVI) Corporation, Acme Electronics (Kunshan) Co., Ltd., Acme Electronics (Guangzhou) Co., Ltd., Forum Pacific Trading Ltd., Taita (BVI) Holding Co., APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., CGPC America Corporation, Krystal Star International Corporation, A.S. Holdings (UK) Limited, ASK-Swanson (Kunshan) Co., Ltd., Acme Ferrite Products Sdn. Bhd., Swanson Plastics (Tianjin) Co., Ltd., Cypress Epoch Limited, Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USIG (Shanghai) Co., Ltd., PT. Swanson Plastics Indonesia, Emerald Investment Corporation, KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd. and CTCI Group.

General Manager: Union Polymer International Investment Corp. and USI Management Consulting Corporation.

Chief Executive Officer: USI, APC, CGPC, TTC, Acme Electronics Corporation and USI Optronics Corporation.

Executive Director: Chinese National Federation of Industries

Note 4: Chairman: USIG (Shanghai) Co., Ltd.

Director: Cypress Epoch Limited, Dynamic Ever Investments Limited, Ever Victory Global Limited, Forum Pacific Trading Ltd., Swanlake Traders Ltd., USI (Hong Kong) Co., Ltd., USI Management Consulting Corp., Chong Loong Trading Co., Ltd., Taiwan United Venture Capital Corp., INOMA Corporation, USI Trading (Shanghai) Co., Ltd., Union Polymer International Investment Corp., Swanson Technologies Corporation, and USI Education Foundation.

Supervisor: Fujian Gulei Petrochemical Co., Ltd.

General Manager: USIG (Shanghai) Co., Ltd. and Chong Loong Trading Co., Ltd.

Note 5: Bachelor of Business Administration, Chung Yuan Christian University; Master of Accountancy and Information Systems, Cleveland State University; Senior Vice President, Chief Financial Officer, and Spokesperson, Apex Medical Corp.; Executive Assistant to CEO of Primax Electronics Ltd. and Vice President of US subsidiary/assistant to Group Chairman/CFO of Business Department/Head Office Spokesperson/Investor Relations Manager; Senior Accounting/Finance Manager of Equus Computer Systems, Inc. in the United States.

III. Remuneration Paid to Directors (Including Independent Directors), General Manager and Deputy Manager during the Most Recent Fiscal Year #PageXX#

If any of the following applies to a company, the name of the director or supervisor involved and the remuneration paid to him/her should be disclosed. For the remaining directors or supervisors, the company may opt to either disclose information in aggregate remuneration with their names indicated in each numerical range, or disclose their names and method of remuneration individually (If the latter is chosen, please fill their positions, names and remuneration amounts individually. The company shall not need to fill the table for ranges of remuneration):

- (I) If post-tax losses have been recorded in a company's financial statements in the most recent two (2) fiscal years, the name and remuneration of the "directors and supervisors" should be disclosed individually. However, the preceding sentence shall not apply if the company's financial statements in the most recent fiscal year indicate a net income after taxes which is sufficient to cover cumulative losses. Where International Financial Reporting Standards (IFRS) is adopted, the name and remuneration of the "directors and supervisors" should be disclosed individually if pre-tax losses have been recorded in its parent company-only or individual financial statements in the most recent two (2) fiscal years. However, the preceding sentence shall not apply if the company's parent company-only or individual financial statements in the most recent fiscal year indicate a net income after taxes which is sufficient to cover cumulative losses [Note 1].
- (II) A company with directors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual directors. A company with supervisors whose shareholding percentages have been insufficient for three (3) or more consecutive months during

the most recent fiscal year shall disclose the remuneration of individual supervisors. [Note 2]

- (III) A company with an average ratio of shares pledged by directors or supervisors that exceeds 50 percent in any three (3) months during the most recent fiscal year shall disclose the remuneration paid to each individual director or supervisor who owns a ratio of shares pledged that exceeds 50 percent for each of these three months. [Note 3]
- (IV) If the total amount of remuneration received by all the directors and supervisors of a company from all the companies listed in its financial statements exceeds two (2) percent of its net income after taxes, and the amount of remuneration received by any individual director or supervisor exceeds NT\$15 million, the company shall disclose the amount of remuneration paid to individual directors or supervisors.

Note 1: Example: Suppose the 2014 Annual Report was prepared by the Shareholders' Meeting in 2015. The company should opt for individual disclosure of remuneration information if post-tax loss was recorded in its parent company-only or individual financial statements either in 2013 or in 2014. However, although post-tax loss was recorded in the company's parent company-only or individual financial statements in 2013, its parent company-only or individual financial statements in 2014 recorded a net income after taxes which was sufficient to cover cumulative losses; therefore, the company should not opt for individual disclosure of remuneration information.

Note 2: Example: Suppose the 2009 Annual Report was prepared by the Shareholders' Meeting in 2010. The company should opt for individual disclosure of remuneration information if its directors or supervisors were found to have insufficient shareholding percentages for three (3) or more consecutive months between January 2009 and December 2009. In another example, if the company's directors or supervisors were found to have insufficient shareholding percentages in January 2009 for three (3) or more consecutive months (i.e. three consecutive months including November 2008, December 2008 and January 2009), the company should opt for individual disclosure of remuneration information.

Note 3: Example: Suppose the 2009 Annual Report was prepared by the Shareholders' Meeting in 2010. If the ratio of shares pledged by all the directors of a company exceeded 50 percent in three separate months within 2009 (e.g. February, May and August 2009), the company should disclose the amount of remuneration paid to each director for the months when the ratio of shares pledged exceeded 50 percent, namely February, May and August 2009. In another example, if the ratio of shares pledged by the supervisors of a company exceeded 50 percent in any three months, the company should disclose the amount of remuneration paid to each supervisor for the months when the ratio of shares pledged exceeded 50 percent.

(I) Remuneration Paid to Directors (Including Independent Directors)

1. Collective disclosure

Unit: NT\$ thousands

| Title | Name | Remuneration of Directors | | | | | | | | Percentage of the total of 4 items A, B, C and D to net income after taxes (Note 10) | | Relevant remuneration received by directors who also serve as employees | | | | | | Percentage of the total of 7 items A, B, C, D, E, F and G to net income after taxes (Note 10) | | Whether or not the director receives remuneration from investment companies other than the Company's subsidiaries (Note 11) | | |
|----------------------|--|---------------------------|--|-------------------------------|--|--------------------------------------|--|--------------------------------|--|--|--|---|--|-------------------------------|--|------------------------------------|--------------|---|--------------|---|-------------|--|
| | | Remuneration (A) (Note 2) | | Severance Pay and Pension (B) | | Directors' Remuneration (C) (Note 3) | | Business Expenses (D) (Note 4) | | | | Salaries, Bonuses and Special Allowances (E) (Note 5) | | Severance Pay and Pension (F) | | Employee Remuneration (G) (Note 6) | | | | | | |
| | | The Company | All Companies in the Financial Report (Note 7) | The Company | All Companies in the Financial Report (Note 7) | The Company | All Companies in the Financial Report (Note 7) | The Company | All Companies in the Financial Report (Note 7) | The Company | All Companies in the Financial Report (Note 7) | The Company | All Companies in the Financial Report (Note 7) | The Company | All Companies in the Financial Report (Note 7) | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | The Company | All Companies in the Financial Report (Note 7) |
| Chairman | Quintin Wu (representative of Shing Lee Enterprise (Hong Kong) Limited) | 4,500 | 4,500 | 0 | 0 | 5,200 | 5,200 | 2,303 | 5,491 | 2.22% | 2.81% | 17,705 | 32,021 | 216 | 216 | 26 | 0 | 142 | 0 | 5.55% | 8.81% | 620 |
| Director | Yu Ching-Shou (representative of Shing Lee Enterprise (Hong Kong) Limited) | | | | | | | | | | | | | | | | | | | | | |
| Director | Wang Ke-Shun (representative of Shing Lee Enterprise (Hong Kong) Limited) (Note 12) | | | | | | | | | | | | | | | | | | | | | |
| Director | Kao Che-I (representative of Shing Lee Enterprise (Hong Kong) Limited) | | | | | | | | | | | | | | | | | | | | | |
| Director | Huang Kuang-Che (representative of Shing Lee Enterprise (Hong Kong) Limited) | | | | | | | | | | | | | | | | | | | | | |
| Director | Chang Chi-Chung (representative of Shing Lee Enterprise (Hong Kong) Limited) | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chen Chung | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Tsai Li-Hsing | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Hai Ying-Chun | | | | | | | | | | | | | | | | | | | | | |
| Director | Shih Yen-Shiang (representative of Shing Lee Enterprise (Hong Kong) Limited) (Note 12) | | | | | | | | | | | | | | | | | | | | | |

* In addition to the information disclosed in the table above, remuneration paid to any director who has provided his/her services (such as consulting services in a non-employee capacity) to all the companies listed in the company's financial statements in the most recent fiscal year: None.

2. Ranges of remuneration

| Range of Remuneration Paid to the Directors of the Company | Name of Director | | | |
|--|---|--|---|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The Company (Note 8) | All Companies in the Financial Report (Note 9) H | The Company (Note 8) | All investee Companies (Note 9, 11) I |
| Less than NT\$2,000,000 | Quintin Wu, Yu Ching-Shou, Wang Ke-Shun (Note 12), Kao Che-I, Huang Kuang-Che, Chang Chi-Chung, Chen Chung, Tsai Li-Hsing, Hai Ying-Chun, Shih Yen-Shiang (Note 12) | Ching-Shou, Wang Ke-Shun (Note 12), Kao Che-I, Huang Kuang-Che, Chang Chi-Chung, Chen Chung, Tsai Li-Hsing, Hai Ying-Chun, Shih Yen-Shiang (Note 12) | Yu Ching-Shou, Kao Che-I, Huang Kuang-Che, Chang Chi-Chung, Chen Chung, Tsai Li-Hsing, Hai Ying-Chun, Shih Yen-Shiang (Note 12) | Yu Ching-Shou, Kao Che-I, Huang Kuang-Che, Chang Chi-Chung, Chen Chung, Tsai Li-Hsing, Hai Ying-Chun, Shih Yen-Shiang (Note 12) |
| NT\$2,000,000 (inclusive) - NT\$5,000,000 (not inclusive) | — | Quintin Wu | — | — |
| NT\$5,000,000 (inclusive) - NT\$10,000,000 (not inclusive) | Shing Lee Enterprise | Shing Lee Enterprise | Shing Lee Enterprise, Quintin Wu Wang Ke-Shun (Note 12) | Shing Lee Enterprise, Wang Ke-Shun (Note 12) |
| NT\$10,000,000 (inclusive) - NT\$15,000,000 (not inclusive) | — | — | — | — |
| NT\$15,000,000 (inclusive) - NT\$30,000,000 (not inclusive) | — | — | — | Quintin Wu |
| NT\$30,000,000 (inclusive) - NT\$50,000,000 (not inclusive) | — | — | — | — |
| NT\$50,000,000 (inclusive) - NT\$100,000,000 (not inclusive) | — | — | — | — |
| More than NT\$100,000,000 | — | — | — | — |
| Total | NT\$12,003,000 | NT\$15,191,000 | NT\$29,950,000 | NT\$48,190,000 |

Note 1: Name of directors should be listed separately (For institutional shareholders, their names and the name of their representatives should be listed separately), and the amount of remuneration paid to them should be disclosed collectively. If a director concurrently serves as a general manager or deputy general manager, his/her name and the amount of remuneration paid to him/her should be listed in Table (3-1) or (3-2) below.

Note 2: Compensation received by a director in the most recent fiscal year (including director's salary, job-related allowances, separation pay, various bonuses and incentives).

Note 3: Fill in the amount of rewards approved by the Board of Directors and distributed to the directors in the most recent fiscal year.

Note 4: Business expenses paid to the directors in the most recent fiscal year (including services and goods provided such as transportation, special allowances, various allowances and accommodation). If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments should be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note.

- Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and driver allowance received by directors who concurrently serve as employees (including general manager, deputy general manager, other managerial officers and employees) in the most recent fiscal year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments should be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. The drivers' annual remuneration amounted to NT\$2,489,000 and the annual rent of the leased houses amounted to NT\$2,107,000. Furthermore, any compensation recognized in the IFRS 2 Share-Based Payment section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, should be included in the calculation of remuneration.
- Note 6: For directors concurrently serving as employees (including general manager, deputy general manager, other managerial officers and employees) who receive employee rewards (including shares and cash), the amount of employee rewards that have been approved by the Board of Directors and are distributed to them in the most recent fiscal year should be disclosed. If this amount of rewards cannot be estimated, the amount of rewards in the current fiscal year should be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount should also be filled in Table 1-3.
- Note 7: The total amount of all the remuneration paid to the company's directors by all the companies (including the company) listed in its consolidated financial statements should be disclosed.
- Note 8: The name of each director should be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the director by the company.
- Note 9: The total amount of all the remuneration paid to each director of the company by all the companies (including the company) listed in its consolidated financial statements should be disclosed. The name of each director should be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.
- Note 10: Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company-only or individual financial statements in the most recent fiscal year.
- Note 11: a. The amount of remuneration received from subsidiaries other than investment companies by the company's directors should be stated clearly in this column.
b. If a director of the company receives remuneration from investment companies other than subsidiaries, the amount of remuneration received by the director from investment companies other than subsidiaries should be combined into Column I of the table for ranges of remuneration, and this column should be renamed as "All Investment Companies".
c. Remuneration refers to the compensation, rewards (including rewards distributed to employees, directors and supervisors) and remuneration related to business expenses that are received by the company's directors who serve as directors, supervisors or managerial officers at investment companies other than subsidiaries.
- Note 12: On April 23, 2018, the institutional shareholder, Shing Lee Enterprise (Hong Kong) Limited, has replaced Mr. Shih Yen-Shiang with Mr. Wang Ke-Shun as the representative.
- * A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

(II) Remuneration Paid to Supervisors: Not applicable.

(III) Remuneration Paid to General Manager and Deputy General Manager

1. Collective disclosure

Unit: NT\$ thousands

| Title | Name | Salary (A) (Note 2) | | Severance Pay and Pension (B) | | Bonuses and Allowances (C) (Note 3) | | Dollar Amount of Employee Remuneration (D) (Note 4) | | | | Percentage of the total of 4 items A, B, C and D to net income after taxes (Note 10) | | Whether or not the director receives remuneration from investment companies other than the Company's subsidiaries (Note 9) |
|-------------------------|--------------|------------------------|---|-------------------------------|---|--|---|--|--------------|---------------------------------------|--------------|---|---|---|
| | | The Company | All Companies in the Financial Report (Note 5) | The Company | All Companies in the Financial Report (Note 5) | The Company | All Companies in the Financial Report (Note 5) | The Company | | All Companies in the Financial Report | | The Company | All Companies in the Financial Report (Note 5) | |
| | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| Chief Executive Officer | Quintin Wu | 12,560 | 23,632 | 324 | 324 | 13,690 | 17,168 | 38 | 0 | 155 | 0 | 4.93% | 7.65% | 620 |
| General Manager | Wang Ke-Shun | | | | | | | | | | | | | |
| Vice President | Liu Han-Tai | | | | | | | | | | | | | |

* Regardless of job titles, positions that are equivalent to general manager, deputy general manager (such as president, chief executive officer and director) should be disclosed.

2. Ranges of remuneration

| Range of Remuneration Paid to the General Manager and Deputy General Manager of the Company | Name of General Manager and Deputy General Manager | |
|---|--|--|
| | The Company (Note 6) | All investee Companies (Notes 7 and 9) E |
| Less than NT\$2,000,000 | — | — |
| NT\$2,000,000 (inclusive) - NT\$5,000,000 (not inclusive) | — | — |
| NT\$5,000,000 (inclusive) - NT\$10,000,000 (not inclusive) | Quintin Wu, Wang Ke-Shun, Liu Han-Tai | Liu Han-Tai, Wang Ke-Shun |
| NT\$10,000,000 (inclusive) - NT\$15,000,000 (not inclusive) | — | — |
| NT\$15,000,000 (inclusive) - NT\$30,000,000 (not inclusive) | — | Quintin Wu |
| NT\$30,000,000 (inclusive) - NT\$50,000,000 (not inclusive) | — | — |
| NT\$50,000,000 (inclusive) - NT\$100,000,000 (not inclusive) | — | — |
| More than NT\$100,000,000 | — | — |
| Total | NT\$26,612,000 | NT\$41,899,000 |

Note 1: Name of the general manager and deputy general manager should be listed separately, and the amount of remuneration paid to them should be disclosed collectively. If a director concurrently serves as a general manager or deputy general manager, his/her name and the amount of remuneration paid to him/her should be listed in Table (1-1) or (1-2) above.

Note 2: Fill in the salary, job-related allowances and separation pay received by the general manager and deputy general manager in the most recent fiscal year.

Note 3: Fill in the amount of various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and driver allowance received by the general manager and deputy general manager in the most recent fiscal year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments should be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. The driver's annual remuneration amounted to NT\$644 thousand and the annual rent of the leased houses provided for the General Managers and Deputy General Managers amounted to NT\$2,077 thousand. Furthermore, any compensation recognized in the IFRS 2 Share-Based Payment section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, should be included in the calculation of remuneration.

Note 4: Fill in the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the general manager and deputy general manager in the most recent fiscal year. If this amount of rewards cannot be estimated, the amount of rewards in the current fiscal year should be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount should also be filled in Table 1-3. Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company-only or individual financial statements in the most recent fiscal year.

Note 5: The total amount of all the remuneration paid to the company's general manager and deputy general manager by all the companies (including the company) listed in its consolidated financial statements should be disclosed.

- Note 6: The name of each general manager and deputy general manager should be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the general manager and deputy general manager by the company.
- Note 7: The total amount of all the remuneration paid to each general manager and deputy general manager of the company by all the companies (including the company) listed in its consolidated financial statements should be disclosed. The name of each general manager and deputy general manager should be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.
- Note 8: Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company-only or individual financial statements in the most recent fiscal year.
- Note 9: a. The amount of remuneration received from investment companies other than subsidiaries by the company's general manager and deputy general manager should be stated clearly in this column.
b. If the general manager and deputy general manager of the company receives remuneration from investment companies other than subsidiaries, the amount of remuneration received by the general manager and deputy general manager from investment companies other than subsidiaries should be combined into Column I of the table for ranges of remuneration, and this column should be renamed as "All Investment Companies".
c. Remuneration refers to the compensation, rewards (including rewards distributed to employees, directors and supervisors) and remuneration related to business expenses that are received by the company's general manager and deputy general manager who serve as directors, supervisors or managerial officers at subsidiaries other than investment companies.
- * A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

(IV) Name of Managerial Officers to Which Employee Rewards Are Distributed, and Status of Distribution

December 31, 2018

Unit: NT\$ thousands

| | Title (Note 1) | Name (Note 1) | Stock Amount | Cash Amount | Total | Percentage of Total Amount to Net Income After Tax (%) |
|--------------------|---|----------------------------|-----------------|----------------|-------|---|
| Managerial Officer | Chief Executive Officer | Quintin Wu | 0 | 116 | 116 | 0.022% |
| | General Manager | Wang Ke-Shun | | | | |
| | Vice President | Liu Han-Tai | | | | |
| | Senior Manager and Chief Plant Manager | Wu Shu-Jung (Note 5) | | | | |
| | Senior Manager | Wu Ming-Tsung | | | | |
| | Chief Plant Manager | Hung Chin-Ming (Note 5) | | | | |
| | Finance Manager | Yang Wen-Li (Note 6) | | | | |
| | Finance Manager | Huang Yung-Hui (Note 6) | | | | |
| | Accounting Manager | Kuo Chuan-Hua | | | | |

Note 1: Names and positions should be listed individually, and the amount of profit distributed should be disclosed collectively.

Note 2: Fill in the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the managerial officers in the most recent fiscal year. If this amount of rewards cannot be estimated, the amount of rewards in the current fiscal year should be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year. Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company-only or individual financial statements in the most recent fiscal year.

Note 3: The scope of application for the term "managerial officer" shall follow the approved document with Ref. No. Tai Tsai Cheng San Tzu 0920001301 dated March 27, 2003. Its scope of application shall be as follows:

- (1) General Manager and Equivalent
- (2) Deputy General Manager and Equivalent
- (3) Senior Manager and Equivalent
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Other Personnel Authorized to Manage the Company's Affairs and Sign for Approval

Note 4: Directors, general manager and deputy general manager who receive employee rewards (including shares and cash) should be listed not only in Table 1-2, but also in this table.

Note 5: The Senior Manager and Chief Plant Manager Shu-Jung Wu resigned on March 29, 2018 and was replaced by the Vice Chief Plant Manager Chin-Ming Hung.

Note 6: Finance Manager Huang Yung-Hui resigned on December 6, 2018 and was replaced by the Special Assistant of the Finance Division Yang Wen-Li.

(V) Analysis and comparison of percentages of remuneration paid to the Company's Directors, General and Deputy General Manager by the Company and all the Companies listed in its consolidated financial statements in the most recent two fiscal years to the net income after taxes recorded in its parent company-only or individual financial statements, and explanation on the remuneration policies, standards and packages, procedures for determining remuneration and their correlations with its business performance and future risk exposure.

1. Analysis of percentages of remuneration paid to directors, general manager and deputy general managers:

| Category \ Year | 2018 | | 2017 | |
|--|-------------|---------------------------------------|-------------|---------------------------------------|
| | The Company | All Companies in the Financial Report | The Company | All Companies in the Financial Report |
| Directors | 2.22% | 2.81% | 1.16% | 1.44% |
| Directors (including those who concurrently serve as employees and receive related remuneration) | 5.55% | 8.81% | 2.95% | 4.59% |
| General Managers and Deputy General Managers | 4.93% | 7.65% | 3.31% | 5.94% |

2. Remuneration policies, standards and packages, and their correlations with the company's business performance and future risk exposure:

- (1) Pursuant to Article 34 of the Company's Articles of Association, remuneration to directors shall not exceed one (1) percent of the profit obtained in the current fiscal year. The Remuneration Committee takes into account the overall performance of the Company and the future operational risk, outlook of the industry, management risks, and development trends, and proposes the remuneration to directors to the Board of Directors for approval; whereas the transportation fees shall be approved by the Shareholders' Meeting.
- (2) Regardless of whether the Company records a profit and loss, Directors' compensation shall be set in accordance with the Article 19-1 of the Company's Articles of Association, the value of their level of participation and contribution to the Company's business operations, and taking into consideration the pay levels of the industry. Directors' compensation shall be approved by the Board of Directors, and shall correlate with the Company's business performance.
- (3) Managerial officers' compensation shall be determined in accordance with the company's personnel-related rules and regulations. Salary levels shall first be proposed by the remuneration committee before submission to the Board of

Directors for approval, and shall correlate with the company's business performance.

(4) Correlation with future risk exposure: None.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

A total of six (6) meetings (A) were held by the Board of Directors in the most recent fiscal year (2018). The attendance of the members of the Board was as follows:

"◎": Attendance in person; ☆: Attendance by proxy; Blank: absent; *:

| Title | Name (Note 1) | 19th term 4th meeting on March 13, 2018 | 19th term 5th meeting on May 7, 2018 | 19th term 6th meeting on June 26, 2018 | 19th term 7th meeting on August 10, 2018 | 19th term 8th meeting on November 13, 2018 | 19th term 9th meeting on December 6, 2018 | Attendance in Person (B) | Attendance by Proxy | Attendance in Person Rate (%) [B/A] (Note 2) | Remarks (Note 3) |
|----------------------|---|---|--------------------------------------|--|--|--|---|--------------------------|---------------------|--|--|
| Chairman | Quintin Wu (Representative of Shing Lee Enterprise (Hong Kong) Limited) | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100.00 | Re-elected |
| Director | Yu Ching-Shou (Representative of Shing Lee Enterprise (Hong Kong) Limited) | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100.00 | Re-elected |
| Director | Wang Ke-Shun (Representative of Shing Lee Enterprise (Hong Kong) Limited) | — | ◎ | ◎ | ◎ | ◎ | ◎ | 5 | 0 | 100.00 | Incoming Director, required to attend 5 meetings |
| Director | Kao Che-I (Representative of Shing Lee Enterprise (Hong Kong) Limited) | ◎ | ◎ | ☆ | ☆ | ◎ | ◎ | 4 | 2 | 66.67 | Re-elected |
| Director | Huang Kuang-Che (Representative of Shing Lee Enterprise (Hong Kong) Limited) | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100.00 | Re-elected |
| Director | Chang Chi-Chung (Representative of Shing Lee Enterprise (Hong Kong) Limited) | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100.00 | Re-elected |
| Independent Director | Chen Chung | ◎ | ◎ | ◎ | ◎ | ◎ | ☆ | 5 | 1 | 83.33 | Re-elected |
| Independent Director | Tsai Li-Hsing | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100.00 | Re-elected |
| Independent Director | Hai Ying-Chun | ☆ | ◎ | ◎ | ◎ | ☆ | ◎ | 4 | 2 | 66.67 | Re-elected |
| Director | Shih Yen-Shiang (Note 3) (Representative of Shing Lee Enterprise (Hong Kong) Limited) | ◎ | — | — | — | — | — | 1 | 0 | 100.00 | Outgoing Director, required to attend 1 meeting |

Note 1: For directors who are juristic persons, the name of institutional shareholders and their representatives should be disclosed.

Note 2: (1) Where a director resigns before the end of the fiscal year, the "remark" column should be filled with the director's resignation date, whereas his/her percentage of

attendance in person (%) should be calculated based on the number of Board of Directors' meetings held and the actual attendance in person during the period during his/her term of office.

- (2) If directors are re-elected before the end of the fiscal year, incoming and outgoing directors should be listed accordingly, and the "remark" column should indicate whether the status of a director is "outgoing", "incoming" or "re-elected", and the date of re-election. The director's percentage of attendance in person (%) should be calculated based on the number of Board of Directors' Meetings held and the actual attendance in person during his/her term of office.

Note 3: On April 25, 2018, Shing Lee Enterprise (Hong Kong) Limited replaced Mr. Shih Yen-Hsiang with Mr. Wang Ke-Shun as the representative of the Director.

Other matters to be noted:

- I. If any of the following applies to the operations of the Board of Directors, the date and session of the Board of Directors' Meeting, as well as the resolutions, opinions of independent directors and the company's actions in response to the opinions of independent directors should be stated.

- (I) Items listed in Article 14-3 of the Securities and Exchange Act.

| Board of Directors | Resolution and Follow-up Actions | Items listed in Article 14-3 of the Securities and Exchange Act | Dissenting Opinion or Qualified Opinion by Independent Directors |
|--|---|---|--|
| 19th Term 4th Meeting March 13, 2018 | 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. | v | None |
| | 2. Capital increase by converting retained earnings. | v | None |
| | 3. Compensation paid to the CPAs for 2017. | v | None |
| | 4. Appoint CPAs for the year 2018. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| | Voting results: All Directors present voted in favor of the resolution without any dissenting opinion. | | |
| | 5. Approve the non-competition clause for Director Mr. Shih Yen-Shiang. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| Voting results: The Chair consulted all Directors present, except for the Director Shih Yen-Shiang who had to recuse himself from voting due to conflict of interest, and they voted unanimously in favor of the resolution. | | | |
| 19th Term 5th Meeting May 7, 2018 | 1. Approve the non-competition clause for Director Mr. Wang Ke-Shun. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| | Voting results: The Chair consulted all Directors present, except for the Director Wang Ke-Shun who had to recuse himself from voting due to conflict of interest, and they voted unanimously in favor of the resolution. | | |
| | 2. Amend the Company's internal control system. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| Voting results: All Directors present voted in favor of the resolution without any dissenting opinion. | | | |
| 19th Term 6th Meeting June 03, 2018 | 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. | v | None |
| | 2. Issuance of new shares | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |

| Board of Directors | Resolution and Follow-up Actions | Items listed in Article 14-3 of the Securities and Exchange Act | Dissenting Opinion or Qualified Opinion by Independent Directors |
|--|---|---|--|
| | Voting results: All Directors present voted in favor of the resolution without any dissenting opinion. | | |
| | 3. Ratify endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| | Voting results: The Chair consulted all Directors present, except for the Chairman Quintin Wu and the Director Wang Ke-Shun who serve as Directors of Chong Loong and had to recuse themselves from voting due to conflict of interest, and they voted unanimously in favor of the resolution. | | |
| 19th Term 7th Meeting August 10, 2018 | 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. | v | None |
| | 2. The Company's investment in this project has increased due to its investments in the Gulei Project. | v | None |
| | Opinions of Independent Directors: Recommended continuing to consult other investors. | | |
| | The Company's actions in response to the opinions of Independent Directors: The Company shall conduct relevant operations based on recommendations of the Audit Committee. | | |
| | Voting results: All Directors present voted in favor of the resolution without any dissenting opinion. | | |
| 19th Term 8th Meeting November 13, 2018 | 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. | v | None |
| | 2. Replacement of the CPA. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| | Voting results: All Directors present voted in favor of the resolution without any dissenting opinion. | | |
| | 3. Ratify endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. Voting results: The Chair consulted all Directors present, except for the Chairman Quintin Wu and the Director Wang Ke-Shun who serve as Directors of Chong Loong and had to recuse themselves from voting due to conflict of interest, and they voted unanimously in favor of the resolution. | | |
| 19th Term 9th Meeting December 6, 2018 | 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. | v | None |
| | 2. Issuance of unsecured ordinary corporate bonds. | v | None |
| | 3. Replacement of the Company's Finance Manager. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| | Voting results: All Directors present voted in favor of the resolution without any dissenting opinion. | | |
| | 4. Ratify endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| | Voting results: The Chair consulted all Directors present, except for the Chairman Quintin Wu and the Director Wang Ke-Shun who serve as Directors of Chong Loong and had to recuse themselves from voting due to conflict of interest, and they voted unanimously in favor of the resolution. | | |
| 19th Term 10th Meeting February 22, 2019 | Investment in the construction of ethylene storage tanks. | | |
| | Opinions of Independent Directors: The fund raising and scheduling of the fund should be carefully planned. | | |
| | The Company's actions in response to the opinions of Independent Directors: The Company shall conduct relevant operations based on recommendations of the Audit Committee. | | |
| | Voting results: All Directors present voted in favor of the resolution without any dissenting opinion. | | |
| 19th Term 11th Meeting March 8, 2019 | 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. | v | None |
| | 2. Compensation paid to the CPAs for 2018. | v | None |

| Board of Directors | Resolution and Follow-up Actions | Items listed in Article 14-3 of the Securities and Exchange Act | Dissenting Opinion or Qualified Opinion by Independent Directors |
|--------------------|--|---|--|
| | 3. Amend certain articles in the "Procedures Governing the Acquisition and Disposal of Assets." | v | None |
| | 4. Appoint CPAs for the year 2019. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| | Voting results: All Directors present voted in favor of the resolution without any dissenting opinion. | | |
| | 5. Approve the non-competition clause for Director Mr. Hai Ying-Chun. | v | None |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of Independent Directors: None. | | |
| | Voting results: The Chair consulted all Directors present, except for the Director Hai Ying-Chun who had to recuse himself from voting due to conflict of interest, and they voted unanimously in favor of the resolution. | | |

(II) In addition to the preceding matter, other resolutions of the Board of Directors on which independent directors have dissenting opinions or qualified opinions, and that are documented or issued through written statements: No such occurrences.

II. In regards to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated:

| Name of Director | Proposal | Reason for recusal | Voting results | Remarks |
|----------------------------|--|--|-------------------------------|-----------------------|
| Shih Yen-Shiang (Note 3) | Removal of the non-competition clause for Directors | The recused Director is the recipient of the removal of the non-competition clause | Did not participate in voting | 19th Term 4th Meeting |
| Quintin Wu Chang Chi-Chung | Donations the USI Education Foundation | Recused himself due to conflict of interest as he serves as a director in the foundation | Did not participate in voting | 19th Term 4th Meeting |
| Wang Ke-Shun | Removal of the non-competition clause for Directors | The recused Director is the recipient of the removal of the non-competition clause | Did not participate in voting | 19th Term 5th Meeting |
| Quintin Wu Wang Ke-Shun | Endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd. | The recused Director is the director of the investee company Chong Loong Trading Co. Ltd. in this case | Did not participate in voting | 19th Term 6th Meeting |
| | | | | 19th Term 8th Meeting |
| | | | | 19th Term 9th Meeting |

III. Targets for strengthening the functions of the Board of Directors in the current fiscal year and the most recent fiscal year (e.g., establishing an audit committee and enhancing information transparency), and evaluation of target implementation

1. Targets for strengthening the functions of the Board of Directors:

In order to enhance corporate governance and the functions of the Board of Directors, the Company passed the resolution on the amendment of Article 18-1 and Article 18-2 of the Company's Articles of Association at the General Shareholders' Meeting held on June 10, 2013, where these articles stipulate the appointment of Independent Directors and the establishment of an Audit Committee in due course according to the law. In addition, the Board of Directors passed the resolution on establishing supporting measures related to the Audit Committee and formulating the "Audit Committee Charter" on March 14, 2014.

The Company constantly pays attention to changes in laws and regulations of the competent authority, reviews its "Rules of Procedure for Board of Directors' Meetings" and "Rules Governing the Scope of Powers of Independent Directors," and evaluates its "Audit Committee Charter" in due course. The Company really seeks to improve information transparency in accordance with the amended laws, and the implementation of these

regulations has been favorable.

The Company has passed the resolution to formulate the "Regulations Governing the Evaluation of the Performance of the Board of Directors" on November 9, 2017. At the end of each year, performance appraisal shall be performed on the Board of Directors (Audit Committee) for the current year based on the actual implementation of assessment indicators including degree of participation in the Company's operation, improvement of the quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. Performance appraisal results shall be reviewed and improved upon in the most recent Board of Directors' Report in the following year.

Implementation of Performance Appraisal on the Board of Directors (Audit Committee) in 2018:

- (1) Appraisal Period: January 1 to December 31, 2018
- (2) The Company has established a set of "Regulations Governing the Evaluation of the Performance of the Board of Directors" and performance appraisal methods, proposing the self-evaluation of the performance of the Board of Directors (Audit Committee) on a regular basis every year based on the implementation of assessment indicators including degree of participation in the Company, improvement of the quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. The overall results are as follows:

| Appraisal Item | Results |
|---|-----------|
| Participation in Company operations | Excellent |
| Improvement of the quality of the Board of Directors' decision making | Excellent |
| Composition and structure of the Board of Directors | Excellent |
| Election and continuing education of the Directors | Excellent |
| Internal control and communications with the Audit Committee | Excellent |

2. Evaluation of target implementation:
The Audit Committee was established after the appointment of independent directors during the 2014 General Shareholders' Meeting. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2018 have been disclosed on the Company's website on January 9, 2019 and reported in the first Board of Directors' Meeting in 2019 (10th meeting of the 19th term Board of Directors on February 22, 2019).
3. Hold training courses for directors and managers, as well as encourage directors and managerial officers to attend corporate governance-related courses The status of continuing education among the directors and managerial officers of the Company is as follows:

| Title | Name | Date of Course | Organizer | Course Title | Duration of the Course |
|----------|--------------------------|-------------------|--|---|------------------------|
| Chairman | Quintin Wu | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| | | October 16, 2018 | Securities & Futures Institute | Corporate Environmental Protection and Sustainable Development | 3 |
| Director | Shih Yen-Shiang (Note 3) | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| Director | Kao Che-I | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| | | October 16, 2018 | Securities & Futures Institute | Corporate Environmental Protection and Sustainable Development | 3 |
| Director | Huang Kuang-Che | April 27, 2018 | Securities & Futures Institute | 2018 Insider Trading Prevention Seminar | 3 |
| | | November 27, 2018 | Accounting Research and Development Foundation | Internal Audit and Internal Controls under New Accounting Procedures in IFRS 15 | 6 |

| Title | Name | Date of Course | Organizer | Course Title | Duration of the Course |
|----------------------|-----------------------|-------------------|---|---|------------------------|
| Director | Chang Chi-Chung | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| | | October 16, 2018 | Securities & Futures Institute | Corporate Environmental Protection and Sustainable Development | 3 |
| Director | Wang Ke-Shun | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| | | October 16, 2018 | Securities & Futures Institute | Corporate Environmental Protection and Sustainable Development | 3 |
| | | October 26, 2018 | Securities & Futures Institute | 2018 Insider Trading Prevention Seminar | 3 |
| | | November 15, 2018 | Securities & Futures Institute | Corporate Financial Information Analysis and Usage for Decision-Making | 3 |
| Independent Director | Chen Chung | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| | | May 28, 2018 | Taiwan Corporate Governance Association | "Artificial Intelligence is Here" and "The Consumer-to-Business Era" | 3 |
| | | July 3, 2018 | Taiwan Institute of Directors | 2018 Taiwan Institute of Directors Annual Meeting Dinner Party - Taiwan in Transition in Face of Global Trade and Economics | 3 |
| Independent Director | Tsai Li-Hsing | June 15, 2018 | Taiwan Corporate Governance Association | Trade Secret Protection and Malpractice Detection Practices (I) | 3 |
| | | June 15, 2018 | Taiwan Corporate Governance Association | Trade Secret Protection and Malpractice Detection Practices (II) | 3 |
| Independent Director | Hai Ying-Chun | March 8, 2018 | Taiwan Corporate Governance Association | Effects of Tax Reforms on Delta Electronics | 3 |
| | | July 31, 2018 | Taiwan Corporate Governance Association | Introduction of the New Personal Information Protection Legislation in the EU and China | 3 |
| Accounting Manager | Kuo Chuan-Hua | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| | | October 16, 2018 | Securities & Futures Institute | Corporate Environmental Protection and Sustainable Development | 3 |
| Finance Manager | Yang Wen-Li (Note) | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| | | October 16, 2018 | Securities & Futures Institute | Corporate Environmental Protection and Sustainable Development | 3 |
| Finance Manager | Huang Yung-Hui (Note) | March 21, 2018 | Securities & Futures Institute | Current Corporate Social Responsibility Practices | 3 |
| | | October 16, 2018 | Securities & Futures Institute | Corporate Environmental Protection and Sustainable Development | 3 |

The number of learning hours, scope of learning, learning system, arrangements and information on the abovementioned training sessions which comply with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" should be disclosed.

Note: Finance Manager Huang Yung-Hui resigned on December 6, 2018 and was replaced by the Special Assistant of the Finance Division Yang Wen-Li.

(II) Information Regarding the Implementation of the Audit Committee or the Participation of Supervisors in the Operations of the Board of Directors:

1. Status of operations and key work items of the Audit Committee:

(1) The functions and main review items of the Audit Committee are as follows:

- Adoption or amendment of internal control systems in accordance with Article 14-1 of the Securities and Exchange Act
- Assessment of the effectiveness of the internal control system
- Pursuant to Article 36-1 of the Securities and Exchange Act, formulate or revise procedures for major financial business actions including the acquisition or disposal of assets, engaging in derivative trading, loaning of funds to others, making endorsement or guarantees for others
- Matters concerning the personal interests of Directors
- Review financial reports and maintain communications with CPAs
- Review the internal control system and relevant policies and procedures
- Major assets or derivative trading
- Material loaning of funds, making of endorsements or provision of guarantees
- The offering, issuance, or private placement of equity-type securities
- Legal and regulatory compliance
- Review internal audit reports (including risk management of information security and internal controls), and maintain communication with the head of internal audit
- Evaluation of the qualifications, independence, and performance of the CPAs
- Appointment, dismissal and compensation of CPAs
- Appointment and dismissal of finance manager, accounting manager, and head of internal audit
- Review the performance of the Audit Committee
- Review the annual and semi-annual financial statements
- Accept and deal with whistleblowing cases in accordance with the functions listed in this article
- Other material matters as may be required by the Company or by the competent authority

(2) The Audit Committee met six (6) times (A) in the most recent year. The attendance of Independent Directors was as follows:

| Title | Name | Attended in Person (B) | Attendance by Proxy | Percentage of Attendance in Person (%) (B/A) (Note) | Remarks |
|----------------------|---------------|------------------------|---------------------|---|---|
| Independent Director | Chen Chung | 5 | 1 | 83.33 | Appointed as an independent director during the re-election of directors at the Annual General Meeting held on June 8, 2017 |
| Independent Director | Tsai Li-Hsing | 6 | 0 | 100.00 | |
| Independent Director | Hai Ying-Chun | 4 | 2 | 66.67 | |

(3) Operations in the current year:

I. If any of the following applies to the operations of the Audit Committee, the date and session of the Board of Directors' Meeting, as well as the resolutions, resolutions of the Audit Committee and the Company's actions in response to the opinions of the Audit Committee shall be stated.

(I) Items listed in Article 14-5 of the Securities and Exchange Act

| Audit Committee | Resolution and Follow-up Actions | Items listed in Article 14-5 of the Securities and Exchange Act | Other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee |
|---|--|---|---|
| 2nd Term 3rd Meeting March 13, 2018 | 1. Prepare the 2017 Account Book and submit the document for deliberation. | v | None |
| | 2. Seek permission to ratify endorsements/guarantees. | v | None |
| | 3. For the purpose of issuing the 2017 "Statement on Internal Control Systems," submit the statement for deliberation. | v | None |
| | 4. Recommend the 2017 Profit Distribution Plan and submit the recommendation for deliberation. | v | None |
| | 5. Recommend the converting retained earnings for capital increase of NT\$233,098,880 and issuance of 23,309,088 new shares. The proposal is submitted for deliberation. | v | None |
| | 6. The proposal for compensation paid to the Company CPAs for 2017 is submitted for deliberation. | v | None |
| | 7. The evaluation of the independence of the CPAs appointed for year 2018 is submitted for deliberation. | v | None |
| | 8. Appoint CPAs for year 2018 and submit the appointment for deliberation. | v | None |
| | 9. The proposal for the removal of the non-competition clause for Director Mr. Shih Yen-Shiang is submitted for deliberation. | v | None |
| Audit Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. | | | |
| The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | | |
| 2nd Term | 1. Propose to amend the Company's internal control systems | v | None |

| Audit Committee | Resolution and Follow-up Actions | Items listed in Article 14-5 of the Securities and Exchange Act | Other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee |
|---|--|---|---|
| 4th Meeting May 7, 2018 | and submit the proposal for deliberation. | | |
| | 2. The proposal for the removal of the non-competition clause for Directors is submitted for deliberation. | v | None |
| | Audit Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. | | |
| | The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |
| 2nd Term 5th Meeting June 26, 2018 | Ratification of endorsements/guarantees. | v | None |
| | Audit Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. | | |
| | The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |
| 2nd Term 6th Meeting August 10, 2018 | 1. Prepare the 2018 Quarter 2 Consolidated Financial Statements and submit them for deliberation. | v | None |
| | 2. Seek permission to ratify endorsements/guarantees. | v | None |
| | 3. Recommended amendment to "Procedures of Transaction with Related Parties, Specific Companies and Companies of the Group" and submitted the proposal for deliberation. | v | None |
| | 4. In response to the changes in the Company's Gulei investment, the Company intends to obtain approval for the increase of USD19.92 million in the investments for the Gulei project. | v | None |
| | Recommendations of the Audit Committee: For Proposal 4, the Committee recommended continuing to consult other investors. | | |
| | Audit Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |
| 2nd Term 7th Meeting November 13, 2018 | 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. | v | None |
| | 2. Ratify endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd. | v | None |
| | 3. The replacement of the CPA is submitted for deliberation. | v | None |
| | 4. The 2019 Audit Plan is submitted for deliberation. | v | None |
| | Audit Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |
| 2nd Term 8th Meeting December 6, 2018 | 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. | v | None |
| | 2. Ratify endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd. | v | None |
| | 3. The proposal for the issuance of unsecured ordinary corporate bonds for NT\$2 billion is submitted for resolution. | v | None |
| | 4. The proposal for the replacement of the Company's Finance | v | None |

| Audit Committee | Resolution and Follow-up Actions | Items listed in Article 14-5 of the Securities and Exchange Act | Other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee |
|---|--|---|---|
| | Manager is submitted for resolution. Audit Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |
| 2nd Term 9th Meeting February 22, 2019 | The proposal for the investment in the construction of ethylene storage tanks is submitted for resolution. Recommendations of the Audit Committee: The fund raising and scheduling of the fund should be carefully planned. Audit Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | v | None |
| 2nd Term 10th Meeting March 8, 2019 | 1. Prepare the 2017 Account Book and submit the document for deliberation. 2. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd. 3. For the purpose of issuing the 2018 Statement on Internal Control Systems, submit the statement for deliberation. 4. Recommend the 2018 Profit Distribution Plan and submit the recommendation for deliberation. 5. The proposal for compensation paid to the Company CPAs for 2018 is submitted for deliberation. 6. The evaluation of the independence of the CPAs appointed for year 2019 is submitted for deliberation. 7. Appoint CPAs for year 2019 and submit the appointment for deliberation. 8. The proposal for amendments to certain articles in the "Procedures Governing the Acquisition and Disposal of Assets" is submitted for deliberation. 9. The proposal for the removal of the non-competition clause for Directors is submitted for deliberation. Results of the Audit Committee resolution: With the exception of the recusal of Independent Director Hai Ying-Chun due to conflicts of interest, the Chair asked for the opinions of other members in attendance who agreed unanimously. The proposal was passed as proposed and submitted to the Board of Directors for discussion. The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | v v v v v v v v | None None None None None None None None |

(II) In addition to the aforementioned motions, other motions not passed by the Audit Committee but passed by at least two thirds of the votes of the entirety of the Board of Directors: No such occurrences.

II. Directors abstaining in certain proposals for being a stakeholder, (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts should be stated): No such occurrences.

III. Communications between independent directors and head of internal audit and CPAs (material issues, methods and outcomes related to the Company's financial and business status should be included)

- (1) Not only will the Internal Audit Department submit audit reports to each independent director for review every month, but also the Head of Internal Audit will report major audit findings to each independent director in the Audit Committee every quarter. Both the Company's Audit Committee and the Head of Internal Audit have maintained good communications.

Summary of communications between the Audit Committee and the Head of Internal Audit:

| Date | Key Communication Points | Recommendations and Results |
|-------------------|--|-----------------------------|
| March 13, 2018 | 1. 2017 Q4 Report on Audit Operations. 2. Review of the 2017 "Statement on Internal Control Systems." | No dissenting opinion |
| May 7, 2018 | 2018 Quarter 1 Report on Audit Operations. | No dissenting opinion |
| June 26, 2018 | Report on Audit Operations from May 7, 2018 to June 26, 2018. | No dissenting opinion |
| August 10, 2018 | 2018 Quarter 2 Report on Audit Operations. | No dissenting opinion |
| November 13, 2018 | 1. 2018 Quarter 3 Report on Audit Operations. 2. Reviewed and approved the 2019 annual internal audit plan. | No dissenting opinion |
| December 6, 2018 | Report on Audit Operations from November 13, 2018 to December 6, 2018. | No dissenting opinion |

- (2) CPAs compile information on the audit of the Company's consolidated financial statements (annual financial statements including parent company-only financial statements) and review of governance-related matters every quarter, and report them to the Audit Committee in accordance with the "Auditing Standards Bulletin No. 39 - Communication with Those Charged with Governance" and the letter with the Ref No. Tai Tsai Cheng Liu Tzu 0930105373 issued by SFB on March 11, 2004. Both the Company's Audit Committee and CPAs have maintained good communications.

Summary of communication between the Audit Committee and CPAs:

| Date | Key Communication Points | Recommendations and Results |
|-------------------|---|-----------------------------|
| March 13, 2018 | 1. CPAs reported the status of audit of the Company's 2017 Financial Statements, as well as discussed and responded to questions raised by members of the Audit Committee. 2. Reviewed the compensation paid to the CPAs for 2017. 3. Reviewed the experience, performance, and independence of CPAs. 4. Appoint CPAs for the year 2018. | No dissenting opinion |
| May 7, 2018 | CPAs reported the status of the audit of the Company's 2018 Quarter 1 Financial Statements, as well as discussed and responded to questions raised by members of the Audit Committee. | No dissenting opinion |
| August 10, 2018 | CPAs reported the status of the audit of the Company's 2018 Quarter 2 Financial Statements, as well as discussed and responded to questions raised by members of the Audit Committee. 2. The CPA has discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact. | No dissenting opinion |
| November 13, 2018 | 1. CPAs reported the status of the audit of the Company's 2018 Quarter 3 Financial Statements, as well as discussed and responded to questions raised by members of the Audit Committee. 2. The CPA has discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact. 3. Communicated key verification items in the Audit Report in accordance with Statements on Auditing Standards No. 58. | No dissenting opinion |

Note:

- * Where an independent director resigns before the end of the fiscal year, the "remark" column should be filled with the independent director's resignation date, whereas his/her percentage of attendance in person (%) should be calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.
- * If independent directors are re-elected before the end of the fiscal year, incoming and outgoing independent directors should be listed accordingly, and the "remark" column should indicate whether the status of an independent director is "outgoing", "incoming" or "re-elected", and the date of re-election. Actual attendance percentage (%) is calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

2. Information regarding the participation of Supervisors in the operations of the Board of Directors: Not applicable.

(III) Implementation of corporate governance, discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies

| <u>Evaluation Item</u> | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|---|--------------------------------|-----------|---|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| I. Has the company formulated and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"? | ✓ | | The Company has established its "Corporate Governance Best Practice Principles" and complied with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies" to promote the implementation of corporate governance, and discloses such information on its own website. | No material discrepancy |
| II. Shareholder Structure and Shareholders' Rights | | | | |
| (I) Has the company established an internal operating procedure for handling matters related to shareholders' recommendations, doubts, disputes and lawsuits, and implemented them accordingly? | ✓ | | The Company has appointed specific personnel to take charge of such matters. | No material discrepancy |
| (II) Does the company maintain a list of major shareholders who have actual control over the company and persons who have ultimate control over the major shareholders? | ✓ | | The Company has maintained contact with its major shareholders and persons who have ultimate control over the major shareholders. | No material discrepancy |
| (III) Has the company established and implemented risk control and firewall mechanisms among its affiliated companies? | ✓ | | The Company has established and implemented a system to monitor its subsidiaries. | No material discrepancy |
| (IV) Has the company formulated internal regulations that prohibit insiders of the company from trading securities using undisclosed information in the market? | ✓ | | The Company has established the "Procedures for Ethical Management and Guidelines for Conduct." Article 14 prevents the Company's insiders from using information that has not been disclosed on the market to purchase and sell securities. | No material discrepancy |
| III. Composition and Responsibilities of the Board of Directors | | | | |
| (I) Has the Board of Directors drawn up policies on diversity of its members and implemented them? | ✓ | | According to Article 20 of the Company's "Corporate Governance Best Practice Principles," diversity shall be considered in the composition of the Company's Board of Directors, and members of the Board of Directors shall possess the knowledge, skills and qualities required to | No material discrepancy |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies," and reasons for such discrepancies |
|------------------------|---------------------------------------|-----------|---|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| | | | <p>perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:</p> <ul style="list-style-type: none"> ● Ability to make sound business judgments. ● Ability to perform accounting and financial analysis. ● Ability to manage a business. ● Ability to handle crisis management. ● Knowledge of the industry. ● An international market perspective. ● Leadership skills. ● Decision-making ability. <p>In addition to the eight competencies above, the Company has also added two professional abilities including "legal expertise" and "environmental protection expertise" by taking into consideration the growing importance of global issues concerning corporate governance and environmental protection at present to make the functions of the Board of Director more complete. At present, existing members of the Board of Directors possess the knowledge, skills and qualities required to perform their duties, and specialize in professional areas including accounting and finance, international markets, law and environmental protection. For details on the diversity of Board members, refer to the table below:</p> | |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---------------------------------------|--------------------------|--|--|---------------------------|------------------|---------------------------|--|-------------------|---------------------------|-----------------|------------------------------------|--|--|--------|--------------------------|------------------------|------------|----------|------------------|---------------------------|--|-------------------|---------------------------|-----------------|------------------------------------|------------|------|---|---|---|---|---|---|---|---|---|--|--|---------------|------|---|---|---|---|---|--|---|---|--|--|--|--------------|------|---|--|---|---|---|---|---|---|--|--|--|-----------|------|---|--|---|---|---|--|---|---|--|--|--|-----------------|------|---|--|---|---|---|--|---|---|--|--|--|-----------------|------|---|--|---|---|---|---|---|---|--|--|--|------------|------|---|---|---|---|--|--|---|---|---|--|--|---------------|------|---|--|---|---|--|--|---|---|--|--|--|---------------|------|---|---|---|---|--|--|---|---|--|---|--|---|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (II) Has the company voluntarily established other functional committees, other than the remuneration committee and audit committee that are established in accordance with the law? | ✓ | | <table border="1"> <thead> <tr> <th rowspan="2">Name of Director</th> <th colspan="10">Core Diversification Item</th> </tr> <tr> <th>Gender</th> <th>Sound business judgments</th> <th>Accounting and finance</th> <th>management</th> <th>Business</th> <th>Chris management</th> <th>Knowledge of the industry</th> <th>Understanding of international markets</th> <th>Leadership skills</th> <th>Decision-making abilities</th> <th>Legal expertise</th> <th>Environmental protection expertise</th> </tr> </thead> <tbody> <tr> <td>Quintin Wu</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Yu Ching-Shou</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Wang Ke-Shun</td> <td>Male</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Kao Che-I</td> <td>Male</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Huang Kuang-Che</td> <td>Male</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chang Chi-Chung</td> <td>Male</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chen Chung</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Tsai Li-Hsing</td> <td>Male</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Hai Ying-Chun</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> </tbody> </table> <p>The Company's Directors consist of 33% who are employees and 22% who are Independent Directors. The three Independent Directors have provided five years of services. Two Directors are aged 80 and above; three Directors are between 70 and 79 years of age; three Directors are between 60 and 69 years of age; one Director is below 60 years of age.</p> <p>The Company has established a Remuneration Committee and an Audit Committee, and exercises its authority in accordance with its "Remuneration Committee Charter" and "Audit Committee Charter" with favorable performance. The Company has voluntarily established a Corporate</p> | Name of Director | Core Diversification Item | | | | | | | | | | Gender | Sound business judgments | Accounting and finance | management | Business | Chris management | Knowledge of the industry | Understanding of international markets | Leadership skills | Decision-making abilities | Legal expertise | Environmental protection expertise | Quintin Wu | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | Yu Ching-Shou | Male | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | Wang Ke-Shun | Male | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | Kao Che-I | Male | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | Huang Kuang-Che | Male | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | Chang Chi-Chung | Male | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | Chen Chung | Male | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | | | Tsai Li-Hsing | Male | ✓ | | ✓ | ✓ | | | ✓ | ✓ | | | | Hai Ying-Chun | Male | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | | ✓ | | In compliance with Articles 28 and 28-1 of the "Corporate Governance Best-Practice Principles for |
| Name of Director | Core Diversification Item | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Gender | Sound business judgments | Accounting and finance | management | Business | Chris management | Knowledge of the industry | Understanding of international markets | Leadership skills | Decision-making abilities | Legal expertise | Environmental protection expertise | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Quintin Wu | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Yu Ching-Shou | Male | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wang Ke-Shun | Male | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Kao Che-I | Male | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Huang Kuang-Che | Male | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chang Chi-Chung | Male | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chen Chung | Male | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tsai Li-Hsing | Male | ✓ | | ✓ | ✓ | | | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hai Ying-Chun | Male | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|--|---------------------------------------|-----------|---|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| (III) Has the company established any rules for evaluating the performance of the Board of Directors and methods for evaluating them? Does the company performance such evaluation every year? | ✓ | | <p>Social Responsibility Committee which exercises its authority in accordance with the "Corporate Social Responsibility Committee Charter" with favorable performance.</p> <p>The Company has passed the resolution to formulate the "Procedures Governing the Evaluation of the Performance of the Board of Directors" on November 9, 2017. At the end of each year, performance appraisal shall be performed on the Board of Directors (Audit Committee) for the current year based on the actual implementation of assessment indicators including degree of participation in the Company's operation, improvement of the quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. Performance appraisal results shall be reviewed and improved upon in the most recent Board of Directors' Report in the following year. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2018 have been disclosed on the Company's website on January 9, 2019 and reported in the first Board of Directors' Meeting in 2019 (10th meeting of the 19th term Board of Directors on February 22, 2019).</p> | <p>TWSE/TPEX Listed Companies"</p> <p>No material discrepancy</p> |
| (IV) Does the company regularly evaluate the independence of CPAs? | ✓ | | <p>The Accounting Division of the Company evaluates the independence of the CPA every year. The evaluation results of the most recent year were passed in the 10th meeting of the 2nd-term Audit Committee and 11th meeting of the 19th-term Board of Directors on March 8, 2019. Based on the evaluation of CPAs Kuo Tzu-Jung and Wu Shi-Tsung</p> | No material discrepancy |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies," and reasons for such discrepancies |
|------------------------|---------------------------------------|-----------|---|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| | | | <p>from Deloitte & Touche by the Company's Accounting Division, both CPAs have met the Company's independence evaluation standards. Items to evaluate the independence of CPAs were formulated in accordance with Article 47 of the Certified Public Accountant Act and "Code of Ethics for Certified Professional Accounts Bulletin No. 10." The main evaluation items were as follows:</p> <ol style="list-style-type: none"> 1. As of the most recent assurance operation, no CPA has yet to be replaced for seven (7) years. 2. The CPA does not have significant financial interest in his/her trustor. 3. The CPA avoids any inappropriate relationship with his/her trustor. 4. The CPA shall ensure that his/her assistants are honest, fair and independent. 5. The CPA may not perform audit and assurance services on the financial statements of companies he/she has served within two (2) years before practicing. 6. The CPA may not permit others to practice under his/her name. 7. The CPA does not own any shares of the Company and its affiliated companies. 8. The CPA has not engaged in lending and borrowing of money with the Company and its affiliated companies. 9. The CPA has not engaged in joint investments or benefit sharing with the Company or its affiliated companies. 10. The CPA does not concurrently serve as a regular employee of the Company or its affiliated companies | |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|---|---------------------------------------|-----------|--|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| | | | <p>and does not receive a fixed salary from them.</p> <p>11. The CPA is not involved in the decision-making process of the Company and its affiliated companies.</p> <p>12. The CPA does not concurrently engage in other businesses that may lead to loss of independence.</p> <p>13. The CPA does not have a spouse, immediate family members or relatives within the second degree of kinship who serve in the senior management of the Company.</p> <p>14. The CPA has not collected any commission related to his/her service.</p> <p>15. As of now, the CPA has not engaged in any matter that may lead to disciplinary actions taken against him/her or damage the principle of independence.</p> <p>According to the Company's evaluation, the CPAs has not engaged in matters that violate their independence, and thus, they were deemed fit to serve as CPAs for the Company. The CPA firm has also issued a letter of declaration stating that they have not engaged in matters that violate their independence.</p> | |
| IV. Does the TWSE or TPEX listed company have a dedicated full-time (or part-time) corporate governance unit or personnel in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters related to Board of Directors' meetings and Shareholders' Meetings, handling company registration and change registration, and producing minutes of Board of Directors' meetings and Shareholders' Meetings)? | ✓ | | <p>Pursuant to the Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, the Company plans to formulate a resolution in the meeting of the Board of Directors on May 13, 2019 to appoint Mr. Yung-Chih Chen, the Director of the Group's Legal Affairs Division, to serve as the Corporate Governance Officer, take charge of related corporate governance affairs, and improve the Company's corporate governance performance.</p> <p>1. Scope of duties:</p> | No material discrepancy |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|------------------------|---------------------------------------|-----------|--|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| | | | <p>(1) Handling of matters relating to the meetings of the Board of Directors and Shareholders' Meetings in compliance with law.</p> <p>(2) Produce meeting minutes for the meetings of the Board of Directors and Shareholders' Meetings.</p> <p>(3) Assist the Directors in taking office and continuing education.</p> <p>(4) Provision of information required for performance of duties by the Directors.</p> <p>(5) Assistance in the directors' and supervisors' compliance of law.</p> <p>(6) Other matters set forth in the Company's Articles of Association or contracts.</p> <p>2. Status of operations in 2018:</p> <p>(1) Planned the meetings of the Board of Directors and Shareholders' Meetings and produced related meeting minutes.</p> <p>(2) Four Board meetings were held on February 22, 2019, March 8, 2019, April 1, 2019 and April 30, 2019. Three Board meetings are scheduled to be held in May, August and November 2019. The board is scheduled to meet seven (7) times in 2019.</p> <p>(3) The Company plans to deliberate and pass the Company's "Standard Operating Procedures for Requests Filed by Directors" in the board meeting in May 2019.</p> <p>(4) The Company plans to deliberate and pass amendments to the "Corporate Governance Best Practice Principles" in the board meeting in May 2019.</p> <p>(5) The Shareholders' Meeting will be held on 12 June</p> | |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|--|---------------------------------------|-----------|---|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| | | | 2019. (6) Assist Directors in continuing education and plan two director training courses in July 2019 and October 2019. (7) Assist the directors to understand and comply with the relevant laws and regulations. 3. Continuing education: The Company plans related corporate governance courses in 2019 in accordance with the number of hours required in the "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers." | |
| V. Has the company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section of the company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues? | ✓ | | The Company has set up a stakeholders' section under Corporate Social Responsibility on its website, which features the categories of stakeholders and contact information as channels of communication. We disclose issues related to frequency, response methods, quality, the environment, occupational safety and health policies, employee rights, as well as social and product liabilities. | No material discrepancy |
| VI. Has the company commissioned a professional shareholder services agency to handle Shareholders' Meetings and other relevant affairs? | | ✓ | The Company takes charge of its own shares-related affairs, and handles matters related to Shareholders' Meetings in accordance with the law. | The Company handles its own shares-related affairs to ensure quality and efficiency. |
| VII. Information Disclosure | | | | |
| (I) Has the company established a website to disclose information on financial operations and corporate governance? | ✓ | | The Company has set up a website (https://www.usife.com.tw) and regularly discloses company information. | No material discrepancy |
| (II) Has the company adopted other means of information disclosure (such as establishing a website in English, | ✓ | | The Company has appointed specific personnel in charge of the collection and disclosure of company information and | No material discrepancy |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|---|---------------------------------------|-----------|---|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company's website)? | | | has implemented a spokesperson system. | |
| VIII. Has the company provided important information to better understand the state of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, progress of training of directors and supervisors, risk management policy and implementation of risk impact standards, implementation of customer policies, and the company's purchase of liability insurance for its directors and supervisors)? | ✓ | | <p>(I) The Company provides its employees with comprehensive health care. In addition to the formulation of guidelines related to employee assistance services and gender equality in the workplace, the Company also provides annual health checkups, sports and fitness equipment, organizes various outdoor recreational activities and talks on mental, emotional and spiritual health, purchases group insurance and issues LOHAS e-newsletters. . Furthermore, the Company's employees have voluntarily set up the Employee Assistance Program Center (EAPC) to help their colleagues solve work, life and psychological problems.</p> <p>(II) The Company has always been committed to the principle of equal opportunities, and recognizes the contribution of employees from different backgrounds. The Company adopts an open selection process and hires the right talent for the right position, instead of restricting employees' career development based on their race, gender, age, religion, nationality or political affiliation.</p> <p>(III) In regards to the promotion of environmental protection and occupational safety and health, the Company not only complies with the relevant laws and regulations, but also expects to meet internationally recognized standards, where the</p> | No material discrepancy |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|------------------------|---------------------------------------|-----------|--|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| | | | <p>Company has successfully obtained ISO14001 and OHSAS18001 certifications. To enhance self-inspection, the Company has established the Group Safety and Health Partners Regional Joint Rescue system led by the South Labor Inspection Institute, and actively participates in the events organized by Renda Safety and Health Promotion Association.</p> <p>(IV) The Company actively attends activities held by Taiwan Responsible Care Association (TRCA) in the chemical engineering industry and upholds its spirit, participates in community events, and cares for product protection in order to create a better living environment. Additionally, the Company also helps contractors by building a safe and health-conscious environmental management system to ensure safety at work.</p> <p>(V) Implementation of risk management policies and risk measurement standards: The Company has established operating procedures and internal control systems and possesses clear rules and regulations on authorized limits. The Company also implements internal audit for risk control and discloses such information in its annual reports.</p> <p>(VI) The Company has appointed a spokesperson to answer various types of questions raised by shareholders and serves as the bridge to connect the Company with its shareholders. The Company also maintains contact with its major shareholders.</p> <p>(VII) Implementation of consumer protection or customer</p> | |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|---|---------------------------------------|-----------|---|--|
| | <u>Yes</u> | <u>No</u> | <u>Summary</u> | |
| | | | <p>policy: The Company has formulated its quality policy in order to improve product and service quality, as well as continuously strives to enhance customer satisfaction. The Company also maintains good relationships with suppliers based on the principles of good faith and mutual benefits.</p> <p>(VIII) The Company encourages Directors to participate in continuing education. In addition to providing its directors with various information on continuing education, the Company also organizes such courses from time to time and invites Directors to attend courses related to corporate governance.</p> <p>(IX) The Company has purchased liability insurance for its directors.</p> | |
| <p>IX. Improvements made in the most recent fiscal year in response to the results of the corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items to be improved (Leave this section blank if the company is not included in the evaluation process)</p> <p>Completed improvements:</p> <ol style="list-style-type: none"> (1) The Company has provided and disclosed the English version of the Annual Report for the General Shareholders' Meeting, meeting notice for the General Shareholders' Meeting, and supplementary information for the General Shareholders' Meeting. We also disclose related information in English in the Annual Financial Report and Interim Financial Report to enhance the transparency of the Company's information and provide foreign investors with equal access to information. (No. 1.9, 1.10, 1.11, 3.5 and 3.6). (2) The members of the Company's Remuneration Committee are composed of independent directors and professionals who possess extensive experience in large corporations or professional fields. To enhance its remuneration system for all its directors and managerial officers, the Company will actively make arrangements to meet the attendance target for members of the committee (No. 2.13). (3) The Company's Directors are composed of professionals with management experience or experience in professional sectors. To enhance the functions of the Board of Directors, the Company has actively made arrangements to meet the attendance target for members of the committee (No. 2.19). (4) The Company has established the "Procedures Governing the Evaluation of the Performance of the Board of Directors," and these regulations have been approved by the Board of Directors. In addition, the Company will perform self-evaluation once every year, and will disclose the evaluation results on the Company's website and annual reports (No. 2.22). | | | | |

| <u>Evaluation Item</u> | <u>Implementation Status (Note 1)</u> | | <u>Summary</u> | Discrepancies between its implementation and the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies," and reasons for such discrepancies |
|--|---------------------------------------|-----------|----------------|--|
| | <u>Yes</u> | <u>No</u> | | |
| <p>Prioritized items for improvement: The Company's Directors are composed of professionals with management experience or experience in professional sectors. To enhance the functions of the Board of Directors, the Company shall encourage Directors to meet the 6-hour target for required course hours (No. 2.24).</p> | | | | |

Note: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

(IV) If the company has established a remuneration committee, the composition, responsibilities and operations of the committee shall be disclosed:

1. Information regarding the members of the Remuneration Committee

| Title (Note 1) | Name | Has more than 5 years of work experience and the following professional qualifications | | | Status of Independence (Note 2) | | | | | | | | Remarks | |
|----------------------|---------------|--|---|--|---------------------------------|---|---|---|---|---|---|---|---------|--|
| | | Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company | Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company | Work experience in business, law, finance, accounting or other areas relevant to the business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | Number of other public companies in which the member also serves as a member of the remuneration committee |
| Independent Director | Hai Ying-Chun | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | None |
| Independent Director | Chen Chung | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | None |
| Independent Director | Tsai Li-Hsing | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | None |

Note 1: Fill "Director", "Independent Director" or "Others" in the Title column.

Note 2: Insert "V" in the box if a member meets the following criteria during his/her term of office and two (2) years prior to the date elected. ✓

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not serving as the director and supervisor of the Company or any of its affiliated companies. However, this restriction does not apply to independent directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country.
- (3) Not a natural person shareholder who holds more than one (1) percent of total shares issued by the Company or is ranked top 10 in terms of number of shares held, including shares held in the name of the person's spouse, minor children, or in the name of others.

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship to the individuals listed in the 3 preceding criteria.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds more than five (5) percent of the total number of shares issued by the Company or is one of the top 5 shareholders by number of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company.
- (7) Not a professional, owner, partner, director (member of the governing board), supervisor (member of the supervising board) or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any of its affiliated companies or spouse thereof.
- (8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Responsibilities:

The Remuneration Committee shall exercise the care of a good administrator, faithfully fulfill the following functions and powers, and submit the recommendations to the Board of Directors for deliberation:

- (1) Regularly review the Committee's charter and propose recommendations to amend it when necessary
- (2) Establish and regularly review the annual and long-term performance targets, as well as remuneration policies, systems, standards and structure of the Company's directors, supervisors and managerial officers.
- (3) Regularly evaluate the performance targets of the Company's managerial officers, and develop the content and amount of their remuneration individually

3. Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of three (3) members.
- (2) Term of office: June 12, 2017 to June 7, 2020. A total of three (3) meetings (A) were held by the Remuneration Committee in the most recent fiscal year and the qualifications and attendance of the members are as follows:

| Title | Name | Attendance in Person (B) | Attendance by Proxy | Percentage of Attendance in Person [B/A] (Note) | Remarks |
|------------------|---------------|--------------------------|---------------------|---|---------|
| Convener | Hai Ying-Chun | 2 | 1 | 66.7% | None |
| Committee member | Chen Chung | 2 | 1 | 66.7% | None |
| Committee | Tsai | 3 | 0 | 100.0% | None |

| | | | | |
|--------|----------|--|--|--|
| member | Li-Hsing | | | |
|--------|----------|--|--|--|

Other matters to be noted:

- I. In the event the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and number of the Board meeting, the content of the proposals, resolution from the Board of Directors, and the method the opinion from the Remuneration Committee was handled (e.g., if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.
- II. If the members of the Remuneration Committee have any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions should be stated:

| Remuneration Committee | Resolution and Follow-up Actions | Dissenting Opinions or Qualified Opinions of Members of the Remuneration Committee |
|---|--|--|
| 3rd Term 2nd Meeting March 13, 2018 | 1. The Company's 2017 directors' and employee remuneration distribution plan | None |
| | 2. Discussion of the 2017 special bonus for managerial officers. | None |
| | 3. Reviewed the remuneration of the Directors and managers and the performance appraisal system. | None |
| | Opinions of the Remuneration Committee: None. | |
| | Remuneration Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. | |
| 3rd Term 3rd Meeting August 10, 2018 | The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution. | |
| | Reported the Company's annual salary adjustments. | None |
| | Opinions of the Remuneration Committee: None. | |
| | Remuneration Committee resolution: The proposal was passed unanimously by the Committee Members in attendance. | |
| | The Company's actions in response to the opinions of members of the Remuneration Committee: The Company shall conduct relevant operations based on the resolution. | |
| 3rd Term 4th Meeting December 6, 2018 | 1. Amended certain articles of the "Remuneration Committee Charter." | None |
| | 2. Established 2019 Business Plan of the Committee. | None |
| | Opinions of the Remuneration Committee: None. | |
| | Remuneration Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting. | |
| | The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution. | |

Note:

- (1) Where an member of the Remuneration Committee resigns before the end of the fiscal year, the "remark" column should filled with the member's resignation date, whereas his/her percentage of attendance in person (%) should be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.
- (2) If members of the Remuneration Committee are re-elected before the end of the fiscal year, incoming and outgoing members should be listed accordingly, and the "remark" column should indicate whether the status of a member is "outgoing", "incoming" or "re-elected", and the date of re-election. Actual attendance percentage (%) is calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

(V) Fulfillment of Corporate Social Responsibility (CSR)

| Evaluation Item | Implementation Status (Note 1) | | Summary (Note 2) | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|---|--------------------------------|----|--|--|
| | Yes | No | | |
| I. Implementation of Corporate Governance | | | | |
| (I) Has the company established CSR policies or systems and reviewed their effectiveness? | ✓ | | (I) The Company issued the 2017 Corporate Social Responsibility Report on June 30, 2018. The report can be downloaded from the Company's website (https://www.usife.com.tw/zh-tw/dirCSR/firmCSR5.aspx). The content of this report discloses its CSR vision and sustainable development strategies, where each department promotes CSR-related work according to its functions and regularly review the results of such work. Besides, the report also responds to its stakeholders by highlighting CSR management and performance in three aspects - operations, environment and society. Please refer to Section 2 - Corporate Social Responsibility Management in the Company's 2017 Corporate Social Responsibility Report. | Consistent with the "Corporate Social Responsibility Best-Practice Principles for TWSE or TPEX Listed Companies." |
| (II) Does the Company routinely promote and hold CSR training? | ✓ | | (II) The Company regularly promotes CSR education and training. | |
| (III) Has the company established a dedicated full-time (or part-time) unit to promote CSR? Has the Board of Directors authorized senior management to handle such matters and report its implementation to the Board of Directors? | ✓ | | (III) The Company has established the Corporate Social Responsibility Committee as a functional committee under the jurisdiction of the Board of Directors. The Committee consists of four members including the Chairman, General Manager, and two Independent Directors assigned by the Board of Directors in a resolution. An Independent Director serves as the Chairman of the Committee and the General Manager serves as the Deputy Chairman of the Committee. The Committee has a project secretary and three Work Groups including the "Corporate Governance Team", "Environmental Protection Team", and "Social Relations Team." The Committee convenes meetings at least twice a year and two (2) meetings were convened in 2018. The plans (contents) and results of the current year were reported to the Board of Directors on August 10, 2018. The Corporate Governance Team communicates | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| (IV) Has the company formulated a reasonable remuneration policy and combined employee performance appraisal and CSR policies? Has the company established a clear reward and punishment system? | ✓ | | <p>with investors, customers, suppliers, and government agencies on topics we face for achieving sustainable operations to maintain trust between our company and our stakeholders. The Environmental Protection Team integrates internal measures and plans relating to environmental protection, energy conservation, emissions reduction, and occupational health and safety; follows up and reviews implementation outcomes; and discusses topics in environmental protection that are key to meeting stakeholder expectations, so as to meet stakeholders' expectation. The Social Relations Team communicates with employees, community residents, and non-profit organizations on topics relating to employee care, social care and social engagement to contribute to the creation of a fair, just, safe, and harmonious society. Each team is formed by representatives from related departments and responsible for the promotion of CSR-related work. In addition, the Committee reports the status of CSR implementation to the Board of Directors. Refer to Section 2.2 - Corporate Social Responsibility Committee in the Company's 2016 Corporate Social Responsibility Report.</p> <p>(IV) The Company has established its Remuneration Committee to regularly review its remuneration policies and report rewards and punishments based on outcomes of performance appraisal so as to ensure that its reward and punishment system is effective. The annual salary of the regular employees is 14 months, including 12 months' salary and 2 months' bonus. The Company also provides bonuses for three major Chinese holidays and distributes year-end bonuses based on the Company's profitability, personal performance of the employees, and achievement rate of organizational objectives.</p> | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|---|--------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| <p>II. Fostering A Sustainable Environment</p> <p>(I) Is the company committed to improving the efficiency of the use of various resources, and to the use of recycled materials with reduced environmental impact?</p> <p>(II) Has the company established an appropriate environmental management system based on the characteristics of the industry to which it belongs?</p> <p>(III) Is the company concerned with the effects of climate change on its business activities? Has the company implemented greenhouse gas (GHG) inventory audit, and formulated strategies for energy conservation, carbon</p> | <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(I) The Company is committed to increasing recycling rate of raw materials in its manufacturing processes in order to lower volatile organic compounds (VOC). Besides, the Company also reduces material consumption, and lower production and manufacturing costs. The Company has increased recycling rates of raw materials by adding molecular recognition technology (MRT) distillation columns. In addition, the Company also reduces the impact of product packaging on the environment by letting customers recycle and reuse PE bags and paper bags. Customers who make purchases in large quantities and have their own warehousing capacity are recommended to use tankers as a means of transportation so as to directly reduce the use of packaging materials, where such measure is more friendly to the environment.</p> <p>(II) The Company obtained ISO 14001 certification in 1998. We have established an appropriate environmental management system with regards to air pollution prevention, water resources management and water pollution prevention, waste control, as well as safe management of raw materials and products according to the characteristics of the industry. Furthermore, the Company has set up a channel for handling environmental impact grievances to maintain the Company's procedures for communicating, participating in and providing consultation on environmental issues.</p> <p>(III) To keep the Company updated with its GHG emission status, the Kaohsiung plant voluntarily performs a GHG inventory audit every year, and collectively releases major emission sources by means of operational control. In line with the government's GHG reduction policy, the Company has formulated energy conservation and</p> | <p>Consistent with the "Corporate Social Responsibility Best-Practice Principles for TWSE or TPEX Listed Companies."</p> |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|------------------------------|--------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| reduction and GHG reduction? | | | <p>carbon reduction plans for each unit and set plant-wide energy conservation and carbon reduction goals. In addition, the Company has also established an energy conservation and carbon reduction team with the help of the affiliated companies of USI Corporation, and put together consistent approaches through resource integration and experience sharing in order to jointly promote practical and effective energy conservation and carbon reduction plans and perform quarterly review of implementation results.</p> <p>The Company's energy conservation and carbon reduction plan and its implementation results in 2019 are as follows:</p> <ol style="list-style-type: none"> 1. Goal: Reduce greenhouse gas emissions by 2,360 tons Measure: 2019 Plant-wide Energy Conservation Plan Methods of Implementation: <ol style="list-style-type: none"> (1) The cooling water supply pipe is connected to pipelines to reduce the number of required operating cooling water pumps. (2) Renewal of ethylene pumps. (3) Cooling tower fan motor variable frequency power conservation project. (4) Replace motors in chillers with high-efficiency motors. (5) Chiller replacement project. <p>In line with the announcement made by the Ministry of Economic Affairs, the Company submits the "Annual Energy Users' Energy Conservation Audit Declaration Form" on time, and formulates annual energy conservation projects and annual energy conservation rates. The Company also sets annual power conservation items and annual power conservation ratios for budget and implementation. We track the progress every quarter to achieve an annual energy conservation rate of 1%. The energy</p> | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|-----------------|--------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| | | | <p>conservation plans reported to the Bureau of Energy in 2019 included the replacement of existing pumps with high-efficiency motors, improvement of layout in the cooling water supply pipelines in Plant 1 to reduce the number of required operating cooling water pumps, reducing the amount of operating time of the blowers, replacement of old blowers, repairs and replacement of air-conditioning units at the plant, cooling tower fan motor variable frequency power conservation project at Plant 2, and replacement of motors in chillers with high-efficiency motors and chiller replacement project. We expect to achieve 1.79% in electricity savings and reduce 2,360 tons of CO2e in annual carbon emissions.</p> <p>2. Goal: Reduce wastewater effluent by 64,240 tons Measure: Wastewater recycling Methods of Implementation:</p> <p>(1) Increase the reutilization rate of water resources The steam condensate recovery system has been improved. After the completion and commissioning of the new boiler in Kaohsiung Plant, the recovered steam condensate is directed to the new boiler to be reused. The water recovered each year amounts to approximately 47,520 tons.</p> <p>(2) Recycling and reuse of overflowing water from pellet cutting process The overflowing water from pellet cutting process in plants is collected in the settling pool and directed to the recycled water treatment facilities through pipelines before being recycled to the cooling tower for use. It reduces the usage of tap water and reduces process wastewater effluent. The water recovered each year amounts to approximately 27,720 tons.</p> | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| | | | <p>(3) Completion, test s, and online usage of the continuous wastewater monitoring and recovery system The system continuously monitors the quality of effluent from the plant and increases the response capacity for wastewater treatment. It also ensures that the effluent meets control standards. The effluent is processed in the recycling system and used to replenish water in the cooling tower to reduce the usage of tap water and reduce process wastewater effluent. The water recovered each year amounts to approximately 52,800 tons.</p> <p>(4) Detention pool and tank area rainwater recovery The rainwater collected in the existing detention pool and tank areas is directed to the cooling tower via a pipe. The rainwater is filtered with a rainwater separator by the cooling tower and used to replenish water in the cooling tower. The water recovered each year amounts to approximately 9,664 tons.</p> | |
| <p>III. Preserving Public Welfare</p> <p>(I) Has the company formulated the relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?</p> | ✓ | | <p>(I) The Company has made reference to internationally recognized human rights standards including the International Bill of Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work to fully exercise CSR and implement human rights protection. Besides, the Company has established human rights policy to eliminate human rights violations so that our existing colleagues can enjoy reasonable and dignified treatment.</p> <ol style="list-style-type: none"> 1. Follow relevant laws and regulations to provide a safe and healthy workplace 2. Committed to maintaining a workplace which is free of | Consistent with the "Corporate Social Responsibility Best-Practice Principles for TWSE or TPEX Listed Companies." |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| | | | <p>violence, harassment and intimidation, as well as respect the privacy and dignity of employees</p> <p>3. The Company does not hire child labor</p> <p>4. Prohibit forced labor</p> <p>5. Eliminate unlawful discrimination and reasonably ensure equal opportunity in employment and promotion</p> <p>6. Respect employees' rights to organize and participate in legally recognized labor unions to protect their right to work</p> | |
| (II) Has the company established employee complaint and grievance mechanisms and channels, and handled employee complaints and grievances appropriately? | ✓ | | (II) The Company's internal staff can make complaints and grievances to their direct supervisors, human resources manager and head of audit, as well as send them to the employee complaint and grievance mailbox and other company mailboxes. Related experts will thoroughly understand and respond to their complaints and grievances which are handled based on the principles of confidentiality which respect the parties involved and the incident investigation process. | |
| (III) Does the company provide a safe and healthy work environment to its employees, and regularly offer safety and health education to its employees? | ✓ | | (III) The Company's Kaohsiung plant has successfully obtained the OHSAS18001 Health and Safety Management System Certification. The occupational safety and health department and the construction department at the plant regularly perform various occupational safety and health inspections and examinations on a daily basis. All affiliates within the USI Group also monitor and exchange experience with one and other according to the "Group Safety and Health Partner Area Joint Defense" system recommended and instructed by the Southern Regional Labor Inspection Office, Council of Labor Affairs, in order to further implement safety and health management. The Company has an "Occupational Safety and Health Committee (OSHC)" established in accordance with the "Regulations for Occupational Safety and | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|-----------------|--------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| | | | <p>Health Management," with labor representatives elected or appointed by the union. The committee meets with management every quarter to discuss ESH topics on behalf of employees. We team up with the Taiwan Responsible Care Association (TRCA) and the Renda Industrial Park Safety and Health Promotion Association to promote industrial safety, health, and environmental protection together and learn from one another in order to improve the protection of employee safety and health. In addition, we organize fire exercises and industrial safety education and training biannually to develop emergency response skills and self-safety management of employees. Based on the production activities of the Company, we have established emergency response procedures for raw material (chemical) leakage, fire, explosions, and earthquakes. In addition, we have classified incidents into three levels and have planned different response measures. When the level of an incident rises, the response shall change accordingly. The three stages of response are as follows:</p> <p>Stage 1: Minor leakage of hazardous substances and a minor fire occur within the plant.</p> <ul style="list-style-type: none"> ● The on-duty officer will be the site commander to instruct personnel within the unit to stop the leakage or fire. <p>Stage 2: Major leakage of hazardous substances and a major fire occur within the plant where the emergency response team of the incident occurring unit cannot effectively control the situation, and it must mobilize the plant's emergency response organization to support.</p> <ul style="list-style-type: none"> ● The on-duty officer sends request for support to the head of unit and mobilizes the emergency response organization according to the alert and reporting procedure. | |

| Evaluation Item | Implementation Status (Note 1) | | Summary (Note 2) | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|-----------------|--------------------------------|----|--|--|
| | Yes | No | | |
| | | | <ul style="list-style-type: none"> ● Based on the emergency situation, request for support outside of the plant and notify relevant agencies when necessary. ● Determine the need to immediately shut down plant operations and isolate the incident affected area. ● The site commander can be the head of the incident occurring unit or department, until the general plant manager or his/her deputy takes over the command. ● Set up a response command center to gather information regarding the latest situation for the chief commander to make decisions and notify the response organization. <p>Stage 3: The incident may spread outside of the plant and its impact reaches outside of the plant.</p> <ul style="list-style-type: none"> ● The general plant manager or his/her deputy becomes the chief commander to command the emergency plan within the plant and report the situation to the Fire Bureau of Kaohsiung City. ● If the situation cannot be controlled and may threaten the life of employees, the plant is evacuated. <p>Every year we commission major hospitals to give health examinations to employees to protect their physical health and report the examination results to competent authorities for reference as necessary. We also arrange special health examinations for employees of specific plant engaging in dusty, ionizing radiation, and n-hexane work. At USI, the safety management of contractors and suppliers is equally important. Therefore, we have established the "Contractor Management Regulations" and the "Contractor Entry Management Manual." Both documents include industrial safety education and training for contractors, and they must pass safety certification before they can perform their</p> | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| (IV) Has the company established mechanisms to regularly communicate with its employees and appropriately notify its employees of operational changes that may result in material effects? | ✓ | | <p>contracts at USI. To strengthen safety supervision during construction, we have established the "Labor Safety and Health Tour Inspection Regulations" to implement ESH tour inspections every day within the plant to improve the safety of all processes and ensure the safety, life, and health of employees. Before implementing high-risk work, we run a risk assessment process to identify hazards, assess risk, take precautionary measures, and review the emergency response plan. We also hold communication and coordination meetings with contractors from time to time to ensure operation safety. Education, training, and publicity are the foundation to promote ESH awareness to employees and contractors. By establishing the "Labor Safety and Health Education and Training Regulations," we provide knowledge and skill training for different categories of employees and contractor personnel based on actual need.</p> <p>(IV) The Company and its employees have chosen their respective representatives to establish the Supervisory Committee of Business Entities' Labor Retirement Reserve, the Employees' Welfare Committee and the Occupational Safety and Health Committee. In addition, meetings are regularly held between both parties in order to establish channels of communication between both the Company and its employees and preserve employees' rights. In the event of operational changes that may lead to material changes in employees' rights, the Company will issue a notice 10 to 30 days in advance in accordance with the Labor Standards Act and other laws and regulations, with the purpose of protecting employees' rights.</p> | |
| (V) Has the Company established an effective career developmental plan for its employees? | ✓ | | (V) The Company has established an all-round education and training system in coordination with the external environment, its business principles, department performance goals and employees' career | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| (VI) Has the company established relevant customer rights policies and customer complaint and grievance procedures for research and development, purchasing, production, operations and service processes? | ✓ | | development needs, in order to provide training courses required by all-round talents. In regards to the employees' continuing education and learning, the Company conducts the employee training needs survey in the fourth quarter of every year to formulate education and training implementation plans and budgets. At the same time, the Company has also set up a digital learning platform as a means for self-learning, and regularly holds employee functional training, management training, seminars, health talks and various conferences to enhance employees' professional and management skills, thereby balancing employees' physical and mental development. In order to improve coworkers' qualities and overall competitiveness, courses are conducted using diverse methods. In addition to lectures, in-class activities are designed according to course attributes, while case study discussions or group discussions are carried out, with a view to making learning livelier and more productive. Additionally, online e-learning courses allows coworkers to effectively participate in learning activities anytime, anywhere, thereby enhancing their career development and overall work performance. | |
| (VII) Does the company comply with relevant laws and international regulations governing the marketing and labeling of its products and | ✓ | | (VI) The Company has set up a Research and Development Division in Linkou, which focuses on customer service and product research and development, in order to develop new products and products for new applications and assist customers in upgrading manufacturing technologies. The Company has also established specifications concerning technical support, customer privacy, handling of customer complaints and customer satisfaction. (VII) The Company establishes long-term cooperation with high-quality suppliers based on quality, capability and environmental protection policies, fulfills corporate social responsibilities, and delivers the | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| <p>services?</p> <p>(VIII) Has the company evaluated any record of a supplier's impact on the environment and the society before engaging in commercial dealings with the said supplier?</p> | ✓ | | <p>idea of environmental protection policies to contractors and carriers. At the same time, the Company complies with the Restriction of Hazardous Substances (RoHS) directive and enhances environmental protection education and training. The Company also pays serious attention to the safety of construction companies in the plant area and ensures the safety of various operations so as to protect the safety and health of workers and jointly engage in good risk management.</p> <p>(VIII) The Company has established long-term strategic partnerships with major raw material suppliers and set up safety stock according to preparation schedule so that the supply chain can continue to run smoothly. To encourage continuous supplier optimization so that the Company can obtain quality raw materials and services at the right time, in the right quantity and at the right price and continue to expand the sources of raw materials supply, the Company regularly performs semi-annual evaluation of suppliers according to aspects including quality, delivery dates, environmental protection and occupational safety and health, packaging, quality certification and services in coordination with production operations and environmental protection policies. The Company currently includes sustainable development indicators regarding the environment, labor, human rights and social impact as one of the evaluation items for screening new suppliers and evaluating existing suppliers. We also require new suppliers to sign related commitment statements to abide by labor, human rights, health and safety, environmental, and ethical requirements. We have gradually required existing suppliers to sign commitment statements and abide by their statements. After the Company receives signed statements from all suppliers, we shall organize unscheduled inspections on suppliers to verify their</p> | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| (IX) Do contracts between the company and its major suppliers include terms where the company may terminate or rescind the contract at any time if the said suppliers violate the company's corporate social responsibility policy and have caused significant effects on the environment and the society? | ✓ | | adherence to the commitment statements. (IX) The Company will continuously strengthen self-evaluation of supply chain sustainability and require suppliers to sign the Corporate Social Responsibility Commitment Statement to require them to jointly abide by the government's related laws and regulations and corporate social responsibility requirements. In the event of a violation, the Company shall have the right to request suppliers to implement continuous improvements and adopt procurement strategies based on the signing and execution status of the Commitment Statement. | |
| IV. Enhancing Information Disclosure (I) Does the company disclose relevant and reliable information related to CSR on its official website or MOPS? | ✓ | | The Company has set up the Corporate Social Responsibility section on its website to disclose information on corporate social responsibility (http://www.usife.com.tw/zh-tw/dirCSR/frnCSR.aspx). The Company issued the 2017 Corporate Social Responsibility Report on June 30, 2018. The contents of the report were prepared according to the G4 "Core" option in the Sustainability Reporting Guidelines published by the Global Reporting Initiative (GRI). The report has been disclosed on the Company's website and posted on MOPS where stakeholders can view and view and download the Report. | Consistent with the "Corporate Social Responsibility Best-Practice Principles for TWSE or TPEX Listed Companies." |
| V. If the Company has established its own "Corporate Social Responsibility Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies," state the discrepancies between these principles and its implementation: The Company added its "Corporate Social Responsibility Best Practice Principles" on March 12, 2015. There was no material discrepancy between these principles and its implementation. | | | | |
| VI. Other important information that facilitate the understanding of the implementation of corporate social responsibility: (I) Composition, duties and operation of the Corporate Social Responsibility Committee: The Company's Corporate Social Responsibility Committee was officially established on June 26, 2018 and the composition, duties, and operations of the Corporate Social Responsibility Committee are as follows: 1. Information on the members: | | | | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies | | | | | | | | | | |
|---------------------------|---|----|------------------|--|-------|------|--------------------|-------------------------------------|---------------------------|--|------------------|----------------------|------------------|-------------------------------------|
| | Yes | No | Summary (Note 2) | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>Committee Chairman</td> <td>Tsai Li-Hsing, Independent Director</td> </tr> <tr> <td>Deputy Committee Chairman</td> <td>Wang Ke-Shun, Director and General Manager</td> </tr> <tr> <td>Committee member</td> <td>Quentin Wu, Chairman</td> </tr> <tr> <td>Committee member</td> <td>Hai Ying-Chun, Independent Director</td> </tr> </tbody> </table> | | | | Title | Name | Committee Chairman | Tsai Li-Hsing, Independent Director | Deputy Committee Chairman | Wang Ke-Shun, Director and General Manager | Committee member | Quentin Wu, Chairman | Committee member | Hai Ying-Chun, Independent Director |
| Title | Name | | | | | | | | | | | | | |
| Committee Chairman | Tsai Li-Hsing, Independent Director | | | | | | | | | | | | | |
| Deputy Committee Chairman | Wang Ke-Shun, Director and General Manager | | | | | | | | | | | | | |
| Committee member | Quentin Wu, Chairman | | | | | | | | | | | | | |
| Committee member | Hai Ying-Chun, Independent Director | | | | | | | | | | | | | |
| | <p>2. Responsibilities:</p> <ol style="list-style-type: none"> (1) Determining the corporate social responsibility (CSR) policy. (2) Outlining the CSR strategy, annual plan, and project plans. (3) Supervising the plans of CSR strategies, the implementation of the annual plan and project plans, and evaluate the implementation. (4) Reviewing and approving the CSR report. (5) Report the implementation of CSR activities to the Board of Directors each year; (6) Other matters to be conducted by the Committee per board resolution. <p>3. Implementation status:</p> <p>1st Meeting</p> <ol style="list-style-type: none"> (1) Meeting date: August 10, 2018 (2) Committee members in attendance: Tsai Li-Hsing, Wang Ke-Shun, Quintin Wu, and Hai Ying-Chun (3) Report for promoting the CSR Committee to a functional committee of the Board Directors. (4) Report on the progress of the 2017 Corporate Social Responsibility Report. <p>2nd Meeting</p> <ol style="list-style-type: none"> (1) Meeting date: December 6, 2018 (2) Committee members in attendance: Tsai Li-Hsing, Wang Ke-Shun, Quintin Wu, and Hai Ying-Chun (3) Report on the results of the 2017 Corporate Social Responsibility Report. (4) Report related activities of the CSR Committee in 2018. (5) Report the progress on the 2018 Corporate Social Responsibility Report. <p>3rd Meeting</p> <ol style="list-style-type: none"> (1) Meeting date: March 8, 2019 (2) Committee members in attendance: Tsai Li-Hsing, Wang Ke-Shun, Quintin Wu, and Hai Ying-Chun (3) Report on the results of the 2018 Corporate Social Responsibility Plan. | | | | | | | | | | | | | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|------------------|--|
| | Yes | No | Summary (Note 2) | |
| <p>(4) Progress report of the 2018 Corporate Social Responsibility Report.</p> <p>(II) Implementation of Environmental Protection and Occupational Safety and Health:</p> <ol style="list-style-type: none"> 1. Environmental protection policies: <ol style="list-style-type: none"> (1) To comply with relevant environmental protection and occupational safety and health regulations and relevant requirements derived from such regulations. (2) To continuously conserve and reuse resources and energy, and reduce industrial waste (3) To prevent pollution, reduce potential risks in operations (4) To continuously provide employees with education and training, and carry out work related to environmental protection and occupational safety and health (5) To actively communicate with customers and residents, manage suppliers and contractors, and encourage all employees to participate in work related to environmental protection and occupational safety and health (6) To thoroughly implement environmental management system to enhance environmental performance and reduce environmental safety risks in communities 2. The Company has been a member of the Taiwan Responsible Care Association since 1998 serves as a member of the Association's Regulatory Committee who regularly participates in regulatory discussions. The Company applies the "Responsible Care Management Practices" established by TRCA to its entire plant, and reports its safety, health and environmental protection performance indicators every year. 3. The Company continues to implement industrial waste reduction, improve workplace safety, and enhance environmental protection and occupational safety and health training for employees. 4. The Company has formulated its "Waste Management Practices" in accordance with the "Standards for Defining Hazardous Industrial Waste" in order to determine the characteristics of wastes, and details such information in the "Waste Cleanup Plan" before submitting the plan to the competent authority. 5. The Company has formulated its "Procedures Governing the Management of Recycled and Regenerated Products" that specify resource recycling, classification, storage and auction operations, with the purpose of achieving waste reduction and resource recycling and reuse. 6. The Company's subsidiary, Taiwan VCM Corporation rented part of the land occupied by the China Petrochemical Development Corporation's Cianjhen Plant from January 1, 1970 to December 31, 1989 to set up its plant and manufacture VCM. In October 2006, the area was deemed a groundwater pollution control site. After remediating the area using the "Physics+Chemistry+Biology" engineering method developed by Taiwan VCM Corporation, the groundwater pollution concentration level of the site decreased to less than the groundwater pollution control standard. Based on the findings of re-inspections by the Environmental Protection Bureau of the Kaohsiung City Government on January 11, 2016, it was announced on April 11, 2016 that the area had its status as a groundwater pollution control site terminated and was removed from the delineation of the | | | | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|------------------|--|
| | Yes | No | Summary (Note 2) | |
| <p>groundwater pollution control region.</p> <p>7. In 2010, part of the land occupied by China General Plastics Corporation's Toufen Plant was listed as a groundwater pollution control site and included in the groundwater pollution control region by environment unit. Therefore, the Company introduced and implemented the "Physics+Chemistry+Biology" engineering method developed by Taiwan VCM Corporation to carry out remediation and improvement of the area. After the field samples collected were verified by environmental protection agencies, it was found that various data have complied with the government's control standards. The site was removed as a groundwater pollution control site by the Environmental Protection Administration on February 24, 2017 and the Environmental Protection Bureau of the Miaoli County Government on March 21, 2017.</p> <p>(III) Implementation of Energy Conservation and Carbon Reduction:</p> <p>1. Energy conservation and carbon reduction policies:</p> <p>(1) To achieve energy conservation and carbon reduction regulations set by the government, as well as actively promote and develop energy conservation and carbon reduction projects.</p> <p>(2) To demonstrate the Company's commitment towards energy conservation and carbon reduction, and rewards the incorporation of energy conservation and carbon reduction cases in order to propose improvements to the system.</p> <p>(3) To promote energy conservation and carbon reduction plans at departmental level and carry out energy conservation and carbon reduction education and promotional work.</p> <p>(4) To implement energy conservation and carbon reduction-related individual job details and continuously provide employees with education and training in order to implement energy conservation and carbon reduction.</p> <p>2. Outcomes of energy conservation and carbon reduction:</p> <p>(1) The carbon dioxide emissions of the Company in 2018 and 2017 were 782,716 tons and 761,135 tons, respectively. The reductions of carbon dioxide emissions were 10,358 tons and 31,873 tons, respectively.</p> <p>(2) On January 17, 2016, the Environmental Protection Administration (EPA) of the Executive Yuan announced the "first group of stationary resources required for GHG reporting." As the annual emissions of Renwu plant is less than 25,000 tons of CO₂e according to the trial calculation of stationary burning of fossil fuel, the Company was not one of the stationary sources required for reporting. To understand the status of its GHG emissions, the Renwu plant conducts voluntary GHG inventory every year. The organizational boundary of GHG inventory covers the entire Renwu plant. We consolidate emissions of major emission sources with operational control. We also convert the global warming potential (GWPs) of different types of GHGs into carbon dioxide equivalent (CDE, CO₂e) as announced by the Intergovernmental Panel on Climate Change (IPCC) in 2007.</p> <p>(3) The inventory of greenhouse gases at the Company's production sites including the Toufen Plant and Linyuan Plant were performed by SGS Taiwan in accordance with ISO 14064-1: 2006. The verified total emissions in 2017 totaled 396,700 tons. The results of the verified total</p> | | | | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|------------------|--|
| | Yes | No | Summary (Note 2) | |
| <p>emissions and self-inspections in 2018 totaled 399,960 metric tons (as of the publication date of the Annual Report, SGS has yet to complete the Linyuan Plant verification; results shall be announced on the website and provided in the next year's Annual Report). In addition, the Company has completed performance guidance programs for automatic greenhouse gas reduction and reduced carbon emissions by 6,891 tons and 17,689 tons in 2018 and 2017.</p> <p>(4) The Company's Toufen Plant and Linyuan Plant executed 56energy conservation and carbon reduction projects in 2018. The results have been submitted to the Bureau of Energy. Total energy savings amounted to 165,495 GJ and carbon emissions were reduced by 13,578 tons CO₂e.</p> <p>3. Energy conservation and carbon reduction plans: Key energy conservation and carbon reduction works continuously promoted in 2019:</p> <p>(1) Renewal of distribution transformers. (2) Renewal of chillers and box-type air-conditioners. (3) Use of high-efficiency motors. (4) Improvement of PVC powder conveying system and replacement of old process manufacturing equipment. (5) The feed water in coal-fired sedimentation tank is replaced by effluents.</p> <p>(IV) Implementation of social services and public welfare:</p> <p>1.Special Renda Class for the Petrochemical Industry in Kaohsiung: Thirteen companies at Renda Industrial Park (including Formosa Renwu Plant, Changchun, and Dashe Industrial Park Manufacturers' Association) and the Company's Kaohsiung Plant jointly established an industry-academia collaboration project with Renwu Senior High School from August 2018 to July 2023 to provide students of Renwu Senior High School with scholarships. We provide ten students, in each of the three grades, totaling 90 students over five years, with a total of NT\$1.08 million in scholarships and subsidies of NT\$330,000 as hourly rates for professional courses for three years. In addition to general high school courses, we enhanced students' optional courses in the petrochemicals industry and professional ethics. We also arranged student visits at USI Corporation during summer vacation or on Saturdays to learn about the industry and the work environment. Students who graduate and pursue advanced degrees in relevant departments of universities that are approved by the manufacturers of Renda Industrial Park will be prioritized for recruitment. The first Special Renda Class achieved spectacular results in 2018. Of the 27 graduates this year, 26 participated in the Star Plan and 24 were accepted. The acceptance rate was 92% and ten of the students were accepted into national universities and medical schools. The results were impressive.</p> <p>2.USI Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society". On</p> | | | | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|------------------|--|
| | Yes | No | Summary (Note 2) | |
| <p>December 30, 2011, USI Corporation and Asia Polymer Corporation jointly established the USI Education Foundation with a fund of NT\$50 million. China General Plastics Corporation and Taiwan VCM Corporation also joined the ranks of the sponsors in 2017 and Taita Chemical Co., Ltd. provided support in 2018. The contributions help USI Education Foundation invest more resources into charitable activities such as education for remote areas and environmental sustainability to give back to society. The USI Education Foundation aims to engage in education-related charitable activities, and focuses on care for the disadvantaged people in rural areas and the ecology. The foundation has carried out the following activities in accordance with the relevant laws:</p> <ol style="list-style-type: none"> (1) Sponsor education in rural areas. (2) Establish scholarships. (3) Hold talks, seminars or other education-related charitable activities. (4) Sponsor schools at various levels or educational groups to engage in activities such as literature, sports, music, dance, arts and drama. (5) Industry-academia collaboration. (6) Other related education-related charitable services that are consistent with the aims of the foundation. <p>In 2018, the total sponsorship expenditure of the USI Education Foundation was NT\$8.49 million, including NT\$1.25 million distributed as education scholarships, NT\$500,000 for social service clubs in colleges, NT\$1.5 million for the Alliance Cultural Foundation, NT\$4 million for Taitung Junyi Experimental High School, and NT\$1.24 million in sponsorship for other education and charity activities.</p> <p>The foundation has offered scholarships to outstanding students from poor families, who pursue studies in areas including chemical engineering, materials engineering, environmental science and ecology at more than 10 public and private universities to promote education related to the aforementioned areas and talent cultivation, as well as encourage Bachelor's degree and Master's degree students to work hard, thereby nurturing outstanding talents for the society. In 2018, the foundation awarded NT\$1.25 million worth of scholarships to 25 students from 25 departments in 16 public and private universities, including 4 PhD students, 17 Master's degree students and 4 Bachelor's degree students. 15 of them came from poor families. Since its founding, the foundation has cumulatively awarded NT\$8.35 million worth of scholarships, where the number of departments sponsored have increased from 19 to 25, with the purpose of giving encouragement to more outstanding students who come from poor families. Chairman of the Alliance Cultural Foundation, Mr. Stanley Yen who took over as the Chairman of Junyi Elementary and Secondary School (currently known as Junyi Experimental High School) in Taitung since 2011, hopes to provide students in rural areas with equal opportunities for learning through heuristic education, so as to create new value for education in Taiwan. The Alliance Cultural Foundation has also gradually shifted its manpower, time and resources to education. The USI Education Foundation recognizes Mr. Stanley Yen's care for rural education in Taiwan and his idea on sustainable development. Therefore, the foundation supports his efforts to implement various projects related to implementing and fostering rural education by sponsoring the Alliance Cultural Foundation and Junyi Experimental High School. In 2018, the USI Education Foundation awarded a sponsorship of NT\$1.5 million to the Alliance Cultural Foundation and a sponsorship of NT\$4 million to Junyi Experimental High School</p> | | | | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|-----------------|--------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| | | | <p>in Taitung. The Foundation is expected to continue the sponsorship in 2019.</p> <p>Furthermore, the USI Education Foundation also provides sponsorships to societies and clubs registered at various colleges and universities in order to encourage societies and clubs at colleges and universities to engage in services such as education-related public welfare activities for the disadvantaged, public welfare activities associated with rural education, as well as ecology and environmental protection education. The activities sponsored by the foundation include education services activities in the following areas: languages, mathematics, nature, society, arts, life counseling, health, moral education, information education, environmental education and environmental protection education. The foundation hopes to provide the disadvantaged and rural people with diversified education through high-quality resources and manpower at colleges and universities.</p> <p>3.Established for 46 years, the Company's Love and Care Society continuously participates in the adoption of poor children organized by the Taiwan Fund for Children and families, and visits the sick, orphanages and old folks' homes from time to time.</p> <p>4.We adopted 500 meter of the beach at Longfeng Fishing Harbor in Zhunan Town in 2017 and organized the beach-clearing activities on September 9, 2017 and September 8, 2018.</p> <p>5.The Company participated in the Public Welfare, Environmental Protection and Social Services event held by Yungchen Temple in Toufen Township and provided fund sponsorship to the event.</p> <p>6.The Company helps clean up and maintain the environment around Yungchen Temple, Nantian Street and Beitian Street.</p> <p>7.The Company adopted street lamps around its Toufen Plant, and provides maintenance for these lamps.</p> <p>8.The Company adopted the Jhonggang River Dongxing Bridge Wetland Park in Miaoli.</p> | |
| | | | <p>VII. If the Corporate Social Responsibility Report has received assurance from external institutions, they should be stated below: The "2017 USI Corporation Corporate Social Responsibility Report" was certified by Deloitte & Touche in May 2018. The Statement of Assurance is provided in Appendices 8.3 pursuant to the standards set forth in the G4 Core Options Indicators of the Global Reporting Initiative (GRI) and the Assurance Report Type 1 (revised ISAE 3000). Please refer to the "Corporate Social Responsibility" section on the Company's website (https://www.usife.com.tw). The specific items in the "2018 USI Corporation Corporate Social Responsibility Report" shall be certified by Deloitte & Touche in accordance with the Core Options Indicators of the Global Reporting Initiative (GRI) and the Assurance Report Type 1 (revised ISAE 3000) for limited assurance.</p> | |

Note 1: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

Note 2: Companies that have already prepared their own corporate social responsibility reports may specify ways to access the report and indicate the page numbers of the cited content in place of the abovementioned summary description.

(VI) Implementation of ethical corporate management and measures for its implementation

Implementation of ethical corporate management

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|---|--------------------------------|----|--|---|
| | Yes | No | Summary | |
| <p>I. Formulating Ethical Corporate Management Policies and Programs</p> <p>(I) Does the company specify ethical corporate management policies and programs in its regulations and on external documents? Do its Board of Directors and the management team actively advocate and implement these policies?</p> <p>(II) Has the company formulated solutions to prevent unethical conduct from taking place, specified all the solutions in its operating procedures, conduct guidelines, punishments for violations and complaint and grievance channels, and implemented these solutions?</p> <p>(III) Does the company take preventive measures against operating activities stipulated in Subparagraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies or those with higher risks of unethical conduct in other scopes of business?</p> | <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(I) The Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society" and exercises its corporate culture that "seeks truth, honesty and comprehensiveness." The Company has established its "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers" to specify its ethical corporate management policies. The Company's Board of Directors and management team have promised to actively implement these policies.</p> <p>(II) The Company has formulated its "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct." In addition, it has also formulated the "Code of Conduct for Employees Regarding Concurrent and Part-time Work" and set up an "Ethical Corporate Management" section on its website to promote ethical conduct, and organizes related training courses regularly.</p> <p>(III) The Company has effectively prevented bribery and illegal political contributions by establishing the Audit Committee mailbox, authorization regulations, internal control systems, routine audits and ad-hoc audits.</p> | <p>Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies."</p> |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|---|--------------------------------|----|---|---|
| | Yes | No | Summary | |
| <p>II. Implementing Ethical Corporate Management</p> <p>(I) Has the company evaluated the integrity records of counterparties to its business dealings, and specified ethical business policies in contracts with counterparties to its business dealings?</p> <p>(II) Has the company established a full-time (or part-time) unit directly under the supervision of the Board, which is dedicated to promoting ethical corporate management and regularly reports its implementations to the Board of Directors?</p> | <p>✓</p> <p>✓</p> | | <p>(I) The Company has requested for terms of ethical conduct to be clearly defined in commercial contracts in accordance with its "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct."</p> <p>(II) The Company has designated the Human Resource Division as the unit responsible for implementing ethical corporate management. It reports the implementation status to the Board of Directors regularly every year. It assisted in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. It adopted programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business. Please refer to (V) for details on education and training in 2018. Other related implementations are described below: The Division planned the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct. It promoted and coordinated of honesty policy advocacy training. It formulated the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" to ensure the effectiveness of execution. It helps the Board of Directors in supervising the management in review and evaluation of whether the preventive measures established for ethical corporate management are</p> | <p>Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies."</p> |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|---|--------------------------------|----|--|---|
| | Yes | No | Summary | |
| (III) Has the Company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly? | ✓ | | functioning effectively; regularly evaluate the status of compliance based on relevant business processes; and prepare necessary reports. (III) The Company has formulated a policy for preventing conflict of interest in accordance with its "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers," and established various related channels (such the Audit Committee mailbox, stakeholders' section, shareholders Q&A section and investor services section set up on the Company's website https://www.usife.com.tw/) for directors, managers and employees to describe potential conflicts of interest they have with the Company. Responses to shareholders' questions are also included in the shareholders' Q&A section for public viewing. | |
| (IV) Has the company established an effective accounting system and internal control systems to implement ethical corporate management, designated its internal audit unit to perform regularly audits or commissioned CPAs to perform audit? | ✓ | | (IV) The Company's accounting systems and internal control systems can run independently and objectively. Internal control personnel regularly report to the Audit Committee and the Board of Directors. CPAs appointed by the Company regularly perform internal audits and hold discussions with the management team and the Audit Committee. | |
| (V) Does the company regularly hold internal and external training related to ethical corporate management? | ✓ | | (V) The Company continues to organize awareness education and training activities. In 2018, courses for a total of 217 persons / 553 training hours were held and the details are set out below: (1) Legal Liabilities and Case Analysis of Breach of Trust / 3 hours / 119 persons. (2) Copyright protection and reasonable use / 2 hours / 42 persons. (3) Trade Secrets Act and Case Analysis / 2 hours / 24 persons. (4) Mobile devices and information security education and training / 2 hours / 6 persons. | |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|--|--------------------------------|----|--|---|
| | Yes | No | Summary | |
| | | | (5) Social engineering exercises / 2 hours / 21 persons. (6) ISO 27001 Information Security Management System education training / 2 hours / 5 persons | |
| <p>III. Implementation of the Company's Whistleblowing System</p> <p>(I) Has the company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?</p> <p>(II) Has the company established standard operating procedures for investigating reported cases and related confidentiality mechanisms?</p> <p>(III) Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?</p> | <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(I) The Company has established the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" and provided internal and external channels for whistleblowing. Examples include the Audit Committee which accepts reports from shareholders and investors; the Audit Office which accept reports from the Company's customers, suppliers, and contractors; and the Human Resource Division which accepts reports from employees. Whistleblowers can report to the aforementioned units face-to-face, on the telephone, or in letters.</p> <p>(II) The procedures above specify the handling procedures after receiving a whistleblowing report. The process is conducted in a confidential and rigorous manner.</p> <p>(III) The procedures above also specify that whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities fully maintained, so that they will not be subjected to unfair treatment or retaliation.</p> | Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies." |
| <p>IV. Enhancing Information Disclosure</p> <p>(I) Has the Company disclosed the content and effectiveness of its integrity management principles on the Company's website and the Market Observation Post System?</p> | <p>✓</p> | | <p>(I) The Company has disclosed the ethical corporate management policies and education information in the "Ethical Corporate Management" section in its internal website for employees to review and placed the "Ethical Corporate Management Best Practice Principles" and annual reports on the external website (https://www.usife.com.tw/zh-tw/dirInvestor/frmInvestor1.aspx) (as well as the MOPS) to disclose related information on ethical</p> | Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies." |

| Evaluation Item | Implementation Status (Note 1) | | | Discrepancies between its implementation and the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies" and reasons for such discrepancies |
|-----------------|--------------------------------|----|---|---|
| | Yes | No | Summary | |
| | | | corporate management. | |
| V. | | | <p>If the Company has established its own "Ethical Corporate Management Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies," state the discrepancies between these principles and its implementation: The Company has established its "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers," the "Ethical Corporate Management Best Practice Principles," the Procedures for Ethical Management and Guidelines for Conduct," the "Code of Conduct for Employees Regarding Concurrent and Part-time Work," and the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct." There was no material discrepancy during the implementation of these rules and regulations.</p> | |
| VI. | | | <p>Other important information that facilitates the understanding of the implementation of ethical corporate management: (such as review and amendment of the Company's "Ethical Corporate Management Best Practice Principles") The Company issues a signed letter titled "Reiteration of Our Company's Ethical Corporate Management Policies" to suppliers to demonstrate its commitment to ethical corporate management, and continuously organizes related promotion and training activities.</p> | |

Note 1: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

(VII) Methods of inquiry in the Corporate Governance Best Practice Principles and related regulations established by the Company:

1. The Company has established the following operating procedures:
 - (1) Articles of Association
 - (2) Corporate Governance Best Practice Principles
 - (3) Rules of Procedure for Board of Directors' Meetings
 - (4) Procedures for Election of Directors
 - (5) Procedures Governing the Evaluation of the Performance of the Board of Directors
 - (6) Rules Governing the Scope of Powers of Independent Directors
 - (7) Rules of Procedure for Shareholders' Meetings
 - (8) Procedures Governing the Acquisition and Disposal of Assets
 - (9) Procedures Governing the Making of Endorsements/Guarantees
 - (10) Procedures Governing the Loaning of Funds to Others
 - (11) Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers
 - (12) Ethical Corporate Management Best Practice Principles
 - (13) Procedures for Ethical Management and Guidelines for Conduct
 - (14) Remuneration Committee Charter
 - (15) Audit Committee Charter
 - (16) Procedures for Handling Material Inside Information
 - (17) Corporate Social Responsibility Best Practice Principles
 - (18) Corporate Social Responsibility Committee Charter
 - (19) Procedures Governing the Handling of Employee Complaints, Opinions and Feedback
 - (20) Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
 - (21) Corporate Governance Self-Evaluation Report
2. For related procedures, please visit the following websites
 - (1) "Corporate Governance" section of the Market Observation Post System (<http://mops.twse.com.tw/mops/web/index>)
 - (2) "Corporate Governance" section under Investor Relations on

the Company's official website (<https://www.usife.com.tw>)

(VIII) Other material information that can enhance the understanding of the state of corporate governance at the Company:

The Company regularly performs audit of its subsidiaries, and regularly analyzes and reviews the financial and business information of its subsidiaries in accordance with the requirements for supervision and monitoring of subsidiaries stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies."

(IX) The following items related to the implementation of internal control systems should be disclosed:

1. Internal Control Statement.

USI Corporation

Statement on Internal Control System

Date: March 8, 2019

According to the results from our self-evaluation, the Company shall make the following statements on our internal control system in 2018:

- I. The Company acknowledges that the establishment, implementation and maintenance of internal control systems are the responsibilities of the Company's Board of Directors and managerial officers, and thus the Company has established such systems. The objective of this system is to meet various goals including achieving operational benefits and efficiency (including profitability, performance, as well as asset and safety protection), and ensuring the reliability, timeliness, transparency and regulatory compliance of reporting, thereby providing reasonable assurance.
- II. An internal control system has inherent constraints. No matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned objectives. In addition, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, the Company's internal control systems are equipped with self-monitoring mechanisms, thereby allowing the Company to take immediate remedial actions in response to any identified deficiency.
- III. The Company determines whether or not the design and implementation of its internal control system is effective according to the items for determining the effectiveness of internal control systems as stated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The items for the determination of internal control systems adopted in the Regulations has identified five key components based on management control processes: (1) control environment, (2) risk assessment, (3) control operations, (4) information and communication, and (5) monitoring operations. Each component includes a number of items. For more information on the abovementioned items, please refer to the Regulations.
- IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.
- V. Based on the above results, the Company believes that the design and implementation of its internal control systems (including supervision and management of its subsidiaries), as of December 31, 2018, and understanding the level of goal achievement in regards to operational benefits and efficiency, as well as whether the reporting is reliable, timely and transparent and whether it complies with the relevant laws and regulations, is effective and can reasonably assure the accomplishment of the abovementioned goals.
- VI. The Statement shall become the main content of the Company's annual report and prospectus, and shall be made public. Should the abovementioned content contain illegalities such as fraudulent and hidden information, the Company shall assume legal liabilities involving Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. The Statement has been agreed by the Company's Audit Committee on March 8, 2019, and approved by the Board of Directors on the same day, where zero out of the nine directors present voted against the resolution and the remaining directors agreed with the content of the Statement.

USI Corporation

Chairman of the Board: Quentin Wu (signature and seal)

General Manager: Wang Ke-Shun (signature and seal)

2. Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs should be disclosed: Not applicable

(X) Penalties imposed on the Company and its internal staff, penalties imposed on its internal staff by the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent fiscal year up to the publication date of this annual report: None.

(XI) Key resolutions adopted by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the publication date of this annual report

1. Shareholders' Meeting

| Year of Meeting | Date of Meeting | Key Resolutions |
|-----------------|-----------------|--|
| 2018 | June 5, 2018 | <p>The minutes of the Shareholders' Meeting were posted onto MOPS on June 20, 2018. The key resolutions and their status of implementation are as follows:</p> <ol style="list-style-type: none">1. Approve the 2017 Account Book. Implementation status: Resolution passed.2. Approve the 2017 profit distribution plan Implementation status: Resolution passed. A total of NT\$349,636,323 were distributed to the shareholders as cash dividends, and the record day was August 3, 2018. All the cash dividends were completely distributed on August 24, 2018. A total of NT\$233,090,880 were distributed to the shareholders as stock dividends in which 23,309,088 new shares were distributed. All the stocks and dividends were distributed on September 13, 2018.3. Deliberate on capital increase by retained earnings Implementation status: Resolution passed. The resolution was declared effective by the Securities and Futures Bureau under the Financial Supervisory Commission on July 6, 2018 and was approved as stated in the approved letter with Reference No. Ching Shou Shang Tzu 10701105950 dated August 29, 2018. The Company issued 23,309,088 new shares, where 20 new shares were distributed for each thousand shares held. The record date approved by the Board of Directors was August 3, 2018, and all the new shares were completely distributed on September 13, 2018.4. Deliberate the removal of the non-competition clause for Directors Implementation status: Resolution passed. |

2. Board of Directors Meeting

| Session (Year) of Meeting | Date of Meeting | Key Resolutions |
|--|-----------------|---|
| 19th Term 4th Meeting (1st Meeting in 2018) | March 13, 2018 | <ol style="list-style-type: none"> 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd 2. Approve the 2017 Account Book 3. Approve the 2017 directors' and employee remuneration distribution plan 4. Approve the 2017 profit distribution plan 5. Approve capital increase by retained earnings 6. Approve the recommendation for the removal of non-competition clause for newly elected directors at the General Shareholders' Meeting 7. Approve matters related to the convening of the 2018 General Shareholders' Meeting 8. Establish the period for acceptance of shareholders' proposals: March 29, 2018 to April 8, 2018 9. Approve remuneration of CPAs for 2017 10. Approve the 2018 evaluation of the independence of appointed CPAs 11. Approve the appointment of CPAs for 2018 12. Approved the issuance of the 2017 "Statement on Internal Control System" 13. Authorize the Chairman to sign and deliver short-term credit loan contracts and related documents to financial institutions 14. Approve donations to the USI Education Foundation 15. Approve the removal of non-competition clause for the Company's Directors. |
| 19th Term 5th Meeting (2nd Meeting in 2018) | May 7, 2018 | <ol style="list-style-type: none"> 1. Ratify short-term credit loan contracts and related documents signed and delivered to HSBC Bank (Taiwan) 2. Approve the recommendation for the removal of non-competition clause for newly elected directors at the General Shareholders' Meeting 3. Approve the amendment of the internal control system |
| 19th Term 6th Meeting (3rd Meeting in 2018) | June 26, 2018 | <ol style="list-style-type: none"> 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd 2. Ratify endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd 3. Approve the issuance of new shares 4. Approve the establishment of Corporate Social Responsibility Committee and formulate the "Corporate Social Responsibility Committee Charter" 5. Approve the appointment of the two Independent Directors Director Tsai Li-Hsing and Hai Ying-Chun as members of the Corporate Social Responsibility Committee |
| 19th Term 7th Meeting (4th Meeting in 2018) | August 10, 2018 | <ol style="list-style-type: none"> 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd 2. Approve the 2018 Quarter 2 Consolidated Financial Statements 3. Approve the amendment of certain articles in the "Procedures of Transaction with Related Parties, Specific Companies and Companies of the Group" |

| Session (Year) of Meeting | Date of Meeting | Key Resolutions |
|--|-------------------|---|
| | | 4. Approve the increase of the Company's investment in the Gulei Project |
| 19th Term 8th Meeting (5th Meeting in 2018) | November 13, 2018 | <ol style="list-style-type: none"> 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd 2. Ratify endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd 3. Ratify the renewal of the three-year medium-term comprehensive loan limit signed with Yuanta Commercial Bank 4. Ratify the five-year medium-term secured loan limit signed with Chang Hwa Bank 5. Approve the 2019 company budget 6. Approve the 2019 audit plan 7. Approve the amendment of certain articles in the "Rules Governing the Scope of Powers of Independent Directors" 8. Approve Replacement of the CPA 9. Approve the cancellation of the Kaohsiung Branch Company |
| 19th Term 9th Meeting (6th Meeting in 2018) | December 6, 2018 | <ol style="list-style-type: none"> 1. Ratify short-term credit loan contracts and related documents signed and delivered to financial institutions 2. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd 3. Ratify endorsements/guarantees made for the investee company Chong Loong Trading Co. Ltd 4. Approve the issuance of unsecured ordinary corporate bonds 5. Approve the amendment of certain articles in the "Remuneration Committee Charter" 6. Approve the replacement of the Company's Finance Manager. |
| 19th Term 10th Meeting (1st Meeting in 2019) | February 22, 2019 | Approve the investment in the construction of ethylene storage tanks |
| 19th Term 11th Meeting (2nd Meeting in 2019) | March 8, 2019 | <ol style="list-style-type: none"> 1. Ratify endorsements/guarantees made for investee company Union Polymer International Investment Co., Ltd 2. Ratify the three-year comprehensive credit line signed with Far Eastern International Bank 3. Approve the 2018 Account Book 4. Approve the 2018 directors' and employee remuneration distribution plan 5. Approve the 2018 Profit Distribution Plan 6. Approve the amendment of certain articles in the Articles of Association 7. Approve the amendment of certain articles in the "Rules of Procedure for Board of Directors' Meetings" 8. Approve the amendment of certain articles of the "Rules of Procedure for Shareholders' Meetings" 9. Approve the amendment of certain articles in "Procedures for Election of Directors" 10. Approve the amendment of certain articles in the "Procedures Governing the Acquisition and Disposal of Assets" |

| Session (Year) of Meeting | Date of Meeting | Key Resolutions |
|---|--------------------|--|
| | | <ul style="list-style-type: none"> 11. Approve the recommendation for the removal of non-competition clause for newly elected directors at the General Shareholders' Meeting 12. Approve matters related to the convening of the 2019 General Shareholders' Meeting 13. Establish the period for acceptance of shareholders' proposals: April 5, 2019 to April 15, 2019 14. Approve remuneration of CPAs for 2018 15. Approve the 2019 evaluation of the independence of appointed CPAs 16. Approve the appointment of CPAs for 2019 17. Approved the issuance of the 2018 "Statement on Internal Control System" 18. Authorize the Chairman to sign and deliver short-term credit loan contracts and related documents to financial institutions 19. Approve donations to the USI Education Foundation |
| 19th Term 12th Meeting (3rd Meeting in 2019) | April 1, 2019 | <ul style="list-style-type: none"> 1. Ratify the renewal of the three-year medium-term comprehensive loan limit signed with Bank Of China 2. Approve the by-election for one Independent Director in the Shareholders' Meeting this year 3. Approve the recommendation to remove the compete clause for newly-elected directors at the General Shareholders' Meeting 4. Approve changed matters related to the convening of the 2019 General Shareholders' Meeting |

(XII) Dissenting opinions or qualified opinions on resolutions passed by the Board of Directors that are made by directors and supervisors, and are documented or issued through written statements, in the most recent fiscal year up to the publication date of this annual report:

No such situation at the Company in the most recent fiscal year up to the publication date of this annual report.

(XIII) Summary of resignation and dismissal of the Company's Chairman, General Manager, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development in the most recent fiscal year up to the publication date of this annual report:

1. Summary of the resignation and dismissal of persons associated with financial statements

December 6, 2018

| Title | Name | Date of assumption of duty | Date of dismissal | Reasons for resignation or dismissal |
|-----------------|----------------|----------------------------|-------------------|--------------------------------------|
| Finance Manager | Huang Yung-Hui | March 1, 2008 | December 6, 2018 | Retired upon reaching retirement age |

Note: Persons associated with financial statements refer to the Chairman, General Manager, Accounting Manager and Head of Internal Audit.

2. Status of remaining persons who are yet to resign or be dismissed:

None.

V. Information Regarding CPA Fees:

(I) The Company may choose to disclose CPA fees by range or individual amount:

| Name of CPA Firm | Name of CPA | | Audit Period | Remarks |
|-------------------|--------------|----------------|---------------------------------------|----------------------------------|
| Deloitte & Touche | Kuo Tzu-Jung | Wu Shih-Tsung | January 1, 2018 to September 30, 2018 | Rotation in accordance with laws |
| | | | | |
| Deloitte & Touche | Chuang Pi-Yu | Kuo Cheng-Hung | October 1, 2018 to December 31, 2018 | |
| | | | | |

Unit: NT\$ thousands

| Range of Fees | | Professional Fee | Audit Fees | Non-audit fees | Total |
|---------------|--|------------------|------------|----------------|-------|
| 1 | Less than NT\$2,000,000 | — | — | 330 | 330 |
| 2 | NT\$2,000,000 (inclusive) - NT\$4,000,000 | — | — | — | — |
| 3 | NT\$4,000,000 (inclusive) - NT\$6,000,000 | — | — | — | — |
| 4 | NT\$6,000,000 (inclusive) - NT\$8,000,000 | 6,670 | 6,670 | — | 6,670 |
| 5 | NT\$8,000,000 (inclusive) - NT\$10,000,000 | — | — | — | — |
| 6 | Over NT\$10,000,000 (inclusive) | — | — | — | — |

- If the non-audit fees paid to the CPAs, their accounting firm and affiliated companies of their accounting firm exceed one-fourth of the audit fees paid to them, the amount of audit and non-audit fees, and the content of non-audit services should be disclosed:

The non-audit fees paid by the Company did not exceed one-fourth of the audit fees.

Unit: NT\$ thousands

| Name of CPA Firm | Name of CPA | Audit Fees | Non-audit fees | | | | | Audi Period | Remarks |
|-------------------|-----------------------------|------------|----------------|-----------------------|----------------|-----------------|----------|---------------------------------------|--|
| | | | System Design | Business Registration | Human Resource | Others (note 2) | Subtotal | | |
| Deloitte & Touche | Tzu-Jung Kuo, Shih-Tsung Wu | 3,144 | 0 | 0 | 0 | 330 | 330 | January 1, 2018 to September 30, 2018 | Non-audit fees and details of other services: Corporate Social Responsibility Report Assurance Services totaling NT\$250 thousand and capital verification totaling NT\$80 thousand. |
| Deloitte & Touche | Pi-Yu Chuang, Cheng-Hun Kuo | 3,526 | 0 | 0 | 0 | 0 | 0 | October 1, 2018 to December 31, 2018 | None. |

Note 1: If the Company has replaced the CPAs or accounting firm in the current fiscal year, the audit period should be listed separately, and the reason for replacement should be stated in the "remark" column. Information regarding the audit and non-audit fees paid should also be disclosed in order.

Note 2: Non-audit fees should be listed by service item. If the "Others" column under non-audit fees reaches 25 percent of the total non-audit fees, the service items associated with this column should be listed in the "remark" column.

2. Where the CPA firm was replaced, and the audit fees in the fiscal year when the replacement was made was less than that in the previous fiscal year before replacement, the amount of audit fees paid before replacement and reasons for paying this amount should be disclosed: The Company did not replace the CPA firm.
3. Where the audit fees were reduced by more than 15 percent compared to the previous fiscal year, the amount and percentage of decrease in audit fees, as well as the reason for such decrease should be disclosed:

The audit fees paid by the Company in 2018 has increased compared to that in 2017.

VI. Information Regarding Replacement of CPAs:

(I) Information on the previous CPA:

| | | | |
|--|---|----------------|------------------------------------|
| Date of Replacement | Q4 2018 | | |
| Reason for Replacement and Explanation | Due to the internal rotations of CPAs at Deloitte & Touche in accordance with laws, the Company's financial statements, previously certified by the CPAs Kuo Tzu-Jung and Wu Shih-Tsung, are audited by the CPAs Chuang Pi-Yu and Kuo Cheng-Hung starting from Quarter 4 of 2018. | | |
| State whether the appointer or the CPAs have terminated the appointment, or whether the appointer or the CPAs have rejected the appointment | Principal | CPA | Client |
| | Scenario | Not applicable | |
| | Termination initiated by the client No longer accept (or continue with) the appointment | | |
| Opinion and reason for the issuance of audit reports containing opinions other than unqualified opinions in the most recent two fiscal years | The CPAs have issued audit reports for both 2018 and 2017 with unqualified opinion. | | |
| Different opinions from the issuer | Yes | | Accounting principles or practices |
| | | | Disclosure of financial statements |
| | | | Audit scope or procedures |
| | | | Other |
| | | | |

| | | |
|---|--------------------|---|
| Date of Replacement | Q4 2018 | |
| | None | ✓ |
| | Description: None. | |
| Other items for disclosure (where Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Regulation should be disclosed) | None. | |

(II) Information on the succeeding CPA:

| | |
|--|---|
| Name of CPA Firm | Deloitte & Touche |
| Name of CPA | Chuang Pi-Yu, CPA and Kuo Cheng-Hung, CPA |
| Date of Appointment | Q4 2018 financial report |
| Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that might be included on financial statements before the appointment of new CPAs | None |
| Written opinions from successor CPAs with regards to matters with which former CPAs disagreed | None |

(III) Former CPAs reply to Item 1 and Item 2-3, Subparagraph 6, Article 10 of the Regulations: Not applicable.

VII. The Company's Directors, General Manager, Managerial Officer in Charge of Finance or Accounting Who Has Served in a CPA's Accounting Firm or Its Affiliated Companies in the Most Recent Fiscal Year Shall Disclose Their Names, Positions and the Period of Employment in CPA's Accounting Firm or Its Affiliated Companies: Not applicable

VIII. Equity Transfer or Changes in Equity Pledged by the Company's Directors, Managerial Officers or Shareholders with Shareholding Percentage Exceeding Ten (10) Percent in the Most Recent Fiscal Year up to the Publication Date of this Annual Report:

- (I) Changes in shareholdings of directors, supervisors, managerial officers and substantial shareholders

Unit: Shares

| Title (Note 1) | Name | 2018 | | Current fiscal year up to April 30, 2019 | |
|---|--|----------------------------|--------------------------------|---|--------------------------------|
| | | Change in Shares Held | Change in Shares Pledged | Change in Shares Held | Change in Shares Pledged |
| Director and Substantial Shareholder | Shing Lee Enterprise (Hong Kong) Limited | 5,892,213 (126,726,347) | 0 | 0 | 0 |
| | Quintin Wu (representative of Shing Lee Enterprise (Hong Kong) Limited) | 2,218 | 0 | 0 | 0 |
| | Yu Ching-Shou (representative of Shing Lee Enterprise (Hong Kong) Limited) | 0 | 0 | 0 | 0 |
| | Wang Ke-Shun (representative of Shing Lee Enterprise (Hong Kong) Limited) (Appointed on April 25, 2018) | 0 | 0 | 0 | 0 |
| | Kao Che-I (representative of Shing Lee Enterprise (Hong Kong) Limited) | 0 | 0 | 0 | 0 |
| | Huang Kuang-Che (representative of Shing Lee Enterprise (Hong Kong) Limited) | 3,082 | 0 | 0 | 0 |
| | Chang Chi-Chung (representative of Shing Lee Enterprise (Hong Kong) Limited) | 0 | 0 | 0 | 0 |
| | Shih Yen-Shiang (representative of Shing Lee Enterprise (Hong Kong) Limited) (Dismissed on April 25, 2018) | 0 | 0 | Not applicable | |
| Independent Director | Chen Chung | 0 | 0 | 0 | 0 |
| | Tsai Li-Hsing (dismissed on March 19, 2019) | 0 | 0 | 0 | 0 |

| Title (Note 1) | Name | 2018 | | Current fiscal year up to April 30, 2019 | |
|-----------------------|---|--------------------------|--------------------------------|---|--------------------------------|
| | | Change in Shares Held | Change in Shares Pledged | Change in Shares Held | Change in Shares Pledged |
| | Hai Ying-Chun | 0 | 0 | 0 | 0 |
| General Manager | Wang Ke-Shun | 20,504 | 0 | 5,000 | 0 |
| Vice President | Liu Han-Tai | 0 | 0 | 0 | 0 |
| Senior Manager | Wu Shu-Jung (dismissed on September 23, 2018) | 174 | 0 | Not applicable | |
| Senior Manager | Wu Ming-Tsung | 0 | 0 | 0 | 0 |
| Finance Manager | Huang Yung-Hui (dismissed on December 6, 2018) | 118 | 0 | Not applicable | |
| Finance Manager | Yang Wen-Li (newly appointed on December 6, 2018) | 0 | 0 | 0 | 0 |
| Accounting Manager | Kuo Chuan-Hua | 0 | 0 | 0 | 0 |

Note 1: Shareholders who hold more than ten (10) percent of the Company's shares should be noted as substantial shareholders, and listed separately.

Note 2: Counterparties involved in equity transfer or pledging of shares to related parties should be shown in the following table.

(II) Information regarding equity transfer

Unit: Shares

| Name (Note 1) | Reason for Equity Transfer (Note 2) | Date of Transaction | Counterparty | Relationship Between the Counterparty and the Company, Its Directors, Supervisors and Shareholders with Shareholding Percentage Exceeding Ten (10) Percent | Number of Shares | Transaction Price |
|------------------|--|------------------------|--------------|---|---------------------|----------------------|
| Not applicable | | | | | | |

Note 1: Fill the name of the Company's directors, supervisors, managerial officers and shareholders with shareholding percentage exceeding ten (10) percent

Note 2: Fill either "Acquisition" or "Disposal".

(III) Information regarding pledging of shares

| Name (Note 1) | Reason for Pledging of Shares (Note 2) | Date of Change | Counterparty | Relationship Between the Counterparty and the Company, Its Directors, Supervisors and Shareholders with Shareholding Percentage Exceeding Ten (10) Percent | Number of Shares | Shareholding Percentage | Percentage of Shares Pledged | Pledge (Redemption) Amount |
|------------------|--|-------------------|--------------|--|------------------------|----------------------------|------------------------------------|----------------------------------|
| Not applicable | | | | | | | | |

Note 1: Fill the name of the Company's directors, supervisors, managerial officers and shareholders with shareholding percentage exceeding ten (10) percent

Note 2: Fill either "Pledge" or "Redemption".

IX. Information Regarding the Top 10 Shareholders in Terms of Number of Shares Held, Who Are Related Parties or Each Other's Spouses and Relatives within the Second Degree of Kinship:

April 14, 2019

| Name (Note 1) | Shares held by the person | | Shares Held by Spouse and Minors | | Shares Held in the Name of Other Persons | | Title or Name and Relationship of Top 10 Shareholders Who are Related Parties or Each Other's Spouses and Relatives Within the Second Degree of Kinship (Note 3) | | Remarks |
|--|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--|----------------------------------|--|--------------|---------|
| | Number of Shares | Shareholding Percentage (Note 2) | Number of Shares | Shareholding Percentage (Note 2) | Number of Shares | Shareholding Percentage (Note 2) | Title (or name) | Relationship | |
| Shing Lee Enterprise (Hong Kong) Limited | 173,776,546 | 14.62% | — | — | 0 | 0% | Asia Polymer Corporation, Taita Chemical Co., Ltd. | Note 8 | |
| Representative: Yu Ching-Shou | 0 | 0% | 12,500,000 | 1.05% | 0 | 0% | Note 4 | Note 8 | |
| Bank of Taiwan as custodian of Hao Chi Li Co., Ltd. investment account | 110,000,000 | 9.25% | — | — | 0 | 0% | None | None | |
| Asia Polymer Corporation | 101,355,673 | 8.53% | — | — | 0 | 0% | Shing Lee Enterprise (Hong Kong) Limited | Note 8 | |
| Representative: Quentin Wu | 113,122 | 0.01% | — | — | 0 | 0% | Yu Ching-Shou | Note 8 | |
| Citibank (Taiwan) Limited as custodian of Norges Bank | 21,428,491 | 1.80% | — | — | 0 | 0% | None | None | |
| Yueh Hsing Hua Investment Co., Ltd. | 20,621,422 | 1.73% | No information given by shareholders | | | | None | None | |
| Representative: Hsueh Hui-Liang | No information given by shareholders | | | | | | | | |
| Lin Su Shan-Shan | 19,853,807 | 1.67% | 0 | 0% | 0 | 0% | None | None | |
| Yu Wen-Hsuan | 16,750,000 | 1.41% | 0 | 0% | 0 | 0% | Note 5 | Note 8 | |
| Yu Wen-Tsung | 16,750,000 | 1.41% | 0 | 0% | 0 | 0% | Note 6 | Note 8 | |
| Yu Wen-Yu | 16,750,000 | 1.41% | 0 | 0% | 0 | 0% | Note 7 | Note 8 | |
| Taita Chemical Co., Ltd. | 15,109,901 | 1.27% | — | — | 0 | 0% | Shing Lee Enterprise (Hong Kong) Limited | Note 8 | |
| Representative: Quentin Wu | 113,122 | 0.01% | — | — | 0 | 0% | Yu Ching-Shou | Note 8 | |

Note 1: All the top 10 shareholders should be listed. For institutional shareholders, their names and the name of their representatives should be listed separately.

Note 2: Shareholding percentage is calculated separately based on the number of shares held in the name of the person, his/her spouse and minors, and others.

Note 3: Relationships between the aforementioned shareholders, including institutional and natural person shareholders should be disclosed based on the financial reporting standards used by the issuer.

Note 4: Quintin Wu, Yu Wen-Hsuan, Yu Wen-Tsung, and Yu Wen-Yu.

Note 5: Yu Ching-Shou, Yu Wen-Tsung, and Yu Wen-Yu.

Note 6: Yu Ching-Shou, Yu Wen-Hsuan, and Yu Wen-Yu.

Note 7: Yu Ching-Shou, Yu Wen-Hsuan, and Yu Wen-Tsung.

Note 8: The representative of Shing Lee Enterprise (Hong Kong) Limited Mr. Yu Ching-Shou and the representative of Asia Polymer Corporation and Taita Chemical Co., Ltd. Mr. Quentin Wu are related by marriage. Mr. Yu Ching-Shou is also the father to his daughters Yu Wen-Hsuan and Yu Wen-Yu and his son Yu Wen-Tsung. Yu Wen-Hsuan, Yu Wen-Tsung, and Yu Wen-Yu are within the second degree of kinship.

X. Number of Shares Held by the Company, Its Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Investment Companies in the Same Investment Companies, and the Combined Calculation of Shareholding Percentages

December 31, 2018

Unit: Shares; %

| Investee Companies (Note) | Invested by the Company | | Investment by directors, supervisors, managerial officers and directly or indirectly controlled companies | | Combined Investment | |
|--|-------------------------|-------------------------|---|-------------------------|---------------------|-------------------------|
| | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage |
| USI Investment Co., Ltd. | 87,250,800 | 100.0% | - | 0.0% | 87,250,800 | 100.0% |
| Swanlake Traders Ltd. | 30,000,000 | 100.0% | - | 0.0% | 30,000,000 | 100.0% |
| USI (Hong Kong) Corporation | 159,999 | 100.0% | 1 | 0.0% | 160,000 | 100.0% |
| USI Management Consulting Corporation | 671,400 | 100.0% | - | 0.0% | 671,400 | 100.0% |
| Union Polymer International Investment Co., Ltd. | 521,440,500 | 100.0% | - | 0.0% | 521,440,500 | 100.0% |
| Taiwan United Venture Capital Corp. | 32,900,000 | 70.0% | 3,913,533 | 8.3% | 36,813,533 | 78.3% |
| Chong Loong Trading Co., Ltd. | 3,758,195 | 99.9% | - | 0.0% | 3,758,195 | 99.9% |
| Acme Electronics Corporation | 49,250,733 | 27.0% | 33,768,784 | 18.5% | 83,019,517 | 45.5% |
| Swanson Plastics Corporation | 62,616,299 | 40.6% | 12,627,350 | 8.2% | 75,243,649 | 48.8% |
| Thintec Materials Corporation | 1,825,000 | 30.4% | 3,925,000 | 65.4% | 5,750,000 | 95.8% |
| Cypress Epoch Limited | 5,000,000 | 100.0% | - | 0.0% | 5,000,000 | 100.0% |
| INOMA Corporation | 9,126,786 | 93.2% | - | 0.0% | 9,126,786 | 93.2% |
| USI Optronics Corporation | 33,000,000 | 50.8% | 28,263,712 | 43.5% | 61,263,712 | 94.4% |
| Ever Conquest Global Limited | 176,268,000 | 63.1% | 103,240,000 | 36.9% | 279,508,000 | 100.0% |

Note: Invested by the Company using the equity method.

Chapter 4 Funding Status

I. Capital and Shares

(I) Source of Share Capital

1. Disclose the types of shares issued by the Company in the most recent fiscal year up to the date of the publication of this annual report

As of April 30, 2019; Unit: Shares; New Taiwan Dollars (NT\$)

| Year and Month | Issue Price | Authorized Capital | | Paid-in Capital | | Remark | | |
|----------------|-------------|--------------------|----------------|------------------|----------------|---|---|-----------|
| | | Number of Shares | Amount | Number of Shares | Amount | Sources of Capital | Capital Increased by Assets Other than Cash | Others |
| 2011.09 | 10 | 993,567,274 | 9,935,672,740 | 993,567,274 | 9,935,672,740 | Capital increase by retained earnings NT\$ 1,295,957,310 | None | Note 2(1) |
| 2012.08 | 10 | 1,142,602,365 | 11,426,023,650 | 1,142,602,365 | 11,426,023,650 | Capital increase by retained earnings NT\$ 1,490,350,910 | None | Note 2(2) |
| 2013.06 | 10 | 1,342,602,365 | 13,426,023,650 | 1,142,602,365 | 11,426,023,650 | — | None | Note 2(3) |
| 2017.08 | 10 | 1,342,602,365 | 13,426,023,650 | 1,165,454,412 | 11,654,544,120 | Capital increase by retained earnings NT\$ 228,520,470 | None | Note 2(4) |
| 2018.08 | 10 | 1,342,602,365 | 13,426,023,650 | 1,188,763,500 | 11,887,635,000 | Capital increase by retained earnings NT\$233,090,880 | None | Note 2(5) |

Note 1: Information for the current fiscal year shall be added as of the publication date of this annual report.

Note 2: For any capital increase, the effective (approval) date and the document number should be added.

- (1) Approved document with Reference No. Ching Shou Shang Tzu 10001195590.
- (2) Approved document with Reference No. Ching Shou Shang Tzu 10101178710.
- (3) Approved document with Reference No. Ching Shou Shang Tzu 10201118240 (change of authorized capital).
- (4) Approved document with Reference No. Ching Shou Shang Tzu Reference No. Ching Shou Shang Tzu 10601121280
- (5) Approved document with Reference No. Ching Shou Shang Tzu Reference No. 10701105950

Note 3: Shares that were traded below par value should be indicated in a clear manner.

Note 4: Capital increase by currency debts or technology should be stated, and the type and amount of assets involved in such capital increase should be noted.

Note 5: Shares that were traded via private placement should be indicated in a clear manner.

As of April 30, 2019; Unit: Shares

| Type of Shares | Authorized Capital | | | Remark |
|--------------------------|---------------------------|-----------------|---------------|--------|
| | Outstanding Shares (Note) | Unissued Shares | Total | |
| Registered Common Shares | 1,188,763,500 | 153,838,865 | 1,342,602,365 | Listed |

Note: Please indicate whether the shares are issued by a company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) (Shares of which trading is restricted on the TWSE or those which are traded on the TPEX should be noted).

2. Information of shelf registration: Not applicable

(II) Shareholder Structure

As of April 14, 2019; Unit: Shares

| Shareholder Structure Amount | Government Agencies | Financial Institutions | Other Juristic Persons | Individual | Foreign Institutions and Foreigners | Total |
|---------------------------------|---------------------|------------------------|------------------------|-------------|-------------------------------------|---------------|
| Number of Shareholders | 1 | 3 | 216 | 84,737 | 160 | 85,117 |
| Number of Shares Held | 1,079 | 202,353 | 154,321,212 | 629,494,009 | 404,744,847 | 1,188,763,500 |
| Shareholding Percentage | 0% | 0.02% | 12.98% | 52.95% | 34.05% | 100% |

Note: Companies primarily listed on the TWSE and the TPEX shall disclose the proportion of their shares held by investors from Mainland China. Investors from Mainland China refer to natural persons, legal persons, organizations, institutions or companies in areas other than Taiwan and Mainland China that are invested by persons of such identity as stipulated in Article 3 of the "Regulations Governing Investment of Mainland Chinese in Taiwan."

(III) Distribution of Equity Ownership

1. Common shares

As of April 14, 2019: Unit: Shares

| Class of Shareholding (Unit: Shares) | Number of Shareholders | Number of Shares Held | Shareholding Percentage |
|---|------------------------|-----------------------|-------------------------|
| 0,001 to 5,999 | 40,277 | 7,467,550 | 0.63% |
| 1,000 to 5,000 | 26,150 | 59,062,230 | 4.97% |
| 5,001 to 10,000 | 7,648 | 52,514,000 | 4.42% |
| 10,001 to 15,000 | 3,982 | 46,278,262 | 3.89% |
| 15,001 to 20,000 | 1,713 | 29,115,046 | 2.45% |
| 20,001 to 30,000 | 2,004 | 47,170,785 | 3.97% |
| 30,001 to 50,000 | 1,545 | 57,618,335 | 4.85% |
| 50,001 to 100,000 | 1,002 | 68,173,776 | 5.73% |
| 100,001 to 200,000 | 465 | 61,985,765 | 5.21% |
| 200,001 to 400,000 | 190 | 50,778,156 | 4.27% |
| 400,001 to 600,000 | 56 | 27,070,263 | 2.28% |
| 600,001 to 800,000 | 20 | 13,440,929 | 1.13% |
| 800,001 to 1,000,000 | 11 | 9,814,823 | 0.83% |
| 1,000,001 and above (The Company can further classify this range where necessary) | 54 | 658,273,580 | 55.37% |
| Total | 85,117 | 1,188,763,500 | 100.00% |

2. Preferred shares: None.

(IV) List of Major Shareholders

April 14, 2019

| Name of Major Shareholders | Shares | Number of Shares Held (Unit: Shares) | Shareholding Percentage |
|---|--------|--------------------------------------|-------------------------|
| Shing Lee Enterprises (Hong Kong) Limited | | 173,776,546 | 14.62% |
| Bank of Taiwan (Taiwan) Limited as Custodian of Whollegainer Company Limited Investment Account | | 110,000,000 | 9.25% |
| Asia Polymer Corporation | | 101,355,673 | 8.53% |
| Citibank (Taiwan) Limited as Custodian of Norges Bank Investment Account | | 21,428,491 | 1.80% |
| Yueh Hsing Hua Investment Co., Ltd. | | 20,621,422 | 1.73% |
| Lin Su, Shan-Shan | | 19,853,807 | 1.67% |
| Yu, Wen-Hsuan | | 16,750,000 | 1.41% |
| Yu, Wen-Tsung | | 16,750,000 | 1.41% |
| Yu, Wen-Yu | | 16,750,000 | 1.41% |
| Taita Chemical Co., Ltd. | | 15,109,901 | 1.27% |

(V) Market Price, Net Asset Value Per Share (NAVPS), Earnings Per Share (EPS), Dividends Per Share (DPS) and Related Information in the Most Recent Two Fiscal Years

Unit: New Taiwan Dollars (NT\$)/Share

| Item | | Year | 2018 | 2017 | Current fiscal year up to April 30, 2019 (Note 8) |
|--|---|----------------------------------|-----------|-----------|---|
| | | Market Price Per Share (Note 1) | Highest | 17.00 | 18.20 |
| | Lowest | 11.40 | 14.50 | 11.50 | |
| | Average | 13.81 | 15.83 | 12.04 | |
| Net Asset Value Per Share (NAVPS) (Note 2) | Before distribution | 15.30 | 15.55 | 15.75 | |
| | After distribution | —※ | 15.00 | —※ | |
| Earnings Per Share (EPS) (Note 3) | Weighted average number of shares (thousand shares) | 1,072,298 | 1,072,298 | 1,072,298 | |
| | Earnings per share before adjustment | 0.50 | 1.06 | 0.24 | |
| | Earnings per share after adjustment | —※ | 1.04 | —※ | |
| Dividends Per Share (DPS) | Cash dividends | 0.3※ | 0.3 | — | |
| | Stock dividends | Dividends from retained earnings | —※ | 0.2 | — |
| | | Dividends from capital reserves | —※ | — | — |
| | Cumulative undistributed dividends (Note 4) | — | — | — | |
| Return on Investment | Price/earnings ratio (Note 5) | 27.62 | 14.62 | 15.81 | |
| | Price/dividend ratio (note 6) | 46.03 | 51.67 | — | |
| | Cash dividend yield (Note 7) | 2.17% | 1.94% | — | |

※Based on the profit distribution plan which has been approved by the Board of Directors but is yet to be acknowledged at the Shareholders' Meeting

* If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: List the highest and lowest market price of common shares for each fiscal year, and calculate the average market price for each fiscal year based on trading value and volume in each fiscal year.

Note 2: Please fill these rows based on the number of shares that have been issued at the end of the fiscal year and the distribution plan approved at the Shareholders' Meeting in the subsequent fiscal year.

Note 3: If there was any retroactive adjustment required due to stock dividends, earnings per share before and after such adjustment should be listed.

Note 4: If there was any condition regarding the issuance of equity securities stating that undistributed dividends for the current fiscal year has to be accumulated till the year when a profit is recorded, the Company should separately disclose cumulative undistributed dividends as of the current fiscal year.

Note 5: Price/earnings ratio = Average closing price per share for the current fiscal year/earnings per share.

Note 6: Price/dividend ratio = Average closing price per share for the current fiscal year/cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/average closing price per share for the current fiscal

year.

Note 8: For net asset value per share and earnings per share, data from the most recent quarter that has been verified (reviewed) by CPAs as of the publication date of this annual report should be filled. For other fields in this column, data from the current fiscal year as of the publication date of this annual report should be filled.

(VI) Company Dividend Policy and Implementation:

1. Dividend policy stipulated in the Company's Articles of Association

If the Company records a net income after taxes (NIAT) as indicated in its final annual accounts for the current fiscal year, the Company shall use its NIAT to cover cumulative loss in the previous fiscal year. If there is remaining balance, ten (10) percent of this balance has to be set aside as statutory reserves, while the rest shall be regarded as distributable profit. This distributable profit shall then be combined with undistributed earnings that has been accumulated in previous fiscal years. Part of this combined amount shall be recognized as or transferred to special reserves as required by the law or the competent authority, while the remaining balance shall be regarded as cumulative distributable profit. The Board of Directors shall propose a profit distribution plan which is then submitted to the Shareholders' Meetings for approval. The Shareholders' Meeting shall retain all or part of the Company's profit based on its business performance.

In regards to the resolution on profit distribution, it has been decided that, due to the fact that the industry to which the Company belongs is in the maturity stage, and taking in account R&D needs and business diversification, dividends paid to shareholders shall not be less than ten (10) percent of distributable profit in the current fiscal year, where cash dividends shall not be less than ten (10) percent of the total dividends. However, no dividend shall be distributed if the distributable profit per share in the current fiscal year is less than NT\$ 0.1.

2. Distribution of dividends proposed at the most recent Shareholders' Meeting

Cash dividends: The allocation of NT\$ 356,629,050 from earnings in 2018 for the distribution of cash dividends, where a dividend of NT\$0.3 will be paid for every share, has been proposed. The proposal is still pending approval at the Annual General Meeting before the Chairman of the Board is given the authority to set the date for the distribution of cash dividends.

3. Any expected material changes to the dividend policy should be further explained:

The Company's dividend policy is not expected to experience any material changes as of the publication date of this annual report.

(VII) Effects on the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting

Unit: New Taiwan Dollars (NT\$)

| Item | Year | 2019 (Estimated) | |
|---|--|---|-------------------------|
| Beginning paid-in capital | | 11,887,635,000 | |
| Distribution of Dividends in the Current Fiscal Year (Note 1) | Cash dividend per share | 0.3 | |
| | Number of shares distributed per share held due to capital increase by retained earnings | — | |
| | Number of shares distributed per share held due to capital increase by capital reserves | — | |
| Changes in Operating Performance | Operating income | Not applicable (Note 2) | |
| | Percentage of increase (decrease) in operating profit over the same period in the previous fiscal year | | |
| | Net income after taxes (NIAT) | | |
| | Percentage of increase (decrease) in NIAT over the same period in the previous fiscal year | | |
| | Earnings Per Share | | |
| | Percentage of increase (decrease) in EPS over the same period in the previous fiscal year | | |
| | Annual average return on investment (reciprocal of average annual price/earnings ratio) | | |
| Pro Forma Earnings per Share and Price/earnings Ratio | If capital increase by retained earnings is entirely replaced by cash dividend distribution | Pro forma earnings per share | Not applicable (Note 2) |
| | | Pro forma average annual return on investment | |
| | If capital reserves is not used for capital increase | Pro forma earnings per share | |
| | | Pro forma average annual return on investment | |
| | If capital reserves is not used for capital increase and capital increase by retained earnings is replaced by cash dividend distribution | Pro forma earnings per share | |
| | | Pro forma average annual return on investment | |

Note 1: Distribution of dividends in 2018 is based on the profit distribution plan approved by the Board of Directors on March 8, 2019.

Note 2: The Company has no regulations in place for the publication of its financial forecast. Hence, changes in the Company's operating performance, pro forma earnings per share and price-to-earnings ratio are not applicable.

(VIII) Rewards Distributed to Employees and Directors

1. Percentage or range of rewards distributed to employees and directors as stipulated in the Company's Articles of Association:
 - (1) Employee rewards: Employee rewards shall not be less than one (1) percent of the Company's profit in the current fiscal year. However, the Company shall reserve its profit to cover its loss if cumulative loss is recorded. The above mentioned employee rewards can be distributed in the form of shares or cash. Rewards shall be distributed to employees of the Company's subordinate companies when they meet certain conditions. Such conditions shall be set by the Board of Directors.
 - (2) Directors' rewards: Directors' rewards shall not exceed one (1) percent of the Company's profit in the current fiscal year. However, the Company shall reserve its profit to cover its loss if cumulative loss is recorded.
2. Basis for estimating the amount of rewards to be distributed to employees and directors, basis for calculating the number of shares to be distributed as employee rewards and accounting treatment for discrepancies between the actual and estimated amount of rewards to be distributed for this period:
 - (1) Basis for estimating employee rewards: To be calculated based on the condition that employee rewards shall not be less than one (1) percent of the Company's profit in the current fiscal year.
 - (2) Basis for calculating the number of shares to be distributed as employee rewards: Not applicable.
 - (3) Accounting treatment for discrepancies between the actual and estimated amount of rewards to be distributed: If there is any material change made to the amount of rewards upon approval by the Board of Directors, such changes shall be adjusted as annual expenses in the current fiscal year.
3. Distribution of rewards approved by the Board of Directors:
 - (1) Rewards for employees and directors shall be distributed in the form of cash or shares. If there is any discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:
Employee rewards: NT\$6,318,609, distributed in the form of cash
Directors' rewards: NT\$ 5,200,000, distributed in the form of cash
There was no discrepancy between the amount of rewards to

be distributed as approved by the Board of Directors and the recognized amount of rewards for employees and directors.

- (2) Dollar amount of employee rewards distributed in the form of shares and its proportion to net income after taxes provided in the parent company-only or individual financial statements, as well as its proportion to the total amount of employee rewards: Not applicable as employee rewards were not distributed in the form of shares.

4. If there is any discrepancy between the actual amount of rewards distributed to employees and directors (including number and dollar amount of shares distributed, as well as share price) and the recognized amount of rewards for employees and directors in the previous fiscal year, the amount, causes and treatment of such discrepancies should be stated:

- (1) Distribution of rewards to employees and directors in the previous fiscal year:

Unit: New Taiwan Dollars (NT\$)

| Item | Distribution of Remuneration to Directors and Employees in 2017 | | Discrepancy | Description of Reason for Discrepancy |
|---------------------------|---|---|-------------|---------------------------------------|
| | Approved by the Shareholders' Meeting on June 5, 2018 | Approved by the Board of Directors' Meeting on March 13, 2018 | | |
| Remuneration of Directors | 5,500,000 | 5,500,000 | 0 | — |
| Remuneration of Employees | 12,246,848 | 12,246,848 | 0 | — |

- (2) If there is any discrepancy between the actual amount and the recognized amount of remuneration for employees and directors in the previous fiscal year, the amount, causes and treatment of such discrepancy should be noted: There is no discrepancy between the actual amount and the recognized amount of remuneration distributed.

(IX) Repurchase of the Company's Own Shares: None.

II. Issuance of Corporate Bonds

(I) Unpaid Corporate Bonds:

April 30, 2019

| Type of Corporate Bonds (Note 2) | 2015-1 Unsecured Ordinary Corporate Bond Corporate Bond A (Note 5) | 2015-1 Unsecured Ordinary Corporate Bond Corporate Bond B (Note 5) | |
|--|--|--|----------------|
| Issue Date | February 12, 2015 | February 12, 2015 | |
| Denomination | NT\$ 1 million | NT\$ 1 million | |
| Place of issuance and transaction (Note 3) | Taipei Exchange | Taipei Exchange | |
| Issue Price | NT\$ 1 million | NT\$ 1 million | |
| Total | NT\$ 1 billion | NT\$ 1 billion | |
| Interest Rate | 1.55% per annum | 1.90% per annum | |
| Maturity | 5 years Maturity date: February 12, 2020 | 7 years Maturity date: February 12, 2022 | |
| Guarantor | None | None | |
| Trustee | Trust Department, Mega International Commercial Bank Co., Ltd. | Trust Department, Mega International Commercial Bank Co., Ltd. | |
| Underwriter | None | None | |
| Certified Lawyer | True Honesty International Law Offices Lawyer Kuo, Hui-Chi | True Honesty International Law Offices Lawyer Kuo, Hui-Chi | |
| Certified Public Accountant | Deloitte & Touche CPAs Wei, Liang-Fa and Wu, Shih-Tsung | Deloitte & Touche CPAs Wei, Liang-Fa and Wu, Shih-Tsung | |
| Repayment Method | Payment at maturity | Payment at maturity | |
| Outstanding principal balance | NT\$ 1 billion | NT\$ 1 billion | |
| Terms of redemption or early repayment | Not applicable | Not applicable | |
| Restrictions (Note 4) | None | None | |
| Name of credit rating agency, rating date and corporate bond ratings | USI Group was given a long-term and short-term rating of tw A-/twA-2 by Taiwan Ratings Corporation on November 25, 2014 | USI Group was given a long-term and short-term rating of tw A-/twA-2 by Taiwan Ratings Corporation on November 25, 2014 | |
| Other Rights | Dollar amount of common shares already converted (swapped or warranted) and global depository receipts or other negotiable securities as of the publication date of this annual report | Not applicable | Not applicable |
| | Issuance and Conversion (Swap or Subscription) Methods | None | None |
| Possible dilution of equity or impact to shareholders' equity caused by regulations on the issuance and conversion, swap or subscription to stocks | Not applicable | Not applicable | |
| Name of Commissioned Custodian of Exchangeable Underlyings | Not applicable | Not applicable | |

| Type of Corporate Bonds (Note 2) | 2016-1 Unsecured Ordinary Corporate Bonds (Note 5) | 2017-1 Unsecured Ordinary (Note 5) | |
|--|--|--|----------------|
| Issue Date | Oct. 28, 2016 | Oct. 27, 2017 | |
| Denomination | NT\$ 1 million | NT\$ 1 million | |
| Place of issuance and transaction (Note 3) | Taipei Exchange | Taipei Exchange | |
| Issue Price | NT\$ 1 million | NT\$ 1 million | |
| Total | NT\$ 2 billion | NT\$ 2 billion | |
| Interest Rate | 0.80% per annum | 1.10% per annum | |
| Maturity | 5 years Maturity date: October 28, 2021 | 5 years Maturity date: Oct. 27, 2022 | |
| Guarantor | None | None | |
| Trustee | Trust Department, Taipei Fubon Commercial Bank Co., Ltd | Trust Department, Taipei Fubon Commercial Bank Co., Ltd | |
| Underwriter | Yuanta Securities Co., Ltd. | Masterlink Securities Corporation | |
| Certified Lawyer | True Honesty International Law Offices Lawyer Kuo, Hui-Chi | True Honesty International Law Offices Lawyer Kuo, Hui-Chi | |
| Certified Public Accountant | Deloitte & Touche CPAs Kuo, Tzu-Jung and Wu, Shih-Tsung | Deloitte & Touche CPAs Kuo, Tzu-Jung and Wu, Shih-Tsung | |
| Repayment Method | Payment at maturity | Payment at maturity | |
| Outstanding Principal Balance | NT\$ 2 billion | NT\$ 2 billion | |
| Terms of Redemption or Early Repayment | Not applicable | Not applicable | |
| Restrictions (Note 4) | None | None | |
| Name of Credit Rating Agency, Rating Date and Corporate Bond Ratings | USI Group was given a long-term and short-term rating of tw A-/twA-2 by Taiwan Ratings Corporation on November 27, 2015 | USI Group was given a long-term and short-term rating of tw A-/twA-2 by Taiwan Ratings Corporation on November 28, 2016 | |
| Other Rights | Dollar amount of common shares already converted (swapped or warranted) and global depository receipts or other negotiable securities as of the publication date of this annual report | Not applicable | Not applicable |
| | Issuance and Conversion (Swap or Subscription) Methods | None | None |
| Possible dilution of equity or impact to shareholders' equity caused by regulations on the issuance and conversion, swap or subscription to stocks | Not applicable | Not applicable | |
| Name of Commissioned Custodian of Exchangeable Underlyings | Not applicable | Not applicable | |

| Type of Corporate Bonds (Note 2) | 2019-1 Unsecured Ordinary Corporate Bonds (Note 5) | |
|--|--|----------------|
| Issue Date | April 26, 2019 | |
| Par Value | NT\$ 1 million | |
| Place of issuance and transaction (Note 3) | Taipei Exchange | |
| Issue Price | NT\$ 1 million | |
| Total | NT\$ 2 billion | |
| Interest Rate | 0.98% per annum | |
| Maturity | 5 years Maturity Date: April 26, 2024 | |
| Guarantor | None | |
| Trustee | Trust Department, Taipei Fubon Commercial Bank Co., Ltd | |
| Underwriter | Yuanta Securities Co., Ltd. | |
| Certified Lawyer | True Honesty International Law Offices Lawyer Kuo, Hui-Chi | |
| Certified Public Accountant | Deloitte & Touche CPA, Chuang, Pi-Yu | |
| Repayment Method | Payment at maturity | |
| Outstanding Principal Balance | NT\$ 2 billion | |
| Terms of redemption or early repayment | Not applicable | |
| Restrictions (Note 4) | None | |
| Name of credit rating agency, rating rate and corporate bond ratings | USI Group was given a long-term and short-term rating of tw A-/twA-2 by Taiwan Ratings Corporation on December 21, 2018 | |
| Other Rights | Dollar amount of common shares already converted (swapped or warranted) and global depository receipts or other negotiable securities as of the publication date of this annual report | Not applicable |
| | Issuance and Conversion (Swap or Subscription) Methods | None |
| Possible dilution of equity or impact to shareholders' equity caused by regulations on the issuance and conversion, swap or subscription to stocks | Not applicable | |
| Name of commissioned custodian of exchangeable underlyings | Not applicable | |

Note 1: The issuance of corporate bonds includes public offering and private placement corporate bonds that are still under preparation. Public offering corporate bonds still under preparation refer to corporate bonds that have already been confirmed valid (approved) by SFB, whereas private placement bonds still under preparation refer to corporate bonds that have already been approved by the Company's Board of Directors.

Note 2: The number of rows are adjusted according to the number of issues.

Note 3: To be filled as well if corporate bonds are issued overseas.

Note 4: Such as restrictions on the distribution of cash dividends, foreign investments or requirement for maintaining asset ratio at a certain level.

Note 5: Private placement of corporate bonds should be indicated in a clear manner.

Note 6: Information regarding corporate bond conversion, information regarding corporate bond swap, status of shelf registration for corporate bonds and information regarding equity warrant bonds should be disclosed in table form according to characteristics.

(II) Corporate Bonds Still Under Preparation: None.

(III) Information regarding the Conversion of Corporate Bonds: None.

(IV) Information regarding Corporate Bond Swap: None.

(V) Information regarding Shelf Registration for Corporate Bonds: None.

(VI) Information regarding Equity Warrant Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Global Depository Receipts: None.

V. Issuance of Employee Stock Options: None.

VI. Issuance of New Restricted Employee Shares: None.

VII. Status of New Share Issuance in Connection with Mergers and Acquisitions: None.

VIII. Implementation of Capital Utilization Plan

(I) Content:

As of one quarter before the publication date of this annual report, previous issuance or private placement of marketable securities that have not been completed, or that have been completed but are yet to record any benefit within the past three fiscal years: None.

(II) Status of Implementation:

Not applicable.

Chapter 5 Operations Overview - Consolidated Information

I. Business Content:

(I) Scope of business:

1. Major lines of business

- (1) Manufacture, processing and sales of polyethylene plastic raw materials (including ethylene vinyl acetate resin)
- (2) Manufacture, processing and sales of polyethylene plastic products (including ethylene vinyl acetate resin products)
- (3) Manufacture, processing and sales of catalyzers and related chemicals required by the plastics industry
- (4) Research and development of technologies in the plastics industry; the acquisition and sales of proprietary technologies and patents in the plastic industry, and licenses of such technologies and patents to others
- (5) Design, manufacture, processing and sales of plastic processing equipment
- (6) General import/export trade businesses (except for those subject to license approval)
- (7) Businesses that are not prohibited or restricted by law, except for those subject to license approval
- (8) Manufacture of plastic and the required raw materials
- (9) Manufacture of plastic processed products and required chemical products for the manufacturing of plastic
- (10) Manufacture and sales of technical services (including design and installation) related to chemical machinery equipment (including whole plant equipment for manufacturing vinyl chloride monomer)
- (11) Manufacture, storage, transportation, sales, trade, import and export of vinyl chloride monomer
- (12) Production, manufacture, trade, storage and sales of dichloromethane
- (13) Manufacture and sales of degradable plastic materials
- (14) Machinery wholesaling
- (15) Manufacture and sales of polystyrene (GPS) resins and

- foaming polystyrene (EPS) resins
- (16) Manufacture and sales of acrylonitrile-butadiene-styrene copolymer resin (ABS)
- (17) Manufacture and sales of styrene-acrylonitrile copolymer resin (SAN)
- (18) Production and sales of glass wool and related products
- (19) Production and sales of cubic printing and related products
- (20) Manufacture and sales of plastic raw materials and related processed products
- (21) E303020 noise and vibration control engineering
- (22) E801010 interior decoration
- (23) Manufacture and sales of manganese-zinc and nickel-zinc soft ferrite powder, ferrite cores and other components related to inductors
- (24) Manufacture and sales of sapphire ingots and other related crystals
- (25) Engage in venture capital investments in invested businesses
- (26) Business management and consulting services for invested businesses and other venture capital investments

2. Business portfolio

Revenue and percentage of the Company's main products are described as follows:

| Product Item | Proportion of Revenue (%) |
|-----------------------|---------------------------|
| Plastic Raw Materials | 95 |
| Electronic Materials | 4 |
| Others | 1 |

3. The Company's current product items

- (1) Low-density polyethylene (LDPE)
- (2) Ethylene vinyl acetate resin (EVA)
- (3) High-density polyethylene (HDPE)
- (4) Linear low density polyethylene (LLDPE)
- (5) Vinyl chloride monomer (VCM) products
- (6) Plastic powder and chemicals
- (7) PVC building materials and products: Plastic tubes, pipe fittings, plastic door panels and anti-corrosion protection films

- (8) Plastic sheets: Soft plastic sheets, rigid plastic sheets, semi-rigid plastic sheets, adhesive plastic sheets and print plastic sheets
 - (9) Plastic leather and soft plastic leather
 - (10) Expanded polystyrene (EPS)
 - (11) Acrylonitrile-butadiene-styrene copolymer resin (ABS)
 - (12) General purpose polystyrene (GPS)
 - (13) Styrene (SM)
 - (14) Glass wool products
 - (15) Cubic printing
 - (16) Impact-resistant polystyrene (IPS)
 - (17) Manganese-zinc (Mn-Zn) soft ferrite powder
 - (18) Nickel-zinc (Ni-Zn) soft ferrite powder
 - (19) Manganese-zinc (Mn-Zn) soft ferrite cores (hereinafter referred to as "Mn-Zn cores")
 - (20) Nickel-zinc (Ni-Zn) soft ferrite powder (hereinafter referred to as "Ni-Zn cores")
 - (21) Sapphire ingots, base panels, and other related crystals
 - (22) Siliconware Powder
4. Plans for new product development
- (1) Development of new optical-grade applied materials - cyclic block copolymer
 - (2) Third generation stain-resistant PVC leather
 - (3) PU CASTING stain-resistant PVC leather
 - (4) Multi-dimensional printed soft leather
 - (5) Vacuum embossing stain-resistant soft leather
 - (6) PVC breathable soft imitation leather for furniture
 - (7) PVC water-based scratch-resistant soft leather for automobiles
 - (8) TPE plastic leather series for sports use
 - (9) TPE plastic leather series for furniture
 - (10) TPE plastic leather series for medical-grade use
 - (11) Low-membrane fast-gelatinization PVC powder
 - (12) Medical-grade pellets
 - (13) PVC pellets of Fire Rating Class 2

- (14) Hot-melt adhesive-grade, medical-grade and other special-grade ethylene vinyl acetate resin products
- (15) Development of high-strength heat-resistant and durable ABS
- (16) Development of new high-liquidable ABS
- (17) Development of non-static-grade water-resistant EPS
- (18) Development of low molding cycle expanded polystyrene (EPS)
- (19) Development of polystyrene light guide plate (GPS)
- (20) Development of Low VOC EPS
- (21) Development of customized products (ABS, GPS, SAN and EPS)
- (22) Development of encapsulated glass wool products
- (23) Patent development and application of the Porter panel
- (24) Design and development of material and iron cores with frequency up to 5MHz
- (25) Development of iron cores for 3D car-use antennas
- (26) Development of automotive-power iron cores
- (27) Development of 500~1MHz high-frequency new materials
- (28) Development of SiC-TYPE/half insulation powders for monocrystal growth
- (29) Development of SiC ceramic powder

(II) Industry Overview:

1. The current state and development of the industry

Since the launch of the 6th Naphtha Cracking Project by Formosa Plastics Corporation, the production of PE/EVA has gradually increased year over year, and generally, has reached a stable status recently. Currently, there are three PE/EVA manufacturers in the domestic industry, including USI Corporation and Asia Polymer Corporation, both under the Group, and Formosa Plastics Corporation. As USI Corporation and Asia Polymer Corporation each launched a new EVA production line in 2016, the total domestic production volume reached 1,251,000 tons, including 611,000 tons of HDPE, 170,000 tons of LLDPE, and 470,000 tons of LDPE (including EVA). As to the domestic PE/EVA market in 2018, generally, the status is still in oversupply, with the demand for HDPE amounting to 348,000 tons, and for LLDPE, amounting to 214,000 tons, and for LDPE (including EVA), amounting to 243,000 tons. Despite that, a considerable proportion of PE/EVA

material was still procured from import since the import tariff was low and the product price was competitive.

In the first quarter, the sales of PVC was continuously driven by last year's growing demand due to reduced supply in the United States and increased demand from Mainland China and India. However, the second quarter saw the PVC price in Asia moving downwards as a result of multiple reasons including recovered material supply, the announcement by India to ban the use of the Letter of Undertaking (LOU) and the Letter of Comfort (LOC), and the high level of inventory accumulated during the pre-monsoon period. In the second half the year, the growth of PVC demand was deteriorated amid the staggering global economy caused by the uncertainty of the China-US trade war and the impact of India's bank policy of banning LOU & LOC. As to VCM, generally, the price of the material fluctuated in line with PVC in the year. Earlier, there was a stringent supply in the year, and this reflected in the upsurge of VCM price in response to PVC prices. However, since production capacity in Indonesian plants was expanded, VCM suppliers started to adopt conservative purchasing policies thereby causing sluggish VCM price in the market. This was compounded by the rising trend of EPC prices in the industry which shriveled the profitability in VCM sales. The descending VCM market price was reversed until in December when Indonesia was affected by tsunami and Japan was faced with equipment problems in their production plants. As to raw materials: oil price stayed at high level in 2017 compared to other materials. Ethylene prices in the first half of the year also maintained at high level, which were buoyed by the limited number of supplies in Asia who engaged in annual inspection and emergent production suspension. In the second half of the year, ethylene prices were reversed downwards because some low-cost ethylene material and related derived products were distributed from the US to join the market competition. The oversupply of EDC in 2017 year end was eased because Brazilian plants were going through some production problems and atypical climate changes impacted the production. As a result of Mainland China's cancellation of the batch-by-batch inspection policy for EPC, solvent manufacturers frequently imported materials at competitive prices to raise prices in Asia. On the other hand, declining caustic soda prices deterred manufacturers from launching their production, so in the first half of the year, EPC prices kept rising due to insufficient supply. In the second half of the year, despite falling prices in oil, stringent supplies and rising prices continued to be the trend in the EDC market. It was because the overall production capacity of EPC and alkali chloride was still

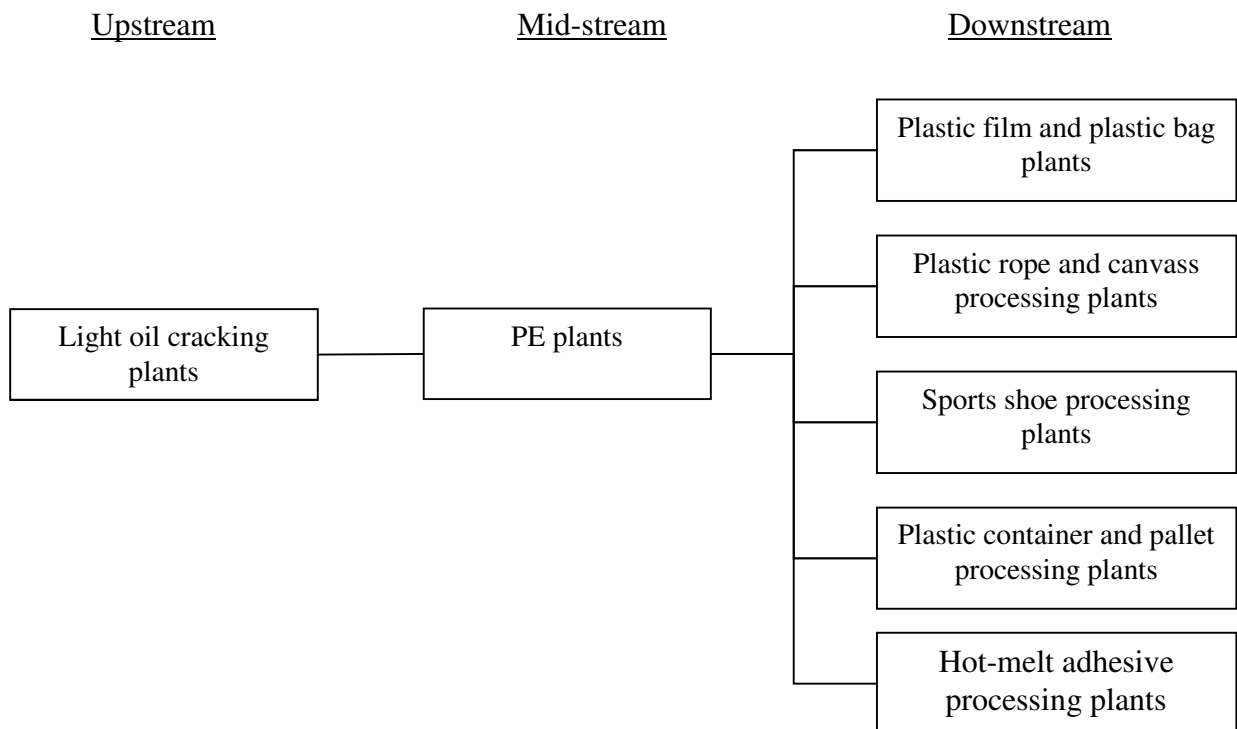
decreased due to an incident in a Brazil aluminum plant causing reduced production of alkali chloride in the US. Overall, stable profit still existed between PVC/VCM products and raw materials. In the spirit of implementing a vertical integration along the Vinyl Supply Chain, the Company spared no effort in maximizing the production and the sales of VCM/PVC/processing products. By taking advantage of the collaborative and efficient supply chain, the Company was able to minimize loss under the fully fledged production capacity, yet maintaining considerable profit margins.

In the domestic market, ABS/PS is manufactured by numerous vendors, including four for ABS production and five for PS and EPS production. The total production capacity is far greater than the domestic demand. At present, over 85% of domestic production relies on export to maintain normal annual operations. Downstream processing plants in Taiwan have moved their production capacity to Mainland China and Southeast Asia due to the concern of cost competitiveness. With abundant manufacturers engaged in EPS production in Mainland China, the total production capacity of EPS in the country is also far greater than the domestic demand. According to the statistics at the end of 2018, the total domestic production of EPS in Mainland China exceeded 6.7 million tons, while the country's domestic demand was only 3 million tons. The demand for EPS can generally be divided into four major areas based on applications - packaging for electric appliances, vegetable and fruit boxes, ceramic packaging and building slabs. At present, building slab products account for approximately 35% of the total demand, while packaging products for electrical appliances accounts for approximately 45%. Vegetable and fruit boxes and ceramic packaging products constitute roughly 10% each. In market distribution, the demand for EPS is mainly concentrated in South China (Guangdong), East China (Jiangsu and Zhejiang), North China (Shanxi, Hebei and Shandong) and Northeast China (Heilongjiang, Jilin and Liaoning). While the South and East China regions focus on the production of packaging products for electrical appliances, the North and Northeast China regions concentrate on the production of building slabs. The Middle East, Africa, Russia and South America are emerging markets with relatively strong potential of growing demand. In addition, in Japan where the domestic market is relatively closed off, customers' preference for imported materials has gradually changed due to plastic prices inside the country being high for the long term.

In respect to ferrite powder and iron cores, such materials are mainly applied in the production of coil inductors which is a type of inductive material of passive components Inductors are mainly used

for preventing electromagnetic interference, filtering noise in electric current and power conversion. In addition to the aforementioned functions, inductors can also be used along with resistors and capacitors to demonstrate filtering functions. For example, inductors can be used as upstream material for filters, chokes, ballasts, switch power supplies, various transformers (e.g. inverters, converters, inductors and telecoms), and can be further applied to common electronic products such as (wireless) chargers, cloud servers, desktop computers, notebook computers, liquid crystal displays, LED TVs, smartphones, automotive electronics and communication network devices. Because inductors can stabilize electric current, remove noise and suppress electromagnetic radiation, inductors are widely used in electronic digital and consumer products.

2. Correlations between upstream, midstream and downstream industries



The Company has maintained good upstream and downstream relationship with CPC Corporation in Taiwan for a long time, and both the companies can mutually complement with each other in business. In the future, the Company will still actively seek to tighten up its partnership with CPC Corporation. There are three PE manufacturers in Taiwan and each of these manufacturers has its own supply and sales system. Nevertheless, the Company continuously strives for excellence by improving product quality and production volume, thereby being able to provide high-quality

products to a large number of downstream processing companies which subsequently enhance their product processing standards and lead to cooperation with the Company in market development.

Ethylene dichloride (EDC), the raw material to manufacture VCM in the upstream, is procured from Formosa Plastics Corporation and overseas manufacturers. Ethylene is procured from CPC Corporation in Taiwan and other overseas manufacturers, while liquid chlorine is procured from Taiwan Chlorine Industries Ltd. Vinyl chloride monomer (VCM) is produced from cracking EDC, and hydrochloric acid gas is the by-product. EDC is produced from the oxychlorination of ethylene, oxygen and hydrochloric acid altogether. After polymerization of VCM, polyvinyl chloride (PVC powder) is produced and then supplied to secondary plastic processing plants in Taiwan in order to produce plastic products such as plastic leather, plastic sheets, plastic pipes and pellets.

ABS/PS is mainly distributed downstream to be used in the injection and molding of products such as IT devices, electrical appliances, household accessories, and toys. Among these products, ABS/PS used in manufacturing IT products accounts for a considerable market share in Taiwan, while materials used to manufacture other products are distributed overseas to vendors in Mainland China or Southeast Asia. Affected by the growth of the global economy, there is an increased demand for ABS seen in the market. Adding the factor that there is only little capacity expansion in the production line recently, the industry is generally optimistic about the growth potential of the product. In view of the EPS market, the stable demand for food packaging and disposable tableware in the downstream has been beneficial to our PS sales. EPS is mainly used in packaging as well as construction. Demand for the material varies in accordance with status of economic growth in different regions.

In respect to magnetic iron oxide powder and cores:

| Upstream | Mid-stream | Downstream | Product Application |
|--|--|---|---|
| Iron oxide Manganese oxide Zinc oxide Nickel oxide Copper oxide | Manganese-zinc ferrite core Nickel-zinc ferrite core Manganese-zinc ferrite powder Nickel-zinc ferrite powder | Upstream component for power transformers, load coils, choke coils and degaussing coils | Digital products: Power supplies, monitors, motherboards, hard drives, optical drives, printers, scanners and other computer peripheral devices Telecommunication products: Transmission devices such as smartphones, telephones, fax machines, switches and servers, as well as end-user devices Consumer electronics: tablets, digital cameras, game consoles, CD/DVD players, LED TV, audio, etc. Others: Automotive electronics, solar energy, wireless chargers etc. |

3. Development trends and competition for the company's products

In respect to domestic sales, there are currently three PE and EVA manufacturers in Taiwan and each of them has established its own supply and sales system. Nevertheless, a considerable proportion of LDPE, HDPE, and material are procured by import due to lowered import tariff. In export sales, Taiwan has long been a major exporter of petrochemical products such as PE and EVA, and Taiwan's export is mainly distributed to Mainland China, Southeast Asia and South Asia. In addition to the Middle East, the U.S. and some European countries, the Company's business also competes with manufacturers in Asia, including those from Japan, South Korea, Thailand, Singapore, Malaysia, India, Indonesia and Mainland China. As regional protectionism escalates in recent years, differentiated tariff policies have successively been implemented in areas such as ASEAN countries, Mainland China and India. Our main competitor, South Korea, has taken a big leap in trade negotiations. Even in ASEAN countries, such as Thailand and Singapore, production capacity is continuously increased in recent years due to the benefits of preferential tariffs, which has significantly affected the competitiveness of Taiwan's petrochemical industry. Furthermore, in North America, multiple million tons of production capacity of PE is expected to be added to the operation line within 3 to 5 years. Majorly using shale gas as raw material, the plants in the US can produce ethylene at low cost, and this will pose significant threat to Asian crackers using naphtha as feedstock. Faced with such severe challenge, the Company has continuously increased product diversify so as to avoid price cut in the general-purpose product market. At the same time, the Company has actively enhanced its international marketing capability as well as expanding business into various regions such as Russia, Pakistan, Vietnam, the Middle East and Eastern Europe in order to avoid risk that arise from excessive market concentration.

Currently in Taiwan, the annual production of VCM in the PVC industry consists of 450,000 tons produced by the Company and 1,640,000 tons produced by Formosa Plastics Corporation. The annual production volume of PVC power produced by the Company is 410,000 tons, and the amount by Formosa Plastics is 1,260,000 tons, and by Ocean Plastics Co., Ltd., 120,000 tons. The main downstream processing industrial players in need of the material include manufacturers of plastic tapes, plastic sheets, and building materials.

In 2018, increase in sales and building projects in the domestic construction industry as well as the launch of a few domestic

large-scaled civil engineering projects boost downstream businesses' confidence in procurement. Along with the price of plastic materials maintained constant, the demand for plastic construction materials was stronger than before. In respect to export, market purchase in the first half of 2018 continued to be driven by last year's demand in India; meanwhile, the annual inspection and maintenance plan in US and the growth of sales in Mainland China and Southeast Asia also significantly increased the Company's sales volume. However, the sales growth trend was intimidated in the second half of the year mainly due to demand in the emerging market was moderated by the impact of the China-US trade war. The Company's operating strategy for 2019 still maintained at 100% production-sales ratio. However, particular attention was paid to price-volume control due to the soaring EDC/ethylene cost in the upstream.

ABS was originally classified as a kind of high-priced/high-profit engineering plastic. However, the material has gradually lost its edge and become more of the kind of general-purpose plastic after Chi Mei Corporation in Taiwan and LG in South Korea competed to increase their capacity and became the first and second largest plants in the world, respectively. ABS resin are widely used in automotive engineering, electronics, electrical appliances, equipment and building materials, due to the product's synthesized feature of resistance to impact, heat, low temperature, and chemical erosion, in addition to its modability and surface gloss. It is a high-molecule material with features sitting between general plastic and engineering plastic. In Mainland China, the downstream consumption of ABS is mainly concentrated in the household appliance industry, accounting for 60% of the total market share. Among all the applications, air conditioners, vacuum cleaner, refrigerator and laundry machines incur the most demand for ABS. In the first half of 2018, ABS demand continued to grow steadily. However, in the second half of 2018, demand for the material falls sharply due to the impact of the China-US trade war. When the trade war was eased at year end, demand for the material was hence gradually recovered thereafter. In the short term, although there will still be new production capacity of ABS added in the market, any new capacity is expected to be immediately absorbed. GPPS is a type of general-purpose plastic, with its market price mainly fluctuating in line with the price of the raw material, SM. The GPS market leader in Taiwan is Formosa Chemicals and Fibre Corporation (FCFC). With the advantage of vertical integration of supply chain in the GPS production line, FCFC can supply the material at low costs compared to other suppliers. Other GPS

manufacturers in Taiwan (including the Company) all use externally purchased SM material to feed their GPS production lines; therefore, SM price have a material impact on these companies' competitiveness. The Company is the only manufacturer in Asia who adopts NOVA manufacturing technology in the production of GPS. Featuring the character of low free monomer, the quality of the Company's product is competitive in the market and is mainly distributed in Taiwan and Mainland China. GPS is primarily applied to the production of disposal tableware, for which there is relatively stable demand and the demand does not vary season by season. In recent years, without new production added by any competitors or new market players, the Company's GPS production rate was escalated, and brought in some reasonable profit margin while SM price was constant. Therefore, to prevent the volatile price of SM from causing any loss to the Company, good control over raw material and finished goods inventory are maintained. As EPS contains Pentane, it is listed as a Class 9 hazardous product in maritime transportation. Due to the frequent occurrence of shipping accidents in recent years, different shipping companies hold very different acceptance level for the packaging and shipping of EPS goods. As a kind of insulation building material with fire-retardant feature, EPS is gradually restricted by countries around the world because EPS contains the traditional fire-retardant material, HBCD (EU has classified HBCD as SVHC), and up to now, non-HBCD fire-retardant material is comprehensively used in the EU market. Because large-scale processing plants in Taiwan have been moved overseas, the demand for using EPS as packaging material has been reduced in Taiwan. However, the overall domestic consumption has grown slightly since EPS is recently used in the packaging of LCD-TV panels by domestic device manufacturers. Furthermore, since Taiwan is located in the sub-tropical zone, EPS is rarely used for insulation in the domestic market, hence 90% of the material is exported for sales. The Company's EPS products are mainly sold through export sales in different markets spanning all across the world.

In respect to ferrite powder and iron cores, rapid development of 3C products has encouraged downstream manufacturers to continuously launch new products in response to changing consumer demand. With the function of electronic products enhanced and the polarized market trend evolving towards the development of large-sized transformers as well as the development of micro-miniature inductors, customers' demand regarding product characteristics such as functions, materials, and shapes should all be considered into the design of a product's materials, formulas,

impedances, dimensions and appearances. The requirement for temperature endurance, high frequency, resistance to high electric current and micro-miniature size just complicates the market trend but should not be eliminated in product design either. Most of these products are exported overseas for sales, with Mainland China being the main market. Major competitors in this industry are ferrite core manufacturers in Japan and China. Because of the large number of competitors in the industry, the competition in price is fierce. Therefore, to effectively segment the market and establish a competitive advantage, the Company has taken actions to increase product's added value and improve manufacturing technologies, all of which have successfully lower product cost and enhance the overall product quality within the Company. In addition, the Company has established an all-round support service to be in line with customers' need for product development. This has helped the Company shaping competitive advantage in differentiation over other competitors. By cooperating with customers in the research and development of future products, the Company has been able to keep a close eye on market dynamics as well as enhancing its business competitiveness.

(III) Overview of Technology and Research & Development:

1. Research and development expenditures invested during the most recent fiscal year

Unit: NT\$ thousands

| | 2018 | As at the end of April 2019 |
|--------------|---------|-----------------------------|
| R&D Expenses | 421,600 | 131,126 |

2. Technologies and/or products successfully developed
 - (1) New specifications of ethylene vinyl acetate resin
 - (2) Enhanced function of high-density coating material
 - (3) Development of the application of high-performance shoes made of foaming material
 - (4) Development of new dosage and application of fire-retardant addition liquid
 - (5) Application development and performance enhancement of hot-melt adhesives
 - (6) Development of high-liquidable hot-melt adhesives
 - (7) Development of shock-absorbing eco-friendly elastic adhesive
 - (8) Development of polyolefin and related application materials

- used in LCD monitors and biomedical testing
- (9) ISO4612 speed test for PVC powder absorbency
 - (10) Production technology for the second-generation stain-resistant leather for furniture
 - (11) PVC foaming pipe production technologies
 - (12) TPE foaming soft leather production technologies
 - (13) TPE adhesive surface treatment production technologies
 - (14) PVC rigid-foaming door panel production technologies and formula
 - (15) Plastic pellets for ecofriendly pipes
 - (16) PVC anti-slip adhesive pad
 - (17) Leather-like PVC for household cars in Australia
 - (18) PVC stain-resistant printing soft leather for Europe
 - (19) Second generation stain-resistant PVC plastic leather
 - (20) 60" PVC plastic leather for agricultural equipment
 - (21) Dual-color rolled PVC plastic leather for cars
 - (22) Second-generation scratch-resistant PVC soft leather for furniture
 - (23) PVC soft leather for the seats of agriculture equipment
 - (24) Rigid PVC foaming pipe material
 - (25) TPE high foaming soft leather
 - (26) TPE high-temperature-resistant plastic leather for industrial exhaustive pipes
 - (27) TPE anti-sliding plastic sheet
 - (28) PVC building material (foam door panel)
 - (29) Development of V33121 high-end, high VA and low MI foaming material/injection foaming EVA product for shoes
 - (30) Development of the production technology for the large batch production of V18161 low crystal point coating-grade EVA product
 - (31) Development of electroplating-grade acrylonitrile-butadiene-styrene (ABS) polymer

Outcome: Through making adjustments in formula and additive dosage, the Company has effectively enhanced the appearance/adhesion of the electroplating-grade finished products and improved the cold-heat circulation test. The

product has helped the Company to penetrate into the shower room equipment market and passed the WRAS certification of water contamination test in the UK.

- (32) Development of acrylonitrile-butadiene-styrene (ABS) polymer for alloy

Outcome: Through making adjustments in formula, the dispersion effect of ABS product in the modified compounding effect is improved. By applying the degrading endurance technologies, recyclability of the plastic alloy is enhanced and the performance and stability of the alloy is also upgraded.

- (33) Development of low-temperature impact-resistance acrylonitrile-butadiene-styrene (ABS) polymer

Outcome: Through making adjustments in formula, the impact resistance of the ABS product in low temperature is escalated to meet the requirement in rigidity and the related regulations for helmets imposed in Europe and America.

- (34) Development of fast-molding expanded polystyrene (EPS)

Outcome: With a proprietary formula, the molding cycle of general EPS is shortened, so production efficiency is enhanced by 30%. The new technology successfully enhances the product's added value and is applied to high-end electronic products and related components, and panel packaging materials.

- (35) Development of new-type disposable tableware made of GPS

Outcome: Through making adjustments in GPS formula, disposable tableware in special colors is successfully developed to meet market demand and broaden the Company's sales range.

- (36) Case study on cost reduction

Outcome: The study on material substitute and formula rationalization was completed in 2018, which effectively reduced raw material cost. The Cianjhen/Linyuan plants have achieved cost down by a total of NT\$ 200,000, with the plan currently still ongoing and extended.

- (37) Manufacturing processes improvement for ABS/GPS/EPS

Outcome: In total, there were 3 projects for the improvement of major ABS/GPS/EPS equipment, energy and carbon reduction, and recycling and reuse, completed in 2018.

- (38) Mn-Zn High Tc and high u Material A104/A071/A072

- (39) Mn-Zn Wide Temp. and Stability Material A044

- (40) Ni-Zn Wide Temp. and Stability Material F80
- (41) Ni-Zn High Permeability and High Tc K13
- (42) Ni-Zn High Permeability K25
- (43) Mn-Zn high frequency and Low Loss Material P452/P53
- (44) High purity 6N SiC Powder for Single Grain Growth

(IV) Long-term and short-term business development plans

1. Short-term business development plans:

In respect to short-term business plan, the Company is currently constrained by the insufficient ethylene supply amount stated in the contract with CPC Corporation. Therefore, in addition to making all effort to look for extra low-cost supply for ethylene, the Company continues to develop differentiated products and optimize its product portfolio; this is expected to reduce production cost, increase product value and profit margin, and finally raise competitive advantage for the Company's domestic product processing plants. In terms of exports, the Company plans to continuously solidify its position in the Mainland Chinese market. Additionally, the Company will comprehensively enhance service quality, improve product structure and focus on differentiation and customization to address niche market needs in order to avoid vicious low-price competition. The Company has an edge and is highly reputable for providing the high quality products of solar energy encapsulant and special hot-melt adhesives in the market. With solar energy being a prolific industrial trend in recent years, the Company has created two new EVA production lines with a total annual production capacity of 90,000 tons added to meet customers' eager demands. Both the production lines went into operation in middle 2016, and products produced by the plants soon gained recognition from customers. The overall sale of EVA product has been successful at present. By making investment in the Gulei project, the Company is able to not only stabilized its upstream material supply, but also integrated the production of petrochemical material into plastics refining in the mid-stream. With this investment, the Company enjoys strengthened cost competitiveness, lowered shipping cost, and is able to circumvent vicious international sales competition, thereby getting a strong foothold in the Greater China market. On the other hand, the research and development of CBC optical material and the food-grade material for milk bottles is ongoing. Also, market potential of the high-value product of ethylene derivatives / copolymer and feasibility of mass production of the product is

under investigation and assessment.

In view of VCM related industries, integrity of the supply chain will be strengthened to keep production at high level and in good quality. Stable supply of material is also actively sought after by the Company. In view of PVC, the Company is keenly to establish cooperative, mutual-benefit relationship with major customers of PVC powder, and continuously acquire new customers. Therefore, both the domestic sales and the market share are still anticipated to stay in a consistent growing trend in 2019. The production capacity of the plants in Toufen and Linyuan are utilized in flexible ways to enable product diversification, labor division, thereby decentralizing the customer and market base. The Company has set up policies to select customers with good credit ratings for sales and strengthen major distribution channels to increase the proportion of sales with downstream manufacturers. All these have been done in an attempt to balance market fluctuations between the peak and off-peak seasons, and eliminate the bottleneck of excessive sales concentration on retailers. The global economy in 2019 is expected to proceed between being steady and being slightly downward. In response to this, the Company seeks to constantly consolidate its relationship with channels, expanded supply chain integrity into downstream partnership, and improve the overall service quality to secure constant product supply and increase sales volume. Particularly for the 45% liquid caustic soda product, the Company keeps making solid relationship with core customers in order to maintain its market share. The Company will also continue to develop a niche new product, namely PVC pellets. In the short term, the Company will develop plastic pellets for medical equipment and rigid pipe fittings, as well as low-odor and transparent plastic pellets. Additionally, the Company will continue to enhance product quality, and ensure accurate delivery and services. Related procedures are taken to stabilize the product quality, and the sales of PVC pellets in the original markets in Nepal and India are both reinforced. In Bangladesh, business opportunities for pipe sales are keenly pursued by collaborating with local large-scale manufacturers and small and medium-sized users to promote the PVC pellet products. Through international trading services on the Internet, the Company secured the opportunity of making local presence during international exhibitions to sell PVC pellet products in the emerging markets. With respect to PVC plastic products, the pipe product portfolio will be adjusted in order to increase its market share in general-purpose construction pipes and waterproof materials. The Company will also actively engage in the supply of such products to public works in order to improve the

profitability of such products. At the same time, the Company will promote composite materials and materials for environmental protection in order to increase the added value, differentiation and brand image of such products. On top of that, advertisements on media, website broadcasting design, and participation of various major exhibitions are made to enhance product awareness and expand business opportunities for the plastic leather / sheet products. The Company will also join forces with its peers to strengthen the supply of various types of artificial leather, with the purpose of increasing its product portfolio and enhancing horizontal competitiveness. The formula of the FORBID stain-resistant product is upgraded to improve the cleaning effect. A water-based formula is developed to create more market opportunities. The leather-like product used to make seats and the inner lining of agricultural equipment has seen steady sales in North America, with a sales order clinched from a major tractor seat manufacturer in the U.S serving as a stable source of revenue for the year. Due to this, the Company's product portfolio and sales performance is estimated to experience a strong rise in the future. The anti-mold formula for plastic leather used in ships is upgraded to meet the REACH requirements. Hence, this is expected to bring in substantial benefit in terms of stable source of orders in the European market. The Company will also make improvements in formulas and related labels to make them in line with the regulatory requirements of Prop #65 implemented in the North American market; hence, the Company's market operations in this region is expected to be more sound and robust. The Company will make effort to promote environmental protection materials, meanwhile launching new products for the use of furniture, vessels and shoes. With marketing power strengthen in the rigid plastic sheet market in Asia, an increase in market share was obviously seen as a result. Marketing effort was also made in developing the market of soft rigid plastic sheet in Eastern Europe, India and Indonesia, and is expected to increase the Company's shipping performance in 2019. By making use of new production capacity, the Company can continue to develop plastic sheets, pool cloth, and water-proof cloth to enlarge its customer base. In 2019, the Company planned to participate in a trade show held in China where the Company's various products, product functions, and development status would be promoted to both domestic and overseas customers.

In respect to ABS product, marketing strategy is adjusted to raise the proportion of sales from direct customers; in respect to PS, more sales weight was laid upon products with high profit margin; in respect to EPS, more effort is made to increase business opportunity

in regions where the Company has a low market share. In the production of ABS, new Toyo SAN manufacturing process is set in place, and improvement in the background color and quality of the ABS product has also been seen. In the future, this advantage will be exploited to promote sales into the high-quality market end, such as the electroplating-grade, low-temperature, impact-resistant, or high-liquidable products. For GPS product, the Company will continue to enjoy sales growth in the optoelectronics market thanks to the implementation of the NOVA manufacturing process. This also helps the Company to enter the food-grade GPS market in developed countries such as the U.S. and Japan. This will add benefit to the profitability of GPS sales. The quality of anti-static-grade EPS has been recognized by multiple panel manufacturers and used in production. With this success, the Company will continue to monitor customer needs and further improve product quality in order to increase sales. At the same time, supply chain integrity will bring benefit to the maximization of sales and production, while minimizing the inventory of raw material and finished goods. The analysis of profit margin generated from individual customers is performed to pick out customers and products of comparatively high profit margin. Market segmentation strategy is implemented accordingly to achieve profit maximization. By promoting and developing high-added-value products, market competitiveness can also be strengthened. The Company's organization is adjusted to be functional and flexible in order to expand sales overseas, especially in the emerging market. By collaborating with major customers in research and development projects, the Company can broaden its product range and expand into new markets. In view of EPS sales, material supply is constantly maintained stable in South China. Along with the quality of ultra-light materials and fast-molding materials improved, the Company is able to maintain basic sales volumes while expanding business into markets with good profitability. The Company has consistently strengthened its marketing power in the core market (i.e. Guangdong Province), while Guangxi, Yunnan, and Guizhou are on the list of the profitable market regions to be developed further. By taking the advantage of complementary market demands, different specifications in sales are balanced. The scope of technical service and the capability of providing such service for technical customers are persistently upgraded to consolidate customers' loyalty. Improve the concentration degree of pellet to meet market demand. In view of EPS products in North China, the Company seeks to develop customers from packaging and stabilize its product quality, thereby changing the current situation of excessive reliance in the building

material market. In South China/Anhui, the Company continues to consolidate market power to improve the current sales portfolio. By seeking for suitable market to complement the sluggish sales in the regular off-peak seasons, the Company is able to balance its sales specifications and enhance its factory utilization rate in the area.

In terms of ferrite powder and cores, the Company will continue to develop new materials, new technology and new products, and integrate the cost advantage of factories in Mainland China to increase competitiveness and market share. The Company's existing sales offices in South China, East China and Chengdu, and Weihai will continue to enhance their services for downstream customers, and stay close to customers in order to respond quickly to their needs. The Company will also work in collaboration with international major manufacturers to implement the Design-in/Spec-in process and recognize their new product designs. As a result, the Company's product portfolio can be adjusted to enhance profitability.

2. Long-term business development plans

In the long-term planning of its PE/EVA business, the Company will actively expand this business into markets including Southeast Asia, South Asia, East Asia, the Middle East and the Americas in order to diversify risks due to excessive market concentration. In addition, the Company will find a stable source of ethylene and seek opportunities for vertical integration, thereby controlling the cost of raw materials in the upstream to get a foothold in the global market, and expanding its sales strategies by integrating refineries in both the upstream and the downstream.

In VCM business, occupational health and safety policies will be intensified companywide and production processes will be stabilized in plants; all these will be made in the hope to reduce cost and ensure long-term stability for the Company's product supply. The Company will enhance product differentiation for PVC powder and continue to promote product applications with special specifications. The existing production capacity for chemicals will be fully utilized, and the bottlenecks in equipment will be removed to improve product quality and production volume, as well as establishing stable sales channels. In the meantime, the Company will continue to enhance PVC pellet product quality and engage in the kind of joint ventures to develop new functional formulas. Besides, the Company will engage in the research and development of high-end products to be in line with market demands and to increase the competitiveness of the PVC pellet products. The Company will not only involve more effort in the research of

processing technologies for the PVC plastic products, but will also improve related equipment and environment to create differentiated products; this is anticipated to segment the Company from the traditional product market with growing competition. Both the machinery for producing the PVC plastic products and the related production formula will be improved so as to develop high value-added products. Production capacity for the product will be expanded to increase market share. The product will continuously be promoted in regions with high economic growth potential such as Southeast Asia, Bangladesh, Vietnam and South America. PVC product portfolio will be promoted including SRT stain-resistant leather, automotive leather and stationery / universal / pool adhesive sheet. Products featuring trendy emboss and colorness will be developed according to fashion and trends. Moreover, research on different new PVC plastic products will be performed through various joint ventures with business partners in the same industry to create a comprehensive set of product portfolio, thereby expanding the Company's customer base. In response to the updates in environmental protection regulations, the Company will continue to make adjustments in formulas and in other related corresponding measures. Besides, the Company will also continue to focus on the research and development, and the promotion of eco-friendly materials such as TPO and TPU plastic sheet/plastic leather, which is mainly used in products such as door boards, shoes, car, furniture, vessels and flooring materials. The Company will constantly keep a close eye on the China-US trade war which could impact the Company's business performance and keep good track of the underlying customer's production base where sales orders can arise.

Resources of the Company will be integrated to continuously make development in the ferrite powder and iron core products as well as new material business lines. The Company will also acquire potential customers and develop new sales bases so as to increase market share. On the other hand, the Company will continue to nurture international marketing talents, set up overseas sales offices, and keep abreast of information related to international markets in order to achieve the goal of internationalization.

II. Market, Production and Sales Overview

(I) Market Analysis:

1. Sales regions and market share of major products

Domestic polyethylene (PE) plastic raw materials are used by USI Corporation, Asia Polymer Corporation, and Formosa Plastics

Corporation to manufacture low-density polyethylene (LDPE) and ethylene vinyl acetate (EVA). High-density polyethylene (HDPE) and linear low-density polyethylene (LLDPE) are manufactured by USI Corporation and Formosa Plastics Corporation. USI's PE/EVA sales in the domestic market account for 44% of total, while 56% of the sales were originated from export. The Company's products are exported to different countries, including the United Arab Emirates, Australia, Bangladesh, Brazil, mainland, Ecuador, Egypt, Britain, Hong Kong, Indonesia, Israel, India, Iran, Japan, Cambodia, Sri Lanka, Myanmar, Mexico, Malaysia, Nigeria, New Zealand, Peru, Philippines, Pakistan, Poland, Russia, Senegal, Thailand, Turkey, United States, Venezuela, Vietnam, South Africa, with 86% of the sales orders arising from Hong Kong and Mainland China. Among all the plastic materials exported overseas, ethylene vinyl acetate (EVA) is the most important item, followed by low-density polyethylene (LDPE) and linear low-density polyethylene (LLDPE). Domestic sales of low-density polyethylene (LDPE) account for 3.0% of total volume, whereas sales made to Asia Polymer Corporation and Formosa Plastics Corporation in terms of product supply accounting for 20.5%, and the remaining 76.5% are imported products. Of the total sales volume of ethylene vinyl acetate (EVA) in the domestic market, sales by USI account for 47.2%, whereas 28.7% were sold by Asia Polymer Corporation and Formosa Plastics Corporation as a whole, and the remaining 24.1% were from import. In view of high-density polyethylene (HDPE), 21% of domestic sales were from USI, and the Company's linear low-density polyethylene (LLDPE) also accounts for 5% of the total market share. The rest is supplied by Formosa Plastics Corporation or from import. Since the total domestic production volume has exceeded the demand, the Company strives to increase export sales in an attempt to absorb excess production and achieve the balance between production and sales.

For VCM, the ratio of domestic sales to export sales and self-use products is approximately 9:1:90. For PVC powder, the ratio of domestic sales to export sales and self-use products is approximately 13:76:11; the Company's domestic market share is about 23%, and in export, product is distributed to overseas regions including India, Bangladesh, Mainland China, Southeast Asia, Middle East, South America and Australia. Chemical products are mainly sold to companies based in Hsinchu Science Park, Central Taiwan Science Park and northern regions, with sales in these areas accounting for about 70% of the total. Customers for these products mainly come from electronic industries and petrochemical industries. The Company's market share in the domestic market

ranges approximately from 3% to 4% for the liquid caustic soda product, and ranges approximately from 16% to 18% for the hydrochloric acid and the liquid bleach product. Sales of PVC pellets currently concentrate in the domestic market. Export sales are mainly supplied to shoe manufacturers in India and Nepal. The PVC plastic product portfolio consists of: (1) building products: majorly sold domestically, and the ratio of domestic sales to exports is 97:3. Domestic market share: approximately 17% for PVC pipes and approximately 38% for PVC door panels. (2) Plastic sheets: The ratio of domestic sales to exports is 60:40; the market share in the domestic market is approximately 22%. Export sales mainly concentrate in overseas regions including America, Europe, Australia, South Africa, Russia, Japan, China, Vietnam, Bangladesh and Southeast Asia. (3) Plastic leather: The ratio of domestic sales to exports is 45:55, while the Company's market share in the domestic market is approximately 28%. These products are exported mainly to North America, Europe, Australia, Japan, Mainland China, Malaysia and India.

ABS/PS is mainly exported overseas and constitutes 89% of the Company's total revenue. Of all the regions for export, Mainland China and Hong Kong are the two largest markets for the Company, but sales are gradually increasing in other regions such as the Middle East, Africa, South America, Europe, the U.S., Australia and New Zealand. The percentage of sales in the domestic market is as follows: 11% for ABS/PS and 58% for glass wool products. In addition, EPS products produced in the Company's plants located in Mainland China are basically all sold within Mainland China.

In view of ferrite powder and iron cores, the domestic demand for inductor is around 7% to 10% of the total domestic demand for passive components. The Company's market share of ferrite powder and iron cores is therefore about 6% to 9% of the total domestic sales volume.

2. Market supply and demand, and market growth in the future

In recent years, domestic demand for PE and EVA has generally remained stable. In terms of export, global demand for PE shows constant growth as the global economy recovers. However, within 3 to 5 years, it is expected that there will be a capacity of over 7 million tons of PE to be launched in operations in North America. These plants will use shale gas to extract ethylene, thus will have a huge advantage at cost. Such threat to Asian light cracker plants cannot be underestimated. Fortunately, there is little capacity expansion for EVA in this wave of new plants establishment in North America; therefore, the situation has very little impact on the

Company's main export. The Company's PE products are mainly sold in the domestic market. In recent years, major sales have been gradually shifted to focus on differentiated products. Based on the Company's previous experience of competing with Middle Eastern competitors in the trend of plant expansion in this area, the Company is confident to survive in the new challenge arising in North America this time.

VCM supplies were in a constrained status due to multiple annual inspection plans performed in Asian plants in the first half of the year; it is expected that the demand for VCM in Asia will increase with regulations about ethylene and PVC in Mainland China and Southeast Asia gradually come into effect. Coupled with the support of cost advantage, the VCM market price was hence in an ascending mode. VCM supplies were in a constrained status due to multiple annual inspection plans performed in Asian plants in the first half of the year; it is expected that the demand for VCM in Asia will increase with regulations about ethylene and PVC in the mainland and Southeast Asia gradually come into effect. Coupled with the support of cost advantage, the VCM market price was hence in an ascending mode. Taking an outlook for emerging countries (Southeast Asia and South America, etc.), it is anticipated that economic recovery will drive an increase in demand in 2019. In addition, the anti-dumping sue case in India reshuffled the market in the second half of the year, which then brought about benefit to Taiwanese manufacturers in the market. The domestic market demand for 2019 is forecast to be at the same level compared to 2018, mainly because there was a surge in market price at the beginning of the period. The Taiwan government's plastic-restriction policy and the gradual capital expansion in the downstream tile and building material industry are estimated to support demand for PVC in both the domestic and overseas market. The demand from domestic large-scale chemical users is estimated to be stable in 2019. The demand volume is expected to be mainly driven by the new capacity expansion in TSMC and the upstream petrochemical industries in the year of 2019. The market demand for PVC plastic pellets is expected to grow slightly in 2019 compared with that in 2018. PVC plastic pellets are mainly sold overseas. The performance of 20018 was impacted by the color difference in product appearance, but the problem has been resolved. Therefore, customer orders are expected to flow back in 2019. In addition, the Company will continue to develop new business opportunities in Bangladesh for the plastic pellets used in pipes. Products of PVC plastic building materials grew in 2018 due to the growth of the housing market; coupled with upsurge in the volume

of civil engineering projects and other private construction projects domestically, the overall market volume consequently rebounded from the bottom. In 2019, the government keeps holding a non-intervention policy for the housing market; coupled with the expectation that civil engineering projects will be released in succession during the year, it is expected that sales of building materials will grow. Looking forward to 2019, the domestic and international economy has not yet recovered strongly. The Company's product portfolio will still put weight in the existing products with profitability as well as the promotion of high value-added products. Affected by appreciation of New Taiwan Dollar and weakening international market demand, business in the export market is under compounded pressure. However, the Company currently has stable customer base with whom the Company has long-term mutual-beneficial relationship. These customers have provided their full support for the Company in the development of new markets and new products. On the other hand, the Company's export team has endeavored to expand the market and customer base overseas. It is expected that the aforementioned factors will take effect in 2019 sales volume and bring benefit. Looking at the prospect of PVC plastic leather products in 2019, market focus will be placed in developing domestic channels and extending overseas indirect channels overseas. Equally important will be the promotion of the series of functional and eco-friendly products. The export segment enjoys stable business in the US-based market. Although there is competition of price cut in Vietnam, India, Mexico, and Mainland China, it is expected that new product, new market, and increased diversity in product portfolio will heat up sales in 2019.

In respect of ABS: 2018 saw a steadily growing trend in the demand for ABS. However, during the second half of the year, the downstream demand in Mainland China plummeted as a result of the impact of the China-US trade war. By the end of the year, the trade war was eased and the demand has gradually recovered. The prospect for the growth of ABS's demand is still good in the long run, but the impact of conflict between the US and China on major economies should nevertheless be underestimated. It is still necessary for the Company to watch carefully on such changes and respond cautiously. New capacity recently added in the industry majorly includes 150,000 MT/year of ABS which has been launched in March 2019 by LG's Huizhou Plant (CNOOC). This new production capacity is expected to be absorbed comprehensively in the market. In view of GPS/EPS: In recent years, no new expansion or new business is seen taking part in the

market. Disposable tableware product, a major market for the Company, has no obvious difference in sales between various seasons. As eating outside becomes more and more popular, the GPS demand showed an increase in 2018, and sales by Taita Chemical Co. Ltd. also show an increase of 6% over the 2017's figure followed by an increase in profit. However, due to the rapid decline in the price of SM, a main kind of raw material, by as much as US\$400/MT between October and December, it is inevitable that loss in price cut occurred, despite that the Company's raw material inventory was kept at low level. Therefore, even though revenue in 2018 was significantly improved compared to 2017, the Company has not yet turned into a profitable business in this market. Looking at 2019, there should be no significant fluctuations in SM price. Through proper inventory control on raw materials, GPS business is expected to have further improvement. With respect to EPS: In 2019, main TFT-LCD panel factories will start applying anti-static grade EPS to the panel packaging materials. This will broaden the use of EPS and also improve the Company's operations for the year. The EPS international market is still in oversupply. In the future, the Company will continue to develop business in places where the Company has a relatively low market share but better profitability. In view of EPS products in Mainland China: there is relatively a balance in the supply and demand of styrene in South China, and there are only three major EPS manufacturers in the area. Recently, only 180,000 tons/year of EPS capacity has been added in the market by Shinda Chemical in the same industry. Therefore, in spite of some changes in supply and demand during the year, the overall market is still comparatively healthy. Based on the fact that a new plant with a capacity of 300,000 tons is created by Longwang in Zhuhai this year, the production to be launched in the second half of 2020 is expected to increase production capacity in South China. The Company plans to increase profit by stabilizing the quality of raw materials—the quality of ultra-light materials and fast-molding materials, while intensifying marketing strength for packaging and sheet materials sold in the major electrical appliance market in South China, increasing the output ratio for products with effective specifications, reducing stagnant inventory; and predicated on the assumption that utility ratio should be raised, lowering the inventory of raw materials as well as finished products. Also the Company's profitability will be benefited from business integration with the Tianjin plant. In North China and Northeast China, new EPS production capacity has increased in the past few years. In 2018, EPS production capacity in North China, Northeast China and Northwest China remained at 2,550,000 tons. In the entire northern market, EPS supply will continue to be in enormous

surplus over the demand. Therefore, the Tianjin plant needs to increase its integrated sales volume, reinforce the existing markets and develop new market space for packaging materials for the purpose of escalating overall production and sales volume, reducing costs, and easing operation pressure. The glass wool domestic demand market grew by 3% in 2018, and import of the product accounted for about 11% of the overall global demand. South Korea and India were the main importers for the product, accounting for 23% and 72% of the overall global demand respectively. The new steel plate product is continuously developed to increase market applications. It is estimated that the domestic market demand for the product will grow by 7%-8% in 2019 compared with 2018. The Company's export sales will turn to focus in markets with high unit price such as New Zealand, Australia and South Africa, due to the fierce competition and low unit price in Southeast Asia. At the same time, new markets with business potential are equally important targets for sales such as India, Sri Lanka and Thailand. So far, the Company has successfully stabilized its sales in the New Zealand and Australian market, and is keen to penetrate into the South African market. In summary, the width of export product scope and the depth of sales performance in New Zealand, Australia are both the focus of the Company's market development plan in 2019. The proportions of domestic sales and export sales for the year 2019 are estimated to be 57% and 43% respectively.

In view of ferrite magnetic powder and iron core, the shortage supply of passive components was the most severe during 2018. However, the China-US trade war in mid-2018 deterred the demand in Mainland China, thus becoming a drag on purchase from the downstream. This also destroyed the fast-growing pace of market demand in the passive component industry. Despite this, major global passive component manufactures are still optimistic about subsequent market growth of the product, including high-speed computing applications such as 5G, automotive electronics, 3D sensing, AI, and Internet of Things.

3. Competitive Niches

The Company has always been known for its decent management. Our business philosophy is "Solid Operation, Professional Management, Seeking Excellence and Serving the Society." The Company's current business strategy focuses on the manufacture and sale of high-added-value PE/EVA products though under the limitation of ethylene sources, as well as continuous improvement in product portfolio to generate higher and higher profit. The Company has set up an office in Tainan and a research and development division in Guishan, with the latter focused on

customer service and the research and development of products. In addition to research and develop new products, the Research and Development Division is committed to discovering new product applications, as well as introducing new products to customers in order for them to improve their processing technologies. Up until now, the effort has been highly regarded by the Company's business partners.

In production, VCM process equipment is improved to stabilize production capacity and maximize utility rate. In purchase, the Company purchases competitive raw materials to increase production efficiency and reduce cost, thereby enhancing profitability in the overall industrial chain. In sales, products are made in stable and proper quality, and delivered on time and in accuracy. Full understanding of customers' needs and full support for them is the key to create competitiveness in the domestic sales and export of PVC powder. The Company has built long-term cooperative relationship with business partners situated in Hsinchu Science Park and Central Taiwan Science Park, and the quality of chemical products and services supplied to the aforementioned companies is also highly regarded. Besides, the Company has plants situated in vicinity to Hsinchu Science Park and Central Taiwan Science Park; the geographic advantage enables the Company to make speedy delivery of goods to its business partners. The Company has created good command over the supply of PVC plastic pellets, and an experienced R&D team is engaged to improve product quality and cooperate with customers to develop high value-added new products. Generally, sales of PVC plastic pellets are not affected by seasonal changes due to: (1) a propriety brand of high brand awareness for the product; (2) good quality control and after-sales service; (3) the wide variety of the existing product lines and downstream sales. Therefore the seasonal performance of a particular industry is unlikely to impact the overall sales performance; (4) the vertical integration of supply chain for VCM and PVC powders with downstream processing plants; (5) technical professionals available; (6) a comprehensive set of international marketing bases; (7) the comprehensive quality control system of IATF16949 (International Automotive Task Force) and ISO9000 which enables excellent quality certification system within the Company, and (8) the ability to meet more and more stringent requirements in environmental regulations such as Prop#65, REACH, and RoHZ.

For the ABS/PS and glass wool products, the Company has created business competitiveness based on (1) maintaining low inventory levels of raw materials and finished products to maximize

production and sales volumes, and then maximize profits; (2) continuously increasing the proportion of export sales in niche markets; (3) continuous development of customized products; (4) fast and timely customer service and regular customer visit plans to enhance product added value in an enhanced after-sales service system.

The Company has invested in Zengcheng City, Guangdong Province, and Kunshan City to engage in molding, sintering and grinding of magnetic cores in Mainland China and provide services to customers in the nearby regions of South China. In order to meet customers' need for promptness, the Company has shortened the delivery time, and provided products with stable quality, so as to establish a brand image with competitive advantage. Europe, the U.S. and Japan still maintain their leading positions in the aspect of technology, experience, and product scale. However, it is difficult for Taiwan to put much effort in product research and development due to the lack of economic scale. Therefore, Taiwan is comparatively lagging behind in products that require higher levels of technology and with high added value. Among all, formulas for magnetic powder greatly affect the manufacturing process and the final quality of magnets because the content of formula is closely related to the magnetic permeability, density, energy conversion efficiency of manganese-zinc ferrites, and the time required for subsequent sintering and sinter yield. Since establishment, the Company has continuously accelerated talent cultivation and the development of technology research to establish the self-development ability for materials.

4. Favorable and unfavorable factors affecting the Company's development prospects and corresponding countermeasures

Favorable factors affecting the Company's development prospects:

- (1) In view of PE/EVA, the Company has established an excellent supply chain relationship with CPC Corporation, and has implemented flexible measures to obtain a stable supply of ethylene from various sources for the purpose of maintaining the stability of raw material supply.
- (2) In view of PE/EVA, the Company has established long-term cooperation relationship with downstream customers and developed such relationship into partnerships. Apart from the stable mutual supplies and sales with these partners, the Company has engaged in technical cooperation with partners to jointly develop new products and product applications.
- (3) In view of EVA used in membrane-encapsulated solar cells, the Company has a leading edge in terms of quality and

technology. In addition, the Company's customers play a vital role in the industry. Over the years, these customers have collaborated and grown with the Company, and thus deep and solid partnerships have been established.

- (4) In view of PE/EVA, the Company's efforts to actively expand its related business in a number of emerging markets have shown excellent results. The Company will continue to target effort at different regions and products in order to meet product needs from these market segments, and thereby expanding into emerging economy markets.
- (5) The new EVA production line has entered mass production in 2016 and the sales of PV photovoltaic-grade materials and high-end forming materials are expanded which has increased revenue.
- (6) Vertical integration in the production of VCM and PVC powder.
- (7) Full command on the source of EDC, a main raw material for VCM.
- (8) Fully utilizing the Company's VCM production capacity to effectively reduce production cost.
- (9) PVC at the Company's Toufen plant and Linyuan plant have mutually complementary effect in production; therefore product features are diversified and delivery of goods are faster and more flexible than ever.
- (10) Vertical integration for VCM and PVC powder and the secondary processed products.
- (11) The Company's relationship with PVC powder customers and the depth of its service is greater than competitors.
- (12) Utilization rate of the production capacity of PVC powder is increased to effectively reduce production cost.
- (13) The Company continues to break bottlenecks in PVC powder production and sales, thereby effectively reducing the production cost.
- (14) The Company has long been reputed for good quality of its chemical products.
- (15) For chemical products, the Company has a good customer portfolio as market demand for these products is experiencing stable growth.
- (16) Vertical integration of PVC plastic product processing.
- (17) The Company has a proprietary brand for the PVC plastic

products, which are also under good quality control and good after-sales services.

- (18) The Company has readily available professionals in the area of PVC plastic product technology.
- (19) The automotive leather for PVC plastic products has been certified by IATF16,949.
- (20) In view of PVC plastic products, the Company is engaging in the research and development of new products including high value-added and eco-friendly materials.
- (21) For PVC plastic products, the Company continues to improve related equipment, manufacturing processes and product quality.
- (22) The Company has established sales offices and distribution channels overseas which can facilitate market expansion.
- (23) For PVC plastic products, exported plastic leather and plastic sheets, the Company has printed its corporate identification labels on the products in order to increase brand awareness, thereby effectively raising customers' willingness in purchase.
- (24) Continuous research and development of environmentally friendly materials for PVC plastic products will help enhance product segmentation and market promotion. In 2019, the Company will plan consecutive new product launches focusing on upholstery for furniture, passenger cars and the inner lining of trucks and ships. The Company is expected to experience an increase in profit and performance in the Americas during the year.
- (25) The surface treatment technology applied to PVC plastic product is expanded its use to plastic leather and plastic sheet; this is expected to increase sales volumes in the US market of the inner lining products for machinery and equipment.
- (26) Stable quality of ABS/PS products, active research and development capabilities, enhanced customer service and implementation of management systems can help increase customers' confidence in the Company's products.
- (27) The NOVA manufacturing process technology applied to GPS can produce products with heat resistance and in the form of low residue monomer.
- (28) The Company's EPS product development is in a leading position in the domestic market. The Company's fire-rated and anti-static products, both of which were developed and released in market earliest among the overall EPS product

range, have gained considerable reputation in the international market.

- (29) There is still space for domestic demand in the South China market to grow. Since the demand for EPS is still growing, this will bring benefit to the operation of the Company's Zhongshan plant.
- (30) Sekisui and BASF, both EPS competitors, have shut down their EPS plants in Southeast Asia, which will bring benefit to the Company's sales in the region.
- (31) Japan and New Zealand have successively announced a prohibition on the use of HBCD. This will provide the Company more room to develop the new 'non-HBCD fireproof EPS' product.
- (32) The Company is a leading brand in the glass wool market, and the product quality is well recognized.
- (33) The Company offers high level of services associated with the glass wool products so as to effectively eliminate product competition among other foreign goods.
- (34) The Company has stable marketing channels for glass wool products, which is an advantage for market development and competition.
- (35) Glass wool is used as filler in the calcium silicate board partition system. This application has been gradually accepted in the market.
- (36) With annual increases in sales for the gypsum board partition system, the use of glass wool is expected to increase as well.
- (37) The conversion of the non-combustibility test of CNS6532 to CNS14705 can facilitate the fiberglass ceilings panel products to pass the test.
- (38) In addition to the successful renewal of Branz certification in New Zealand, the Company has assisted its customers in the region to obtain the certificate of Environmental Choice New Zealand (ECNZ), who has also secured a bidding qualification for government projects in March 2018.
- (39) The Company will continue to develop market for the product of fire-retardant glass wool used in roof and outer walls. Sales for the product in 2018 have seen an increase of 47% over the figure in 2017.
- (40) With the Floor Impact Audio Act to be effect in July 2018, the newly developed products - Porter boards have passed related

tests and will be a competitive edge for the Company to develop new markets.

- (41) The newly developed six-sided-covered design can add value to the Company's products.
- (42) The electromagnetic radiation interference discovered between electronic products has growingly attracted public attention nowadays. Europe and the U.S. were the first to pay attention to the issue of electromagnetic radiation, and have established strict electromagnetic test standards. In the future, products to be released in the market must pass these tests, which will help increase the demand for ferrite cores and inductors.
- (43) With prolific growth in global information, telecommunication and consumer electronics industries, the global market scale continues to expand, thereby increasing the demand for magnetic cores and inductors. Moreover, due to a wide range of applications for downstream products, the Company will be less affected by the condition of a single industry.
- (44) The Company has gained extensive experience in managing the product development trends, manufacturing and sales operations in the industry. In addition, the Company's management fully understands that quality is the essence of good sales and promotion. Therefore, the Company puts emphasis on total quality improvement, and comprehensively promotes quality control all across the company to ensure that requirements of product quality and environmental protection are met.
- (45) With economic production scale and excellent production efficiency, the Company has put emphasis on the improvement and enhancement of production processes over the years in order to streamline the management of production lines. In response to industry development trends, the Company has shifted its production abroad, where the Company can effectively use local resources to achieve the economy of scale arising from mass production. The overseas operations also enable the Company to provide customers with products and services that come from nearby.

Unfavorable factors and corresponding countermeasures:

PE/EVA:

- (1) The Company relies on purchasing from third parties to complement the shortage of ethylene supply. The price of

ethylene is fluctuated in line with the international market, thus are difficult to manage.

- (2) Low-level production capacity can lead to high product unit cost.
- (3) Taiwan's low import tariff for LDPE/EVA has enabled price-cut imported materials to compete with domestic suppliers in the market. In addition to the aforementioned reduced market share, LDPE/EVA product price is also indirectly suppressed by the impact.
- (4) As Taiwan did not join the ASEAN Free Trade Area, and many countries are keen to sign double tax treaties among themselves, the Company's LDPE/EVA export market is full of trade barriers and unfair competition; this has also caused significant impact on the Company's LDPE/EVA sales volume and product prices.

Countermeasures:

Apart from continuously seeking sources of low-priced ethylene, making investment in the Gulei petrochemical projects, improving and enhancing the stability and operating rate of production equipment, increasing production capacity and product quality to reduce production cost to win over the market, the Company is even more committed to offering reasonable product prices and providing services to customers. Besides, the Company also develops high value-added products in response to market trends, and expands export sales into emerging markets, such as Mainland China, to establish stable customer base for the long term and therefore increase operating profits.

VCM:

- (1) With domestic environmental protection policies getting more and more stringent and proposals for energy saving and carbon reduction being accelerated in implementation, coupled with the revision of the Labor Standards Act, the auxiliary measures and grace periods for businesses in the related issues turned out to be not as good as expected, and this will impose limitation on the Company's business transformation and development.
- (2) With the production of PVC in Mainland China converted to the use of calcium carbide method from the ethylene method, competition in the purchase of EDC and ethylene raw materials was triggered and led to price fluctuation in the

market. The volatility is compounded by the release of batch-by-batch inspection by the Mainland Chinese government for the imported EDC goods; and this has added disadvantage to the management of raw material cost for the Company.

- (3) Domestic supply of ethylene is unstable, while imported ethylene is expensive.

Countermeasures:

- (1) Accelerating the improvement and investment in energy-saving/water-saving/electricity-saving/carbon-reduction equipment, meanwhile enhancing operational efficiency to maintain high productivity.
- (2) Continuously communicating with the government about the Company's plan for fulfilling corporate social responsibility and environmental responsibility in order to achieve consensus in related issues.
- (3) Performing continuous control on the source of competitive raw materials and adopting flexible production and sales strategies in response to evolving market changes.

PVC powder:

- (1) The price of shale oil in the United States is low. US companies have been using this competitive advantage to grab sales.
- (2) The price of ethylene and EDC is rising, which resultantly reduces profitability in export sales.
- (3) Manufacturers of calcium carbide powder in Mainland China take the opportunity of production idleness to acquire low-price orders and interfere in the market order.
- (4) Taiwan has yet to sign FTA with major PVC consuming countries, and thus export opportunities have gradually flown to Japan, South Korea and countries in Southeast Asia.

Countermeasures:

- (1) Actively securing stable cooperative relationships with downstream manufactures in Mainland China, Brazil, and Australia, and obtaining full knowledge about these manufacturers' requirements for raw materials.
- (2) Through distribution channels operated by agents and traders, actively solidify customer base in both India and Bangladesh where the demand for PVC is rapidly growing to expand the sources of sales orders.

- (3) Seeking for long-term support from key customers in each region.
- (4) Enhancing product quality and developing products with unique specifications to enable market differentiation.
- (5) Streamlining organizational operations, improving operational efficiency and enhancing customer service.

Chemical products:

- (1) The domestic hydrochloric acid market is impacted by the increase in the production of secondary hydrochloric acid which arose from the expansion of potassium sulfate plants.
- (2) The Company's liquid caustic soda product is faced with the competition of goods imported from Mainland China in domestic sales, which has squeezed the Company's profit margin.

Countermeasures:

- (1) Segmenting sales markets to establish stable sales and distribution channels.
- (2) Continuously increasing production quality and efficiency, and optimizing production and sales planning.

PVC plastic products:

- (1) Development of high value-added and differentiated products is not yet ready.
- (2) Green eco-friendly materials are of limited variety and the cost is high.
- (3) Due to stringent quality requirements on OEM automotive leather products in export sales, the testing and development schedule is prolonged which delays the time needed for acquiring related certificate qualifications.
- (4) Environmental regulations in Europe and the U.S. are becoming more and more stringent.
- (5) The competition between low-priced products in the same industry at home and abroad and the tariff barriers set by various countries has set up bottle necks in the Company's plan for market expansion.
- (6) Some markets require replacement materials for PVC.
- (7) Pressure from exchange rate continues to weaken the Companies competitiveness in export.

Countermeasures:

- (1) Securing the right to supply building materials for civil engineering projects and private construction projects.
- (2) Continuously engaging in the research and development of eco-friendly materials and high value-added products.
- (3) Segmenting sales by product and market to acquire markets for high value-added products.
- (4) Continuously reducing production costs and improving production technologies.
- (5) Developing business opportunities in emerging markets and launchings new products to capture market share.
- (6) Using the successful high-end product portfolio in North America to make promotion in other shipping or furniture markets overseas; the main target regions are Europe, Australia and Asia.
- (7) Cooperating with U.S. professional channels of OEM automotive leather and leveraging their profession to accelerate market entry into the automobile industry supply chain.
- (8) Establishing strategic alliances with domestic and overseas brands, as well as developing and promoting new materials.
- (9) Engaging in information exchange about products and horizontally promoting featured products from different regions to markets across the five continents.

ABS/PS products:

- (1) As PS supply is still in an overcapacity status in Asia, price competition in this area is still intense.
- (2) EPS manufacturers in Mainland China are also facing overcapacity, and price competition in this area is also intense.
- (3) The volatile and unstable SM market has led to difficulties in the production and sales control.

Countermeasures:

- (1) Enhancing product quality and product added value, segmenting market and avoiding market price competition.
- (2) Maximizing capacity, reducing cost, as well as selecting and selling products with relatively good profit margin.
- (3) Analyzing and keeping abreast of market trends to make early entry into the emerging markets.
- (4) Effectively bringing the integrated supply chain management into full play and lowering the inventory level of raw material and finished goods so as to reduce risk.

Glass wool products:

- (1) The cost of products imported from India is low and the country's product has passed the one-hour calcium silicate board fire test, thus making a big impact in the domestic market.
- (2) Substitute products are everywhere in the market.
- (3) Products from Mainland China are entering the Taiwanese market through project import.

Countermeasures:

- (1) Consolidating the Company's distribution networks through promoting products similar to the specifications of imported goods, as well as monitoring market projects closely to enable direct sales.
- (2) Increasing visits for projects and related control to prevent glass wool materials from being replaced.
- (3) Actively participating in related trade associations, maintaining close contact with the Industrial Development Bureau, and keeping an eye on the product trends in Mainland China at all times

In regards to ferrite magnetic powder and iron cores:

- (1) Domestic and foreign labor costs are gradually increasing year by year, thus increasing cost in production and operations.
- (2) There are many competitors in the industry, which leads to intense price competition.

Countermeasures

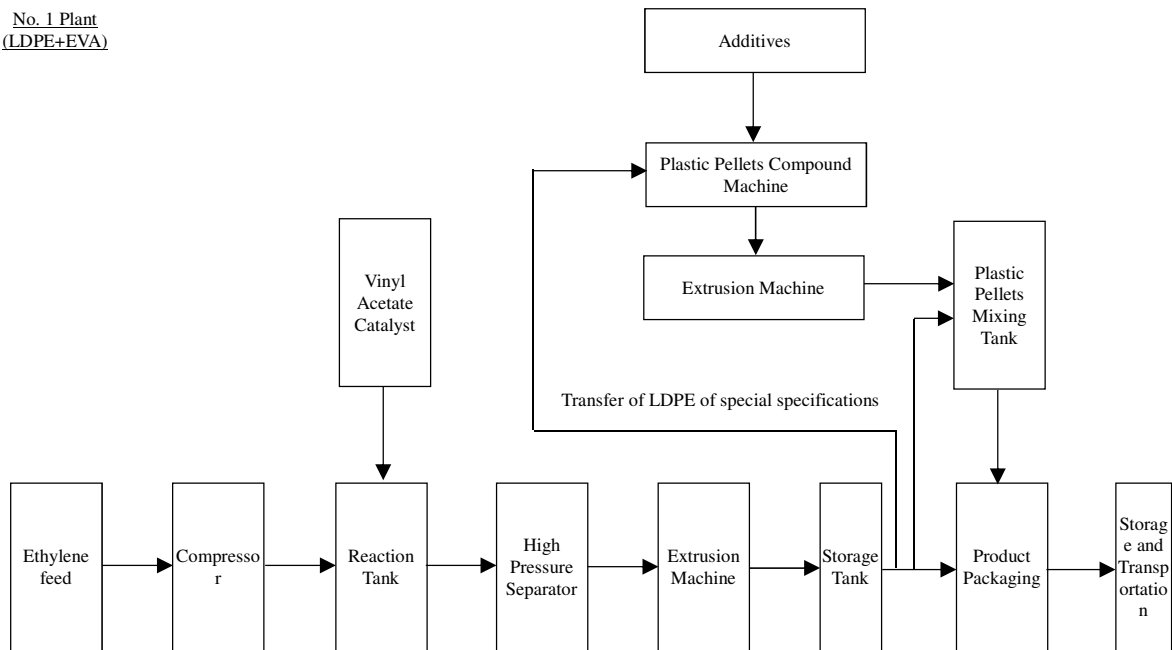
- (1) By setting up advanced machines and equipment in plants, manufacturing process can be improved, quality can be enhanced, and production can be automated. Also, strengthen on-job training for employees to improve the quality of labor force and productivity.
- (2) By adding value to products, manufacturing processes can be refined and improved. This can reduce cost and enhance overall product quality, which enables effective market segmentation and the establishment of competitive advantage in the market. In addition, establishing all-around support service capabilities in line with customers' product development needs, shaping the Company's competitive advantage over other competitors, as well as jointly developing future products according to development trends in order to quickly grasp market dynamics and enhance competitiveness.

(II) Usage and manufacturing processes of main products

The Company's polyethylene plastic pellets are supplied to domestic and overseas processing plants. These pellets are used in a wide range of plastic products for daily use, such as plastic bags, handbags, food bags, plastic films, bubble cloth, woven bags, woven canvas, window nets, fishing nets, ropes, plastic tubes, plastic flowers (trees), plastic turf, plastic lunch boxes, plastic containers, bottles, baskets, boxes, beer boxes, bottle caps, non-woven fabrics, carpet adhesives, and even hot-melt adhesives for cartons, just to name a few. As PE is non-toxic and easy to process, the number of new products made from PE is still increasing. Another product, ethylene vinyl acetate copolymer resin (EVA), is mainly used in the production of foaming shoes, sports equipment, various types of films, membrane-encapsulated films for solar batteries, hot-melt adhesives, protective films, wire and cable insulation shields, and low-smoke halogen-free materials due to its high level of toughness and flexibility. The process of producing low-density polyethylene (LDPE) and ethylene vinyl acetate (EVA) includes the following steps : The raw material, ethylene (LDPE is the finished product) or ethylene vinyl acetate (EVA is the finished product) is pressurized multiple times and fed into a high-pressure reactor. Next, polymerization is carried out by using organic peroxide as catalyst.

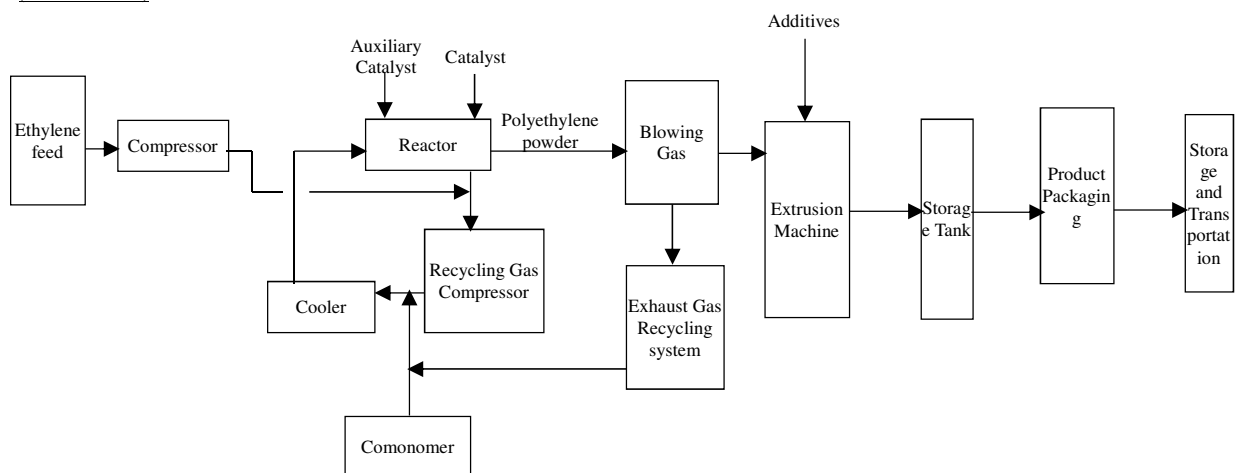
Finally, the semi-finished polymer products are then packaged into pellets after pelletizing, and unreacted gases are repeatedly recycled.

No. 1 Plant
(LDPE+EVA)



The process of producing high-density polyethylene (HDPE) and linear low-density polyethylene (LLDPE) includes the following steps: First, the raw material, ethylene (HDPE is the finished product) or ethylene and butane (LLDPE is the finished product) is pressurized multiple times and fed into a high-pressure reactor. Next, transition-metal catalysts are added as catalyst to carry out polymerization. The granular semi-finished products are then packaged into commercially available products after granulation, and unreacted gases are recycled after separation.

No. 2 Plant
(LLDPE+HDPE)

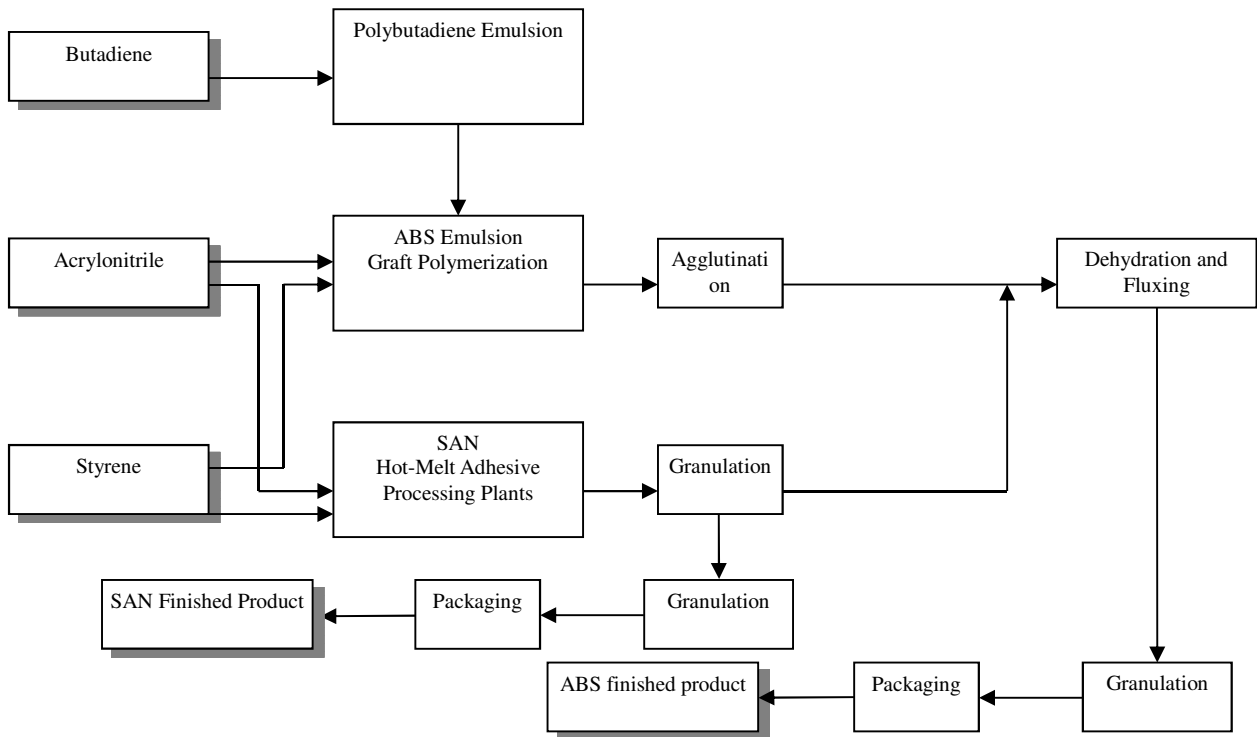


VCM is mainly used in the production of PVC powder, where EDC is used as a raw material. After cracking, VCM and hydrochloric acid gas are produced. Through the oxychlorination reaction on ethylene, oxygen and hydrochloric acid gas, EDC is then produced (back to cracking process). PVC powder is mainly used for producing products such as soft plastic sheets, plastic sheets, rigid plastic sheets, rigid tube and building materials for shaped extrusion. The production of PVC uses VCM, starter and dispersant as raw materials, and the product is made through a few processes including polymerization and drying. Chemical products are mainly used in water treatment and manufacture of MSG, synthetic fibers, detergents, dyes, pulp, steel and many others. Industrial salt, other excipients and water are used as raw materials in producing chemical products. These raw materials are first purified into pure brine, which is then electrolyzed into liquid caustic soda, hydrogen and chlorine through the ion-exchange membranes. Chlorine gas is then reacted with hydrogen and liquid caustic soda to be synthesized into hydrochloric acid and liquid caustic soda. PVC building materials are used for household construction (tap water pipes, drainage pipes, electricity usage pipes, bathroom and room pieces), civil engineering (water supply construction, power pipeline engineering, and sewage drainage). Plastic powder and stabilizers are used as raw materials in the production of PVC building materials, which are made through various processes including mixing, gelling, cooling and cutting. Soft plastic sheet can be used for producing tape cloth, semi-rigid cloth, stationery cloth, transparent cloth, waterproof film, swimming pool cloth, mesh cloth, air blowing cloth, bonding cloth, furniture cloth, advertising cloth, screen cloth, raincoat cloth, table towels, shower curtains, curtain fabrics, etc. Soft plastic sheet is made of plastic powder, plasticizers and other excipients, and is put through various processes in production including hot and cold mixing, gelling, filtration, pressing, cooling, coiling and so on. These sheets can also be printed and laminated to increase their added value. Rigid plastic sheets can be used for the production of vacuum forming cloth, pharmaceutical packaging cloth, drip water storage cloth, collar cloth, stickers cloth, protective cloth, printing cloth, stationery cloth and ceiling cloth. These plastic sheets are made of plastic powder and other excipients, and are put through various processes in production including mixing, gelatinization, extrusion, pressing, cooling, coiling and so on. In addition, these plastic sheets can also be treated or embossed to increase their added value. Plastic leather is used in the production of foaming soft leather and non-foaming leather after surface treatment and air-pinning. Soft leather and non-foaming leather is mainly used to produce sofa skin for cars, motorcycles, bicycles, marine vehicles, SPA cover, shoe leather, baseball gloves, sports equipment, and medical chairs. etc., Plastic leather is made of plastic powder, plasticizers and other auxiliary materials, and is put

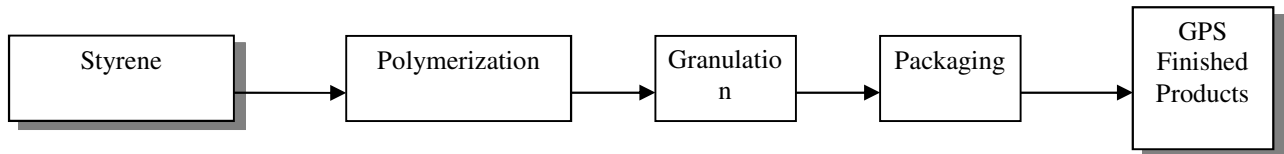
through various processes in production, including mixing, gelatinizing, filtering, and being stretched by tape machine, laminating to base fabric, and finally being foamed and embossed in the foaming furnace or embossing machine. After 1-2 times of printing as well as special treatments such as scratch-resistant or stain-resistant treatment, the product value can be increased. Plastic pellets are used in the manufacture of electric wires, automotive pedal pads, shrink films and many others. Plastic pellets are made of plastic powder, plasticizers and other excipients, and are put through various processes in production including mixing, gelatinization, extrusion, and cooling.

ABS resins are mainly used for producing information equipment, OA equipment, home appliances and electronic parts and appliances, bathroom ware, toys, automotive and motorcycle components, heels, suitcases, daily accessory items, telephones, stationery, sports equipment, batteries and safety helmets. SAN resins are mainly used to produce juice blender casing, powder boxes, coffee machine water tank, transparent decorations, air-conditioning fan, blades. Important applications of the general-purpose polystyrene include lighting, stationery, household appliance, daily accessories, diffusion boards, insulation boards, disposable tableware, food and pharmaceutical packaging materials. Impact-resistant polystyrene is mainly applied to digital equipment, home appliances, toys, everyday accessories, stationery, electronic components and disposable cups. Expanded polystyrene is applied to building material insulation boards, packaging materials, vegetable and vegetable boxes, fishing boxes, insulation materials, boards, construction walls, and helmet cushion. Cubic printing is mainly applied to special printing techniques for plastics, metals, wood, plaster, glass and ceramics. Glass wool is mainly applied to cooling materials for air-conditioning ducts, metal roofs, heat-insulating materials for walls, dry partitions filled with sound-absorbing insulation materials, ceilings for interior decoration, wall panels, heat-insulating materials used in machinery and equipment installed in the petrochemical industry, heat-insulating and sound-absorbing materials for home appliances, vehicles, heat- and sound-insulating materials for ships and heat-insulating materials for curtain walls. The production processes for major products are demonstrated as follows:

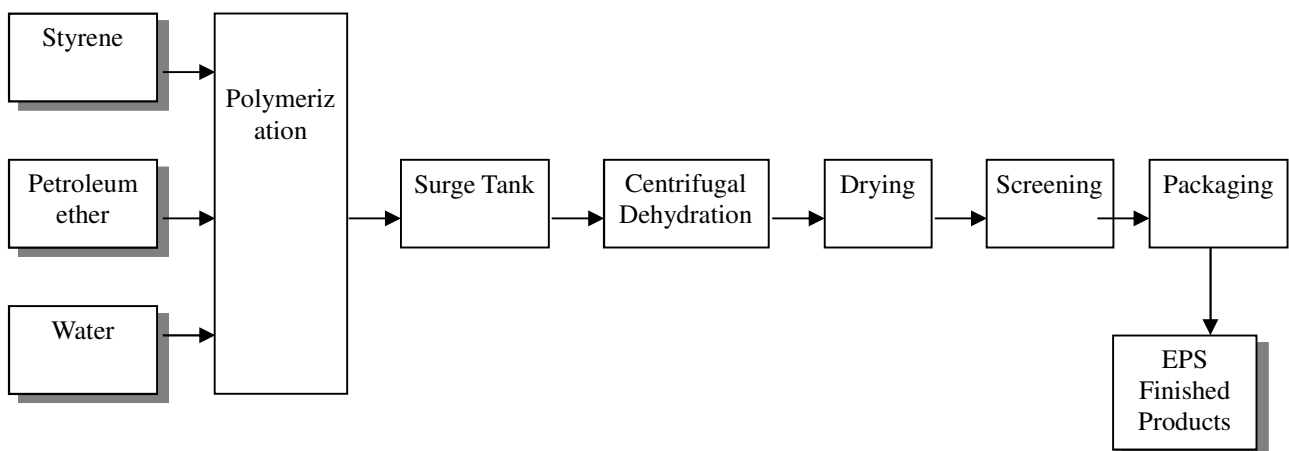
(1) Production process for styrene acrylonitrile-butadiene-styrene (ABS) and acrylonitrile-styrene copolymer resin (SAN)



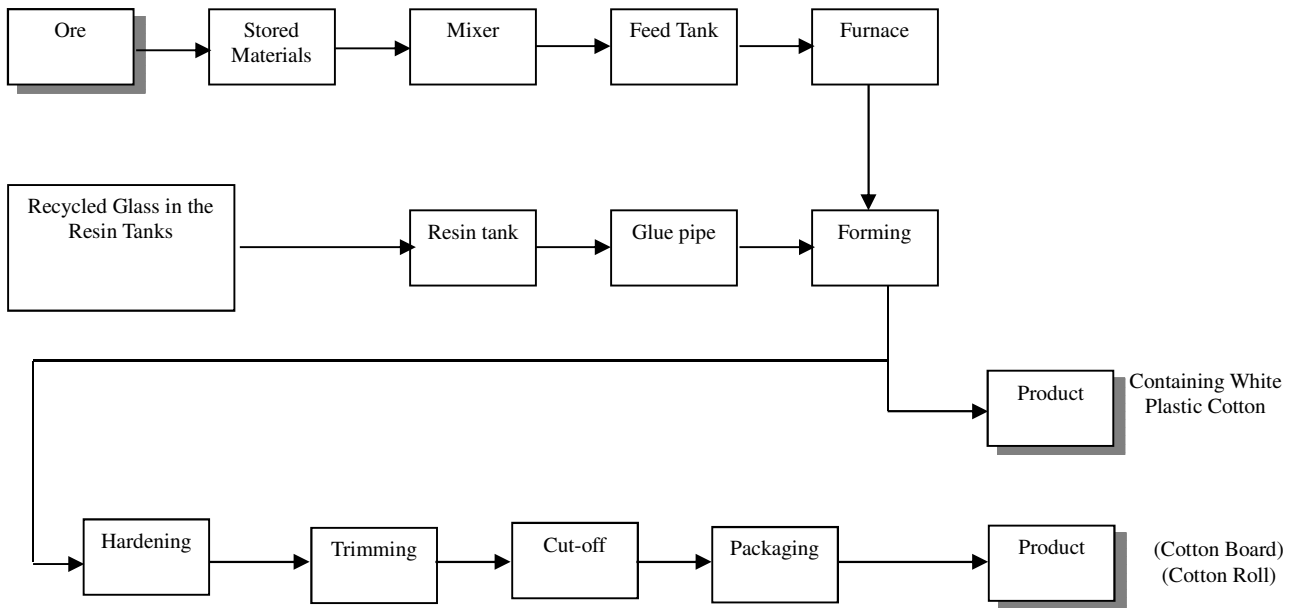
(2) Production process for general-purpose polystyrene (GPS)



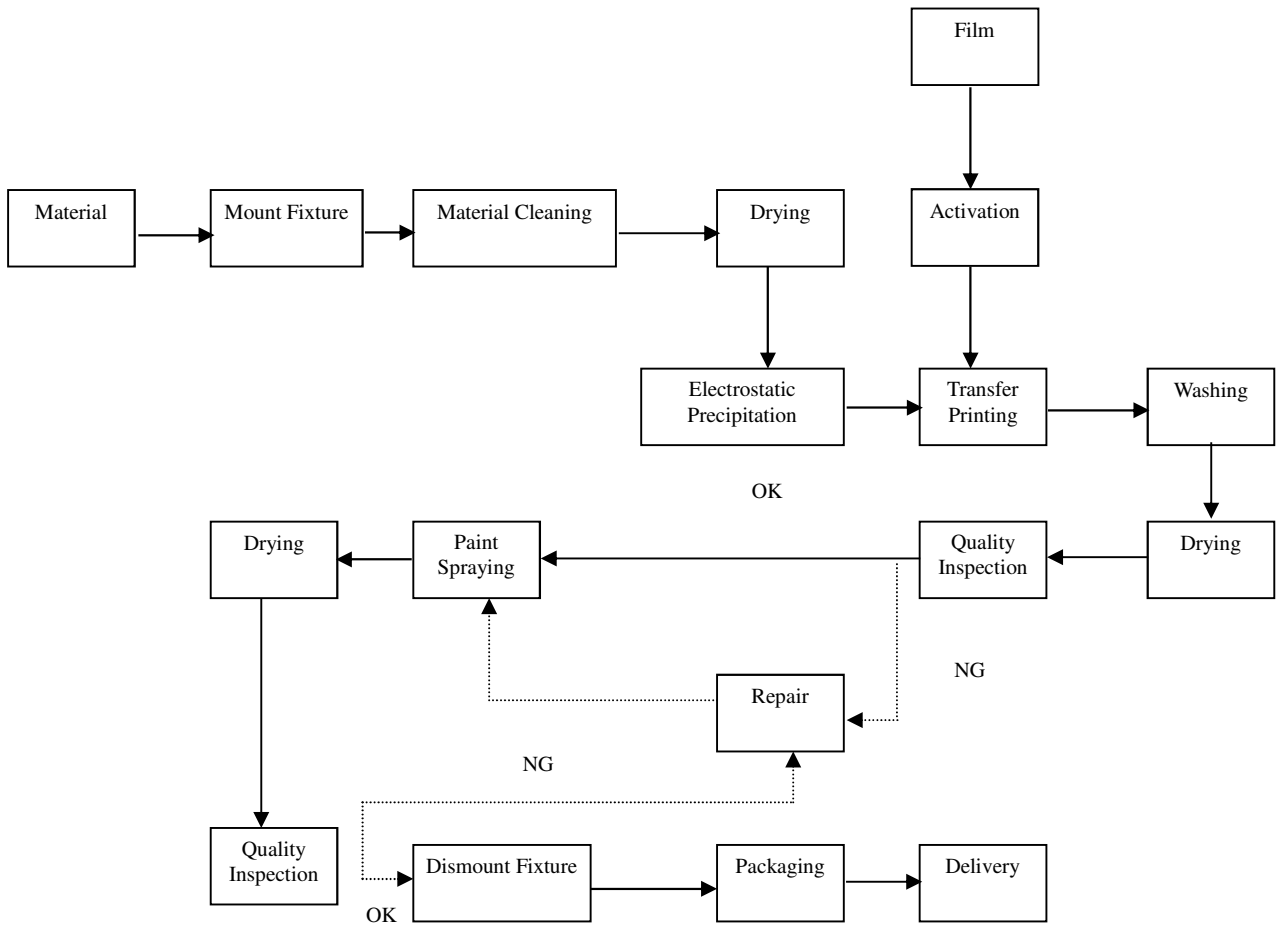
(3) Production process for expanded polystyrene (EPS)



(4) Production process for glass wool products



(5) Cubic printing process



The production process for ferrite powder and cores is divided into four stages: milling, forming, sintering and abrasive machining. The main usage of these products are listed as follows:

| Product Category | Downstream Products | Use |
|--------------------------------------|---|--|
| Traditional magnetic core | Filters, adapters and light tube stabilizers | Power supplies, modems, scanners, (wireless) chargers, LED TVs, laptops, smartphones, tablets, game consoles, routers, central office switches and telecommunication network equipment, automotive electronics and medical equipment |
| Magnetic core for inverters | Inverters | |
| Magnetic core for communications | Communication transformers and splitters | |
| Polished magnetic core for filtering | Electromagnetic interference filters | |
| Ring-type magnetic core | Electromagnetic interference filters and light tube stabilizers | |
| Magnetic core for power inductors | Power inductors | |
| Nickel-zinc series magnetic core | Communication transformers and power inductors | |
| Soft ferrite powder | Raw materials used in iron cores | |

(III) Supply of major raw materials

Ethylene is the basic raw material for the Company's polyethylene plastic products, and the material is mainly supplied by CPC Corporation. The Company also partially relies on imported ethylene to cover the shortage of supply by CPC. Part of EVA raw materials, namely vinyl acetate monomers (VAM), are supplied by Dairen Chemical Corporation or supplemented by imported VAM. Other fillers are mostly imported from abroad as they are either used in small quantities or produced outside Taiwan.

EDC and ethylene are the two main raw materials to produce VCM. Long-term contracts have been signed with suppliers to ensure the stable supply of these raw materials. The main raw material to produce plastic powder is vinyl chloride monomer (VCM) which is produced for self-use by the Company. The main raw material to produce chemical products is industrial salt. Long-term contracts have been signed with suppliers to ensure stable supply of these raw materials. The main raw materials to produce plastic sheets and leather are plastic powder and plasticizers, and the supply condition is described as follows: (1) Plastic powder: Most of the plastic powder is produced by the Company for self use in production, and only a small quantity is purchased from external sources; (2) Plasticizers: Plasticizers are mainly supplied by Nan Ya Plastics Corporation, while special plasticizers are imported from abroad. The main raw material to produce building materials is

PVC powder, which is mainly supplied by the Company's plants and thus the source is stable.

The supply and demand of styrene monomer (SM) is currently in balance. The Company has routinely purchased SM from Taiwan Styrene Monomer Corporation, Formosa Chemicals and Fibre Corporation, China Petrochemical Development Corporation, CNOOC and Shell Petrochemicals Company Limited, whereas supplemental supply is also secured from direct import of goods from a few foreign suppliers such as SABIC, in order to balance price risk and overcome the shortage of supply. The Company has established supply contract with CPDC for the supply of acrylonitrile (AN). Domestic procurement is also regularly made with Formosa Plastics Corporation. The Company also imports the material from abroad from time to time dependent on the status of supply and demand in order to increase flexibility in inventory support and ensure stable source of material supply. In view of butadiene (BD), material supply agreements have been signed with CPC Corporation and Formosa Petrochemical Corporation. The Company imports the material from time to time depending on the status of supply and demand to provide full support in private use. Pentane is mainly purchased through foreign spot sales. Part of the material is purchased from CPC Corporation; the usage is stable, and the supply is sufficient. Glass-quality sand is the main raw material to produce glass wool products. Because the unit price is relatively low, it is constantly purchased domestically. Changes in the quantity and price of glass-quality sand is minimal so can be fully controlled.

Main raw materials and suppliers of ferrite powder and cores are listed as follows; the supply of such materials is stable:

| Main Raw Materials | Name of Main Supplier |
|--------------------|-----------------------------------|
| Iron oxide | High-tech magnetic technology |
| Manganese oxide | ERACHEM |
| Zinc oxide | Sun Beam Tech Industrial Co. Ltd. |
| Nickel oxide | Prior Company, Ltd. |

(IV) Name of customers who account for more than ten (10) percent of the total purchases (or sales) of goods and their dollar amount and proportion of purchase (or sales) of goods in any one of the most recent two fiscal years, and an explanation of the reason for changes in these figures

1. Name of customers who account for more than ten (10) percent of the total purchases of goods and their amount and proportion of purchase (or sales) of goods

Unit: NT\$ thousands

| Item | 2018 (audited and verified) | | | | 2017 (audited and verified) | | | | 2019 up to the Previous Quarter (reviewed) (Note 2) | | | |
|------|-----------------------------|---------------|---|------------------------------|-----------------------------|---------------|---|------------------------------|---|---------------|--|------------------------------|
| | Name | Dollar Amount | Percentage of Net Purchase for the Current Year (%) | Relationship with the Issuer | Name | Dollar Amount | Percentage of Net Purchase for the Current Year (%) | Relationship with the Issuer | Name | Dollar Amount | Percentage of Net Purchase for the Current Year as of the End of the Preceding Quarter (%) | Relationship with the Issuer |
| 1 | CPC Corporation | 10,937,568 | 25 | None | CPC Corporation | 9,305,151 | 22 | None | CPC Corporation | 2,149,881 | 21 | None |
| 2 | Others | 32,672,665 | 75 | Note 3 | Others | 33,396,170 | 78 | Note 3 | Others | 8,204,232 | 79 | Note 3 |
| | Net purchases of goods | 43,610,233 | 100 | | Net purchases of goods | 42,701,321 | 100 | | Net purchases of goods | 10,354,113 | 100 | |

Note 1: List the name of suppliers who account for more than ten (10) percent of the total purchase (or sales) of goods and their dollar amount and the proportion of purchase (or sales) of goods in the most recent two fiscal years. However, if the name of suppliers or counterparties who are individuals or non-related persons cannot be revealed due to contractual agreements, a code may be used.

Note 2: If, before the date of publication of the annual report, there is any financial data for the most recent period of a company whose shares are listed on a stock exchange ("listed company") or whose shares have been approved for trading on an over-the-counter market and attested or reviewed by a CPA, the financial data shall also be disclosed therewith.

Note 3: No suppliers account for more than ten (10) percent of total purchases of goods

Reasons for changes in purchase and sales: The increased number of annual inspection in international naphtha cracking plants reduced the supply of ethylene. Conversely, the demand for ethylene-derived products was on the rise so market price of ethylene in 2018 remained high. All of the aforementioned consequently increased the Company's purchase amount from CPC Corporation.

2. Name of customers who account for more than ten (10) percent of the total sales of goods and their dollar amount and proportion of purchase (or sales) of goods: None.

(V) Production volume and value in the most recent two fiscal years

Unit: metric tons / thousand yards / grids / NT\$ thousands

| Production Value Main Product | 2018 | | | 2017 | | |
|--|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| LDPE/EVA (metric tons) | 300,000 | 260,762 | 11,912,969 | 300,000 | 274,084 | 11,520,057 |
| HDPE/LLDPE (metric tons) | 130,000 | 110,601 | 4,224,867 | 130,000 | 110,079 | 4,043,480 |
| Plastic Powder, Chemical Products (tons) | 491,375 | 475,185 | 10,517,579 | 481,375 | 456,662 | 9,936,777 |
| Plastic Products (metric tons) | 99,300 | 56,490 | 2,534,438 | 95,100 | 54,854 | 2,450,898 |
| Plastic Leather (thousand yards) | 8,600 | 6,476 | 565,368 | 8,600 | 7,807 | 634,876 |
| Vinyl Chloride Monomer (metric tons) | 450,000 | 445,266 | 8,700,437 | 450,000 | 440,008 | 8,375,799 |
| ABS Resins (metric tons) | 100,000 | 111,472 | 5,789,855 | 100,000 | 111,229 | 5,272,860 |
| Polystyrene (metric tons) | 480,000 | 320,554 | 13,160,243 | 480,000 | 299,235 | 11,820,818 |
| Cubic Printing (grids of jig) | 200,000 | 114,332 | 80,151 | 200,000 | 122,584 | 88,294 |
| Glass Wool Products (metric tons) | 8,600 | 7,670 | 255,885 | 8,600 | 7,294 | 256,032 |
| Ferrite Powder and Cores (metric tons) | 11,500 | 7,710 | 1,881,308 | 11,500 | 7,930 | 1,916,692 |
| Packaging Films (metric tons) | 53,696 | 53,696 | 3,237,745 | 52,023 | 52,023 | 3,083,657 |
| Others | | 900 | 677,639 | | 27,927 | 720,727 |
| Total | | | 63,538,484 | | | 60,120,967 |

(VI) Sales volumes and value in the most recent two fiscal years

Unit: metric tons / thousand yards / grids / NT\$ thousands

| Sales volume Main Product | Year | | 2018 | | | | 2017 | | | |
|--|---------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|--|
| | | | Domestic Sales | | External sales | | Domestic Sales | | External sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value | | |
| LDPE/EVA (metric tons) | 65,266 | 3,288,051 | 191,735 | 9,061,595 | 69,204 | 3,570,259 | 196,234 | 8,848,799 | | |
| HDPE/LLDPE (metric tons) | 81,159 | 3,548,300 | 22,807 | 1,014,104 | 80,583 | 3,302,599 | 28,234 | 1,162,913 | | |
| Plastic Powder, Chemical Products (tons) | 118,460 | 2,370,143 | 305,748 | 8,222,522 | 112,703 | 2,267,296 | 291,767 | 7,795,193 | | |
| Plastic Products (metric tons) | 36,643 | 1,651,322 | 16,946 | 951,188 | 35,974 | 1,694,045 | 17,271 | 980,240 | | |
| Plastic Leather (thousand yards) | 2,798 | 274,000 | 4,478 | 622,176 | 3,008 | 290,214 | 4,961 | 669,158 | | |
| Vinyl Chloride Monomer (metric tons) | 43,000 | 969,781 | 6,001 | 131,488 | 43,000 | 939,154 | 3,000 | 66,441 | | |
| ABS Resins (metric tons) | 7,178 | 439,115 | 104,890 | 5,744,311 | 8,059 | 484,119 | 104,405 | 5,561,032 | | |
| Polystyrene (metric tons) | 196,811 | 9,316,932 | 124,538 | 5,635,202 | 182,449 | 8,147,154 | 121,078 | 5,084,179 | | |
| Cubic Printing (grids of jig) | 112,553 | 88,676 | - | - | 121,374 | 99,839 | - | - | | |
| Glass Wool Products (metric tons) | 9,483 | 338,052 | 3,157 | 121,414 | 8,968 | 324,728 | 3,088 | 119,991 | | |
| Ferrite Powder and Cores (metric tons) | 28 | 16,383 | 8,236 | 2,357,577 | 26 | 15,215 | 8,184 | 2,334,031 | | |
| Packaging Films (metric tons) | 8,833 | 590,025 | 48,247 | 3,442,470 | 9,278 | 626,803 | 43,751 | 3,081,802 | | |
| Others (square meters) | - | 120,716 | - | 576,970 | - | 113,499 | - | 555,240 | | |
| Total | | 23,011,496 | | 37,881,017 | | 21,874,924 | | 36,259,019 | | |

III. Average Years of Service, Average Age and Distribution of Academic Qualifications of Employees in the Most Recent Two Fiscal Years up to the Publication Date of this Annual Report

| Year | | 2018 | 2017 | Current Fiscal Year as of April 30, 2019 |
|-----------------------------|--------------------|--------|--------|--|
| Number of Employees | Staff | 1,838 | 1,869 | 1,812 |
| | Operator | 3,349 | 3,551 | 3,141 |
| | Total | 5,187 | 5,420 | 4,953 |
| Average Age | | 39.41 | 39.2 | 40.28 |
| Average Year of Services | | 10.82 | 10.36 | 11.03 |
| Academic Distribution Ratio | Doctor | 0.54% | 0.57% | 0.55% |
| | Master | 8.69% | 7.75% | 9.13% |
| | University/College | 34.34% | 32.80% | 35.03% |
| | High school | 33.20% | 36.38% | 30.33% |
| | Below high school | 23.23% | 22.50% | 24.96% |

IV. Information Regarding Environmental Protection Expenditure

- (I) Total amount of losses (including compensation) and penalties incurred due to environmental pollution in the most recent fiscal year up to the publication date of this annual report:

| Toufen Plant and Linyuan Plant | 2018 | Current fiscal year up to April 30, 2019 |
|--|--|--|
| Status of Pollution (Type and Level) | None | Violation of the Toxic and Concerned Chemical Substances Control Act |
| Compensation claimed by / Penalty imposed by | None | Taipei City Government |
| Amount of Compensation or Penalty | None | NT\$ 15,000 |
| Status of Pollution (Type and Level) | Violation of the Air Pollution Control Act | None |
| Compensation claimed by / Penalty imposed by | Miaoli County Government | None |
| Amount of Compensation or Penalty | NT\$ 100,000 | None |
| Status of Pollution (Type and Level) | Violation of the Air Pollution Control Act | None |

| | | |
|---|--|---|
| Compensation claimed by / Penalty imposed by | Environmental Protection Bureau of Kaohsiung City Government | None |
| Amount of Compensation or Penalty | NT\$ 400,000 | None |
| Status of Pollution (Type and Level) | Violation of the Water Pollution Control Act | None |
| Compensation claimed by / Penalty imposed by | Environmental Protection Bureau of Kaohsiung City Government | None |
| Amount of Compensation or Penalty | NT\$ 15,000 | None |
| Linyuan Plant in Kaohsiung | 2018 | Current fiscal year up to April 30, 2019 |
| Status of Pollution (Type and Level) | Leakage in equipment components was found in test, and waste specialists failed to report the leakage within time limit | None |
| Compensation claimed by / Penalty imposed by | Environmental Protection Bureau of Kaohsiung City Government | None |
| Amount of Compensation or Penalty | NT\$ 106,000 | None |
| Linyuan Plant in Kaohsiung | 2018 | Current fiscal year up to April 30, 2019 |
| Status of Pollution (Type and Level) | 1. The operating voltage of the electrostatic dust collector (26 Section A/B) failed to meet the approved voltage level prescribed in the operating license for the stationary sources of pollution 2. There was leakage from the drainage tank of exhaust gas tower which was not included in the Company's registered water pollution control plans 3. Milky white wastewater was found in the rainwater ditch of the processing area 4. Sludge collection bags surrounded the waste-water site were disposed in the open air without measures to prevent water seepage | None None None None |
| Compensation claimed by / Penalty imposed by | The Southern-District Supervision Team of the Environmental Protection Administration | None |

| | | |
|--|--|------|
| Amount of Compensation or Penalty | NT\$151,500 | None |
| Status of Pollution (Type and Level) | VOCs concentration in leakage was found exceeding the required limit during the equipment component leakage test | None |
| Compensation claimed by / Penalty imposed by | Environmental Protection Bureau of Kaohsiung City Government | None |
| Amount of Compensation or Penalty | NT\$ 100,000 | None |
| Status of Pollution (Type and Level) | The abnormal discharge of exhaust gas tower was due to a power cut by Taiwan Power Company, and waste specialists failed to report the leakage within time limit | None |
| Compensation claimed by / Penalty imposed by | Environmental Protection Bureau of Kaohsiung City Government | None |
| Amount of Compensation or Penalty | NT\$ 100,000 | None |

| Renwu Plant in Kaohsiung | 2018 | Current fiscal year up to April 30, 2019 |
|--|---|---|
| Status of Pollution (Type and Level) | The road surface of construction sites and the main road from car wash facilities to the main road was not cleared | Volatile organic compounds in M01 process equipment components exceeding the Air Pollutant Control and Emission Standards |
| Compensation claimed by / Penalty imposed by | Environmental Protection Bureau of Kaohsiung City Government | Environmental Protection Bureau of Kaohsiung City Government |
| Amount of Compensation or Penalty | A penalty of NT\$ 100,000 | A penalty of NT\$ 200,000 |
| Status of Pollution (Type and Level) | Volatile organic compounds in M01 process equipment components exceeding the Air Pollutant Control and Emission Standards | The operation of M01 process equipment was inconsistent with the corresponding operating licenses |
| Compensation claimed by / Penalty imposed by | Environmental Protection Bureau of Kaohsiung City Government | Environmental Protection Bureau of Kaohsiung City Government |
| Amount of Compensation or Penalty | A penalty of NT\$ 200,000 | A penalty of NT\$ 100,000 |
| Status of Pollution (Type and Level) | Due to incomplete combustion of the exhaust gas tower, there | None |

| | | |
|---|---|---|
| Compensation claimed by / Penalty imposed by | was obvious granular contaminants dispersed in the air Environmental Protection Bureau of Kaohsiung City Government | None |
| Amount of Compensation or Penalty | A penalty of NT\$ 100,000 | None |
| Acme Electronics (Guangzhou) Co., Ltd. | 2018 | Current fiscal year up to April 30, 2019 |
| Status of Pollution (Type and Level) | The grinding sludge is stored under the roof, and the enforcement authority deemed this as open-air storage. | None |
| Compensation claimed by / Penalty imposed by | Zengcheng Branch of Guangzhou Bureau Of Environment Protection | None |
| Amount of Compensation or Penalty | A penalty of CNY 30,000 | None |
| Status of Pollution (Type and Level) | Grinding sludge is treated as general static waste treatment, and the enforcement authority deemed this as hazardous waste | None |
| Compensation claimed by / Penalty imposed by | Zengcheng Branch of Guangzhou Bureau Of Environment Protection | None |
| Amount of Compensation or Penalty | A penalty of CNY 80,000 | None |
| Status of Pollution (Type and Level) | The odor concentration in the plant area exceeded standards | None |
| Compensation claimed by / Penalty imposed by | Zengcheng Branch of Guangzhou Bureau Of Environment Protection | None |
| Amount of Compensation or Penalty | A penalty of CNY 200,000 | None |

(II) Explain the corresponding countermeasures (including improvement measures) and possible expenditures in the future:

Toufen Plant and Linyuan Plant:

1. Comply with regulations relevant to environmental protection and occupational health and safety, and relevant requirements derived from such regulations.
2. Continuously conserve and reuse resources and energy, and reduce industrial waste.
3. Prevent pollution, reduce potential risks in operations.

4. Continuously provide employees with education and training, and carry out works related to environmental protection and occupational health and safety.
5. Actively communicate with customers and local residents, manage suppliers and contractors, and encourage all employees to participate in work related to environmental protection and occupational health and safety.
6. Thoroughly implement environmental management system to enhance environmental performance and reduce environmental safety risks in communities.

Linyuan Plant:

1. (1) Strengthen the update and maintenance of equipment components.
(2) In the future, an environmental production specialist who is going to leave or retire shall propose a deputy colleague within time limit.
2. (1) The Company has applied on September 5, 2017 for the change and extension of the permitted treatment limit for its electrostatic dust collector. Related audit was performed before the time the application for the new limit was approved.
(2) On January 25, 2018, pollution was cleared and changes to the Company's water pollution prevention measures were submitted (which was approved in May 2018 and the current status has met the newly approved requirements).
(3) Sludge is collected by using loading discs, and is covered with canvas and located centrally. Other waste, such as domestic garbage, leaves and trigs, are prohibited from leaving in the open air, and should be delivered to incinerator or waste storage as soon as possible.
(4) Leaking components have been repaired and passed a second test outsourced to a professional agent on May 14, 2018. The Company has also purchased FLIR infra-red imaging instrument which is to perform conduct comprehensive inspection on the regular scale by designated personnel.
(5) Strengthen work-oriented training for team leaders. If a similar incidence occurs in the future, the Health and Safety department shall be immediately notified in order to assess whether the incidence should be reported externally and set up an alerting board stating relevant regulations in the control room.

Renwu Plant:

1. Strengthen the cleaning of the main road to the construction sites and car washing facilities. Pave the roads to prevent air pollution.

2. M01 Process: This plant has purchased infrared monitoring instrument and volatile organic compounds testing equipment. Process inspection and employee training will also be enhanced to further reduce the possibility of leakage in equipment components.
3. Strengthen equipment maintenance and prevent abnormal leakage due to broken equipment.
4. M01 Process: Inform the Equipment and Electricity Unit to conduct immediate inspection, and complete relevant improvement in November 2018.

ACME Electronics (Guangzhou) Co., Ltd.:

1. Install rain wipes in operation sites to prevent winding rain.
2. Ground sludge is placed in storage for central management immediately after drying.
3. Apply for changing the category of the waste to "general industrial solid waste."
4. Reduce the amount of ground sludge and assess the reusability.
5. In the short term, the sludge is treated on bill by outsourced serve provider for treating hazardous waste material and quality.
6. The door window of the sintering car is kept closed constantly to form negative pressure between cars.
7. Improve the efficiency of waste gas collection in sintering furnace and upgrade the exhaust gas treatment facilities. Currently, both are in normal operation.
8. Installed deodorant spray at the window of the sintering car to remove odor.
9. Set up dedicated personnel for managing and inspecting the facility and outsource the repair and maintenance work.

The Company's expected expenditures on environmental protection in 2019 are listed as follows:

Unit: NT\$ thousands

| Proposed Pollution Prevention Equipment or Expenditure | | Dollar Amount |
|--|--|---------------|
| 1. | Update of Refrigerator W-233 in No. 1 Renwu Plant | 13,500 |
| 2. | Purchase of PDS valve for VOC improvement in the two plants in Renwu | 4,200 |
| 3. | Air Heater construction of the addition of 2 Blending Blowers to 34 Slios in No. 1 Renwu Plant | 3,600 |
| 4. | Replacement of E-215 1rd & E-216 2nd Recycle Cooler in No. 1 Renwu Plant | 3,000 |
| 5. | Purchase of 1ST, the C/E/F Line Die Plate backup stock in No. 1 Renwu Plant | 3,000 |
| 6. | Update of Cooler E-7020 granular water treatment in No. 2 Renwu Plant | 3,000 |
| 7. | Purchase of LINER-REPLACEMENT for C-201D P1 & P2 for plants in Renwu | 1,500 |

| Proposed Pollution Prevention Equipment or Expenditure | | Dollar Amount |
|--|---|---------------|
| 8. | Replacement for the fan of the cooling water tower in No. 2 Renwu Plant with a variable frequency motor | 1,500 |
| 9. | Purchase of valve assembly for C-201C/E/F Compressor for Renwu plants | 1,200 |
| 10. | Purchase of the backup of 1ST K-8402 decelerating machine for the cooling water tower in No. 2 Renwu Plant | 900 |
| 11. | Improvement of the old stretch wrap machine and delivery machine at Renwu Plants | 600 |
| 12. | Replacement of the floor-erosion boards in the 3rd Floor of the Reaction Zone in No. 2 Renwu Plant | 500 |
| 13. | Replacement of water-cooled air-conditioners in K-32 electricity steam room in a Renwu plant | 400 |
| 14. | Purchase of oil cooler for C-201E/F Compressor for the plants in Renwu | 250 |
| 15. | Purchase of W-235/236 Ice ice-water machine and 608HP high-pressure motor for the plants in Renwu | 4,500 |
| 16. | Improvement construction for the low-pressure BUTENE recycling pipeline at Plant No. 2 Renwu Plant | 1,500 |
| 17. | Line-by-line recycling of ethylene and purge gas improvement in No. 1 Renwu Plant | 900 |
| 18. | Improvement of VOCs discharge by redirecting gas emitted from the bottom of V-201B/C/D/F to V-205 in No. 1 Renwu Plant | 800 |
| 19. | Recycle of low pressure Steam condensate water in No. 2 Renwu Plant | 800 |
| 20. | Improvement of pipe control valve in VOC process for the plants in Renwu | 700 |
| 21. | Improvement of pipes, five-way valves, and valves in VOC equipment for the plants in Renwu | 550 |
| 22. | Update of B2482-2 turbine fan in Section 24, Linyuan Plant to improve energy conservation and carbon reduction | 355 |
| 23. | Replacement of D2587-2.3 drainage tank where VOC leaked in Section 25, Linyuan Plant | 470 |
| 24. | Addition of fire-fighting pipes as a second water source in Section 21/22, Linyuan Plant to enhance the capability of emergency response to environmental incidents | 450 |
| 25. | Dike anti-acid treatment for the floor of sulfuric acid storage tank in Section 26, Linyuan Plant | 260 |
| 26. | Change of the pumping windmill of exhaust gas barrier and the alteration of the pipelines in C Line, Section 26, Linyuan Plant | 270 |
| 27. | Installment of exhaust valve in the EB tank (S2717) and the oil pressure unit tank (D2719) in Section 27, Linyuan Plant | 400 |
| 28. | Renewal of filter bag for the incinerator in Linyuan Plant | 200 |
| 29. | Addition of temporary storage area to the south of the incinerator in Linyuan Plant | 700 |
| 30. | Addition of a heat-reservation exhaust gas incinerator for air pollution prevention in Section 26, Linyuan Plant | 22,150 |
| 31. | Erosion removal and painting of the equipment components, racks, and pipes in Section 21/22, Linyuan Plant | 1,500 |
| 32. | Maintenance and repair of incinerator in Linyuan Plant | 450 |
| 33. | Update of P-1302B Starter Pump in Linyuan Plant | 9,200 |
| 34. | Cooled water relying construction of the L1/2/4 manufacturing process in Linyuan Plant | 4,000 |
| 35. | Replacement of the anti-explosion air conditioner in the Unit Duty Room of | 450 |

| Proposed Pollution Prevention Equipment or Expenditure | | Dollar Amount |
|--|---|---------------|
| | `Synthetic Section in Linyuan Plant | |
| 36. | Improvement of the discharge volume of V-3301/V-3302 Peabody Silo and improvement of tank-top erosion in Linyuan Plant | 2,000 |
| 37. | Heat and coolness reservation construction project and 2019 CUI inspection in Linyuan Plant | 2,500 |
| 38. | Integration of the plant-wide vibration-detection system for the reactors in Linyuan Plant | 420 |
| 39. | Upgrade of the chains of the particle-collection pipelines in NOVA pellet granule area in Cianjhen Plant | 350 |
| 40. | Replacement of the old wastewater pumps in NOVA500 Section, Cianjhen Plant | 200 |
| 41. | Replacement of the Thermal conductive components in the section of NOVA manufacturing process, in Cianjhen Plant | 992 |
| 42. | Replacement of the 2 wastewater pumps in Section 25, Cianjhen Plant | 750 |
| 43. | Replacement of the mobile pump for hydrochloric acid and liquid caustic soda in the Pure-Water Section of Cianjhen Plant | 240 |
| 44. | Anti-explosion vacuum cleaner specially used in the EPS blender tank Section of Cianjhen Plant | 260 |
| 45. | Installment of butterfly valve at the Blower exhaust pipe in the RTO System EPS 29 Section of Cianjhen Plant | 140 |
| 46. | Regular major maintenance of the air compressors in the EPS C2901-3/4 Section and the Utility C7210-3/4 Section of Cianjhen Plant | 800 |
| 47. | Renewal of the heat-transfer component of the cooling tower in the Utility Section of Cianjhen Plant | 500 |
| 48. | Operating and maintenance expenses for exhaust gas treatment equipment in Toufen Plant | 33,000 |
| 49. | Operating and maintenance expenses for wastewater treatment equipment in Toufen Plant | 15,000 |
| 50. | Industrial waste cleanup and treatment expenses for Toufen Plant | 2,000 |
| 51. | Air pollution prevention expenses for Toufen Plant | 2,000 |
| 52. | Regular application for the inspection of stationary pollution source in Toufen Plant | 500 |
| 53. | Pressure vessel inspection expenses for Toufen Plant | 500 |
| 54. | Noise improvement in Toufen Plant | 400 |
| 55. | Chimney inspection in the glass wool factory of Toufen Plant | 74 |
| 56. | Application fee paid to agent for the permission of the new storage added to the glass wool pond in Toufen Plant | 48 |
| 57. | Application fee paid to agent for the permission of change the new storage added to the glass wool pond in Toufen Plant | 48 |
| 58. | Maintenance and repair of Toufen Plant | 1,380 |
| 59. | Recycled wastewater inspection in Toufen Plant | 27 |
| 60. | Replacement of filter bag of the dust collector filter in Toufen Plant | 121 |
| 61. | Replacement of #1molding windmill in Toufen Plant | 800 |
| 62. | Replacement of #2 molding windmill in Toufen Plant | 2,700 |
| 63. | Addition of ice-water machine to the Control Room of Toufen Plant | 735 |
| 64. | Improvement of the water wash system for glass wool in Toufen Plant | 1,920 |
| 65. | Operating expenses of the environmental protection facilities in Zhongshan Plant | 5,120 |
| 66. | Hazardous waste disposal expenses of Zhongshan Plant | 124 |

| | Proposed Pollution Prevention Equipment or Expenditure | Dollar Amount |
|-----|---|---------------|
| 67. | Annual wastewater inspection expenses of Zhongshan Plant | 260 |
| 68. | Annual exhaust gas inspection expenses of Zhongshan Plant | 232 |
| 69. | The operation expenses for implementing the ISO14,001 system in Zhongshan Plant | 46 |
| 70. | The operation of the environmental protection facilities (RTO+wastewater plant) in Tianjin Plant | 6,639 |
| 71. | Hazardous waste disposal in Tianjin Plant | 3,600 |
| 72. | Inspection fee for wastewater inspection and assessment in Tianjin Plant | 165 |
| 73. | Annual environmental inspection in Tianjin Plant | 350 |
| 74. | ISO14001 system certification for Tianjin Plant | 100 |
| 75. | Plant maintenance for Guanyin Plant | 1,830 |
| 76. | Replacement of the lid of sewage and the rooftop of the resource recycling plant in Guanyin Plant | 330 |
| 77. | Update of the water system in Guanyin Plant | 1,521 |
| 78. | Replacement of the rooftop fan for the power factory of Guanyin Plant | 16 |
| 79. | Waste gas treatment measures of Guangzhou Plant | 11,403 |
| 80. | Sewage treatment measures of Guangzhou Plant | 138 |
| 81. | Environmental optimization measures of Guangzhou Plant | 484 |
| 82. | Improvement of space segmentation in Guangzhou Plant | 1,459 |
| 83. | Waste gas treatment measures for Kunshan Plant | 4,508 |
| 84. | Lighting measures for Kunshan Plant | 460 |
| 85. | Environmental optimization measures for Malaysia Plant | 222 |
| 86. | Air conditioning equipment for Malaysia Plant | 618 |
| | Total | 197,785 |

(III) In response to the Restriction of Hazardous Substances (RoHS) prescribed in European Union's Directives:

The Company is RoHS-compliant, and the restriction has no effect in the Company's financial operations.

V. Labor Relations:

- (I) List the Company's employee welfare measures, continuing education, training, retirement system and implementation status, as well as agreements between the employer and employees and measures for protecting employee rights and interests:
1. Employee welfare measures
 - (1) The Company's salary system is based on employees' academic education, professional or technical skills, seniority, and experience, etc. Employees' salary does not vary with different genders, religions, races, parties, etc. In addition to fixed wages, employees' salary also includes performance bonus, year-end bonus, etc.
 - (2) Annual salary is adjusted based on the Company's profitability. In 2018, employees' salary was increased by a range between approximately 2.7% to 3.6%. Employees' compensation shall not be less than 1% of the distributable earnings of current year. On March 8, 2019, the Board of Directors' meeting has approved to distribute employees' compensation in the amount of NT\$ 6,319,000 for 2019.
 - (3) The Company regularly arranges health checkups for employees every year. In Taipei head office; there is fitness equipment and a shower room in stalled onsite. Individual plants have designated qualified nurses to provide relevant assistance in physical health and medication for employees, as well as some independent space set up for female employees who undergo menstruation or breastfeeding. The Company also collaborates with childcare institutions to provide such services for employees' children.
 - (4) Employees who have serve in the Company for 3 months (or above), are entitled a birth allowance of NT\$ 10,000 for each new born child in the family. The amount is doubled for twins. Employees with children under 3 years old are entitled to unpaid parental leave for up to 2 years.
 - (5) Employee Welfare Committee is set up in accordance with the Employee Welfare Fund Act, and the welfare fund is appropriated accordingly. The fund is managed collectively by the Employee Welfare Committee and is used in holding various welfare activities to enhance employees' physical and mental health. All employees have equal rights to enjoy the benefits provided by the Employee Welfare Committee. The Committee is responsible for the custody of the welfare fund.

2. Employee education and training

- (1) Every year, the Company shall conduct surveys on requirements of employee training, and complete annual training plans in accordance with the Company's employee training regulations. The Company shall also create budget for the implementation of trainings. Employee functional training, management training, seminars, health lectures and various types of conferences are all included in the scope of training. Employees can participate in learning through various learning methods including work instructions given by supervisors, classroom lectures, educational CDs or online learning.
- (2) In order to connect employees' training with employment promotion, the Company has specifically established general education courses regarding employment promotion to encourage employees' participation. Employees must complete the prescribed courses before they can be officially promoted.
- (3) For employees who have a strong motivation to learn and with such potential, the Company provides subsidies for them to further their education in domestic universities, which is combined with adjustments in duties to enrich such employee's work experiences and develop leading talents required by the Company.
- (4) The records of employee training are reserved and archived. Every year, each employee has to attend at least 8 hours of internal training, which is also taken into account in employee's performance appraisal. The survey on employee's opinions and a review report is conducted at the end of each course. The Company conducts satisfaction surveys at year end to summarize employee's opinions and advices on employee's training and the result serve as a reference for improvement.
- (5) Expenditures on employees' training in the most recent fiscal year: The annual employees' training expenditure for 2018 was NT\$ 5,205,000.

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|--|--------------------------|--|------------------------------|
| Training Courses for Directors and Supervisors: Corporate Environmental Protection and Sustainable Development | Chairman's Office | Opportunities for the Application of High-Value CBC in the Plastics Industry | Sales and Marketing Division |
| Training Courses for Directors and Supervisors: Corporate Social Responsibility with the Times | General Manager's Office | Ethics Seminar] Protection and Reasonable Use of Patents | Human Resource Division |
| Gender Equality and Sexual | Personnel | 2018 Polymer Process Flow | Research and |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|---|--|--|--|
| Harassment Prevention | Department | Workshop | Development Division |
| Google Machine Learning Course | Information System Division | The Practice of Two-Way Negotiations in Sales and Procurement | Advanced Material Division |
| Win at Details: The Way to Achieve Continual Business Progression | Finance Division | Decision Support and Big Data | Industrial Information Team |
| [Ethics Seminar] Legal Liability and Case Study of Breach of Trust | Accounting Division | Certification and Training for Professional Wiring | Renwu Plant |
| Certification Training for Pipeline Excavation and Construction Management in Kaohsiung City | Renwu Plant | Conference for the Information Exchange on VOC Leakage Prevention in Equipment Components held by Taiwan VCM Corporation and USI Corporation | Renwu Plant |
| Industrial Pipeline Team Training and Mobilization Seminar in Kaohsiung City | Renwu Plant | Emergency response procedures for the Restriction of Data Search on 2-8 Diagram imposed by the Excavation Center of Kaohsiung City | Renwu Plant |
| 2018 Professional Training Course for Engineers of Chemical Manufacturing Processes | Renwu Plant | Trade Secrets Act and Case Study | Renwu Plant |
| Labor Cost Analysis and Labor Productivity Planning | Renwu Plant | Fire Marshalling and Emergency Response Training | Renwu Plant |
| Human Resource Management (Not applicable for Head of Human Resource Division and Department) | Supervisors/General employees | Training - Driving Large Trucks | Large trucks drivers |
| [Cross-border Salon] Giving is the Starting Point for a Change | Supervisors/General employees | Industrial Safety and Fire Prevention Promotion | Coincidence Section personnel |
| 2018 Gender Mainstreaming Education Training | Management Section | Work Safety Training | Maintenance Section personnel at the plastic sheet plant |
| 2018 United Civil Defense Education and Training in the Linyuan Industrial Park | Management Section | Work Plan Control and Execution | General Employees |
| 2018 Employee Health Promotion Lecture | Safety & Health Department / Manufacturing Section | Emergency Response Practice in the Engineering Department | Engineering Department personnel |
| 2018 Technology Exchange Seminar for Kaohsiung Plants | Supervisors/General employees | How to Do Risk Detection and Prevention and the Risk Factors | Auditors |
| 2018 1st Emergency Response Training | Manufacturing Section | Precautions for the Elimination of Anomalous Leading Wheels | Plastic Sheet Section 1 personnel |
| 2018 2nd Emergency Response Training | Manufacturing Section | Emergency Response Practice at the Processing, Storage and Transportation Section | Processing, Storage and Transportation Section personnel |
| Seminar on Labor Standards Act in 2018 | Management Section | Failure to Analyze (FTA) Education and Training | Process engineers |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|---|--|--|--|
| Precedent Review of 2018 Group Annual Shareholders' Meeting | Supervisors/General employees | Typhoon Response Practice at Plastic Sheet Section 1 | Plastic Sheet Section 1 personnel |
| CSR Amendment Training Course | Supervisors/General employees | Pre-Machine Cleaning Power Off Operation Response Practice at Plastic Sheet Section 1 | Plastic Sheet Section 1 personnel |
| FOXBORO Decentralized Control System - 5-Day Fundamental Course | Instrument section / Manufacturing Section | Emergency Response Practice at Plastic Sheet Section 1 | Plastic Sheet Section 1 personnel |
| Google Machine Learning 1 to 7 Course | Information System Division | Typhoon Response Practice at Plastic Sheet Section 2 | Plastic Sheet Section 2 personnel |
| Precedent Review for ISO 27001 Audit | Information System Division | Pre-Machine Cleaning Power Off Operation Response Practice at Plastic Sheet Section 2 | Plastic Sheet Section 2 personnel |
| ISO50001 Energy Management System & ISO45001 Occupational Health and Safety Management System Internal Auditor Training | Supervisors/General employees | Emergency Response Practice at Plastic Sheet Section 2 | Plastic Sheet Section 2 personnel |
| PMI Specialty Course | Maintenance Section / Engineering Section | Typhoon Emergency Response Practice at Plastic Sheet Section 3 | Plastic Sheet Section 3 personnel |
| Training for Intellectual Property Classification Management in 2018 | Special Environmental Testing Section | Pre-Machine Cleaning Power Off Operation Response Practice at Plastic Sheet Section 3 | Plastic Sheet Section 3 personnel |
| Operation Training for Forklifts with Loading Capacity More than 1 Ton | Maintenance Section | Emergency Response Practice for Plastic Sheet Section 3 | Plastic Sheet Section 3 personnel |
| The Business Philosophy of "Every Steady Step Brings Progress" | Supervisors/General employees | Pre-Machine Cleaning Power Off Operation Practice at Production Management Section | Production Management Section personnel |
| Epic Run across Taiwan with My Feet | Supervisors/General employees | Typhoon Response Practice at Production Management Section | Production Management Section personnel |
| Introduction to the Post-Employment Management Platform | Individual management unit | Emergency Response Practice at the Production Management Section | Production Management Section personnel |
| Plant Entrance Education and Training | Application Planning Section / Special Environmental Testing Section | Training of Professional Technical Management Personnel for Class A Toxic Chemical | Class A Toxic Chemical Professional Technical Management personnel |
| Introduction to Soil Pollution Investigation and Remediation Technologies and Case Studies | Environmental Protection Technology Division personnel | National Defense Education | General employees |
| Special Health and Safety Education Training for Small-Sized Boiler Operators | Special Environmental Testing Section | On-Job Health and Safety Training for Managers, Commanders and Supervisors at Different Levels | Managers, commanders and supervisors at |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|---|--|---|---|
| | | | different levels |
| Work Improvement | Managers | Safety & Health and Preventive Professional Training | Industrial Safety and Maintenance personnel |
| Work Instruction, Training Planning and Implementation | Supervisors | On-Job Health and Safety Training for Supervisors of Hazardous Operations | Supervisors of Hazardous Operations |
| Seminar of Engineering Energy Conservation and Equipment Safety | Engineering Section | Self-Defense and Fire Marshalling Team Training (2018 Part 1) | Self-defense and fire marshalling team personnel |
| Industrial 4.0 IoT Seminar | Supervisors/General employees | Self-Defense and Fire Marshalling Team Training (2018 Part 2) | Self-defense and fire marshalling team personnel |
| Seminar for Promoters for Voluntary GHG Reductions in Factories | Technical Section | Cooling Water Treatment Course | Coincidence Section personnel |
| Business Operation in Uncertain Environment | Supervisors | Emergency Response Practice at Materials Section | Materials Section personnel |
| Endoscope Training | Engineering Section | Anti-Curtailing and Anti-Clipping Training | Plastic Sheet Section 3 personnel |
| Innovation and Research in Chemical Engineering | General Manager's Office | Incident Investigation Training | Process engineers |
| Industrial Union's Labor Education Training for the Linyuan Plant of Taiwan VCM Corporation | Supervisors/General employees | Observation and Education Training for Health and Safety in Contract Works | Industrial Safety / Engineering / Maintenance personnel |
| Training for Class A Toxic Chemical Professional Technical Management Personnel | Safety and Environmental Protection Office | Training on Air Pollution Specialists | Air Pollution specialists |
| Target Management and Performance Evaluation | Supervisors | The Profit Model and Trend of E-Commerce in the Fin-Tech area and the Internal Audit and Internal Control Mindset | Auditors |
| The Course of Occupational Disaster Compensation Practice for Businesses | Safety and Environmental Protection Office | Emergency Responses Practice at Building Material Plant | Building material plant personnel |
| Cohesion of Corporate Values | Supervisors | Emergency Response Practice at Coincidence Section | Coincidence Section personnel |
| Corporate Environmental Protection and Sustainable Development | Supervisors | Food-Grade Product Safety and Health Training | Alkali-Chlorine Section personnel |
| Corporate Competitiveness and Changes Management | Supervisors | Raw Material Inspection and Training | Inspection Section personnel |
| Talent Acquisition for Corporations | Supervisors | Raw Material Product Inspection Training (1) | Quality Control personnel |
| Stamp Duty Tax Credit and How to Mitigate Tax Burden | Cost Section | Raw Material Product Inspection Training (2) | Quality Control personnel |
| Income Tax Filing, Expenses Recognition and Tax reconciliation | Cost Section | Raw Material Product Inspection Training (3) | Quality Control personnel |
| Underground Pipeline Cathodic Corrosion Protection LEVEL 2 Training Course | Engineering Section | Family Education | General Employees |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|---|--|--|--|
| Successful Interview Skills for Talent Selection | Supervisors/Human Resource personnel | Supervisors of Specific Chemical Operations | Training for Supervisors of Specific Chemical Operations |
| Training for Supervisors of Organic Solvent Operations | Manufacturing Section | On-Job Health and Safety Training for Operators Working in Oxygen-Deficient and Confined Spaces | Operators working in oxygen-deficient and confined Spaces |
| On-Job Health and Safety Training for Supervisors of Organic Solvent Operations | Storage and Transportation Section | Training for Supervisor of Oxygen-Deficient Operations | Supervisors of oxygen-deficient operations |
| Automation and AI | Supervisors/General employees | Training on Professional Piping | Engineering personnel |
| Training on Mobile Devices and Information Security | Information System Division | Polymer Gel and Compatibilization Technology | Process engineers |
| Low-Carbon Production Technologies and Consultancy Seminar | Technical Section | Highly Efficient Analytical and Problem-Solving Skills | General Employees |
| Decision Support and Big Data | Accounting Department | On-Job Health and Safety Training for Personnel of Special High-Pressure Gas Equipment Operation | Operators of special high-pressure gas equipment operation |
| Review Workshop for Fire Prevention Personnel | Safety and Environmental Protection Office | Training for Personnel of Special High-Pressure Gas Equipment Operation | Operators of special high-pressure gas equipment |
| Forum of the Microbial Trend in Asia | Special Environmental Testing Section | Health Lecture (Screening and Prevention of Cancer) | General Employees |
| Gender Equality and Sexual Harassment Prevention | Staff | Pre-Launch Safety Inspection (PSSR) Education Training | Process engineers |
| Knowledge Management | Supervisors | On-Job Health and Safety Training for Boiler Operators | Forklift operators |
| Social Engineering Exercises | Supervisors/General employees | Forklift Operator Training | Forklift operators |
| The Shaping of Corporate Value | Supervisors | Cost and Profit Analysis Knowledge for Non-Financial Supervisors | Supervisors |
| Legal Liability and Case Study Analysis of Breach of Trust | Supervisors/General employees | How to Handle Problematic Employees from the Legal Prospective | Supervisors |
| Change is the Only Way to Excellence | Supervisors | Emotional Management Training (DVD) | General Employees |
| The Science and Health Theory of Qigong | Supervisors/General employees | Compliance Audit Training | Process engineers |
| Corporate Sustainability Strategy under Climate Change and the Paris Agreement | Supervisors/General employees | Application of Processing Agent | Product Development Section personnel |
| Fire Safety Training and Emergency Response Training | Supervisors/General employees | Mechanical Integrity (MI) Education and Training | Process engineers |
| Training for Personnel in Specific Chemical Operations | Manufacturing Section | The Quality and Inspection of Foaming Panels | Quality Control personnel |
| On-Job Training for Specific | Quality Control | Approach and Steps to Strategic | Supervisors |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|--|--|---|---|
| Chemical Operations Supervisors | Section | Thinking | |
| Supervisors' Training on Oxygen Deficiency Operations | Manufacturing Section | Plastic Modification Technologies | Process engineers |
| On-Job Health and Safety Training for Oxygen-Deficient Operations Supervisors | Manufacturing Section | Plastic-Toughening Technologies | Process engineers |
| Training of Energy-Saving Technology for Motor Systems and Air-conditioners | Instruments and Electrical Section | Education Training for the Manufacturing Process of New #5 Drying Machine | Coincidence Section personnel |
| Promotion of Operation Safety and Hazard Identification for High-Pressure Gas Containers | Manufacturing Section | Continuing Education Course for Accounting Supervisors | Accounting Supervisors |
| Training on Operators of High-Pressure Gas Containers | Manufacturing Section / Storage and Transportation Section | Ethics Seminar - Legal Liability and Case Study Analysis of Breach of Trust (DVD) | General Employees |
| Training for Operator of High-Pressure Gas-Pump | Storage and Transportation Section | Operation Training for Laser Jet Machine | Rigid Pipe Management Section personnel |
| High-Pressure Gas-Specific Equipment Operator Training | Manufacturing Section/Storage and Transportation Section | Testing and Improvement of Harmonics of Electrical Equipment | Maintenance personnel |
| On-the-job/Retraining Training for Supervisors of High-Pressure Gas Equipment Operations | Manufacturing Section | Training of ISO/IEC 17025:2017 Laboratory Certification Regulations | Inspection Section personnel |
| Problem Analysis and Solving | Managers | Training Course of Management Improvement and CSR Implementation for Corporate Sustainability | CSR Promotion Personnel |
| On-Job Forklift Training/Retraining | Manufacturing Section / Maintenance Section | Fraudulence Auditing and Digital identification | Auditors |
| Leadership in Three Kingdoms | Supervisors | On-Job Health and Safety Training for Process Safety Assessment Personnel | Process Safety Assessment personnel |
| Training for Type 1 Pressure Vessel Operators | Manufacturing Section | Training for the Safety Management of Manufacturing Processes | Process engineers |
| Bacteria Study Seminar | Special Environmental Testing Section | Process Quality Training | Coincidence Section personnel |
| Communication and Effective Leadership within Organization | Supervisors | Training on Testing, Inspection , Certification, Comparisons, and the Practices (1) | Inspection Section personnel |
| Mechanical Integrity (MI) Concept Training | Supervisors/General employees | Training on Testing, Inspection and Certification Comparisons and Practices (2) | Inspection Section personnel |
| Training, Coaching, and Counseling for Subordinates | Supervisors | Training on Testing, Inspection and Certification Comparisons and Practices (3) | Inspection Section personnel |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|---|---------------------------------------|---|--|
| Create a High-Performance Team | Supervisors | Training on Testing, Inspection and Certification Comparisons and Practices (4) | Inspection Section personnel |
| Study Club of the Labor Act for Human Resource Personnel | Management Section | Instrument and Electrical Engineering Training | Engineering personnel |
| Intelligent Production— The Road to Implementation | Supervisors | Instrument and Electrical Maintenance and Repair Training | Maintenance personnel |
| The Meeting to trigger PSM Promotion held by Chlor-Alkali Business Group | Supervisors/General employees | Hot Coal Boiler Training | Boiler operators |
| Protection and Reasonable use of Copyright | Supervisors/General employees | Emergency Response Practice at the Maintenance Section of the Plastic Sheet Factory | Maintenance Section personnel at the plastic sheet factory |
| Complaint and Conflict Management | Supervisors | Plastic Sheet Quality Control Training | Plastic Sheet On-Site Personnel |
| New Employees Safety Training | General employees | Plastic Sheet Quality Inspection Training | Quality control personnel |
| Business Innovation and Management | Supervisors | Precautions for the Elimination of Anomalous Leading Wheels of Plastic Sheet Machines | Plastic Sheet Section 2 personnel |
| Training of 17025 Laboratory Certification Regulations | Special Environmental Testing Section | Training for the Quality Control of Plastic Leather | Quality Control personnel |
| Implementation of Management Cycle | Supervisors | Emergency Response Practice for Plastic Leather Plants (2018) | Personnel of plastic leather plants |
| Corporate Social Responsibility with Times | Supervisors | Plastic Pellets Quality Management | Plastic Pellets Section personnel |
| On-Job Health and Safety Training for Process Safety Assessment Personnel | Supervisors/General employees | Emergency Response Practice at Plastic Pellets Section | Plastic Pellets Section personnel |
| Process Safety Information (PSI) | Supervisors/General employees | Training for Operation Safety of Plastic Pellets Machines | Plastic Pellets Section personnel |
| Introduction to ISO9001 | Supervisors | Training for Health Management Personnel | Health Management personnel |
| The Youth Secret Hidden in Vegetables and Fruits - Let Guru Teach You How to Use USii Fresh Bags in the Right Way | General employees | Procurement Management Platform Education Training | System operators |
| Negotiation Skills | Supervisors | Machine Operation Training | Plastic Leather Section 1 personnel |
| Embrace the Original Intent | Supervisors/General employees | Machinery Maintenance and Repair Training | Maintenance personnel |
| Seminar for Integral Performance Management | Supervisors/General employees | Training for Inspection on Fuel cell Boiler Ignition | Utilities Section personnel |
| Image Identification Technology in Machine Learning | General employees | Stress and Adversity Management | General Employees |
| Training Course for Profit-Seeking Enterprise Income Tax Filing Practices | Cost Section | The Application of TPV, the New Eco-Friendly Material | Product Development Section personnel |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|--|---|---|--|
| Trade Secrets Act and Case Study | Supervisors/General employees | Boiler Operation Technical Training | Boiler operators |
| Presentation Skills | Supervisors | 2018 Industrial Technologies Study Seminar of Taiwan Regional Association of Adhesive Tape Manufacturers | Process engineers |
| Win at Details: The Way to Achieve Continual Business Progression | Supervisors/General employees | Occupational Health and Safety Management Personnel (B-Class Technician for Occupational Health and Safety) | Occupational Safety and Health Management Personnel Retraining |
| #15 Flaring machine Operation Training | Production Management Section personnel | Occupational Health and Safety Training for Professional Health and Safety Management Personnel (Exemption courses) | Occupational health managers |
| 5S Activity Training | Plastic Pellets Section personnel | Training for the Regulations about the Market Release of Medical Devices and Material Management | Product Development Section personnel |
| AIMS System Online Operation Training | System operators | Emergency Response Practice at Alkali-Chlorine Section | Alkali-Chlorine Section personnel |
| HBF Process and Principles | Engineering personnel | Introduction and Application of the Structure of Hydrochloric Acid Furnace | Alkali-Chlorine Section personnel |
| IATF 16949:2016 Major Five Tools Training | Internal Auditor | DVD Course - Epic Run across Taiwan with My Feet | All plant employees |
| IATF 16949:2016 Document Amendment Training | Internal Auditor | DVD courses - Legal Liability and Case Study Analysis of Breach of Trust | All plant employees |
| IATF 16949:2016 Document Amendment Training | Internal Auditor | DVD Courses - Corporate Sustainability Strategy under Climate Change and the Paris Agreement | All plant employees |
| IATF 16949:2016 Articles Explanation | Internal Auditor | PMI courses | Related personnel |
| Experience Share after IPF Japan Plastic Exhibition | Product Development Section personnel | Retraining of No. 1 Compressor Operators | On-site operators |
| ISO 14001:2015 Internal Audit Training | Internal Auditor | Promotion Conference for the Health and Safety, and Hazard Prevention of Dangerous Devices | Related personnel |
| ISO 9001: 2015 Internal Audit Training | Internal Auditor | On-Job Training for Supervisors of Organic Solvent Operations | On-site operators |
| General Requirement Training for ISO/IEC 17025:2017 Laboratory Capability Test | Inspection Section personnel | Fire Prevention Personnel Training and Retraining | Related personnel |
| Fault Determination and Elimination of JK Soft Starters | Maintenance personnel | Training and Retraining for Fixed Crane operators | On-site operators |
| information Update and Exchange, and Case Studies of PVC Powder Technologies | Sales personnel | Training and Retraining for Security Supervision Personnel | Related personnel |
| Overview of PVC Powder | Plastic Sheet engineers | Retraining for First Aid Personnel | Related personnel |
| Lecture: Raw Material Technologies and the Use of | Process engineers | Employee Health Promotion Seminar | All plant employees |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|--|---|--|--|
| PVC Products - Plasticizers | | | |
| Lecture: Raw Material Technologies and the Use of PVC Products - Stabilizers | Process engineers | Fire Practice | All plant employees |
| Lecture: Raw Material Technologies and the Use of PVC Products - Pigment | Process engineers | Training and Retraining for Supervisors of Specific Chemical Operations | On-site operators |
| Lecture: Raw Material Technologies and the Use of PVC Products - Quality Agent | Process engineers | Energy Management Personnel Training Course | Related personnel |
| Lecture: Raw Material Technologies and the Use of PVC Products - Filling Agent | Process engineers | Special High-Pressure Gas Equipment Operators | On-site operators |
| Lecture: Raw Material Technologies and the Use of PVC Products - Miscellaneous Items | Process engineers | Primary Training for Supervisors of High Pressure Gas Manufacturing Safety | Related personnel |
| The Business Philosophy of "Every Steady Step Brings Progress" | Supervisors/General employees | Retraining of Special High-Pressure Equipment Operators | On-site operators |
| General Labor Health and Safety On-Job Training | General employees | Retraining for Forklift Operators | On-site operators |
| Class B Boiler Operator Training | Class B Boiler Operator Training | Retraining for Type 1 Pressure Vessel Operators | On-site operators |
| Level 2 Management - Personal Health Guidance Education | General employees | Acme's Intelligent Production - The Road to Implementation | Employees at a position equal to or above the Sectional Supervisor Level |
| Human-Factor Musculoskeletal Injury Health Lecture | General employees | Corporate Social Responsibility with Times | All plant employees |
| Introduction of the 2018 KPI Annual Performance Evaluation Form | Employees at Linyuan Plant | Application of the Operation and Failure Diagnosis for the API Compressor | Machine Repair Section personnel |
| 2018 Labor Education and Training | Employees at Linyuan Plant | Crane Operation Training (Retraining) | Machine Repair Section personnel |
| Health Lecture - Influenza | Employees at Linyuan Plant | Training for Supervisors of Dust Operations | Synthesis Section personnel |
| 2018 International Production Safety Forum | Liao Wen-Shih | Lecture: Successfully Interview Skills | All employees in Taipei |
| 5S and TPM Practices/Zero-Incidence Series | Employees at Linyuan Plant | Special High-Pressure Gas Equipment Operation Training (Retraining) | Synthesis Section personnel |
| Corporate Social Responsibility with Times | Employees at Linyuan Plant | Labor Safety Supervisor (Retraining) | Hsu Ting-Hsiang |
| Advanced Process Diagnosis and Performance Optimization via Big Data Analysis | Hu Sen-Cheng | PMI Specialty Course | Machine Maintenance/Inspection Section personnel |
| Installation Practice of PV-424 Let Down Valve Base Boards | Engineering/Machine Maintenance/Inspection/Work staff | Forklift Operation Training (Retraining) | Machine Maintenance/Finished Goods Section personnel |
| Seminar: TRCA Process Safety | Engineering | Training (Retraining) for Type 1 | Synthesis |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|---|--|---|---|
| Management -- MI Education Training | Section personnel | Pressure Vessel Operators | Section/Finished Goods Section personnel |
| ISO 14064 Greenhouse Gas/Verification Talent Training | Hu Sen-Cheng | ISO45001 Hazard Identification and Risk and Opportunity Assessment | Manufacturing Approach Section personnel |
| Corporate Social Responsibility Seminar with Times | All employees in Taipei | Intelligence Calibration Equipment and Quality Control Practices | Chiu Ching-Hui / Chang Sheng-Chieh |
| Training of ISO 45001 :2018 Articles | Employees at Linyuan Plant | Training for the Protection and Safety of Free Radiation | Instrument and Electrical Section personnel |
| Training for ISO Management System Internal Auditors | Synthesis Section | Protection and Reasonable use of Copyright | Employees at Linyuan Plant |
| ISO45001 Internal Audit Training and Exercises | Employees at Linyuan Plant | Acme's Intelligence Production - Momentum of Implementation | Employees at Linyuan Plant |
| On-Job Retraining for Process Safety Assessment Personnel | Hsu Ting-Hsiang | Machine Learning and Imaging Identification Lecture | All employees in Taipei |
| CSR Training | Employees at Linyuan Plant | Health Lecture - Chronic Disease Prevention | Employees at Linyuan Plant |
| Trade Secrets Act and Case Study | Employees at Linyuan Plant | Boiler Operation Training (Retraining) | Finished Goods Section personnel |
| H-7202 Furnace Pipe Replacement Report | Liu Chia-Hsien | Radiation Protection Continued Training | Instrument and Electrical Section personnel |
| Industrial Pipeline Pressure Testing Practices | Engineering/Machine Maintenance/Inspection employees | Application of the Foaming Theory and Extrusion Forming Technology | Chang Chi-Shun/Lu Shih-Tung |
| Underground Pipeline Cathodic Corrosion Protection Level 2 | Huang Yuan-Hung | 2018 Accounting Supervisor Education Courses | Chen Cheng-Shun |
| Training of Fire Explosion and Rescue Practice and Experience in the Petrochemical Industry | Yen Shang-Hsing | Promotion of Occupational Health and Hazard Prevention (Dust Operation) | Lin Cheng-Hsiung |
| Automation and AI Training | Employees at Linyuan Plant | Seminar: Wages and Compensation of Gulei Investment | Employees at Linyuan Plant |
| First Aid Personnel Training | Liu Kuo-Tang | Seminar on Legal Liability and Case Study Analysis of Breach of Trust | All employees in Taipei |
| Excel Analysis: Power BI Data Retrieval and Diversified Data Analysis | Lin Chia-Hui | Training for the Faulty Analysis and Countermeasures of Injection Molding | Chang Chi-Shun |
| Fixed Crane Operation (retraining) | Chiu Chin-Hui | 2018 LiveABC Training | Chang Te-Kai |
| Case Analysis and Anti-Fraud Strategies for Corporate Major Frauds and the Interference of Illegal Institutions | Chuang Chia-Fang | IFRS 15 Revenue Recognition: Response Measures in Audit | Huang Kuang-Che |
| Supervisors of Organic Solvent Operations (Retraining) | Synthesis Section/Laboratory Section personnel | Post-Employment Management Platform | Personnel Section/Affairs Section personnel |
| Training for the Revised Version of Attendance System | Chou Wen-Hsian/Kuo | 2018 Accounting Supervisors Education Courses | Chan Mei-Lan |

| Name of Representative Training | Training Participant | Name of Representative Training | Training Participant |
|--|--|--|-------------------------|
| | Shu-Chen | | |
| On-Job Training for Air Pollution Control Specialists | Safety Section/Producti on Section personnel | Procurement and Sales of Data Loop Audit - Information Analysis of High-Risk Transaction | Chuang Chia-Fang |
| Legal Liability and Case Study Analysis of Breach of Trust | Employees at Linyuan Plant | Information Security Audit and Detection: The Application of Modular Security Management | Lin Chia-Hui |
| Social Engineering Exercises Training | Employees at Linyuan Plant | Internal Audit Practice and Case Interpretation | Chuang Chia-Fang |
| Supervisors of Specific Chemical Operations (Retraining) | Chiu Yung-I | Lecture: High-Value Plastic Industry and CBC Applications | All employees in Taipei |
| Tax-Related Regulations Courses | Wei Hua-Ling | Lecture: Decision Support and Big Data | All employees in Taipei |
| Training, Coaching, and Counseling for Subordinates | All employees in Taipei | Seminar: Corporate Environmental Protection and Sustainable Development | All employees in Taipei |
| Security Supervisor Training | Hsu Ting-Hsiang | | |

3. Employee retirement system

| Item | Labor Pension | |
|--|--|--|
| | Old | New |
| Legal Basis | Labor Standards Act | Labor Pension Act (Effective from July 1, 2005) |
| Proportion of Salary Contributed to Pension | The Company set up the "Labor Pension Reserve Supervision Committee," and contributes 12% of employees' monthly salaries to the pension reserve fund. | Employer: Employee's monthly salary 6% Employee: 0-6% per month (which can be fully exempted from employees' individual consolidated income tax amount of the current year) |
| Custodian Institution | Bank of Taiwan | Labor and Insurance Bureau |
| Eligibility and Application Method | When an employee whose service for a company constitutes the eligibility for pension payment in accordance with Labor Standards Act for the employee, the employer shall make such payment upon the employee's retirement. | At the age of 60, an employee may apply for return to the Labor Insurance Bureau for the accumulated amount in his/her individual pension account. |
| Degree of Employees' Participation in Pension Plan | 100% | 100% |
| Appropriation | Accumulated appropriation of NT\$ 2,187,593,000 | NT\$ 139,570,000 appropriated in 2018 |

Note:

1. In old pension system, if the balance in the fund, after actuarial evaluation, is insufficient to pay to all employees qualified for retirement in following year, the Company shall make up the difference in one appropriation by the end of March in the following year. The appropriation shall be submitted to the Supervisory Committee of Labor Retirement Reserve for deliberation.
2. The amended Labor Pension Act took effect on July 1, 2005. Employees who were hired prior to the enactment of the amended articles and remain working for the Company thereafter are allowed to choose between the amended or the old system until July 15, 2005. Those who failed to make decision before the aforementioned deadline shall continually apply to the old system. Employees applicable to the amended pension system shall make pension contribution from their salaries starting from July 1, 2005. Employees, who continuously choose to be applicable to the old mechanism may, within five years (before June 30, 2010), choose to be applicable to the amended pension system. Employees who are employed after July 1, 2005 or are re-employed after resignation after the aforementioned date shall be applicable to the amended pension system.
3. Employees who are applicable to the amended pension system in accordance with the Labor Standards Act may not choose to be applicable to the old pension system.
4. Provisions of Labor Pension Act applicable to the Company include the following:
 Voluntary retirement:
 A worker may apply for voluntary retirement under any of the following conditions: (the provisions shall apply, mutatis mutandis, to those who are in the amended Labor Pension Act system)
 - (1) Where the worker attains the age of fifty-five and has worked for fifteen years.
 - (2) Where the worker has worked for more than twenty-five years.
 - (3) Where the worker attains the age of sixty and has worked for ten years.
 Mandatory retirement:

Unless any one of the following circumstances is met, the Company shall not force an employee to retire:

- (1) Where the worker attains the age of sixty-five
- (2) Where the worker is totally incompetent at work due to mental disorders or physical disabilities.

The Company may request the central competent authority to adjust the age prescribed above if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided. However, that the age shall not be reduced below fifty-five.

Pension payment standard:

- (1) Employees who have service seniority accumulated before or after the application of the Labor Standards Act, and choose to be applicable to the Labor Standards Act in accordance with Labor Pension Act or service seniority preserved before the application of the Labor Pension Act, shall have their retirement benefit paid in accordance with Article 55 and Article 84-2 of the Labor Standards Act.
- (2) Employees who have service seniority calculated according to the preceding pension payment standard and are forced to retire in accordance with Subparagraph 2 of Paragraph 1 of Article 35 of the Labor Standards Act, an additional 20% on top of the amount calculated according to the preceding pension payment standard shall be given to the worker forced to retire due to disability incurred from the execution of their duties, as set forth in Subparagraph 2 of Paragraph 1 of Article 55.
- (3) For employees who are applicable to the provisions of the Labor Pension Act, 6% of the amount of employee's salary into employees' individual account of labor pension.

Pension payment:

The Company shall pay the due amount of pension within 30 days after an employee's retirement.

4. Protection measures for agreements between the employer and employees and all employee rights

In order to establish a rule-based channel for agreements between the employer and employees, meetings are regularly held between the employer and employees in order to effectively solve problems between the employer and employees.

5. Related certifications obtained from the relevant competent authorities by personnel of the Company involved with the transparency of financial information

| Department | Name | Related Certification |
|---------------------|-----------------|--|
| Accounting Division | Kuo Chuan-Hua | Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges offered by the Accounting Research and Development Foundation |
| | Kuo Chien-Chou | Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges offered by the Accounting Research and Development Foundation |
| | Chen Cheng-Shun | Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges offered by the Accounting Research and Development Foundation Passed the Accountant Examination in the 2008 Advanced Examination for Professional and Technical Personnel held by the Ministry of Examination Certificate No.: (97) Chuan Kao Hui Tzu No. 000012 |
| | Lin Chin-Tsai | Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges offered by the Accounting Research and Development Foundation |

| Department | Name | Related Certification |
|------------------|---|---|
| | Chang Sheng-Chuan | Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges offered by the Accounting Research and Development Foundation |
| | | Passed the Accountant Examination in the 2007 Advanced Examination for Professional and Technical Personnel held by the Ministry of Examination Certificate No.: (96) Chuan Kao Hui Tzu No. 000147 |
| | Wu Chia-Ling | Passed the Accountant Examination in the 2011 Advanced Examination for Professional and Technical Personnel held by the Ministry of Examination Certificate No.: (100) Chuan Kao Hui Tzu No. 000114 |
| Audit Office | Chiang I-Ting | Certified Internal Auditor (CIA) |
| | | IT Audit and Information Governance, Based on interlinked Big Data to Formulate 3D Visualized Analysis in Power BI (on-machine training) Certificate No.: Tien Hsieh Cheng Tzu No. 1070513 |
| | | Audit in Operation System and Telecommunication Certificate No.: Tien Hsieh Cheng Tzu No. 1070670 |
| | Hsu Liang-Wei | Production Loop Audit Practice Certificate No.: (107) Corporate Internal Audit & On-Job Training Cheng Chi Tzu No. 00272 |
| | | Self-Assessment Practice Certificate No.: Chi Hsieh Pei Cheng Fa Tzu No. 1071763 |
| | Lin Chia-Hui | Certified Internal Auditor (CIA) Certificate No.: Chi Hsieh Cheng Tzu No. 1060022. |
| | | Computer Audit Association Certificate No.: Tien Hsieh Cheng Tzu No. 1070313 |
| | | Computer Audit Association Certificate No.: Tien Hsieh Cheng Tzu No. 1070637 |
| | Chuang Chia-Fang | Securities and Futures Institute Certificate No.: (107) Corporate Internal Audit & On-Job Training Cheng Chi Tzu No. 01088 |
| | | Computer Audit Association Certificate No.: Tien Hsieh Cheng Tzu No. 1070356 |
| | | Securities and Futures Institute Certificate No.: (107) Corporate Internal Audit & On-Job Training Cheng Chi Tzu No. 01058 |
| | Hsiao Chien-Hsin | Certified Internal Auditor (CIA) |
| | | Certificate of Qualification in the Proficiency Test for Corporate Internal Control offered by the Securities and Futures Institute |
| | | Certificate of Qualification in the Proficiency Test for Service Personnel offered by the Securities and Futures Institute |
| | Tu Ying-Chun | Certified Internal Auditor (CIA) |
| | | Certificate of Qualification in the Proficiency Test for Corporate Internal Control offered by the Securities and Futures Institute |
| Chiang Kang-Nien | Certified Internal Auditor (CIA) | |
| I Wei-Ching | Certificate of Qualification in the Professional Development Course and Test for Internal Auditors of Publicly Listed Companies Certificate No.: ARDF (10) Hui Chiao (Chi) Tzu No. 10020016 Certificate No.: Internal Audit Association of the Republic of China Audit Pei Cheng Fa Tzu No. 1074612 | |

6. Employee Code of Conduct or Ethics

In accordance with the Labor Standards Act and relevant laws, employees' work rules and various management systems (described below) have been established in order to maintain workplace discipline and order among employees.

- (1) Every employee is given an "Employee Work Rules Handbook" which specifies the behavior or work ethic of employees, including employment, dismissal, working hours, vacation, leave, rewards and punishments, performance appraisal, retirement and welfare.
- (2) Pre-employment training for new employees covers basic education on ethics, environmental protection, occupational safety and health management.
- (3) Signing of "Letter of Undertaking" by employees: This document establishes employees' commitment towards maintaining the confidentiality of information regarding the Company's tangible and intangible operating assets and prevents employees from infringing on the interests of the Company.
- (4) The Company's website discloses the following: "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers", "Ethical Corporate Management Best Practice Principles", "Procedures for Handling Material Inside Information" and "Procedures for Ethical Management and Guidelines for Conduct."

For "Employee Work Rules Handbook," visit the Corporate Governance section under Investor Services on the Company's website: <https://www.usife.com.tw>

7. Protection Measures for Work Environment and Employees' Personal Safety

- (1) The Company has successfully obtained the ISO14001 and OHSAS18001 Management System Certifications, and actively promotes improvement activities including energy conservation, disaster prevention and pollution prevention.
- (2) In order to enhance self-inspection of all aspects of work safety, the Company complies with the "Group Safety and Health Partners Regional Joint Rescue" system recommended and guided by the South Labor Inspection Institute, and actively participates in the events organized by Renda Safety and Health Promotion Association.
- (3) The Company actively attends activities held by Taiwan

Responsible Care Association (TRCA) in the chemical engineering industry and upholds its spirit, as well as helps contractors build a safe and healthy environmental management system. In addition, the Company also participates in community events and cares for product protection in order to create a better living environment.

- (4) The Company provides its employees with comprehensive health care. In addition to the formulation of guidelines related to employee assistance services and gender equality in the workplace, the Company also provides group insurance, annual health checkups, sports and fitness equipment, as well as organizes various outdoor recreational activities and talks on mental, emotional and spiritual health.
- (5) With regards to employees' personal safety protection, the Company not only provides employees with personal protective equipment such as goggles, earplugs and earmuffs and vertical fall arresters, but also continuously provides training related to employee safety, with hopes that manufacturing equipment can run safely in plants, thereby achieving production goals in a smooth manner.

8. Fulfilling Social Responsibilities

- (1) The Company makes contributions to our social and economic well-being.
- (2) The Company encourages its employees to participate in various service activities to promote community and social development.
- (3) The Company does its best to reduce the negative impact of its business activities on the environment in line with government regulations, and achieve the objectives of the Group's environmental policies (environmental protection responsibilities (carbon reduction and greenhouse effect reduction) such as using eco-friendly refrigerants and energy-saving lamps).
- (4) The Company does its best to take in to account local cultural and social traditions when implementing various business activities.
- (5) The Company has always been committed to the principle of equal opportunities, and recognizes the contribution of employees from different backgrounds. The Company adopts an open selection process and hires the right talent for the right position, instead of restricting employees' career development based on their race, gender, age, religion, nationality or

political affiliation.

- (II) List the losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report, and disclose the estimated amount for current and possible future occurrences, and response measures. If the amount cannot be reasonably estimated, clarify the reason:

The Company has always valued the importance of labor-management communication and harmony. Under the basis of good labor-management relations, the Company will strive to enhance employee benefits, welfare, and ability and improve work environment. In addition, the Company has maintained a smooth communication channel to understand the problems and needs of employees, which allow labor-management problems to be resolved based on mutual trust. Therefore, there had been no significant labor-management conflict within the Company in recent years, and various problems have been resolved with assistance provided by supervisors at all levels.

VI. Important Contracts:

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--|-----------------------------|---|---|----------------------|
| Ethylene and Propylene Purchase Contract | CPC Corporation | January 1, 2018-December 31, 2018 January 1, 2019-December 31, 2019 | Annual volume and price of ethylene and propylene supplied to USI Corporation's Renwu Plant | None. |
| Ethylene Purchase Contract | Mitsubishi Corporation | February 1, 2018-December 31, 2018 January 1, 2019-December 31, 2019 | Annual volume and price of ethylene supplied to USI Corporation's Renwu Plant | None. |
| Ethylene Purchase Contract | Mitsui & Co | January 1, 2018-December 31, 2018 January 1, 2019-December 31, 2019 | Annual volume and price of vinyl acetate supplied to USI Corporation's Renwu Plant | None. |
| Vinyl Acetate Purchase Contract | Dairen Chemical Corporation | January 1, 2018-December 31, 2018 January 1, 2019-December 31, 2019 | Annual volume and price of ethylene supplied to USI Corporation's Renwu Plant | None. |
| Vinyl Acetate Purchase Contract | HELM AG | January 1, 2018-December 31, 2018 January 1, 2019-December 31, 2019 | Annual volume and price of vinyl acetate supplied to USI Corporation's Renwu Plant | None. |
| Turnkey Contract | CTCI Corporation | October 2014 onward | Project management, design, purchasing and contracting services, supply of equipment and materials, as well as construction, installation and pre-testing services provided to the new CBC Pilot Plant constructed by USI Corporation | None. |
| 2015-1 Unsecured | Trustee: Trust | February 12, | USI Corporation | None. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|---|--|-------------------------------------|--|---|
| Corporate Bonds (Bond A) | Department, Mega International Commercial Bank | 2015-February 12, 2020 | issued corporate bonds worth NT\$ 1 billion in total; the bonds were fully issued at par value of NT\$ 1 million; a 5-year term with fixed interest rate of 1.55%. | |
| 2015-1 Unsecured Corporate Bonds (Bond B) | Trustee: Trust Department, Mega International Commercial Bank | February 12, 2015-February 12, 2022 | USI Corporation issued corporate bonds worth NT\$ 1 billion in total; the bonds were fully issued at par value of NT\$ 1 million; a 7-year term with fixed interest rate of 1.90%. | None. |
| 2016-1 Unsecured Ordinary Corporate Bonds | Trustee: Trust Department, Taipei Fubon Commercial Bank Co., Ltd | October 28, 2016-October 28, 2021 | USI Corporation issued corporate bonds worth NT\$ 2 billion in total; the bonds were fully issued at par value of NT\$ 1 million; a 5-year term with fixed interest rate of 0.80%. | None. |
| 2017-1 Unsecured Ordinary Corporate Bonds | Trustee: Trust Department, Taipei Fubon Commercial Bank Co., Ltd | October 27, 2017-October 27, 2022 | USI Corporation issued corporate bonds worth NT\$ 2 billion in total; the bonds were fully issued at par value of NT\$ 1 million; a 5-year term with fixed interest rate of 1.10%. | None. |
| Medium-term Lending Credit Limit Contract | KGI Bank | May 14, 2017-May 14, 2020 | Union Polymer International Investment Co., Ltd. and KGI Bank signed a 3-year Medium-term | Based on the consolidated annual report or semi-annual report of USI Corporation, its |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--|------------------------|--|---|--|
| | | | Lending Credit Limit Contract with a revolving credit limit of NT\$ 500 million. | current ratio shall not be less than 150%, and its debt ratio (debt/net value) shall not be greater than 150%. |
| Medium-term Lending Credit Limit Contract | KGI Bank | August 14, 2017- August 14, 2020 | USI Corporation signed with KGI Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million. | Based on the consolidated annual report or semi-annual report of USI Corporation, its current ratio shall not be less than 150%, and its debt ratio (debt/net value) shall not be greater than 150%. |
| Medium-term Secured Lending Credit Limit Contract | Chang Hwa Bank | September 14, 2018- August 31, 2023 | USI Corporation signed with Chang Hwa Bank to secure a 5-year medium-term lending contract with a revolving credit limit of NT\$ 1 billion. | None. |
| Medium-term Lending Credit Limit Contract Secured Fully by Commercial Papers | Yuanta Commercial Bank | September 11, 2018- September 11, 2021 | USI Corporation signed with Yuanta Commercial Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million. | Based on the consolidated annual report of USI Corporation, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%. |
| Medium-term Lending Credit Limit Contract | Bank SinoPac | September 1, 2017 - June 30, 2020 | USI Corporation signed with Bank SinoPac to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 300 million.. | Based on the consolidated annual report of USI Corporation, its current ratio shall not be less than 150%, and its debt ratio (debt/net value) shall not be greater than 150%. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--|--|---------------------------------------|--|--|
| Medium-term Lending Credit Limit Contract | Taipei Fubon Commercial Bank Co., Ltd. | October 16, 2017 - September 12, 2020 | USI Corporation signed with Taipei Fubon Commercial Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million. | The current ratio of USI shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%, and its net value shall not be less than NT\$ 300 billion. |
| Medium-term Lending Credit Limit Contract Secured Fully by Commercial Papers | Chang Hwa Bank | January 12, 2017- January 12, 2020 | Union Polymer International Investment Co., Ltd. signed with Chang Hwa Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million; the contract is fully secured by commercial papers. | None. |
| Medium-term Lending Credit Limit Contract Secured Fully by Commercial Papers | Hua Nan Bank | June 30, 2017- June 30, 2020 | Union Polymer International Investment Co., Ltd. signed with Hua Nan Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million; the contract is fully secured by commercial papers. | None. |
| Medium-term Lending Credit Limit Contract | KGI Bank | March 28, 2017- March 28, 2020 | Union Polymer International Investment Co., Ltd. signed with KGI Bank to secure a 3-year medium-term lending contract with a revolving | Based on the consolidated annual report or semi-annual report of USI Corporation, its current ratio shall not be less than 150%, and its debt |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--|--|---------------------------------------|--|--|
| | | | credit limit of NT\$ 300 million. | ratio (debt/net value) shall not be greater than 150%. |
| Medium-term Lending Credit Limit Contract Secured Fully by Commercial Papers | Taipei Fubon Commercial Bank Co., Ltd. | November 30, 2018- September 12, 2021 | Union Polymer International Investment Co., Ltd. signed with Taipei Fubon Commercial Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million; the contract is fully secured by commercial papers. | Debt ratio (debt/net value) shall not be greater than 150%, and its net value shall not be less than NT\$ 2.8 billion. |
| Medium-term Lending Credit Limit Contract Secured Fully by Commercial Papers | O-Bank | October 17, 2017 - October 16, 2020 | Union Polymer International Investment Co., Ltd. signed with O-Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 300 million; the contract is fully secured by commercial papers. | None. |
| Medium-term Lending Credit Limit Contract | Bank SinoPac | March 31, 2017- March 31, 2019 | Union Polymer International Investment Co., Ltd. signed with Bank SinoPac to secure a 2-year medium-term lending contract with a revolving credit limit of NT\$ 300 million. | Based on the consolidated annual report or semi-annual report of USI Corporation, its current ratio shall not be less than 150%, and its debt ratio (debt/net value) shall not be greater than 150%. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|---|--|--|---|----------------------|
| Joint Venture Contract | Joint venture with companies including Ho Tung Chemical Corporation, LCY Group, Asia Polymer Corporation, Hsintay Petroleum Co., Ltd., Chenery Global Co., Ltd., Lien Hwa International Corporation and CTCI Corporation | September 30, 2016 | USI Corporation and seven other companies jointly invested in the Gulei Industrial Park located in Zhangzhou, Fujian Province, China, to produce petrochemical-related products. | Yes. |
| Material Purchase Contract | Formosa Plastics Corporation | January 1, 2018-December 31, 2018 March 1, 2019-December 31, 2019 | Taiwan VCM Corporation and Formosa Plastics Corporation signed a contract for the purchase of dichloroethane, with the price of the material agreed by both the buyer and the seller. | None. |
| Material Purchase Contract | Mitsui & Co., Ltd. | January 1, 2018-December 31, 2019 | Taiwan VCM Corporation and Mitsui & Co., Ltd. signed a contract for the purchase of dichloroethane, with the price of the material agreed by both the buyer and the seller. | None. |
| Material Purchase Contract | CPC Corporation | January 1, 2018-December 31, 2019 | Taiwan VCM Corporation and CPC Corporation signed a contract for the purchase of ethylene, with the price of the material agreed by both the buyer and the seller. | None. |
| Medium-term Secured Lending Credit Limit Contract | Chang Hwa Bank | February 14, 2018-July 31, 2023 | China General Plastics Corporation signed with Chang Hwa | None. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|---|-----------------|--|---|--|
| | | | Bank to secure a 5-year medium-term lending contract with a revolving credit limit of NT\$ 1 billion. | |
| Medium-term Secured Lending Credit Limit Contract | KGI Bank | November 30, 2016-November 30, 2021 | China General Plastics Corporation signed with KGI Bank to secure a 5-year medium-term lending contract with a revolving credit limit of NT\$ 1 billion. | None. |
| Medium-term Fully Secured Comprehensive Credit Limit Contract in Foreign Currencies | KGI Bank | March 20, 2019-March 20, 2022 | China General Plastics Corporation signed with KGI Bank to secure a 3-year medium-term secured comprehensive credit limit contract in foreign currencies with a revolving credit limit of NT\$ 500 million. | Based on the consolidated annual report/semi-annual report of China General Plastics Corporation, its current ratio shall not be less than 175%, and its debt ratio (debt/net value) shall not be greater than 125%. |
| Material Purchase Contract | CPC Corporation | January 1, 2018-December 31, 2018 January 1, 2019-December 31, 2019 | Supply of ethylene to Asia Polymer Corporation, where the price of the material is mainly calculated based on ethylene and naphtha prices for the current month. | None. |
| Medium-term Lending Credit Limit Contract | Bank SinoPac | August 11, 2017-June 30, 2020 | Asia Polymer Corporation signed with Bank SinoPac to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million. | Based on the consolidated annual report report of Asia Polymer Corporation, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--|----------------------------|---------------------------------------|--|---|
| | | | | than 100%. |
| Medium-term Lending Credit Limit Contract | Taishin International Bank | December 14, 2018-December 14, 2021 | Asia Polymer Corporation signed with Taishin International Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 300 million. | Based on the consolidated annual report/semi-annual report of Asia Polymer Corporation, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 100%, and the net value shall not be lower than NT\$7 billion. |
| Medium-term Lending Credit Limit Contract | E.Sun Bank | September 11, 2018-September 11, 2021 | Asia Polymer Corporation signed with E.Sun Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 300 million. | None. |
| Medium-term Lending Credit Limit Contract | Chang Hwa Bank | June 29, 2018-June 29, 2021 | Asia Polymer Corporation signed with Chang Hwa Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 400 million. | None. |
| Medium-term Lending Credit Limit Contract | Yuanta Commercial Bank | January 19, 2018-January 19, 2021 | Asia Polymer Corporation signed with Yuanta Commercial Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million. | None. |
| Medium-term Lending Credit Limit Contract Secured Fully by | Shin Kong Bank | June 28, 2018-June 28, 2021 | APC signed with Shin Kong Bank to secure a 3-year medium-term | Based on the consolidated annual report/semi-annual |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|---|--|--------------------------------------|--|---|
| Commercial Papers | | | lending contract with a revolving credit limit of NT\$ 450 million; the contract is fully secured by commercial papers. | report of Asia Polymer Corporation, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 100%, and the net value shall not be lower than NT\$7 billion. |
| Medium-term Lending Credit Limit Contract | KGI Bank | March 2, 2018-March 2, 2021 | Asia Polymer Corporation signed with KGI Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 400 million. | Based on Asia Polymer Corporation's consolidated annual report/semi-annual report, its current ratio shall not be less than 150%, and its debt ratio (debt/net value) shall not be greater than 125%. |
| Medium-term Lending Credit Limit Contract | Taipei Fubon Commercial Bank Co., Ltd. | November 15, 2018-September 12, 2021 | Asia Polymer Corporation signed with Taipei Fubon Commercial Bank Co., Ltd. to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million. | Based on Asia Polymer Corporation's consolidated annual report, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%, while its net value shall not be less than NT\$ 7 billion. |
| Medium-term Lending Credit Limit Contract | First Bank | November 19, 2018-November 19, 2021 | Asia Polymer Corporation signed with First Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 500 million. | None. |
| Medium-term Lending Credit Limit Contract | O-Bank | August 8, 2017-August 7, 2020 | Asia Polymer Corporation signed with O-Bank to | None. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--|---------------------------------------|--|---|---|
| | | | secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 250 million. | |
| Medium-term Lending Credit Limit Contract Secured Fully by Commercial Papers | Far Eastern International Bank | January 25, 2019-January 25, 2022 | APC signed with Far Eastern International Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 300 million; the contract is fully secured by commercial papers. | Based on the consolidated annual report of Asia Polymer Corporation, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%. |
| Material Purchase | Taiwan Styrene Monomer Corporation | April 1, 2017-March 31, 2019 | Purchase of styrene from Taiwan Styrene Monomer Corporation to be supplied to Taita Chemical's Cianjhen Plant and Linyuan Plant every year, where the price of the material is calculated based on the mutual agreement between both parties. | None. |
| Material Purchase | Formosa Chemicals & Fibre Corporation | January 1, 2018-December 31, 2018 (Contract renewal every year) | Purchase of styrene from Formosa Chemicals & Fibre Corporation to be supplied to Taita Chemical's Cianjhen Plant and Linyuan Plant every year, where the price of the material is calculated based on the mutual agreement between | None. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--------------------|---|--|--|----------------------|
| | | | both parties. | |
| Material Purchase | CPC Corporation | January 1, 2018-December 31, 2018 (Contract renewal every year) | CPC Corporation agreed to sell and supply butadiene to Taita Chemical's Linyuan Plant every year, where the price of the material is calculated based on the price set by CPC Corporation. Payment for the material must be settled on the 15th of the following month after delivery. | None. |
| Material Purchase | Formosa Petrochemical Corporation | January 1, 2018-December 31, 2018 (Contract renewal every year) | Formosa Petrochemical Corporation agreed to sell and supply butadiene to Taita Chemical's Linyuan Plant every year, where the price of the material is calculated based on the price set by Formosa Petrochemical Corporation. Payment for the material must be settled on the 15th of the following month after delivery. | None. |
| Material Purchase | China Petrochemical Development Corporation | January 1, 2017-December 31, 2018 | China Petrochemical Development Corporation agreed to sell and supply acrylonitrile to Taita Chemical's Linyuan Plant every year, where the price of the material is | None. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--------------------|---|--|---|----------------------|
| | | | calculated based on the mutual agreement between both parties. Payment for the material must be settled on the 15th of the following month after delivery. | |
| Material Purchase | Binhai New Area Sales Branch, Tianjin Dagu Chemical Co., Ltd. | January 1, 2018-December 31, 2018 (Contract renewal every year) | Binhai New Area Sales Branch, Tianjin Dagu Chemical Co., Ltd. agreed to sell and supply styrene to Taita Chemical's Tianjin Plant every year, where the price of the material is calculated based on the mutual agreement between both parties. Payment for the material must be settled before delivery. | None. |
| Material Purchase | USI Asia Trading (Shanghai) Co., Ltd. | January 25, 2018-December 31, 2018 | USI Asia Trading (Shanghai) Co., Ltd. agreed to sell and supply styrene to Taita Chemical's Tianjin Plant every year, where the price of the material is calculated based on the mutual agreement between both parties. Payment for the material must be settled before delivery. | None. |
| Material Purchase | CHOOC and Shell Petrochemicals Co., Ltd. | January 1, 2018-December 31, 2018 (Contract renewal | Import of styrene from CHOOC and Shell Petrochemicals | None. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--------------------|---|--|--|----------------------|
| | | every year) | Co., Ltd. to be supplied to Taita Chemical's Zhongshan Plant every year, where the price of the material is calculated based on the mutual agreement between both parties, and a domestic letter of credit should be issued before shipment. | |
| Material Purchase | SinoPec Chemical Sales (Huanan) Co., Ltd. | January 1, 2018-December 31, 2018 (Contract renewal every year) | SinoPec Chemical Sales (Huanan) Co., Ltd. agreed to sell and supply styrene to Taita Chemical's Zhongshan Plant every year, where the price of the material is calculated based on the mutual agreement between both parties. Payment for the material must be settled before delivery. | None. |
| Material Purchase | CNOOC Oriental Petrochemical Co., Ltd. | January 1, 2018-December 31, 2018 (Contract renewal every year) | Purchase of styrene from CNOOC Oriental Petrochemical Co., Ltd. to be supplied to Taita Chemical's Zhongshan Plant every year, where the price of the material is calculated based on the mutual agreement between both parties, and a domestic letter of credit should be issued before | None. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|---|--------------------------------------|---|--|----------------------|
| | | | shipment. | |
| Technical Cooperation | TAICA (Japanese Company) | Starting from November 25, 1996, the request will be automatically extended every five years if there is no objection by both parties after the contract expires. | This contract involves the transfer of cubic printing technology to Taita Chemical Co., Ltd., where this technology is the first of its kind in the world and enables printing of various patterns on uneven surfaces (such as telephones, automobile parts and components), thereby enhancing the added value of products. This technology has been patented in many countries, including the U.S., Japan, Canada, Germany, the Netherlands, France and the United Kingdom. | None. |
| Provision of Technology | Owens Corning Company (U.S. Company) | April 1, 2014-March 31, 2024 | Provision of expertise to Taita Chemical with regards to the manufacture of glass wool insulation products. | None. |
| Medium-term Lending and Medium-term Secured Lending Credit Limit Contract | Chang Hwa Bank | July 27, 2017-June 30, 2022 | Taita Chemical Co., Ltd. signed with Chang Hwa Bank to secure a five-year medium-term and medium-term secured lending contract with a revolving credit limit of NT\$ 1 billion. | None. |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--|------------------------------------|--|--|---|
| Medium-term Lending Credit Limit Contract Secured Fully by Commercial Papers | O-Bank | October 17, 2017-October 16, 2020 | Taita Chemical Co., Ltd. signed with O-Bank to secure a 3-year medium-term lending contract with a revolving credit limit of NT\$ 300 million. | None. |
| Medium-term Comprehensive Credit Limit Contract in Foreign Currencies | KGI Bank | March 4, 2019-March 4, 2022 | Taita Chemical Co., Ltd. signed with KGI Bank to secure a 3-year medium-term comprehensive credit limit contract in foreign currencies with a revolving credit limit of NT\$ 300 million. | Based on Taita Chemical Co., Ltd.'s consolidated annual report/semi-annual report, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 175%. |
| Cooperative Development Agreement | Non-related Party A | Date of Contract Signing: January 26, 2018 | Acme Electronics (Kunshan) Co., Ltd. priced part of the use right of the land in Kunshan City of Jiangsu Province and capitalized it to be shares. The shares were subsequently all sold to make the asset liquidized. The total transaction price was CNY 63,227,000. | None. |
| Medium-term Secured Lending Limit Contract | Mega International Commercial Bank | September 11, 2017-September 1, 2022 | The land and plant of Acme Electronics' Guanyin plant is a collateralized to secure a loan of NT\$ 300 million. | The total drawdown by Acme Electronics from Mega International Commercial Bank shall not exceed NT\$ 350 million. |
| Medium-term Unsecured Lending Limit Contract | Mega International Commercial Bank | February 26, 2019-February 25, 2021 | The land and plant of Acme Electronics' Guanyin plant is a collateralized to | The total drawdown by Acme Electronics from Mega International |

| Nature of Contract | Party | Contract Start/End Date | Main Content | Restrictive Covenant |
|--|--------|-----------------------------------|--|--|
| | | | secure a loan of NT\$ 100 million. | Commercial Bank shall not exceed NT\$ 350 million. |
| Medium-term Unsecured Lending Limit Contract | O-Bank | October 13, 2017-October 12, 2020 | The credit line for Acme Electronics is NT\$200 million. | Limits on net value and current ratio. |

Chapter 6 Financial Summary

I. Condensed Balance Sheet, Statement of Comprehensive Income, as well as Name and Audit Opinions of CPAs in the Most Recent Five Years

(I) Condensed consolidated balance sheet and consolidated comprehensive income statement

1. Condensed consolidated balance sheet - IFRS

Unit: NT\$ thousands

| Item | Year | Financial information in the most recent five fiscal years (audited and verified) | | | | | Financial information of the current fiscal year up to March 31, 2019 (reviewed) |
|---|-----------------------------|---|------------|------------|------------|------------|--|
| | | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Current assets | | 30,099,382 | 30,484,428 | 33,880,175 | 29,919,050 | 32,481,273 | 31,673,151 |
| Property, plant and equipment | | 23,825,239 | 23,758,495 | 22,804,814 | 22,600,211 | 20,241,266 | 23,739,672 |
| Intangible assets | | 302,403 | 362,375 | 417,620 | 483,938 | 497,354 | 295,906 |
| Other assets | | 14,764,014 | 9,788,553 | 4,892,866 | 4,494,947 | 5,195,118 | 15,615,979 |
| Total assets | | 68,991,038 | 64,393,851 | 61,995,475 | 57,498,146 | 58,415,011 | 71,324,708 |
| Current liabilities | Before distribution | 14,651,784 | 12,863,294 | 14,291,961 | 14,369,867 | 16,357,436 | 15,198,194 |
| | After distribution (Note 1) | - (Note 2) | 13,212,930 | 14,863,262 | 14,941,168 | 16,814,477 | - (Note 2) |
| Non-current liabilities | | 17,884,545 | 16,722,138 | 15,684,028 | 12,078,986 | 10,959,710 | 18,618,917 |
| Total liabilities | Before distribution | 32,536,329 | 29,585,432 | 29,975,989 | 26,448,853 | 27,317,146 | 33,817,111 |
| | After distribution (Note 1) | - (Note 2) | 29,935,068 | 30,547,290 | 27,020,154 | 27,774,187 | - (Note 2) |
| Equity attributable to owners of the parent company | | 18,187,153 | 18,124,407 | 17,726,796 | 17,025,008 | 17,320,978 | 18,718,816 |
| Share capital | | 11,887,635 | 11,654,544 | 11,426,024 | 11,426,024 | 11,426,024 | 11,887,635 |
| Capital reserve | | 253,738 | 238,194 | 216,135 | 197,714 | 183,205 | 253,825 |
| Retained earnings | Before distribution | 6,814,829 | 6,738,561 | 6,474,504 | 5,930,728 | 5,571,237 | 7,060,797 |
| | After distribution (Note 1) | - (Note 2) | 6,388,925 | 5,903,203 | 5,359,427 | 5,114,196 | - (Note 2) |
| Other equity | | (293,443) | (31,286) | 85,739 | (53,852) | 616,118 | (7,835) |
| Treasury stocks | | (475,606) | (475,606) | (475,606) | (475,606) | (475,606) | (475,606) |
| Non-controlling Interest | | 18,267,556 | 16,684,012 | 14,292,690 | 14,024,285 | 13,776,887 | 18,788,781 |
| Total equity | Before distribution | 36,454,709 | 34,808,419 | 32,019,486 | 31,049,293 | 31,097,865 | 37,507,597 |
| | After distribution (Note 1) | - (Note 2) | 34,458,783 | 31,448,185 | 30,477,992 | 30,640,824 | - (Note 2) |

Note 1: Post-distribution figures are filled based on the resolution passed by the Shareholders' Meeting in the following year.

Note 2: It is not listed unless the resolution has been passed by the Shareholders' Meeting.

Condensed consolidated statement of comprehensive income -
IFRS

Unit: NT\$ thousands

| Item | Year | Financial information in the most recent five fiscal years (audited and verified) | | | | | Financial information of the current fiscal year up to March 31, 2019 (reviewed) |
|---|-------------------|--|------------|------------|------------|------------|--|
| | | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Revenue | | 60,892,513 | 58,133,943 | 53,101,997 | 52,373,585 | 59,704,563 | 13,493,376 |
| Gross profit | | 5,794,740 | 7,126,932 | 6,881,135 | 5,437,516 | 3,905,491 | 1,560,360 |
| Net operating income | | 1,932,799 | 3,377,667 | 3,161,484 | 1,772,121 | 347,551 | 608,539 |
| Non-operating income and expenses | | 589,628 | 110,603 | (90,260) | 215,517 | 529,801 | 145,872 |
| Net income before taxes | | 2,522,427 | 3,488,270 | 3,071,224 | 1,987,638 | 877,352 | 754,411 |
| Net income from continuing operations | | 1,868,349 | 2,712,050 | 2,357,701 | 1,569,029 | 655,242 | 581,396 |
| Gain (loss) from discontinued operations | | 7,467 | (2,197) | 21,777 | (31,923) | (26,566) | 1,109 |
| Net income | | 1,875,816 | 2,709,853 | 2,379,478 | 1,537,106 | 628,676 | 582,505 |
| Other comprehensive income - Net amount after taxes | | (60,577) | (370,554) | (242,451) | (947,207) | 442,852 | 484,167 |
| Total comprehensive income | | 1,815,239 | 2,339,299 | 2,137,027 | 589,899 | 1,071,528 | 1,066,672 |
| Net income attributable to owners of the parent company | | 539,935 | 1,111,290 | 1,189,570 | 879,631 | 640,838 | 253,361 |
| Net income attributable to non-controlling interests | | 1,335,881 | 1,598,563 | 1,189,908 | 657,475 | (12,162) | 329,144 |
| Total comprehensive income attributable to owners of the parent company | | 366,533 | 970,032 | 1,255,498 | 151,781 | 923,137 | 541,085 |
| Total comprehensive income attributable to non-controlling interests | | 1,448,706 | 1,369,267 | 881,529 | 438,118 | 148,391 | 525,587 |
| Earnings per share | Before adjustment | 0.50 | 1.06 | 1.15 | 0.85 | 0.62 | 0.24 |
| | After adjustment | -(Note 2) | 1.04 | 1.13 | 0.84 | 0.61 | -(Note 2) |

Note 1: Stock dividends of affected businesses have been retrospectively adjusted.

Note 2: It is not listed unless the resolution has been passed by the Shareholders' Meeting.

(II) Parent company-only condensed balance sheet and statement of comprehensive income

1. Parent company-only condensed balance sheet - IFRS

Unit: NT\$ thousands

| Item \ Year | | Financial information in the most recent five fiscal years (audited and verified) | | | | |
|-------------------------------|-----------------------------|---|------------|------------|------------|------------|
| | | 2018 | 2017 | 2016 | 2015 | 2014 |
| Current assets | | 6,585,770 | 7,133,917 | 9,215,956 | 7,814,724 | 7,759,389 |
| Property, plant and equipment | | 6,682,004 | 6,536,559 | 5,187,836 | 4,741,978 | 3,410,360 |
| Intangible assets | | 470 | 33,638 | 54,209 | 75,100 | 90,500 |
| Other assets | | 16,199,526 | 13,017,931 | 9,978,016 | 9,738,321 | 10,273,180 |
| Total assets | | 29,467,770 | 26,722,045 | 24,436,017 | 22,370,123 | 21,533,429 |
| Current liabilities | Before distribution | 3,293,739 | 2,076,844 | 2,086,624 | 2,372,845 | 2,270,048 |
| | After distribution (Note 1) | - (Note 2) | 2,426,480 | 2,657,925 | 2,944,146 | 2,727,089 |
| Non-current liabilities | | 7,986,878 | 6,520,794 | 4,622,597 | 2,972,270 | 1,942,403 |
| Total liabilities | Before distribution | 11,280,617 | 8,597,638 | 6,709,221 | 5,345,115 | 4,212,451 |
| | After distribution (Note 1) | - (Note 2) | 8,947,274 | 7,280,522 | 5,916,416 | 4,669,492 |
| Share capital | | 11,887,635 | 11,654,544 | 11,426,024 | 11,426,024 | 11,426,024 |
| Capital reserve | | 253,738 | 238,194 | 216,135 | 197,714 | 183,205 |
| Retained earnings | Before distribution | 6,814,829 | 6,738,561 | 6,474,504 | 5,930,728 | 5,571,237 |
| | After distribution (Note 1) | - (Note 2) | 6,388,925 | 5,903,203 | 5,359,427 | 5,114,196 |
| Other equity | | (293,443) | (31,286) | 85,739 | (53,852) | 616,118 |
| Treasury stocks | | (475,606) | (475,606) | (475,606) | (475,606) | (475,606) |
| Total equity | Before distribution | 18,187,153 | 18,124,407 | 17,726,796 | 17,025,008 | 17,320,978 |
| | After distribution (Note 1) | - (Note 2) | 17,774,771 | 17,155,495 | 16,453,707 | 16,863,937 |

Note 1: Post-distribution figures are filled based on the resolution passed by the Shareholders' Meeting in the following year.

Note 2: It is not listed unless the resolution has been passed by the Shareholders' Meeting.

2. Parent company-only statement of comprehensive income - IFRS

Unit: NT\$ thousands

| Item | Year | Financial information in the most recent five fiscal years (audited and verified) | | | | |
|---|-------------------|---|------------|------------|------------|------------|
| | | 2018 | 2017 | 2016 | 2015 | 2014 |
| Revenue | | 11,763,140 | 11,551,511 | 11,458,198 | 10,798,122 | 12,210,260 |
| Gross profit | | 807,962 | 1,200,915 | 1,578,859 | 1,395,128 | 1,139,149 |
| Net operating income | | 112,137 | 503,786 | 823,522 | 723,502 | 487,344 |
| Non-operating income and expenses | | 508,205 | 703,152 | 459,038 | 288,063 | 261,408 |
| Net income before taxes | | 620,342 | 1,206,938 | 1,282,560 | 1,011,565 | 748,752 |
| Net income | | 539,935 | 1,111,290 | 1,189,570 | 879,631 | 640,838 |
| Other comprehensive income - Net amount after taxes | | (173,402) | (141,258) | 65,928 | (727,850) | 282,299 |
| Total comprehensive income | | 366,533 | 970,032 | 1,255,498 | 151,781 | 923,137 |
| Net income attributable to owners of the parent company | | 539,935 | 1,111,290 | 1,189,570 | 879,631 | 640,838 |
| Total comprehensive income attributable to owners of the parent company | | 366,533 | 970,032 | 1,255,498 | 151,781 | 923,137 |
| Earnings per share | Before adjustment | 0.50 | 1.06 | 1.15 | 0.85 | 0.62 |
| | After adjustment | - (Note 2) | 1.04 | 1.13 | 0.84 | 0.61 |

Note 1: Stock dividends of affected businesses have been retrospectively adjusted.

Note 2: It is not listed unless the resolution has been passed by the Shareholders' Meeting.

(V) Name of CPAs and their audit opinions in the most recent five fiscal years

| Year | CPA firm | Name of CPA | Audit opinion |
|------|-------------------|--|------------------------------|
| 2014 | Deloitte & Touche | CPAs Wei, Liang-Fa and Wu, Shih-Tsung | Modified unqualified opinion |
| 2015 | Deloitte & Touche | CPAs Kuo, Tzu-Jung and Wu, Shih-Tsung | Unqualified opinion |
| 2016 | Deloitte & Touche | CPAs Kuo, Tzu-Jung and Wu, Shih-Tsung | Unqualified opinion |
| 2017 | Deloitte & Touche | CPAs Kuo, Tzu-Jung and Wu, Shih-Tsung | Unqualified opinion |
| 2018 | Deloitte & Touche | CPAs Chuang, Pi-Yu and Kuo, Cheng-Hung | Unqualified opinion |

II. Financial Analysis in the Most Recent Five Fiscal Years

(I) Financial analysis - IFRS

USI and its subsidiaries

| Item | | Year | Financial analysis over the most recent five fiscal years (audited and verified) | | | | | Current fiscal year up to March 31, 2019 (reviewed) |
|--|---|-------------------|--|--------|--------|--------|--------|---|
| | | 2018 | 2017 | 2016 | 2015 | 2014 | | |
| Financial structure (%) | Debt-to-assets ratio | | 47.16 | 45.94 | 48.35 | 46.00 | 46.76 | 47.41 |
| | Ratio of long-term capital to property, plant and equipment | | 228.07 | 216.89 | 209.18 | 190.83 | 207.78 | 236.42 |
| Solvency (%) | Current ratio | | 205.43 | 236.99 | 237.06 | 208.21 | 198.57 | 208.40 |
| | Quick ratio | | 154.61 | 177.67 | 185.45 | 156.02 | 141.88 | 157.23 |
| | Interest coverage ratio | | 1,020 | 1,475 | 1,356 | 826 | 415 | 1,043 |
| Operating ability | Receivables turnover ratio (times) | | 7.23 | 7.58 | 7.48 | 6.86 | 7.39 | 6.50 |
| | Average collection days | | 50 | 48 | 49 | 53 | 49 | 56 |
| | Inventory turnover ratio (times) | | 8.13 | 7.54 | 6.78 | 6.00 | 6.59 | 6.89 |
| | Payables turnover ratio (times) | | 14.98 | 13.52 | 13.77 | 14.57 | 13.71 | 14.25 |
| | Average inventory turnover days | | 45 | 48 | 54 | 61 | 55 | 53 |
| | Property, plant and equipment turnover ratio (times) | | 2.56 | 2.50 | 2.34 | 2.44 | 3.16 | 2.27 |
| | Total assets turnover ratio (times) | | 0.91 | 0.92 | 0.89 | 0.90 | 1.02 | 0.77 |
| Profitability | Return on assets (%) | | 3.12 | 4.60 | 4.28 | 2.97 | 1.43 | 3.65 |
| | Return on equity (%) | | 5.26 | 8.11 | 7.55 | 4.95 | 2.02 | 6.30 |
| | Income before tax to paid-in capital ratio (%) | | 21.22 | 29.93 | 26.88 | 17.40 | 7.68 | 25.38 |
| | Net profit margin (%) | | 3.08 | 4.66 | 4.48 | 2.93 | 1.05 | 4.32 |
| | Earnings per share (NT\$) | Before adjustment | | 0.50 | 1.06 | 1.15 | 0.85 | 0.62 |
| After adjustment | | | 0.50※ | 1.04 | 1.13 | 0.84 | 0.61 | 0.24※ |
| Cash flow | Cash flow ratio (%) | | 15.15 | 33.68 | 31.49 | 19.95 | 16.68 | (7.13) |
| | Cash flow adequacy ratio (%) | | 56.13 | 62.63 | 88.48 | 76.08 | 89.02 | 229.64 |
| | Cash re-investment ratio (%) | | 2.26 | 4.78 | 5.33 | 3.48 | 3.05 | (1.28) |
| Leverage | Degree of operating leverage (DOL) | | 2.06 | 1.58 | 1.57 | 1.92 | 5.80 | 1.88 |
| | Degree of financial leverage (DFL) | | 1.14 | 1.08 | 1.07 | 1.13 | 3.47 | 1.13 |
| Reasons for changes in various financial ratios in the most recent two fiscal years. (Analysis is not be | | | | | | | | |

required if such changes are within 20%.)

1. Due to the increase in selling price was less than the rise in raw material costs this year, the profit decreased, which was the cause of the decrease in interest coverage ratio, return on assets, return on equity, income before tax to paid-in capital ratio, net profit margin, earnings per share, cash flow ratio and cash re-investment ratio; degree of operating leverage (DOL) increased.
2. A decrease of 29% in cash flow adequacy ratio: Due mainly to the increase in capital expenditures in the current year.

* Based on the profit distribution plan which has been approved by the Board of Directors but is yet to be acknowledged at the Shareholders' Meeting

USI

| Analysis item | | Year | Financial analysis over the most recent five fiscal years (audited and verified) | | | | |
|-------------------------|---|-------------------|---|--------|---------|--------|------|
| | | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Financial structure (%) | Debt-to-assets ratio | 38.28 | 32.17 | 27.46 | 23.89 | 19.56 | |
| | Ratio of long-term capital to property, plant and equipment | 391.71 | 377.04 | 430.80 | 421.71 | 564.85 | |
| Solvency (%) | Current ratio | 199.95 | 343.50 | 441.67 | 329.34 | 341.82 | |
| | Quick ratio | 153.14 | 271.48 | 376.28 | 276.73 | 270.26 | |
| | Interest coverage ratio | 787 | 2,007 | 2,591 | 1,974 | 2,354 | |
| Operating ability | Receivables turnover ratio (times) | 8.16 | 9.77 | 11.07 | 10.34 | 13.19 | |
| | Average collection days | 45 | 37 | 33 | 35 | 28 | |
| | Inventory turnover ratio (times) | 8.08 | 8.20 | 8.57 | 7.16 | 8.08 | |
| | Payables turnover ratio (times) | 9.69 | 9.29 | 11.19 | 11.28 | 11.84 | |
| | Average inventory turnover days | 45 | 45 | 43 | 50 | 45 | |
| | Property, plant and equipment turnover ratio (times) | 1.78 | 1.97 | 2.31 | 2.65 | 4.59 | |
| | Total assets turnover ratio (times) | 0.42 | 0.45 | 0.49 | 0.49 | 0.57 | |
| Profitability | Return on assets (%) | 2.10 | 4.49 | 5.16 | 4.03 | 3.02 | |
| | Return on equity (%) | 2.97 | 6.20 | 6.85 | 5.12 | 3.72 | |
| | Income before tax to paid-in capital ratio (%) | 5.22 | 10.36 | 11.22 | 8.85 | 6.55 | |
| | Net profit margin (%) | 4.59 | 9.62 | 10.38 | 8.15 | 5.25 | |
| | Earnings per share (NT\$) | Before adjustment | 0.50 | 1.06 | 1.15 | 0.85 | 0.62 |
| | | After adjustment | 0.50※ | 1.04 | 1.13 | 0.84 | 0.61 |
| Cash flow | Cash flow ratio (%) | 10.13 | 48.66 | 48.05 | (23.90) | 65.12 | |
| | Cash flow adequacy ratio (%) | 21.87 | 28.06 | 41.18 | 53.75 | 95.13 | |
| | Cash re-investment ratio (%) | (0.05) | 1.54 | 1.67 | (4.34) | 3.49 | |
| Leverage | Degree of operating leverage (DOL) | 4.84 | 1.79 | 1.31 | 1.21 | 1.30 | |
| | Degree of financial leverage (DFL) | 2.16 | 1.10 | 1.03 | 1.01 | 1.02 | |

Reasons for changes in various financial ratios in the most recent two fiscal years. (Analysis is not be required if such changes are within 20%.)

1. A decrease of 42% and 44% in the current ratio and quick ratio respectively: Due mainly to the increase in investments in the CBC and Gulei projects.
2. Due to the increase in selling price was less than the rise in raw material costs this year, the profit decreased, which was the cause of the decrease in interest coverage ratio, return on assets, return on equity, income before tax to paid-in capital ratio, net profit margin, earnings per share, cash flow ratio and cash re-investment ratio; degree of operating leverage (DOL) and degree of financial leverage (DFL) increased.
3. A decrease of 22% in cash flow adequacy ratio: Due mainly to the increase in capital expenditures in the current year.

* Based on the profit distribution plan which has been approved by the Board of Directors but is yet to be acknowledged at the Shareholders' Meeting

Note: The table at the end of the annual report shall include the following formulas:

1. Financial structure
 - (1) Debt-to-assets ratio = Total liabilities / Total assets.
 - (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net value of property, plant and equipment
2. Solvency (%)
 - (1) Current ratio = Current assets / Current liabilities.
 - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
 - (3) Interest coverage ratio = Net income before income tax and interest expenses / Interest expenses.
3. Operating ability
 - (1) Receivables (including accounts receivable and notes receivable) turnover ratio = Net sales / Average receivables (including accounts receivable and notes receivable)
 - (2) Average collection days = 365 / Receivables turnover ratio.
 - (3) Inventory turnover ratio = Costs of goods sold / Average inventory.
 - (4) Payables (including accounts payables and notes payables) turnover ratio = Costs of goods sold / Average payables (including accounts payables and notes payables).
 - (5) Average inventory turnover days = 365 / Inventory turnover ratio.
 - (6) Property, plant, and equipment (PP&E) turnover ratio = Net sales / Average value of PP&E
 - (7) Total asset turnover ratio = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [Net income + Interest expenses × (1-Tax rate)] / Average total assets.
 - (2) Return on equity = Net income / Average total equity.
 - (3) Net profit margin = Net income / Net sales.
 - (4) Earnings per share = (Net income attributable to owners of the parent company - Preferred stock dividend) / Weighted average number of issued shares. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = Cash flows from operating activities / Current liabilities.
 - (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years /

(Capital expenditures + Increase in inventory + cash dividends) for the past 5 years.

- (3) Cash re-investment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross value of property, plant and equipment + Long-term Investment + Other non-current assets + Working capital) (Note 5)

6. Leverage

- (1) Degree of operating leverage (DOL) = (Net sales - Variable operating costs and expenses) / Operating income
- (2) Degree of financial leverage (DFL) = Operating income / (Operating income - Interest expenses)

Note 4: In calculating earnings per share with the formula mentioned above, special attention should be paid to the following matters:

1. Based on the weighted average number of common shares, not based on the number of issued shares at the end of the year.
2. In the event of cash capital increase or treasury stock, the weighted average number of shares shall be calculated with an outstanding period.
3. In the event of capital increase by earnings or capital reserves, when calculating the earnings per share of the previous year and the semi-annual earning per share, it shall be retrospectively adjusted according to the proportion of capital increase, and there is no need to consider the period of the capital increase.
4. If the preferred stock is a non-convertible accumulative preferred stock, its annual dividend (whether or not it is paid) shall be deducted from the net profit after tax, or added to the net loss after tax. If the preferred stock is non-cumulative and when there is a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment shall be made.

Note 5: In calculating cash flow, special attention should be paid to the following matters:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the number of cash outflow of capital investment every year.
3. The increase in inventory is only included when the ending balance is higher than the opening balance. If the inventory is reduced at the end of the year, it shall be treated as zero.
4. Cash dividends include cash dividends for common shares and preferred shares.
5. Gross value of PP&E is the total amount of PP&E before deducting accumulated depreciation.

Note 6: Note 6: The issuer should classify various operating costs and operating expenses into fixed and variable properties. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

Note 7: Note 7: If the Company's stock is not denominated or the denomination is not NT\$10, the calculation of the paid-in capital ratios shall be based on the equity attributable to owners of the parent company in the balance sheet.

III. Audit Committee's Audit Report in the Most Recent Fiscal Year

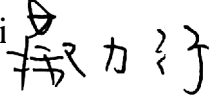
Audit Report by the Audit Committee of USI Corporation

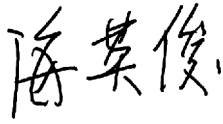
The Audit Committee has completed the review of the 2018 financial statements (including parent company-only financial statements and consolidated financial statements) and profit distribution plan produced by the Board of Directors and audited by CPAs Chuang, Pi-Yu and Kuo, Cheng-Hung from Deloitte & Touche in accordance with the law, and found no inconsistencies. Please review the Report which has been prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,
2019 Annual General Meeting, USI Corporation

Audit Committee of USI Corporation

Independent Director: Che 

Independent Director: Tsai 

Independent Director: Hai 

M a r c h 8 , 2 0 1 9

IV. Financial Statements in the Most Recent Fiscal Year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of USI Corporation and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of USI Corporation and subsidiary companies. Consequently, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

USI CORPORATION

By:

YI-GUI WU
Chairman

March 8, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
USI Corporation

Opinion

We have audited the accompanying consolidated financial statements of USI Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Estimation of Inventory Write-downs

As of December 31, 2018, carrying amount of inventory was NT\$6,703,104 thousand (i.e. the gross amount of inventory of NT\$7,481,309 thousand with a deduction of allowance for impairment of NT\$778,205 thousand) which accounted for 10% of the total assets in the consolidated balance sheets as a whole. The Group's inventories are stated at the lower of cost or net realizable value and are subject to the price fluctuations of ethylene. With the drastic fluctuation of oil prices worldwide, the estimation of the net realizable value is affected by the management's subjective judgment and evaluation. Thus, the estimation of inventory write-downs, in our professional judgement, is one of the key audit matters.

For the significant accounting policies, critical accounting judgments, and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Note 4(g), Note 5(c) and Note 13 to the consolidated financial statements.

We performed the corresponding audit procedures, for the estimation of inventory write-downs, as follows:

1. We obtained and evaluated an understanding of the reasonableness of the Group's policy and methods for estimating the allowance for losses on inventory.
2. We obtained the evaluation documents of the allowance for losses on inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify the basis of the evaluation and whether it is appropriate.
3. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for losses on obsolete inventory.

Correctness of estimated allowance for impairment loss of accounts receivable

As of December 31, 2018, the carrying amount of notes and accounts receivable were NT\$8,548,733 thousand (i.e. the gross amount notes and accounts receivable of NT\$8,660,512 thousand with a deduction for allowances for impairment of NT\$111,779 thousand) which accounted for 13% of the total assets for the consolidated balance sheets. The Group's estimation of expected credit loss is based on customers' credit quality, aging schedule of notes and accounts receivable and amounts overdue. The estimation of expected credit loss is affected by critical judgement and estimation uncertainty. Thus, the estimation of allowance for impairment loss of notes and accounts receivable, in our professional judgement, is one of the key audit matters.

For the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the estimation of allowance for impairment loss of accounts receivable, refer to Note 4(n), Note 5(a) and Note 12 to the consolidated financial statements.

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

1. We obtained and evaluated an understanding of the Group's internal control procedures on allowance for impairment loss of accounts receivable.
2. We evaluated the reasonableness of classification and allowance percentage for credit losses, which were assumed by the management's judgement on customers' credit quality, aging schedule of notes and accounts receivable and the amount overdue. We sampled and inspected the aging schedule of notes and accounts receivable to verify its correctness and reasonableness of computation, and we also compared the distribution of the aging schedule of notes and accounts receivable between this year and last year as well.
3. We examined the condition of amounts written off during this year and last year and also checked amounts received in subsequent period to evaluate recoverability of accounts receivable.

Other Matter

We have also audited the parent company only financial statements of USI Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Pi-Yu Chuang and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 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.

USI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

| ASSETS | 2018 | | 2017 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 3, 4 and 6) | \$ 8,123,304 | 12 | \$ 8,473,862 | 13 |
| Financial assets at fair value through profit or loss (FVTPL) - current (Notes 3, 4 and 7) | 5,084,305 | 7 | 5,315,894 | 8 |
| Financial assets at fair value through other comprehensive income (FVTOCI) - current (Notes 3, 4 and 8) | 158,602 | - | - | - |
| Available-for-sale financial assets - current (Notes 3, 4 and 10) | - | - | 214,502 | - |
| Financial assets measured at amortized cost - current (Notes 3, 4, 9 and 40) | 439,135 | 1 | - | - |
| Debt investments with no active market - current (Notes 3, 4, 11 and 40) | - | - | 426,369 | 1 |
| Notes receivable, net (Notes 3, 4, 5 and 12) | 1,015,882 | 2 | 1,118,070 | 2 |
| Accounts receivable, net (Notes 3, 4, 5 and 12) | 7,532,851 | 11 | 6,950,029 | 11 |
| Other receivables (Notes 3, 4, 12 and 39) | 279,612 | - | 344,305 | - |
| Current tax assets (Notes 4 and 32) | 8,116 | - | 784 | - |
| Inventories (Notes 4, 5 and 13) | 6,703,104 | 10 | 6,857,754 | 11 |
| Prepayments (Note 21) | 742,562 | 1 | 772,093 | 1 |
| Other current assets | 11,909 | - | 10,766 | - |
| Total current assets | 30,099,382 | 44 | 30,484,428 | 47 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 3, 4 and 8) | 2,521,855 | 4 | - | - |
| Available-for-sale financial assets - non-current (Notes 3, 4, 10 and 40) | - | - | 1,863,067 | 3 |
| Financial assets measured at amortized cost - non-current (Notes 3, 4, 9, 40 and 41) | 311,758 | - | - | - |
| Financial assets measured at cost - non-current (Notes 3, 4 and 15) | - | - | 676,120 | 1 |
| Debt investments with no active market - non-current (Notes 3, 4, 11, 40 and 41) | - | - | 311,573 | 1 |
| Investments accounted for using the equity method (Notes 4 and 17) | 10,338,945 | 15 | 5,241,747 | 8 |
| Property, plant and equipment (Notes 4, 18 and 40) | 23,825,239 | 35 | 23,758,495 | 37 |
| Investment properties (Notes 4, 19 and 40) | 182,424 | - | 182,216 | - |
| Goodwill (Notes 4 and 20) | 269,026 | - | 269,026 | - |
| Other intangible assets (Notes 4 and 20) | 33,377 | - | 93,349 | - |
| Biological assets - non-current (Note 4) | - | - | 22,798 | - |
| Deferred tax assets (Notes 4 and 32) | 633,334 | 1 | 632,062 | 1 |
| Long-term prepayments for leases (Notes 21 and 40) | 459,542 | 1 | 525,845 | 1 |
| Other non-current assets (Notes 36 and 40) | 316,156 | - | 333,125 | 1 |
| Total non-current assets | 38,891,656 | 56 | 33,909,423 | 53 |
| TOTAL | \$ 68,991,038 | 100 | \$ 64,393,851 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 22 and 40) | \$ 6,726,854 | 10 | \$ 3,752,268 | 6 |
| Short-term bills payable (Note 22) | 1,514,784 | 2 | 1,684,506 | 3 |
| Financial liabilities at fair value through profit or loss (FVTPL) - current (Notes 4 and 7) | 11,135 | - | 7,883 | - |
| Notes and accounts payable (Note 24) | 3,392,687 | 5 | 3,965,444 | 6 |
| Other payables (Note 25) | 1,897,550 | 3 | 1,972,096 | 3 |
| Current tax liabilities (Notes 4 and 32) | 270,351 | - | 370,062 | 1 |
| Provisions - current (Notes 4 and 26) | - | - | 32,205 | - |
| Current portion of long-term borrowings (Notes 22 and 40) | 525,000 | 1 | 799,600 | 1 |
| Refund liabilities - current (Note 25) | 30,034 | - | - | - |
| Other current liabilities | 283,389 | - | 279,230 | - |
| Total current liabilities | 14,651,784 | 21 | 12,863,294 | 20 |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Note 23) | 5,992,604 | 9 | 5,990,167 | 9 |
| Long-term borrowings (Notes 22 and 40) | 8,617,624 | 13 | 6,903,148 | 11 |
| Provisions - non-current (Notes 4, 5, 26 and 41) | 136,375 | - | - | - |
| Deferred tax liabilities (Notes 4 and 32) | 1,408,232 | 2 | 1,329,710 | 2 |
| Net defined benefit liabilities - non-current (Notes 4, 5 and 27) | 1,658,228 | 2 | 2,419,897 | 4 |
| Other non-current liabilities (Notes 28 and 36) | 71,482 | - | 79,216 | - |
| Total non-current liabilities | 17,884,545 | 26 | 16,722,138 | 26 |
| Total liabilities | 32,536,329 | 47 | 29,585,432 | 46 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 4, 8, 10, 16, 17, 27, 29, 32, 35 and 38) | | | | |
| Share capital | | | | |
| Ordinary shares | 11,887,635 | 17 | 11,654,544 | 18 |
| Capital surplus | 253,738 | - | 238,194 | - |
| Retained earnings | | | | |
| Legal reserve | 2,925,759 | 4 | 2,814,630 | 4 |
| Special reserve | 375,127 | 1 | 375,127 | 1 |
| Unappropriated earnings | 3,513,943 | 5 | 3,548,804 | 6 |
| Total retained earnings | 6,814,829 | 10 | 6,738,561 | 11 |
| Other equity | (293,443) | - | (31,286) | - |
| Treasury shares | (475,606) | (1) | (475,606) | (1) |
| Total equity attributable to owners of the Company | 18,187,153 | 26 | 18,124,407 | 28 |
| NON-CONTROLLING INTERESTS | 18,267,556 | 27 | 16,684,012 | 26 |
| Total equity | 36,454,709 | 53 | 34,808,419 | 54 |
| TOTAL | \$ 68,991,038 | 100 | \$ 64,393,851 | 100 |

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

USI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2018 | | 2017 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4 and 30) | | | | |
| Sales | \$ 60,892,513 | 100 | \$ 58,133,943 | 100 |
| COST OF GOODS SOLD (Notes 4, 13, 18, 20, 27 and 31) | <u>55,097,773</u> | <u>91</u> | <u>51,007,011</u> | <u>88</u> |
| GROSS PROFIT | <u>5,794,740</u> | <u>9</u> | <u>7,126,932</u> | <u>12</u> |
| OPERATING EXPENSES (Notes 4, 12, 18, 20, 27, 31 and 39) | | | | |
| Selling and marketing expenses | 2,048,027 | 3 | 2,038,049 | 3 |
| General and administrative expenses | 1,392,314 | 2 | 1,322,296 | 2 |
| Research and development expenses | <u>421,600</u> | <u>1</u> | <u>388,920</u> | <u>1</u> |
| Total operating expenses | <u>3,861,941</u> | <u>6</u> | <u>3,749,265</u> | <u>6</u> |
| PROFIT FROM OPERATIONS | <u>1,932,799</u> | <u>3</u> | <u>3,377,667</u> | <u>6</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income (Notes 4, 31 and 39) | 616,677 | 1 | 578,255 | 1 |
| Other gains and losses (Notes 4, 10, 21, 27 and 31) | 185,075 | - | (223,854) | - |
| Finance costs (Notes 4, 22, 23 and 31) | (244,395) | - | (237,257) | (1) |
| Share of gain (loss) of joint ventures accounted for using the equity method (Notes 4 and 17) | <u>32,271</u> | <u>-</u> | <u>(6,541)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>589,628</u> | <u>1</u> | <u>110,603</u> | <u>-</u> |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 2,522,427 | 4 | 3,488,270 | 6 |
| INCOME TAX EXPENSE (Notes 4 and 32) | <u>654,078</u> | <u>1</u> | <u>776,220</u> | <u>1</u> |
| NET PROFIT FROM CONTINUING OPERATIONS | 1,868,349 | 3 | 2,712,050 | 5 |
| NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (Notes 4 and 14) | <u>7,467</u> | <u>-</u> | <u>(2,197)</u> | <u>-</u> |
| NET PROFIT FOR THE YEAR | <u>1,875,816</u> | <u>3</u> | <u>2,709,853</u> | <u>5</u> |

(Continued)

USI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2018 | | 2017 | |
|--|---------------------|----------|---------------------|------------|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Notes 4, 27 and 29) | \$ 4,895 | - | \$ (59,016) | - |
| Loss of equity instruments measured at FVTOCI (Notes 3, 4 and 29) | (24,377) | - | - | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4, 29 and 32) | 17,566 | - | 9,003 | - |
| | <u>(1,916)</u> | <u>-</u> | <u>(50,013)</u> | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations (Notes 4 and 29) | (74,387) | - | (416,317) | (1) |
| Unrealized gain on available-for-sale financial assets (Notes 4 and 29) | - | - | 30,985 | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 29 and 32) | 15,726 | - | 64,791 | - |
| | <u>(58,661)</u> | <u>-</u> | <u>(320,541)</u> | <u>(1)</u> |
| Other comprehensive loss for the year, net of income tax | <u>(60,577)</u> | <u>-</u> | <u>(370,554)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 1,815,239</u> | <u>3</u> | <u>\$ 2,339,299</u> | <u>4</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 539,935 | 1 | \$ 1,111,290 | 2 |
| Non-controlling interests | 1,335,881 | 2 | 1,598,563 | 3 |
| | <u>\$ 1,875,816</u> | <u>3</u> | <u>\$ 2,709,853</u> | <u>5</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 366,533 | 1 | \$ 970,032 | 2 |
| Non-controlling interests | 1,448,706 | 2 | 1,369,267 | 2 |
| | <u>\$ 1,815,239</u> | <u>3</u> | <u>\$ 2,339,299</u> | <u>4</u> |

(Continued)

USI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | <u>2017</u> | | <u>2016</u> | |
|---|----------------|----------|----------------|----------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| EARNINGS PER SHARE (Note 33) | | | | |
| From continuing and discontinued operations | | | | |
| Basic | <u>\$ 0.50</u> | | <u>\$ 1.04</u> | |
| Diluted | <u>\$ 0.50</u> | | <u>\$ 1.04</u> | |
| From continuing operations | | | | |
| Basic | <u>\$ 0.50</u> | | <u>\$ 1.04</u> | |
| Diluted | <u>\$ 0.50</u> | | <u>\$ 1.04</u> | |

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

USI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

| | Equity Attributable to Owners of the Company | | | | | | | | | | | | Non-controlling Interests (Notes 3, 8, 16, 29 and 35) | Total Equity |
|---|--|--|--|------------------|----------------------------|------------------------------|---|--|--|---|------------------------------|---------------|--|---------------|
| | Capital Surplus | | | | Retained Earnings | | | Other Equity | | | | | | |
| | Share Capital (Notes 4 and 29) | Treasury Share Transactions (Note 29) | Shares of Changes in Capital Surplus of Associates (Notes 4 and 29) | Others (Note 29) | Legal Reserve (Note 29) | Special Reserve (Note 29) | Unappropriated Earnings (Notes 3, 4, 8 and 29) | Exchange Differences on Translating Foreign Operations (Notes 4, 29 and 32) | Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 3, 4, 29 and 32) | Unrealized Gain (Loss) on Financial Assets Measured at FVTOCI (Notes 3, 4, 8, 29, 32 and 38) | Treasury Shares (Note 29) | Total | | |
| BALANCE AT JANUARY 1, 2017 | \$ 11,426,024 | \$ 204,289 | \$ 129 | \$ 11,717 | \$ 2,695,673 | \$ 411,010 | \$ 3,367,821 | \$ 8,204 | \$ 77,535 | \$ - | \$ (475,606) | \$ 17,726,796 | \$ 14,292,690 | \$ 32,019,486 |
| Appropriation of the 2016 earnings | - | - | - | - | 118,957 | - | (118,957) | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | - | 118,957 | - | (118,957) | - | - | - | - | - | - | - |
| Special reserve reversal | - | - | - | - | - | (35,883) | 35,883 | - | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (571,301) | - | - | - | - | (571,301) | - | (571,301) |
| Share dividends distributed by the Company | 228,520 | - | - | - | - | - | (228,520) | - | - | - | - | - | - | - |
| Cash dividends distributed by the subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | (807,986) | (807,986) |
| Net profit for the year ended December 31, 2017 | - | - | - | - | - | - | 1,111,290 | - | - | - | - | 1,111,290 | 1,598,563 | 2,709,853 |
| Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax | - | - | - | - | - | - | (24,233) | (199,084) | 82,059 | - | - | (141,258) | (229,296) | (370,554) |
| Total comprehensive income (loss) for the year ended December 31, 2017 | - | - | - | - | - | - | 1,087,057 | (199,084) | 82,059 | - | - | 970,032 | 1,369,267 | 2,339,299 |
| Changes in capital surplus and retained earnings from investments in subsidiaries | - | - | 867 | - | - | - | (23,179) | - | - | - | - | (22,312) | 22,312 | - |
| Other changes in capital surplus | - | - | - | 2,771 | - | - | - | - | - | - | - | 2,771 | - | 2,771 |
| Changes in capital surplus from cash dividends paid to subsidiaries | - | 18,421 | - | - | - | - | - | - | - | - | - | 18,421 | - | 18,421 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | 1,807,729 | 1,807,729 |
| BALANCE, DECEMBER 31, 2017 | 11,654,544 | 222,710 | 996 | 14,488 | 2,814,630 | 375,127 | 3,548,804 | (190,880) | 159,594 | - | (475,606) | 18,124,407 | 16,684,012 | 34,808,419 |
| Effects of retrospective application | - | - | - | - | - | - | 30,762 | - | (159,594) | 181,005 | - | 52,173 | 44,007 | 96,180 |
| RECLASSIFIED BALANCE AT JANUARY 1, 2018 | 11,654,544 | 222,710 | 996 | 14,488 | 2,814,630 | 375,127 | 3,579,566 | (190,880) | - | 181,005 | (475,606) | 18,176,580 | 16,728,019 | 34,904,599 |
| Appropriation of the 2017 earnings | - | - | - | - | 111,129 | - | (111,129) | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | - | 111,129 | - | (111,129) | - | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (349,636) | - | - | - | - | (349,636) | - | (349,636) |
| Share dividends distributed by the Company | 233,091 | - | - | - | - | - | (233,091) | - | - | - | - | - | - | - |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | (615,849) | (615,849) |
| Net profit for the year ended December 31, 2018 | - | - | - | - | - | - | 539,935 | - | - | - | - | 539,935 | 1,335,881 | 1,875,816 |
| Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax | - | - | - | - | - | - | 12,396 | 1,510 | - | (187,308) | - | (173,402) | 112,825 | (60,577) |
| Total comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | - | - | 552,331 | 1,510 | - | (187,308) | - | 366,533 | 1,448,706 | 1,815,239 |
| Changes in capital surplus and retained earnings from investments in subsidiaries | - | - | 1,596 | - | - | - | (2,931) | - | - | - | - | (1,335) | 6,456 | 5,121 |
| Other changes in capital surplus | - | - | - | 2,675 | - | - | - | - | - | - | - | 2,675 | - | 2,675 |
| Disposals of subsidiaries | - | - | - | - | - | - | - | (18,937) | - | - | - | (18,937) | (20,086) | (39,023) |
| Changes in capital surplus from distributing cash dividends to subsidiaries | - | 11,273 | - | - | - | - | - | - | - | - | - | 11,273 | - | 11,273 |
| Disposal of equity instruments measured at FVTOCI | - | - | - | - | - | - | 78,833 | - | - | (78,833) | - | - | - | - |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | 720,310 | 720,310 |
| BALANCE, DECEMBER 31, 2018 | \$ 11,887,635 | \$ 233,983 | \$ 2,592 | \$ 17,163 | \$ 2,925,759 | \$ 375,127 | \$ 3,513,943 | \$ (208,307) | \$ - | \$ (85,136) | \$ (475,606) | \$ 18,187,153 | \$ 18,267,556 | \$ 36,454,709 |

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

USI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

| | 2018 | 2017 |
|--|--------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax from continuing operations | \$ 2,522,427 | \$ 3,488,270 |
| Income (loss) before income tax from discontinued operations | <u>7,467</u> | <u>(2,197)</u> |
| Income before income tax | 2,529,894 | 3,486,073 |
| Adjustments for: | | |
| Depreciation expenses | 1,976,338 | 1,847,241 |
| Amortization expenses | 75,961 | 97,310 |
| Expected credit loss recognized on accounts receivables | 2,236 | - |
| Impairment loss recognized on accounts receivable | - | 18,830 |
| Net loss on fair value changes of financial assets and liabilities as at FVTPL | 11,169 | 105,887 |
| Finance costs | 271,182 | 252,541 |
| Interest income | (171,664) | (106,217) |
| Dividend income | (186,003) | (185,187) |
| Share of (profit) loss of joint ventures accounted for using the equity method | (32,271) | 6,541 |
| Loss (gain) on disposal of property, plant and equipment | 8,520 | (9,306) |
| Loss on disposal of investment properties | - | 497 |
| Gain on disposal of land use rights | (262,617) | - |
| Gain on disposal of financial assets | - | (108,983) |
| Loss on impairment of financial assets | - | 32,208 |
| Impairment loss recognized (Reversed) on non-financial assets | 66,283 | (304) |
| Inventory write-downs recognized | 176,999 | 25,016 |
| Amortization of long-term prepayments for leases | 15,706 | 10,008 |
| Recognition of refund liabilities | 10,493 | - |
| Recognition of provisions | 136,375 | 18,579 |
| Gain on disposal of biological assets | (13,735) | - |
| Gain on disposal of subsidiaries | (116,576) | - |
| Changes in operating assets and liabilities | | |
| Decrease in financial assets held for trading | 223,672 | 1,178,341 |
| Decrease (increase) in notes receivable | 102,194 | (209,045) |
| Increase in accounts receivable | (584,389) | (827,814) |
| Decrease (increase) in other receivables | 65,807 | (45,897) |
| Increase in inventories | (22,349) | (180,386) |
| Decrease (increase) in prepayments | 41,209 | (68,250) |
| (Increase) decrease in other current assets | (1,150) | 4,070 |
| Increase (decrease) in notes payable | 123 | (144) |
| (Decrease) increase in accounts payable | (572,867) | 384,552 |
| Decrease in other payables | (16,890) | (663) |
| Decrease in refund liabilities | (12,664) | - |
| Decrease in provisions | - | (9,415) |
| Decrease in net defined benefit liabilities | (757,957) | (626,240) |
| Increase in other current liabilities | <u>4,504</u> | <u>5,546</u> |
| Cash generated from operations | 2,967,533 | 5,095,389 |
| Interest received | 171,205 | 67,422 |

(Continued)

USI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

| | 2018 | 2017 |
|--|--------------------|--------------------|
| Interest paid | \$ (268,333) | \$ (246,369) |
| Income tax paid | <u>(650,579)</u> | <u>(585,059)</u> |
| Net cash generated from operating activities | <u>2,219,826</u> | <u>4,331,383</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for financial assets at FVTOCI | (9,826) | - |
| Proceeds from sale of financial assets at FVTOCI | 114,110 | - |
| Proceeds from capital reduction of capital by returning cash of financial assets at FVTOCI | 44,648 | - |
| Proceeds from sale of financial assets measured at amortized cost | (12,951) | - |
| Proceeds from sale of available-for-sale financial assets | - | 129,156 |
| Decrease in debt investments with no active market | - | 8,894 |
| Proceeds from capital reduction by returning cash of financial assets measured at cost | - | 47,993 |
| Acquisition of investments accounted for using the equity method | (5,117,787) | (5,150,364) |
| Net cash inflow on disposal of subsidiaries | 128,659 | - |
| Net cash inflow on acquisition of subsidiaries | - | 999,132 |
| Payments for property, plant and equipment | (2,077,699) | (3,345,584) |
| Proceeds from disposal of property, plant and equipment | 8,330 | 38,887 |
| (Increase) decrease in refundable deposits | (11,052) | 10 |
| Payments for other intangible assets | (7,170) | (6,945) |
| Increase in other non-current assets | (8,263) | (120,611) |
| Decrease in biological assets | - | 336 |
| Increase in long-term prepayments for leases | (5,562) | - |
| Proceeds from disposal of land use rights | 291,368 | - |
| Dividends received | 186,003 | 185,187 |
| Proceeds from disposal of biological assets | <u>36,866</u> | <u>-</u> |
| Net cash used in investing activities | <u>(6,440,326)</u> | <u>(7,213,909)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (Decrease) in short-term borrowings | 2,974,586 | (1,196,900) |
| Decrease in short-term bills payable | (169,722) | (787,562) |
| Proceeds from issuance of bonds payable | - | 1,995,421 |
| Proceeds from long-term borrowings | 20,970,400 | 16,750,000 |
| Repayments of long-term borrowings | (19,530,524) | (16,980,452) |
| Increase (decrease) in guarantee deposits received | 2,319 | (1,896) |
| Decrease in other non-current liabilities | (10,053) | (3,426) |
| Decrease in dividends payable | (349,636) | (571,301) |
| Change in non-controlling interests | 720,310 | 754,517 |
| Dividends paid to non-controlling interests | <u>(615,849)</u> | <u>(807,986)</u> |
| Net cash generated from (used in) financing activities | <u>3,991,831</u> | <u>(849,585)</u> |

(Continued)

USI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

| | 2018 | 2017 |
|---|---------------------|---------------------|
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | \$ (121,889) | \$ 281,670 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (350,558) | (3,450,441) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>8,473,862</u> | <u>11,924,303</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 8,123,304</u> | <u>\$ 8,473,862</u> |

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

USI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

USI Corporation (“USI”, the “Company” or the “parent company”) was incorporated in May 1965. The Company mainly produces and sells polyethylene.

In May 1972, the Company’s shares became listed on the Taiwan Stock Exchange (“TWSE”).

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the “Group”, are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and issued by the Company’s board of directors on March 8, 2019.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 “Financial Instruments” supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosure” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets. Please refer to Note 4 for the related accounting policies.

The requirements for the classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

| Financial Asset | Measurement Category | | Carrying Amount | | Remark |
|---|-----------------------|--|-----------------|--------------|--------|
| | IAS 39 | IFRS 9 | IAS 39 | IFRS 9 | |
| Cash and cash equivalents | Loans and receivables | Amortized cost | \$ 8,473,862 | \$ 8,473,862 | a) |
| Derivatives | Held for trading | Mandatorily at fair value through profit or loss (i.e. FVTPL) | 4,189 | 4,189 | |
| Equity investments | Available for sale | Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments | 2,753,689 | 2,849,869 | b) |
| Mutual funds | Held for trading | Mandatorily at FVTPL | 257,962 | 257,962 | |
| | Held for trading | Mandatorily at FVTPL | 3,064,633 | 3,064,633 | |
| Beneficiary securities | Held for trading | Mandatorily at FVTPL | 1,989,110 | 1,989,110 | |
| Pledged time deposits | Loans and receivables | Amortized cost | 737,942 | 737,942 | a) |
| Notes receivable, trade receivables and other receivables | Loans and receivables | Amortized cost | 8,412,404 | 8,412,404 | a) |
| Refundable deposits | Loans and receivables | Amortized cost | 140,530 | 140,530 | a) |

| Financial Asset | IAS 39 Carrying Amount as of January 1, 2018 | Reclassification | Remeasurement | IFRS 9 Carrying Amount as of January 1, 2018 | Retained Earnings Effect on January 1, 2018 | Other Equity Effect on January 1, 2018 | Non-controlling Interests Effect on January 1, 2018 | Remark |
|---|--|------------------|---------------|--|---|--|---|-----------|
| FVTPL | \$ 5,315,894 | \$ - | \$ - | \$ 5,315,894 | \$ - | \$ - | \$ - | |
| FVTOCI | | | | | | | | |
| Equity instruments | - | - | - | - | - | - | - | |
| Add: Reclassification from available-for-sale (IAS 39) | - | 2,753,689 | 96,180 | 2,849,869 | 30,762 | 21,411 | 44,007 | b) |
| Amortized cost | - | 2,753,689 | 96,180 | 2,849,869 | 30,762 | 21,411 | 44,007 | |
| Add: Reclassification from loans and receivables (IAS 39) | - | 17,764,738 | - | 17,764,738 | - | - | - | a) and c) |
| | - | 17,764,738 | - | 17,764,738 | - | - | - | |
| | \$ 5,315,894 | \$ 20,518,427 | \$ 96,180 | \$ 25,930,501 | \$ 30,762 | \$ 21,411 | \$ 44,007 | |

- a) Cash and cash equivalents, pledged time deposits, notes receivable, accounts receivable, other receivables and refundable deposits previously classified as loans and receivables under IAS 39 are classified as measured at amortized cost under IFRS 9 and assess for expected credit losses.
- b) The Group elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of \$159,594 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been classified as at FVTPL and designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$96,180 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Group recognized under IAS 39 the impairment loss on certain investments in equity securities previously classified as measured at cost, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$30,762 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of \$30,762 thousand in retained earnings on January 1, 2018.

3) Pledged time deposits previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because as of January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Please refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct and the promise to transfer it is distinct within the context of the contract. The application of IFRS 15 is not expected to have a material impact on the Group.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and to reclassify the provision for customer returns and rebates of \$32,205 thousand to refund liabilities.

b. The IFRSs endorsed by the FSC for application starting from 2018

| New, Revised or Amended Standards and Interpretations (the “New IFRSs”) | Effective Date Announced by IASB (Note 1) |
|--|--|
| Annual Improvements to IFRSs 2015-2017 Cycle | January 1, 2019 |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation” | January 1, 2019 (Note 2) |
| IFRS 16 “Leases” | January 1, 2019 |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | January 1, 2019 (Note 3) |
| Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” | January 1, 2019 |
| IFRIC 23 “Uncertainty over Income Tax Treatments” | January 1, 2019 |

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

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

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

Definition of a lease

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

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amounts as if IFRS 16 had been applied since the commencement date but discounted using the aforementioned incremental borrowing rate. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold building Tai-An to a third party in 2014. Such sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity

| | Carrying Amount as of December 31, 2018 | Adjustments Arising from Initial Application | Adjusted Carrying Amount as of January 1, 2019 |
|--------------------------------------|--|---|---|
| Prepayments for leases - current | \$ 8,777 | \$ (8,777) | \$ - |
| Prepayments for leases - non-current | 459,541 | (459,541) | - |
| Right-of-use assets | - | 929,634 | 929,634 |
| Investment properties | <u>182,424</u> | <u>110,452</u> | <u>292,876</u> |
| Total effect on assets | <u>\$ 650,742</u> | <u>\$ 571,768</u> | <u>\$ 1,222,510</u> |
| Lease liabilities - current | \$ - | \$ 100,927 | \$ 100,927 |
| Lease liabilities - non-current | <u>-</u> | <u>485,078</u> | <u>485,078</u> |
| Total effect on liabilities | <u>\$ -</u> | <u>\$ 586,005</u> | <u>\$ 586,005</u> |
| Retained earnings | \$ 3,513,943 | \$ (12,765) | \$ 3,501,178 |
| Non-controlling interests | <u>18,267,556</u> | <u>(1,472)</u> | <u>18,266,084</u> |
| Total effect on equity | <u>\$ 21,781,499</u> | <u>\$ (14,237)</u> | <u>\$ 21,767,262</u> |

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the application of other standards and interpretations have no significant impact on the Group's financial position and financial performance.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 3 "Definition of a Business" | January 1, 2020 (Note 2) |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2021 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 (Note 3) |

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after

the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 16, Table 7, and Table 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange

differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates and joint ventures in other countries or currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation which are attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

h. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized

to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

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

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

m. Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 38.

ii. Financial assets measured at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

- ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

- iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

- i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such financial assets. Fair value is determined in the manner described in Note 38.

- ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost (including trade receivables).

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the respective financial asset.

2017

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

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

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

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

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

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

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

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

c) Derecognition of financial assets

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

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset measured at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Measurement category

Except financial liabilities at FVTPL, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 38.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

o. Provisions

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

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

p. Revenue recognition

2018

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

1) Sale of goods

Revenue from the sale of goods mainly comes from the sale of PE and other related plastic products. Sales of PE and other related plastic products are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Service income

Service income comes from commission for performing the storage and transportation of any items of petrochemical raw materials. The related revenue is recognized when services are rendered.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar provisions. Provisions for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

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

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of the risks and rewards of the ownership of the materials.

2) Service income

Revenue from services is based on the actual operations related to petrochemical raw materials and the amount of delivery. Such revenue is recognized monthly.

3) Dividend and interest income

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

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

q. Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. A component of an entity which is for operational and financial reporting purposes has cash flows which can be clearly distinguished from the rest of the entity.

r. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

s. Borrowing costs

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

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

t. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group (with no future related costs) are recognized in profit or loss in the period in which they become receivable.

u. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

v. Share-based payment arrangements

The compensation costs of employee share options are measured at the fair value of the share options at the grant day.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. Such options are recognized as expenses in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

w. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards.

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income.

x. Biological assets

Biological assets are measured at cost plus transaction costs on initial recognition, and subsequently measured at fair value less costs to sell. The gains or losses arising from the change in fair value less costs to sell are recognized in profit or loss when they are incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of trade receivables - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 12. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of an impairment loss on trade receivables, the Group takes into consideration the estimated future cash flows of such receivables. The impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to Note 12 for the carrying amount of trade receivables.

c. Write-down of inventories

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. The Group estimates the net realizable value of inventory for impairments, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The estimation of the net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value. Please refer to Note 13 for the carrying amount of inventories.

d. Impairment measurement of tangible and intangible assets

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

e. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities. Please refer to Note 27 for the carrying amount of retirement benefit costs and net defined benefit liabilities (assets).

f. Subsidiary's estimated damage compensation for Kaohsiung gas explosion

The Group's subsidiary, China General Terminal & Distribution Corporation (hereinafter "CGTD"), should recognize a provision once the amount of compensation for civil damages and loss caused by the Kaohsiung gas explosion can be measured reliably and once payment is probable. The Group's provision might be affected significantly due to the difference between the estimated compensation and the actual amount which depends on the final judgment. Please refer to Note 41 for the related provision.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Cash on hand and petty cash | \$ 74,325 | \$ 111,586 |
| Checking accounts and demand deposits | 2,056,392 | 1,984,425 |
| Cash equivalents | | |
| Time deposits | 4,225,589 | 6,305,341 |
| Reserve repurchase agreements collateralized by bonds | <u>1,766,998</u> | <u>72,510</u> |
| | <u>\$ 8,123,304</u> | <u>\$ 8,473,862</u> |

At the end of the reporting period, the ranges of the market rates for bank deposits and repurchase agreements collateralized by bonds were as follows:

| | <u>December 31</u> | |
|---|--------------------|-------------|
| | <u>2018</u> | <u>2017</u> |
| Bank deposits | 0.001%-6.95% | 0.01%-3.96% |
| Reserve repurchase agreements collateralized by bonds | 0.53%-2.90% | 0.61%-1.20% |

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

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Financial assets held for trading</u> | | |
| Derivative financial assets (not under hedge accounting) | | |
| Foreign exchange forward contracts | \$ - | \$ 4,189 |
| Non-derivative financial assets | | |
| Domestic listed shares and over-the-counter shares | - | 256,891 |
| Mutual funds | - | 3,064,333 |
| Beneficiary securities | - | 1,989,110 |
| Overseas listed shares | <u>-</u> | <u>1,071</u> |
| | <u>-</u> | <u>5,311,705</u> |
| <u>Financial assets mandatorily at FVTPL</u> | | |
| Derivative financial assets (not under hedge accounting) | | |
| Foreign exchange forward contracts | <u>2,181</u> | <u>-</u> |
| Non-derivative financial assets | | |
| Domestic listed shares and over-the-counter shares | 151,081 | - |
| Mutual funds | 3,995,963 | - |
| Beneficiary securities | 934,252 | - |
| Overseas listed shares | <u>828</u> | <u>-</u> |
| | <u>5,082,124</u> | <u>-</u> |
| | <u>\$ 5,084,305</u> | <u>\$ 5,315,894</u> |

Financial liabilities held for trading

Derivative financial liabilities (not under hedge accounting)

Foreign exchange forward contracts \$ 11,135 \$ 7,883

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

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|--------------------------|-----------------|-----------------------|---|
| <u>December 31, 2018</u> | | | |
| Sell | RMB/NTD | 2019.01.02-2019.04.02 | RMB258,900/NTD1,143,806 |
| Sell | USD/MYR | 2019.01.30-2019.04.30 | USD894/MYR3,719 |
| Sell | USD/NTD | 2019.01.03-2019.03.22 | USD27,360/NTD839,640 |
| Sell | EUR/MYR | 2019.01.31-2019.03.29 | EUR117/MYR559 |
| Sell | JPY/USD | 2019.01.18-2019.01.30 | JPY80,000/USD711 |
| Buy | NTD/USD | 2019.01.04-2019.03.04 | NTD554,147/USD18,030 |
| <u>December 31, 2017</u> | | | |
| Sell | RMB/NTD | 2018.01.04-2018.03.29 | RMB193,200/NTD870,415 |
| Sell | JPY/USD | 2018.01.19-2018.01.26 | JPY40,000/USD354 |
| Sell | USD/MYR | 2018.03.30 | USD170/MYR725 |
| Sell | USD/NTD | 2018.01.03-2018.04.03 | USD44,190/NTD1,319,154 |
| Buy | NTD/USD | 2018.01.02-2018.01.26 | NTD249,743/USD8,340 |
| Sell | EUR/USD | 2018.01.26-2018.02.26 | EUR340/USD405 |
| Sell | EUR/MYR | 2018.04.30-2018.05.31 | EUR101/MYR484 |
| Sell | AUD/USD | 2018.01.26-2018.03.23 | AUD660/USD461 |

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

| | December 31, 2018 |
|--|------------------------------|
| <u>Current</u> | |
| Investments in equity instruments at FVTOCI | |
| Domestic investments | |
| Domestic listed shares and over-the-counter shares | \$ <u>158,602</u> |
| <u>Non-current</u> | |
| Investments in equity instruments at FVTOCI | |
| Domestic investments | |
| Listed shares and over-the-counter shares | \$ 1,670,394 |

| | |
|---|---------------------|
| Emerging market shares | 15,937 |
| Unlisted shares | <u>655,575</u> |
| | <u>2,341,906</u> |
| Overseas investments | |
| Listed shares and over-the-counter shares | 6,282 |
| Unlisted shares | <u>173,667</u> |
| | <u>179,949</u> |
| | <u>\$ 2,521,855</u> |

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets and financial assets measured at cost under IAS 39. Please refer to Notes 3, 10 and 15 for information relating to their reclassification and comparative information for 2017.

The Group sold 1,538 thousand shares of Vanguard International Semiconductor Corporation in 2018, and the Group transferred a gain of \$71,238 thousand from other equity to retained earnings.

The Group sold 249 thousand shares of Wafer Works Corporation in 2018, and the Group transferred a total gain of \$10,331 thousand from other equity to retained earnings in the amount of \$7,595 thousand and to non-controlling interests in the amount of \$2,736 thousand, respectively.

The investee, Harbinger Venture Capital, announced a reduction of capital by returning cash in April 2018, and the Group received \$4,029 thousand according to its ownership percentage.

The investees KHL IB Venture Capital Co., Ltd. and Riselink Venture Capital announced a reduction of capital by returning cash in August 2018, and the Group received \$37,310 thousand and \$3,309 thousand according to its ownership percentage, respectively.

Please refer to Notes 22 and 40 for the information related to financial assets at FVTOCI pledged as security.

9. FINANCIAL ASSETS MEASURED AT AMORTIZED COST - 2018

| | December 31, 2018 |
|----------------------|------------------------------|
| <u>Current</u> | |
| Pledge time deposits | <u>\$ 439,135</u> |
| <u>Non-current</u> | |
| Pledge time deposits | <u>\$ 311,758</u> |

The trading partner of the Group invested in time deposits which are pledged in financial institutions with good credit ratings. After assessing that credit risk of the time deposit is low, no allowance for loss is recognized.

As of December 31, 2018, the interest rates of pledged time deposits ranged from 0.09% to 4.1%. Pledged

time deposits were classified as debt investments with no active market under IAS 39. Please refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

Please refer to Notes 22 and 40 for the information related to financial assets measured at amortized cost pledged as collateral for long-term borrowings.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

| | December 31, 2017 |
|--|------------------------------|
| Domestic listed shares and over-the-counter shares | \$ 2,052,768 |
| Overseas listed shares and over-the-counter shares | 17,212 |
| Domestic emerging market shares | <u>7,589</u> |
| | <u>\$ 2,077,569</u> |
| Current | \$ 214,502 |
| Non-current | <u>1,863,067</u> |
| | <u>\$ 2,077,569</u> |

The Group sold 1,000 thousand shares of AU Optronics Corporation in 2017, and the loss on the disposal of the investments was \$30,052 thousand.

The Group sold 5,675 thousand shares of Wafer Works Corporation in 2017, the gain on the disposal of the investments was \$50,771 thousand.

The Group sold 1,933 thousand shares of Vanguard International Semiconductor Corporation in 2017, and the gain on the disposal of the investments was \$75,745 thousand.

The Group sold 141 thousand shares of CoreMax Corporation in 2017, and the gain on the disposal of the investments was \$12,519 thousand.

Please refer to Notes 22 and 40 for the information related to available-for-sale financial assets - non-current pledged as collateral for long-term borrowings.

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET-2017

| | December 31, 2017 |
|---------------------|------------------------------|
| Restricted deposits | <u>\$ 737,942</u> |
| Current | \$ 426,369 |
| Non-current | <u>311,573</u> |
| | <u>\$ 737,942</u> |

Restricted deposits are used as collateral for purchasing materials, outward documentary bill, long-term and short-term financing needs. Please refer to Notes 22 and 40.

12. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Notes receivable (a)</u> | | |
| Operating | \$ 1,015,883 | \$ 1,118,077 |
| Less: Allowance for impairment loss | <u>(1)</u> | <u>(7)</u> |
| | <u>\$ 1,015,882</u> | <u>\$ 1,118,070</u> |
| <u>Accounts receivable (a)</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 7,644,629 | \$ 7,063,613 |
| Less: Allowance for impairment loss | <u>(111,778)</u> | <u>(113,584)</u> |
| | <u>\$ 7,532,851</u> | <u>\$ 6,950,029</u> |
| <u>Other receivables (b)</u> | | |
| Tax refund receivables | \$ 227,731 | \$ 221,711 |
| Claims receivable | - | 54,654 |
| Securities transaction receivables | - | 13,099 |
| Others | <u>51,881</u> | <u>54,841</u> |
| | <u>\$ 279,612</u> | <u>\$ 344,305</u> |

a. Notes and accounts receivable

In 2018

The average credit period of sales of goods was 10 to 150 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting a new customer, the Group surveys the customers' credit history and measures the potential customer's credit quality to grant a credit term. A customer's credit term and rating are reviewed annually. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk is significantly reduced.

The Group applies the simplified approach to the recognition of allowances for expected credit losses during the reporting period as prescribed by IFRS 9, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is

experiencing severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, they are recognized in profit or loss.

The following table details the loss allowance of trade receivable based on the Group's allowance matrix.

December 31, 2018

Based on the number of days past due

| | Up to 60 Days | 61-90 Days | Over 90 Days | Total |
|--------------------------------|--------------------------|-------------------|---------------------|---------------------|
| Gross carrying amount | \$ 3,092,403 | \$ 186,074 | \$ 158,901 | \$ 3,437,378 |
| Loss allowance (lifetime ECLs) | <u>(5,550)</u> | <u>-</u> | <u>(13,413)</u> | <u>(18,963)</u> |
| Amortized cost | <u>\$ 3,086,853</u> | <u>\$ 186,074</u> | <u>\$ 145,488</u> | <u>\$ 3,418,415</u> |

Based on credit quality

| | Credit Rating A | Credit Rating B | Credit Rating C | Others | Total |
|--------------------------------|----------------------------|--------------------------------|--------------------------------|---------------------|---------------------|
| Gross carrying amount | \$ 562,011 | \$ 1,039,804 | \$ 979,171 | \$ 2,642,148 | \$ 5,223,134 |
| Loss allowance (lifetime ECLs) | <u>(4,820)</u> | <u>(4,813)</u> | <u>(19,154)</u> | <u>(64,029)</u> | <u>(92,816)</u> |
| Amortized cost | <u>\$ 557,191</u> | <u>\$ 1,034,991</u> | <u>\$ 960,017</u> | <u>\$ 2,578,119</u> | <u>\$ 5,130,318</u> |

The aging schedule of notes and accounts receivable were as follows:

| | December 31, 2018 |
|---------------|------------------------------|
| Not past due | \$ 5,011,858 |
| Up to 60 days | 146,568 |
| Over 60 days | <u>64,708</u> |
| | <u>\$ 5,223,134</u> |

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

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

| | December 31, 2018 |
|--|------------------------------|
| Balance at January 1, 2018 | \$ 113,591 |
| Add: Net remeasurement of loss allowance | 2,236 |
| Less: Amounts written off during the period as uncollectible | (3,373) |
| Foreign exchange translation gains and losses | <u>(675)</u> |
| Balance at December 31, 2018 | <u>\$ 111,779</u> |

In 2017

The Group applied the same credit policy in 2018 and 2017. In determining the recoverability of an account receivable, the Group considers any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period. The Group's accounts receivable mainly stem from long-term customers with whom the Group has historical experience, and no significant past default experience was observed. Thus, the irrecoverable ratio due to overdue receivables is not high.

Before accepting a new customer, the Group takes both the past credit survey and client evaluation results generated by the internal system into consideration to measure the potential customer's credit quality and define the customer's credit limit. Customer credit limits and ratings are reviewed periodically.

The concentration of credit risk is limited because the customer base of the Group is wide and the customers are unrelated to each other.

For the notes receivable balances that were not past due at December 31, 2017, the Group did not recognize an allowance for impairment loss. For some accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the amounts were still considered recoverable. In addition, the Group did not have the legal right of offset the accounts receivable and payable against the respective counterparties.

The aging schedule of notes and accounts receivable were as follows:

| | December 31, 2017 |
|---------------|------------------------------|
| Not overdue | \$ 7,906,939 |
| Up to 60 days | 143,806 |
| 61-90 days | 123,407 |
| Over 90 days | <u>7,538</u> |
| | <u>\$ 8,181,690</u> |

The aging schedule of accounts receivable that were past due but not impaired was as follows:

| | December 31, 2017 |
|---------------|------------------------------|
| Up to 60 days | \$ 128,462 |
| 61-90 days | 78,448 |
| Over 90 days | <u>14,333</u> |
| | <u>\$ 221,243</u> |

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

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

| | Individually Assessed for Impairment | Collectively Assessed for Impairment | Total |
|---|---|---|-------------------|
| Balance at January 1, 2017 | \$ 63,589 | \$ 34,817 | \$ 98,406 |
| Add: Impairment losses recognized | 11,709 | 7,121 | 18,830 |
| Less: Amounts written off during the period as uncollectible | (3,883) | - | (3,883) |
| Foreign exchange translation gains and losses | <u>(614)</u> | <u>852</u> | <u>238</u> |
| Balance at December 31, 2017 | <u>\$ 70,801</u> | <u>\$ 42,790</u> | <u>\$ 113,591</u> |

The Group recognized an impairment loss on notes and accounts receivable which were individually assessed, and the Group did not hold any collateral over those notes and accounts receivable.

b. Other receivables

Other receivables mainly consisted of tax refund receivables, claims receivable, sale of securities receivable, etc. The average aging of other receivables was less than 60 days based on the number of days past due from the invoice date, and an impairment loss was assessed based on the expected credit losses. There were no overdue other receivables with unrecognized allowance for doubtful accounts in the Group as of December 31, 2018 and 2017.

13. INVENTORIES

| | December 31 | |
|----------------------|---------------------|---------------------|
| | 2018 | 2017 |
| Finished goods | \$ 4,085,660 | \$ 4,155,186 |
| Work in progress | 507,602 | 546,028 |
| Raw materials | 1,690,097 | 1,833,604 |
| Supplies | 308,482 | 306,265 |
| Inventory in transit | <u>111,263</u> | <u>16,671</u> |
| | <u>\$ 6,703,104</u> | <u>\$ 6,857,754</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017, was \$55,097,773 thousand and \$51,007,011 thousand, respectively. The cost of goods sold included inventory write-downs of \$176,999 thousand and \$25,016 thousand as of December 31, 2018 and 2017, respectively.

14. DISCONTINUED OPERATIONS

On October 24, 2011, the board of directors of China General Plastics Corporation (“CGPC”) approved to dispose of CGPC (Zhong Shan) Co., Ltd. and CGPC Consumer Products Corporation. The details of the profit (loss) from discontinued operations and the related cash flow information were as follows:

The operating performance of the discontinued operations included in the consolidated statements of comprehensive income were as follows:

| | For the Year Ended December 31 | |
|--|---|-------------------|
| | 2018 | 2017 |
| Administrative expenses | <u>\$(33,267)</u> | <u>\$(29,543)</u> |
| Loss from operations | (33,267) | (29,543) |
| Non-operating income | <u>40,734</u> | <u>27,346</u> |
| Net profit (loss) from discontinued operations | <u>\$ 7,467</u> | <u>\$ (2,197)</u> |

For the years ended December 31, 2018 and 2017, the cash flows which can be attributed to the discontinued operations were as follows:

| | For the Year Ended December 31 | |
|--|---|------------------|
| | 2018 | 2017 |
| Net cash generated from operating activities | \$ 17,640 | \$ 28,308 |
| Net cash generated from investing activities | 378 | 3,005 |
| Effect of exchange rate changes | <u>(334)</u> | <u>(301)</u> |
| Net cash inflow | <u>\$ 17,684</u> | <u>\$ 31,012</u> |

15. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

| | December 31, 2017 |
|--|------------------------------|
| Domestic unlisted shares | \$ 534,333 |
| Overseas unlisted shares | <u>141,787</u> |
| | <u>\$ 676,120</u> |
| Classified according to financial asset measurement categories | |
| Available-for-sale financial assets | <u>\$ 676,120</u> |

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

The Group assessed the operating and financial status of Teratech Corp. and NeuroSky, Inc. and confirmed an impairment of its investment value; thereafter the Group recognized an impairment loss of \$14,643 thousand and \$17,565 thousand, respectively for the year ended December 31, 2017, which led to a carrying amount for that equity investment of zero as of December 31, 2017.

The investee, KHL IB Venture Capital Co., Ltd., announced a reduction of capital in September 2017, and the Group got \$45,000 thousand back at its ownership percentage.

The investee, Riselink Partners Ltd., announced a reduction of capital by returning cash in August 2017, and the Group got \$2,993 thousand back, at its ownership percentage, respectively.

16. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements:

| Investor | Investee | Name of Activities | Proportion of Ownership (%) | | Remark |
|---|--|---|-----------------------------|------------------|--------|
| | | | December 31 2018 | December 31 2017 | |
| The Company | USIFE Investment Co., Ltd. ("USIF") | Investment business | <u>100.0</u> | <u>100.0</u> | |
| | Swanlake Traders Ltd. ("Swanlake") | Trading and investment | <u>100.0</u> | <u>100.0</u> | |
| | USI Far East (HK) Co., Ltd. | Trading and investment | <u>100.0</u> | <u>100.0</u> | |
| | USI Management Consulting Corp. ("UM") | Providing management services | <u>100.0</u> | <u>100.0</u> | |
| | Chong Loong Trading Co., Ltd. ("CLT") | Engaging in import and export trade | <u>99.9</u> | <u>99.9</u> | |
| | Union Polymer Int'l Investment Corp. ("UPIIC") | Investment business | <u>100.0</u> | <u>100.0</u> | |
| | Cypress Epoch Limited | Investment business | <u>100.0</u> | <u>100.0</u> | |
| | Inoma Corporation ("INOMA") | Engaging in optical products and fireproof materials | <u>93.2</u> | <u>93.2</u> | 1) |
| Cypress Epoch Limited | Usig (Shanghai) Co., Ltd. | Import and distribution of various chemical raw materials and products | <u>100.0</u> | <u>100.0</u> | |
| The Company Taita Chemical Company, Ltd. China General Plastics Corporation Asia Polymer Corporation Taiwan United Venture Capital Corp. | Thintec Materials Corporation | Reinforced plastic products manufacturing | 30.4 | 30.4 | |
| | | | 10.0 | 10.0 | |
| | | | 10.0 | 10.0 | |
| | | | 30.4 | 30.4 | |
| | | | 15.0 | 15.0 | |
| | | | <u>95.8</u> | <u>95.8</u> | |
| The Company Asia Polymer Corporation ("APC") | Taiwan United Venture Capital Corp. ("TUVC") | Venture capital | 70.0 | 70.0 | |
| | | | 8.3 | 8.3 | |
| | | | <u>78.3</u> | <u>78.3</u> | |
| The Company Asia Polymer Corporation USIFE Investment Co., Ltd. | Swanson Plastics Corp. ("SPC") | Production and marketing of stretch film, embossed film and industrial-use multi-layer wrap | 40.6 | 40.6 | |
| | | | 8.0 | 8.0 | |
| | | | <u>0.1</u> | <u>0.1</u> | |
| | | | <u>48.7</u> | <u>48.7</u> | |
| The Company China General Plastics Corporation USIFE Investment Co., Ltd. Asia Polymer Corporation Taita Chemical Company, Ltd. APC Investment Corporation | Acme Electronics Corp. ("ACME") | Production and marketing of manganese-zinc soft ferrite powder | 27.0 | 27.0 | |
| | | | 1.8 | 1.8 | |
| | | | 9.3 | 9.3 | |
| | | | 3.3 | 3.3 | |
| | | | 2.4 | 2.4 | |
| | | | <u>1.0</u> | <u>1.0</u> | |
| | | | | | |
| The Company Acme Electronics Corp. Asia Polymer Corporation USIFE Investment Co., Ltd. | USI Optronics Corporation ("USIO") | Manufacture and marketing of sapphire crystal | 50.9 | 50.9 | |
| | | | 34.0 | 34.0 | |
| | | | 9.2 | 9.2 | |
| | | | <u>0.2</u> | <u>0.2</u> | |
| | | | <u>94.3</u> | <u>94.3</u> | 5) |
| Acme Electronics Corp. APC (BVI) Holding Co., Ltd. Swanlake Traders Ltd. TAITA (BVI) Holding Co., Ltd. | ACME Electronics (Cayman) Corp. | Reinvestment business | 51.3 | 51.3 | |
| | | | 16.6 | 16.6 | |
| | | | 11.2 | 11.2 | |
| | | | 5.4 | 5.4 | |
| | | | | | |

(Continued)

| Investor | Investee | Name of Activities | Proportion of Ownership (%) | | Remark |
|---|---|--|-----------------------------|--------------|--------|
| | | | December 31 | | |
| | | | 2018 | 2017 | |
| Acme Electronics Corp. | Golden Amber Enterprises Limited | Reinvestment business | <u>100.0</u> | <u>100.0</u> | |
| | ACME Electronics (BVI) Corp. | Reinvestment business | <u>100.0</u> | <u>100.0</u> | |
| ACME Electronics (Cayman) Corp. | Acme Electronics (Kunshan) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | <u>100.0</u> | <u>100.0</u> | |
| | ACME Components (Malaysia) Sdn. Bhd. | Reinvestment business | <u>100.0</u> | <u>100.0</u> | |
| Golden Amber Enterprises Limited | Acme Electronics (Guang-Zhou) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | <u>100.0</u> | <u>100.0</u> | |
| Union Polymer Int'l Investment Corp. | Asia Polymer Corporation ("APC") | Production and marketing of low-density polyethylene, medium-density polyethylene, ethylene vinyl acetate and importing and marketing of linear low-density polyethylene and high-density polyethylene | 36.1 | 36.1 | |
| China General Terminal & Distribution Co. | | | 0.9 | 0.9 | |
| USIFE Investment Co., Ltd. | | | 0.3 | 0.3 | |
| Taiwan VCM Corporation | | | - | - | |
| | | | <u>37.3</u> | <u>37.3</u> | 6) |
| Asia Polymer Corporation | APC (BVI) Holding Co., Ltd. ("APC (BVI)") | Reinvestment business | <u>100.0</u> | <u>100.0</u> | |
| Asia Polymer Corporation | USI International Corp. | Reinvestment business | 70.0 | 70.0 | |
| APC (BVI) Holding Co., Ltd. | | | <u>30.0</u> | <u>30.0</u> | |
| | | | <u>100.0</u> | <u>100.0</u> | |
| Asia Polymer Corporation | APC Investment Corporation | Investment business | <u>100.0</u> | <u>100.0</u> | |
| Union Polymer Int'l Investment Corp. | Taita Chemical Company, Ltd. ("TTC") | Production and marketing of polystyrene, acrylonitrile, butadiene, ABS resin, SAN resin, glasswool insulation products and plastic materials | 36.8 | 36.8 | |
| China General Terminal & Distribution Co. | | | 0.6 | 0.6 | |
| USIFE Investment Co., Ltd. | | | <u>0.4</u> | <u>0.4</u> | |
| | | | <u>37.8</u> | <u>37.8</u> | 6) |
| Taita Chemical Company, Ltd. | TAITA (BVI) Holding Co., Ltd. ("TAITA (BVI)") | Reinvestment business | <u>100.0</u> | <u>100.0</u> | |
| TAITA (BVI) Holding Co., Ltd. | Taita Chemical (Zhong Shan) Co., Ltd. ("TAITA (ZS)") | Production and marketing of polystyrene derivatives | <u>100.0</u> | <u>100.0</u> | |
| | Taita Chemical (Tianjin) Co., Ltd. ("TAITA (TJ)") | Production and marketing of polystyrene derivatives | <u>100.0</u> | <u>100.0</u> | |
| Union Polymer Int'l Investment Corp. | China General Plastics Corporation ("CGPC") | Production and marketing of plastic cloths, plastic skins, plastic tubes, plastic pellets, plastic powder and other related products | 25.0 | 25.0 | |
| Asia Polymer Corporation | | | 8.1 | 8.1 | |
| Taita Chemical Company, Ltd. | | | 2.0 | 2.0 | |
| China General Terminal & Distribution Co. | | | 0.5 | 0.5 | |
| USIFE Investment Co., Ltd. | | | <u>0.1</u> | <u>0.1</u> | |
| | | | <u>35.7</u> | <u>35.7</u> | 6) |
| China General Plastics Corporation | Taiwan VCM Corporation ("TVCM") | Manufacture and marketing of vinyl chloride monomer and related petrochemical products | <u>87.2</u> | <u>87.2</u> | |
| | CGPC (BVI) Holding Co., Ltd. | Reinvestment business | <u>100.0</u> | <u>100.0</u> | |
| | CGPC America Corporation | Marketing of PVC two- or three-time processed products | <u>100.0</u> | <u>100.0</u> | |
| | Krystal Star International Corporation | Marketing of PVC two- or three-time processed products | <u>100.0</u> | <u>100.0</u> | |
| | CGPC Polymer Corporation ("CGPCP") | Manufacture and marketing of PVC powder | <u>100.0</u> | <u>100.0</u> | |
| CGPC (BVI) Holding Co., Ltd. | CGPC (Chung Shan) Co., Ltd. ("CGPC (CS)") | Manufacture and marketing of PVC plastic cloths and three-time processed products | <u>100.0</u> | <u>100.0</u> | 2) |
| | Chung Shan CGPC Polymer Co., Ltd. ("Chung Shan (GPCP)") | Manufacture and marketing of PVC plastic cloths and three-time processed products | <u>100.0</u> | <u>100.0</u> | 2) |
| China General Plastics Corporation | China General Terminal & Distribution Co. | Warehousing petrochemical raw materials | 33.3 | 33.3 | |
| Taita Chemical Company, Ltd. | | | 33.3 | 33.3 | |
| Asia Polymer Corporation | | | <u>33.4</u> | <u>33.4</u> | |
| | | | <u>100.0</u> | <u>100.0</u> | |

(Continued)

| Investor | Investee | Name of Activities | Proportion of Ownership (%) | | Remark |
|---|---|--|-----------------------------|--------------|-----------|
| | | | 2018 | 2017 | |
| USIFE Investment Co., Ltd. | Taiwan United Venture Management Corp. ("TUVM") | Business management consulting | <u>100.0</u> | <u>100.0</u> | |
| ACME Components (Malaysia) Sdn. Bhd. | ACME Ferrite Products Sdn. Bhd. ("ACME Ferrite") | Manufacture and marketing of soft ferrite core | <u>100.0</u> | <u>100.0</u> | |
| Chong Loong Trading Co., Ltd. | Forum Pacific Trading Ltd. | Engaging in import and export trade | <u>100.0</u> | <u>100.0</u> | |
| Swanson Plastics Corp. | Curtana Company Ltd. | Reinvestment business | <u>100.0</u> | <u>100.0</u> | |
| | Forever Young Company Ltd. | Import and export agency services | <u>100.0</u> | <u>100.0</u> | |
| | Swanson Plastics Company Ltd. (Singapore) | Production and marketing of plastic products | <u>100.0</u> | <u>100.0</u> | |
| | Swanson International Ltd. | Engaging in import and export trade | <u>100.0</u> | <u>100.0</u> | |
| Swanson Plastics Corp. | Swanson Plastics Company Ltd. (Nantong) ("SPC (Nantong)") | Production and marketing of vest bags, garbage bags and diapers | - | 95.5 | |
| Curtana Company Ltd. | | | - | 4.5 | |
| | | | <u>-</u> | <u>100.0</u> | 3) |
| Swanson Plastics Corp. | PT. Swanson Plastics Indonesia Ltd. | Manufacture and marketing of plastic products | 1.0 | 1.0 | |
| Swanson Plastics Company Ltd. (Singapore) | | | 99.0 | 99.0 | |
| | | | <u>100.0</u> | <u>100.0</u> | |
| Swanson Plastics Corp. | Swanson Technologies Corporation | Production, marketing and development of EVA packaging film and other value added plastic products | 70.0 | 70.0 | |
| APC Investment Corporation | | | 15.0 | 15.0 | |
| USIFE Investment Co., Ltd. | | | <u>15.0</u> | <u>15.0</u> | |
| | | | <u>100.0</u> | <u>100.0</u> | |
| Swanson Plastics Company Ltd. (Singapore) | Swanson Plastics (Malaysia) Sdn. Bhd. | Manufacture and marketing of plastic products | <u>100.0</u> | <u>100.0</u> | |
| | Swanson Plastics (India) Private Limited | Manufacture and marketing of plastic products | <u>100.0</u> | <u>100.0</u> | |
| | Swanson Plastics (Tianjin) Co., Ltd. | Production, marketing and development of multi-functional film and light-solution film | <u>100.0</u> | <u>100.0</u> | |
| Swanson International Ltd. | A.S. Holdings (UK) Limited | Reinvestment | <u>100.0</u> | <u>100.0</u> | |
| | Swanson Plastics (Kunshan) Corp. | Production, marketing and development of multi-functional film and light-solution film | <u>100.0</u> | <u>100.0</u> | |
| A.S. Holdings (UK) Limited | API-Swanson (Kunshan) Co., Ltd. | Management PE release film and other release products | <u>100.0</u> | <u>100.0</u> | |
| The Company | Ever Conquest Global Limited ("ECGL") | Investment | 63.1 | 62.6 | |
| Asia Polymer Corporation | | | <u>36.9</u> | <u>37.4</u> | |
| | | | <u>100.0</u> | <u>100.0</u> | 4) |
| Ever Conquest Global Limited | Ever Victory Global Limited ("EVGL") | Investment | <u>77.5</u> | <u>67.9</u> | 4) and 6) |
| Ever Victory Global Limited | Dynamic Ever Investments Limited ("DEIL") | Investment | <u>100.0</u> | <u>100.0</u> | 4) |

(Concluded)

- 1) In order to improve its financial structure and to meet the needs of operating capital, INOMA was continually in the research and, developed stage and experiencing subsequent operating losses, on June 26, 2017, the shareholders meeting of INOMA approved a capital reduction project for the make-up of losses in the amount of \$67,500 thousand and cancellation of 6,750 thousand shares, a capital reduction accounting for 53.81% of its paid-in capital. The shareholders meeting also approved the issuance of 4,000 thousand shares. The paid-in capital of INOMA is \$97,950 thousand after the above reduction and issuance of shares. The Group subscribed for the 3,955 thousand shares and owns 93.18% of the outstanding shares. As of December 31, 2018, there has been no significant operating income.
- 2) CGPC disposed of CGPC (CS) and CGPCP as approved in the meeting of the board of directors in October 2011. CGPC (CS) and CGPCP has not completed the process of the liquidation as of December 31, 2018.

- 3) The economic recession caused SPC (Nantong) to suffer a sustained loss. In consideration of the whole operations of the company and its subsidiaries, SPC disposed of SPC (Nantong) as agreed in the meeting of the board of directors held in April 2016, and sold all shares in SPC (Nantong) on December 21, 2018 with sales price of \$129,077 thousand. As of December 31, 2018, SPC completed the process of the disposal and recognized gain on disposal of \$116,576 thousand.
- 4) The Company and APC invested additional capital of US\$37,572 thousand (around \$1,200,087 thousand) and US\$23,086 thousand (around \$739,424 thousand) in ECGL in January 2017, respectively, and reinvested in EVGL via ECGL as well as in DEIL. The ownership percentage of ECGL in EVGL increased from 31.75% to 66.4% after the capital increase, and ECGL gained control over EVGL so that ECGL identifies EVGL as its subsidiary. As of December 30, 2018, the Company and APC invested capital of US\$176,268 thousand (around \$5,442,336 thousand) and US\$103,240 thousand (around \$3,190,905 thousand) in ECGL, respectively, and reinvested in EVGL via ECGL as well as in DEIL. The total ownership percentage of ECGL in EVGL is 77.5%. For more explanation, please refer to Note 35.
- 5) In order to improve its financial structure and cover losses of \$966,795 thousand, USIO performed a capital reduction by cancelling 96,680 thousand shares, accounting for 80.18% of its paid-in capital, on May 24, 2017, as approved in the shareholders' meeting held on April 7, 2017. USIO performed a capital increase of 41,000 thousand shares with a par value of \$10 on June 8, 2017. The Company, APC, and ACME subscribed for 33,000 thousand shares, 5,972 thousand shares, and 2,000 thousand shares, respectively, and the paid-in capital of USIO was \$649,017 thousand.
- 6) This is a subsidiary of a material non-controlling interest.
- b. Details of subsidiaries that have material non-controlling interests

| Name of Subsidiary | Proportion of Ownership and Voting Rights Held by Non-controlling Interests | |
|--------------------|---|-------|
| | December 31 | |
| | 2018 | 2017 |
| CGPC | 64.3% | 64.3% |
| TTC | 62.2% | 62.2% |
| ACME | 55.2% | 55.2% |
| APC | 62.7% | 62.7% |
| EVGL | 22.5% | 32.1% |

See Table 7 and 8 for the information on places of incorporation and principal places of business.

| Name of Subsidiary | Profit (Loss) Allocated to Non-controlling Interests For the Year Ended | | Accumulated Non-controlling Interests | |
|--------------------|---|-------------|---|--------------|
| | December 31 | | December 31 | |
| | 2018 | 2017 | 2018 | 2017 |
| CGPC | \$ 839,067 | \$ 834,894 | \$ 5,354,451 | \$ 4,915,532 |
| TTC | \$ 131,703 | \$ 317,952 | \$ 2,949,266 | \$ 2,421,807 |
| ACME | \$ 31,168 | \$ (57,383) | \$ 772,085 | \$ 751,522 |
| APC | \$ 194,044 | \$ 382,474 | \$ 6,139,309 | \$ 6,147,712 |
| EVGL | \$ 6,315 | \$ 1,128 | \$ 2,488,860 | \$ 1,787,820 |

Summarized financial information in respect of each of the Group's subsidiaries that has material

non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

CGPC and CGPC's subsidiaries

| | December 31 | |
|--|---------------------------------------|----------------------|
| | 2018 | 2017 |
| Current assets | \$ 6,314,227 | \$ 5,993,631 |
| Non-current assets | 6,909,868 | 6,679,590 |
| Current liabilities | (2,107,698) | (1,785,947) |
| Non-current liabilities | <u>(2,305,293)</u> | <u>(2,686,426)</u> |
| Equity | <u>\$ 8,811,104</u> | <u>\$ 8,200,848</u> |
| Equity attributable to: | | |
| Owners of CGPC | \$ 3,020,189 | \$ 2,890,809 |
| Non-controlling interests of CGPC | 5,354,451 | 4,915,532 |
| Non-controlling interests of CGPC's subsidiaries | <u>436,464</u> | <u>394,507</u> |
| | <u>\$ 8,811,104</u> | <u>\$ 8,200,848</u> |
| | For the Year Ended December 31 | |
| | 2018 | 2017 |
| Revenue | <u>\$ 15,192,621</u> | <u>\$ 14,701,741</u> |
| Net profit from continuing operations | \$ 1,348,653 | \$ 1,341,471 |
| Net profit (loss) from discontinued operations | <u>7,467</u> | <u>(2,197)</u> |
| Profit for the year | 1,356,120 | 1,339,274 |
| Other comprehensive income (loss) for the year | <u>12,260</u> | <u>(27,454)</u> |
| Total comprehensive income for the year | <u>\$ 1,368,380</u> | <u>\$ 1,311,820</u> |
| Profit attributable to: | | |
| Owners of CGPC | \$ 437,089 | \$ 434,914 |
| Non-controlling interests of CGPC | 839,067 | 834,894 |
| Non-controlling interests of CGPC's subsidiaries | <u>79,964</u> | <u>69,466</u> |
| | <u>\$ 1,356,120</u> | <u>\$ 1,339,274</u> |
| Total comprehensive income attributable to: | | |
| Owners of CGPC | \$ 381,331 | \$ 476,405 |
| Non-controlling interests of CGPC | 907,712 | 766,473 |
| Non-controlling interests of CGPC's subsidiaries | <u>79,337</u> | <u>68,942</u> |
| | <u>\$ 1,368,380</u> | <u>\$ 1,311,820</u> |
| Net cash inflow (outflow) from: | | |
| Operating activities | \$ 1,827,636 | \$ 1,611,489 |
| Investing activities | (736,867) | (1,016,545) |

| | For the Year Ended December 31 | |
|--|---|----------------------|
| | 2018 | 2017 |
| Financing activities | (822,101) | (1,330,620) |
| Effects of exchange rate changes | <u>2,867</u> | <u>(10,133)</u> |
| Net cash inflow | <u>\$ 271,535</u> | <u>\$ (745,809)</u> |
| Dividends paid to non-controlling interests | <u>\$ 485,231</u> | <u>\$ 533,912</u> |
| <u>TTC and TTC's subsidiaries</u> | | |
| | December 31 | |
| | 2018 | 2017 |
| Current assets | \$ 5,391,600 | \$ 5,313,224 |
| Non-current assets | 3,335,946 | 3,498,211 |
| Current liabilities | (3,316,710) | (3,132,553) |
| Non-current liabilities | <u>(1,418,879)</u> | <u>(1,773,332)</u> |
| Equity | <u>\$ 3,991,957</u> | <u>\$ 3,905,550</u> |
| Equity attributable to: | | |
| Owners of TTC | \$ 1,497,691 | \$ 1,483,743 |
| Non-controlling interests of TTC | <u>2,494,266</u> | <u>2,421,807</u> |
| | <u>\$ 3,991,957</u> | <u>\$ 3,905,550</u> |
| | For the Year Ended December 31 | |
| | 2018 | 2017 |
| Revenue | <u>\$ 21,683,702</u> | <u>\$ 19,821,042</u> |
| Profit for the year | \$ 207,973 | \$ 502,079 |
| Other comprehensive (loss) income for the year | <u>(124,273)</u> | <u>24,353</u> |
| Total comprehensive income for the year | <u>\$ 83,700</u> | <u>\$ 526,432</u> |
| Profit attributable to: | | |
| Owners of TTC | \$ 76,270 | \$ 184,127 |
| Non-controlling interests of TTC | <u>131,703</u> | <u>317,952</u> |
| | <u>\$ 207,973</u> | <u>\$ 502,079</u> |
| Total comprehensive income attributable to: | | |
| Owners of TTC | \$ 18,844 | \$ 203,793 |
| Non-controlling interests of TTC | <u>64,856</u> | <u>322,669</u> |
| | <u>\$ 83,700</u> | <u>\$ 526,432</u> |

| | For the Year Ended December 31 | |
|----------------------------------|---|---------------------|
| | 2018 | 2017 |
| Net cash inflow (outflow) from: | | |
| Operating activities | \$ (503,392) | \$ 420,367 |
| Investing activities | (144,960) | (121,779) |
| Financing activities | 735,249 | (398,712) |
| Effects of exchange rate changes | <u>10,928</u> | <u>(1,653)</u> |
| Net cash inflow (outflow) | <u>\$ 97,825</u> | <u>\$ (101,777)</u> |

ACME and ACME's subsidiaries

| | December 31 | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| Current assets | \$ 1,898,959 | \$ 1,741,583 |
| Non-current assets | 1,776,939 | 1,965,852 |
| Current liabilities | (1,085,668) | (1,172,072) |
| Non-current liabilities | <u>(569,870)</u> | <u>(613,731)</u> |
| Equity | <u>\$ 2,020,360</u> | <u>\$ 1,921,632</u> |
| Equity attributable to: | | |
| Owners of ACME | \$ 623,461 | \$ 611,551 |
| Non-controlling interests of ACME | 772,085 | 751,522 |
| Non-controlling interests of ACME's subsidiaries | <u>624,814</u> | <u>558,559</u> |
| | <u>\$ 2,020,360</u> | <u>\$ 1,921,632</u> |

| | For the Year Ended December 31 | |
|--|---|---------------------|
| | 2018 | 2017 |
| Revenue | <u>\$ 2,382,293</u> | <u>\$ 2,370,715</u> |
| Profit (loss) for the year | \$ 134,777 | \$ (141,670) |
| Other comprehensive loss for the year | <u>(36,049)</u> | <u>(6,655)</u> |
| Total comprehensive income (loss) for the year | <u>\$ 98,728</u> | <u>\$ (148,325)</u> |
| Loss attributable to: | | |
| Owners of ACME | \$ 25,019 | \$ (46,071) |
| Non-controlling interests of ACME | 31,168 | (57,383) |
| Non-controlling interests of ACME's subsidiaries | <u>78,590</u> | <u>(38,216)</u> |
| | <u>\$ 134,777</u> | <u>\$ (141,670)</u> |

Total comprehensive loss attributable to:

| | For the Year Ended December 31 | |
|--|---|---------------------|
| | 2018 | 2017 |
| Owners of ACME | \$ 14,460 | \$ (50,810) |
| Non-controlling interests of ACME | 18,013 | (63,285) |
| Non-controlling interests of ACME's subsidiaries | <u>66,255</u> | <u>(34,230)</u> |
| | <u>\$ 98,728</u> | <u>\$ (148,325)</u> |
| Net cash inflow (outflow) from: | | |
| Operating activities | \$ 162,131 | \$ 142,380 |
| Investing activities | 120,224 | (223,472) |
| Financing activities | (134,647) | (48,795) |
| Effects of exchange rate changes | <u>(18,487)</u> | <u>15,923</u> |
| Net cash inflow (outflow) | <u>\$ 129,221</u> | <u>\$ (113,964)</u> |

APC and APC's subsidiaries

| | December 31 | |
|----------------------------------|---------------------|---------------------|
| | 2018 | 2017 |
| Current assets | \$ 4,606,590 | \$ 5,136,436 |
| Non-current assets | 10,991,153 | 9,739,565 |
| Current liabilities | (2,603,655) | (2,338,563) |
| Non-current liabilities | <u>(3,389,652)</u> | <u>(2,720,968)</u> |
| Equity | <u>\$ 9,604,436</u> | <u>\$ 9,816,470</u> |
| Equity attributable to: | | |
| Owners of APC | \$ 3,465,127 | \$ 3,668,758 |
| Non-controlling interests of APC | <u>6,139,309</u> | <u>6,147,712</u> |
| | <u>\$ 9,604,436</u> | <u>\$ 9,816,470</u> |

| | For the Year Ended December 31 | |
|--|---|---------------------|
| | 2018 | 2017 |
| Revenue | <u>\$ 6,375,134</u> | <u>\$ 6,404,467</u> |
| Profit for the year | \$ 286,826 | \$ 565,354 |
| Other comprehensive (loss) income for the year | <u>(445,775)</u> | <u>53,337</u> |
| Total comprehensive income for the year | <u>\$ (158,949)</u> | <u>\$ 618,691</u> |
| Profit attributable to: | | |
| Owners of APC | \$ 92,782 | \$ 182,800 |
| Non-controlling interests of APC | <u>194,044</u> | <u>382,474</u> |

| | For the Year Ended December 31 | |
|--|---|---------------------|
| | 2018 | 2017 |
| | <u>\$ 286,826</u> | <u>\$ 565,354</u> |
| Total comprehensive (loss) income attributable to: | | |
| Owners of APC | \$ (176,011) | \$ 219,564 |
| Non-controlling interests of APC | <u>17,062</u> | <u>399,127</u> |
| | <u>\$ (158,949)</u> | <u>\$ 618,691</u> |
| Net cash outflow from: | | |
| Operating activities | \$ (108,441) | \$ 963,684 |
| Investing activities | (1,723,664) | (1,352,932) |
| Financing activities | 852,068 | (300,627) |
| Effects of exchange rate changes | <u>1,865</u> | <u>(10,749)</u> |
| Net cash outflow | <u>\$ (978,172)</u> | <u>\$ (700,624)</u> |
| Dividends paid to non-controlling interest | <u>\$ 70,103</u> | <u>\$ 204,184</u> |
| <u>EVGL and EVGL's subsidiaries</u> | | |
| | December 31 | |
| | 2018 | 2017 |
| Current assets | \$ 722,214 | \$ 338,317 |
| Non-current assets | 10,338,945 | 5,241,747 |
| Current liabilities | <u>(12,378)</u> | <u>(11,893)</u> |
| | <u>\$ 11,048,781</u> | <u>\$ 5,568,171</u> |
| Equity | | |
| Equity attributable to: | | |
| Owners of EVGL | \$ 8,559,921 | \$ 3,780,351 |
| Non-controlling interests of EVGL | <u>2,488,860</u> | <u>1,787,820</u> |
| | <u>\$ 11,048,781</u> | <u>\$ 5,568,171</u> |
| | For the Year Ended December 31 | |
| | 2018 | 2017 |
| Profit for the year | \$ 15,203 | \$ 3,417 |
| Other comprehensive loss for the year | <u>(16,663)</u> | <u>(79,594)</u> |
| Total comprehensive loss for the year | <u>\$ (1,460)</u> | <u>\$ (76,177)</u> |
| Profit attributable to: | | |
| Owners of EVGL | \$ 8,888 | \$ 2,289 |

| | | |
|---|-------------------|--------------------|
| Non-controlling interests of EVGL | <u>6,315</u> | <u>1,128</u> |
| | <u>\$ 15,203</u> | <u>\$ 3,417</u> |
| Total comprehensive loss attributable to: | | |
| Owners of EVGL | \$ 1,678 | \$ (50,046) |
| Non-controlling interests of EVGL | <u>(3,138)</u> | <u>(26,131)</u> |
| | <u>\$ (1,460)</u> | <u>\$ (76,177)</u> |
| Net cash inflow from: | | |
| Operating activities | \$ (15,163) | \$ (6,446) |
| Investing activities | (5,117,787) | (5,150,364) |
| Financing activities | 5,482,069 | 5,155,469 |
| Effects of exchange rate changes | <u>36,197</u> | <u>28,829</u> |
| Net cash inflow | <u>\$ 385,316</u> | <u>\$ 27,488</u> |

Please refer to Notes 22 and 40 for the information related to part of subsidiaries' shares pledged as collateral for long-term bank borrowings.

c. Disposal of subsidiary

The Group entered into a sale agreement with an unrelated party to dispose of SPC (Nantong) and sold all its shares on December 21, 2018. As of December 31, 2018, SPC completed the process of the disposal.

1) Consideration received from disposal

| | |
|--|--------------------------------|
| | SPC (Nantong) |
| Consideration received in cash and cash equivalents/ Total consideration received | <u>\$ 129,077</u> |

2) Analysis of assets and liabilities on the date control was lost

| | |
|---------------------------------|--------------------------------|
| | SPC (Nantong) |
| Current assets | |
| Cash | \$ 418 |
| Other current assets | 7 |
| Non-current assets | |
| Property, plant and equipment | 38,003 |
| Long-term prepayments for lease | 13,454 |
| Current liabilities | |
| Payables | (13) |
| Other current liabilities | <u>(345)</u> |
| Net assets of disposal | <u>\$ 51,524</u> |

3) Gain on disposal of subsidiary

| | SPC (Nantong) |
|------------------------|--------------------------|
| Consideration received | \$ 129,077 |
| Net assets of disposal | (51,524) |
| Exchange differences | <u>39,023</u> |
| Gain on disposals | <u>\$ 116,576</u> |

4) Net cash inflow on disposal of subsidiary

| | SPC (Nantong) |
|---|--------------------------|
| Consideration received in cash | \$ 129,077 |
| Less: Cash and cash equivalent balance disposal | <u>(418)</u> |
| | <u>\$ 128,659</u> |

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | |
|--|----------------------|---------------------|
| | 2018 | 2017 |
| Investments in joint ventures | | |
| Associates that are individually material | | |
| Fujian Gulei Petrochemical Co., Ltd. (“Gulei”) | <u>\$ 10,338,945</u> | <u>\$ 5,241,747</u> |

Investments in joint venture are accounted for using the equity method.

The percentage of the Group’s ownership and voting rights are 50% of the outstanding shares of Gulei as of December 31, 2018 and 2017. For more explanation, please refer to Note 35.

For the scope of business operations and the location and national information of Gulei’s registry of joint venture, please refer to Table 8.

The summary of financial information below represents amounts shown in the joint venture’s financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

| | December 31 | |
|-------------------------------------|----------------------|---------------------|
| | 2018 | 2017 |
| Cash | <u>\$ 15,407,527</u> | <u>\$ 9,870,622</u> |
| Current assets | \$ 15,428,230 | \$ 9,871,825 |
| Non-current assets | 7,332,940 | 677,992 |
| Current liabilities | (2,066,576) | (66,323) |
| Non-current liabilities | <u>(16,704)</u> | <u>-</u> |
| Equity | 20,677,890 | 10,483,494 |
| Proportion of the Group’s ownership | <u>50%</u> | <u>50%</u> |

| | December 31 | |
|----------------------------------|---------------------------------------|---------------------|
| | 2018 | 2017 |
| Equity attributable to the Group | <u>\$ 10,338,945</u> | <u>\$ 5,241,747</u> |
| Carrying amount | <u>\$ 10,338,945</u> | <u>\$ 5,241,747</u> |
| | For the Year Ended December 31 | |
| | 2018 | 2017 |
| Shares attributable to the Group | | |
| Net profit (loss) of the year | <u>\$ 32,271</u> | <u>\$ (6,541)</u> |

Gulei had no significant operating income for the years ended December 31, 2018 and 2017.

18. PROPERTY, PLANT AND EQUIPMENT

| | December 31 | |
|---|----------------------|----------------------|
| | 2018 | 2017 |
| Freehold land | \$ 4,726,441 | \$ 4,726,441 |
| Land improvements | 9,874 | 14,721 |
| Building improvements | 4,192,099 | 4,421,788 |
| Machinery and equipment | 10,897,308 | 11,383,335 |
| Transportation equipment | 49,452 | 45,170 |
| Other equipment | 320,209 | 269,540 |
| Construction in progress and equipment under installation | <u>3,629,856</u> | <u>2,897,500</u> |
| | <u>\$ 23,825,239</u> | <u>\$ 23,758,495</u> |

| | Freehold Land | Land Improvements | Building Improvements | Machinery and Equipment | Transportation Equipment | Other Equipment | Construction in Progress and Equipment under Installation | Total |
|---|---------------------|-------------------|-----------------------|-------------------------|--------------------------|---------------------|---|----------------------|
| Cost | | | | | | | | |
| Balance at January 1, 2017 | \$ 4,726,441 | \$ 121,834 | \$ 7,817,519 | \$ 34,171,265 | \$ 207,040 | \$ 1,876,570 | \$ 1,995,911 | \$ 50,916,580 |
| Additions | - | - | 20,081 | 150,504 | 4,543 | 18,244 | 3,152,212 | 3,345,584 |
| Disposals | - | - | (12,602) | (565,583) | (15,194) | (54,832) | (622) | (648,833) |
| Reclassification | - | 7,512 | 358,628 | 1,630,950 | 9,890 | 13,326 | (2,240,046) | (219,740) |
| Effect of foreign currency exchange differences | - | (78) | (93,132) | (157,944) | (1,933) | (188,371) | (8,084) | (449,542) |
| Balance at December 31, 2017 | <u>\$ 4,726,441</u> | <u>\$ 129,268</u> | <u>\$ 8,090,494</u> | <u>\$ 35,229,192</u> | <u>\$ 204,346</u> | <u>\$ 1,664,937</u> | <u>\$ 2,899,371</u> | <u>\$ 52,944,049</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2017 | \$ - | \$ 112,829 | \$ 3,428,108 | \$ 23,007,853 | \$ 158,796 | \$ 1,402,311 | \$ 1,869 | \$ 28,111,766 |
| Depreciation expenses | - | 1,748 | 271,538 | 1,479,875 | 15,520 | 74,861 | - | 1,843,542 |
| Disposals | - | - | (11,824) | (541,202) | (13,565) | (52,879) | - | (619,470) |
| Impairment losses reversed | - | - | - | (2,306) | - | (265) | - | (2,571) |
| Reclassification | - | - | 6,376 | (6,037) | (2) | (122) | 2 | 217 |
| Effect of foreign currency exchange differences | - | (30) | (25,492) | (92,326) | (1,573) | (28,509) | - | (147,930) |
| Balance at December 31, 2017 | <u>\$ -</u> | <u>\$ 114,547</u> | <u>\$ 3,668,706</u> | <u>\$ 23,845,857</u> | <u>\$ 159,176</u> | <u>\$ 1,395,397</u> | <u>\$ 1,871</u> | <u>\$ 29,185,554</u> |
| Carrying amounts at December 31, 2017 | <u>\$ 4,726,441</u> | <u>\$ 14,721</u> | <u>\$ 4,421,788</u> | <u>\$ 11,383,335</u> | <u>\$ 45,170</u> | <u>\$ 269,540</u> | <u>\$ 2,897,500</u> | <u>\$ 23,758,495</u> |
| Cost | | | | | | | | |
| Balance at January 1, 2018 | \$ 4,726,441 | \$ 129,268 | \$ 8,090,494 | \$ 35,229,192 | \$ 204,346 | \$ 1,664,937 | \$ 2,899,371 | \$ 52,944,049 |
| Additions | - | - | 2,544 | 163,125 | 5,988 | 100,082 | 1,805,960 | 2,077,699 |
| Disposals | - | (3,875) | (1,336) | (877,730) | (12,021) | (50,595) | (443) | (946,000) |
| Loss of control (Note 16 (c)) | - | - | (70,031) | (3,994) | - | (2,959) | - | (76,984) |
| Reclassification | - | (1,483) | 117,572 | 1,028,512 | 12,775 | 40,519 | (1,077,036) | 120,859 |
| Effect of foreign currency exchange differences | - | 95 | (49,932) | (78,660) | (735) | (5,915) | 13,418 | (121,729) |
| Balance at December 31, 2018 | <u>\$ 4,726,441</u> | <u>\$ 124,005</u> | <u>\$ 8,089,311</u> | <u>\$ 35,460,445</u> | <u>\$ 210,353</u> | <u>\$ 1,746,069</u> | <u>\$ 3,641,270</u> | <u>\$ 53,997,894</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2018 | \$ - | \$ 114,547 | \$ 3,668,706 | \$ 23,845,857 | \$ 159,176 | \$ 1,395,397 | \$ 1,871 | \$ 29,185,554 |
| Depreciation expenses | - | 1,821 | 293,386 | 1,586,349 | 15,002 | 76,851 | - | 1,973,409 |
| Disposals | - | (2,289) | (16,454) | (850,712) | (11,705) | (48,917) | - | (930,077) |
| Loss of control (Note 16 (c)) | - | - | (32,533) | (3,618) | - | (2,830) | - | (38,981) |
| Impairment losses recognized (reversed) | - | - | - | 40,696 | - | 9,829 | (194) | 50,331 |
| Effect of foreign currency exchange differences | - | 52 | (15,893) | (55,435) | (1,572) | (4,470) | 9,737 | (67,581) |
| Balance at December 31, 2018 | <u>\$ -</u> | <u>\$ 114,131</u> | <u>\$ 3,897,212</u> | <u>\$ 24,563,137</u> | <u>\$ 160,901</u> | <u>\$ 1,425,860</u> | <u>\$ 11,414</u> | <u>\$ 30,172,655</u> |
| Carrying amounts at December 31, 2018 | <u>\$ 4,726,441</u> | <u>\$ 9,874</u> | <u>\$ 4,192,099</u> | <u>\$ 10,897,308</u> | <u>\$ 49,452</u> | <u>\$ 320,209</u> | <u>\$ 3,629,856</u> | <u>\$ 23,825,239</u> |

ACME (KS) recognized that machinery equipment and other equipment are uncollectable in 2018 and recognized impairment loss of \$50,163 thousand. The impairment loss was reported in operating expenses of consolidated statements of comprehensive income.

No impairment assessment was performed for the year ended December 31, 2017 as there was no indication of impairment.

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

| | |
|------------------------------|----------------|
| Land improvements | 7 to 25 years |
| Building improvements | |
| Factories and other machines | 15 to 55 years |
| Main buildings | 3 to 60 years |
| Storage rooms | 8 to 45 years |
| Others | 2 to 40 years |
| Machinery and equipment | 2 to 25 years |
| Transportation equipment | 2 to 15 years |
| Other equipment | 2 to 25 years |

The board of directors of the Company passed a resolution for EVA capacity expansion in the Kaohsiung plant, and authorized the chairman with full power to sign contract on December 28, 2011. The Company signed the EVA equipment contract with CTCI Corporation on November 8, 2012. The project was completed in 2018, and total fees and charges of \$2,383,885 thousand have been paid.

On March 21, 2013 the board of directors of the Company decided to invest \$1,000,000 thousand in the construction of a cyclic block copolymer production plant. On September 23, 2014, the board of directors decided to construct a front-end material production plant and utility system, which cost \$1,000,000 thousand. In addition, the amount of investment to adjust the plant configuration increased by \$700,000 thousand after discussion of the board of directors in its meeting on August 11, 2016, and the total cost was \$2,700,000 thousand. As of December 31, 2018, the Company has paid CTCI \$1,764,662 thousand. In June 2014, the Company received subsidies amounting to \$160,000 thousand from the Industrial Development Bureau, and as of December 31, 2018, the Company has received \$158,841 thousand. According to the schedule and acceptance situation, the subsidy income had accumulated to \$128,841 thousand.

The board of directors passed an EVA capacity expansion in the Linyuan plant and authorized the chairman with full power on December 28, 2011. The Group signed the EVA equipment contract with CTCI Corporation on November 8, 2012. On March 5, 2014 and May 31, 2017, respectively, the Group signed the EVA equipment renewal contracts and the amendment with CTCI Corporation. The total contract fee was \$2,608,911 thousand (including additional costs), which is paid monthly according to the progress of the project. The project was completed in 2018, and total fees and charges have been paid.

In order to increase working capital and reimburse the bank borrowings, the USIO's shareholders' meeting dated on April 7, 2017 had passed a resolution to sell its Toufen plant along with a section of the ancillary mechanical equipment to CGPC for \$290,000 thousand and rent back the plant and equipment from CGPC on June 2017.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 40.

For the related capitalized interest, please refer to Note 31 (c).

19. INVESTMENT PROPERTIES

| | December 31 | |
|--|--------------------|---------------|
| | 2018 | 2017 |
| <u>Completed investment properties</u> | | |
| Land | \$ 90,971 | \$ 90,971 |
| Buildings | <u>91,453</u> | <u>91,245</u> |

| | | <u>\$ 182,424</u> | <u>\$ 182,216</u> |
|---|------------------|-------------------|-------------------|
| | Land | Buildings | Total |
| <u>Cost</u> | | | |
| Balance at January 1, 2017 | \$ 94,940 | \$ 178,393 | \$ 273,333 |
| Disposal | - | (2,262) | (2,262) |
| Effect of foreign currency exchange differences | - | (7,438) | (7,438) |
| Balance at December 31, 2017 | <u>\$ 94,940</u> | <u>\$ 168,693</u> | <u>\$ 263,633</u> |
| <u>Accumulated depreciation and impairment</u> | | | |
| Balance at January 1, 2017 | \$ 3,969 | \$ 79,957 | \$ 83,926 |
| Depreciation expense | - | 3,699 | 3,699 |
| Disposal | - | (1,765) | (1,765) |
| Effect of foreign currency exchange differences | - | (4,443) | (4,443) |
| Balance at December 31, 2017 | <u>\$ 3,969</u> | <u>\$ 77,448</u> | <u>\$ 81,417</u> |
| Carrying amounts at December 31, 2017 | <u>\$ 90,971</u> | <u>\$ 91,245</u> | <u>\$ 182,216</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2018 | \$ 94,940 | \$ 168,693 | \$ 263,633 |
| Effect of foreign currency exchange differences | - | 4,799 | 4,799 |
| Balance at December 31, 2018 | <u>\$ 94,940</u> | <u>\$ 173,492</u> | <u>\$ 268,432</u> |
| <u>Accumulated depreciation and impairment</u> | | | |
| Balance at January 1, 2018 | \$ 3,969 | \$ 77,448 | \$ 81,417 |
| Depreciation expense | - | 2,929 | 2,929 |
| Effect of foreign currency exchange differences | - | 1,662 | 1,662 |
| Balance at December 31, 2018 | <u>\$ 3,969</u> | <u>\$ 82,039</u> | <u>\$ 86,008</u> |
| Carrying amounts at December 31, 2018 | <u>\$ 90,971</u> | <u>\$ 91,453</u> | <u>\$ 182,424</u> |

No impairment assessment was performed for the years ended December 31, 2018 and 2017 as there was no indication of impairment.

The investment properties are depreciated using the straight-line method over their estimated useful lives of 3 to 55 years.

Part of the Group's investment properties are located in Linyuan Industrial District. Due to the

characteristics of the district, the market for comparable properties is inactive and alternative reliable measurements of fair value were not available. Therefore, the Group determined that the fair values of its investment properties is not reliably measurable. For the remaining investment properties, the fair value of the investment properties were \$670,417 thousand and \$722,446 thousand at December 31, 2018 and 2017, respectively, which were not evaluated by an independent qualified professional valuer. The management of the Group used the valuation model that market participants would use in determining fair value, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. Had the prices of nearby land went up or down by 10%, the fair value of the investment properties of the Group for the years ended December 31, 2018 and 2017 would have increased or decreased by \$67,042 thousand and \$72,245 thousand, respectively. All of the Group's investment properties were held under freehold interests. The investment properties pledged as collateral for bank borrowings are set out in Note 40.

20. GOODWILL AND OTHER INTANGIBLE ASSETS

| | December 31 | |
|---------------------------------------|--------------------|-------------------|
| | 2018 | 2017 |
| Goodwill (a) | <u>\$ 269,026</u> | <u>\$ 269,026</u> |
| Other intangible assets (b) | | |
| Technology royalties and patent right | \$ 14,517 | \$ 58,838 |
| Computer software | 9,999 | 15,983 |
| Others | <u>8,861</u> | <u>18,528</u> |
| | <u>\$ 33,377</u> | <u>\$ 93,349</u> |

a. Goodwill

| | For the Year Ended December 31 | |
|--------------------------------------|---------------------------------------|-------------------|
| | 2018 | 2017 |
| Balance at January 1 and December 31 | <u>\$ 269,026</u> | <u>\$ 269,026</u> |

No impairment assessment was performed for the years ended December 31, 2018 and 2017 as there was no indication of impairment.

b. Other intangible assets

| | Technology Royalties and Patent Right | Computer Software | Others | Total |
|---|--|--------------------------|------------------|-------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2017 | \$ 263,028 | \$ 110,546 | \$ 29,000 | \$ 402,574 |
| Additions | - | 6,945 | - | 6,945 |
| Effect of foreign currency exchange differences | <u>-</u> | <u>(4,525)</u> | <u>-</u> | <u>(4,525)</u> |
| Balance at December 31, 2017 | <u>\$ 263,028</u> | <u>\$ 112,966</u> | <u>\$ 29,000</u> | <u>\$ 404,994</u> |

| | | | | |
|--|-------------------|------------------|------------------|---------------------------------|
| Accumulated amortization and impairment | | | | |
| Balance at January 1, 2017 | \$ 173,581 | \$ 79,916 | \$ 483 | \$ 253,980 |
| Amortization expenses | 30,609 | 21,326 | 9,989 | 61,924 |
| Effect of foreign currency exchange differences | <u>-</u> | <u>(4,259)</u> | <u>-</u> | <u>(4,259)</u> |
| Balance at December 31, 2017 | <u>\$ 204,190</u> | <u>\$ 96,983</u> | <u>\$ 10,472</u> | <u>\$ 311,645</u> |
| Carrying amounts at December 31, 2017 | <u>\$ 58,838</u> | <u>\$ 15,983</u> | <u>\$ 18,528</u> | <u>\$ 93,349</u> (Continued) |

| | Technology Royalties and Patent Right | Computer Software | Others | Total |
|--|--|------------------------------|------------------|---------------------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2018 | \$ 263,028 | \$ 112,966 | \$ 29,000 | \$ 404,994 |
| Additions | - | 7,170 | - | 7,170 |
| Disposals | - | (668) | - | (668) |
| Effect of foreign currency exchange differences | <u>-</u> | <u>(1,198)</u> | <u>-</u> | <u>(1,198)</u> |
| Balance at December 31, 2018 | <u>\$ 263,028</u> | <u>\$ 118,270</u> | <u>\$ 29,000</u> | <u>\$ 410,298</u> |
| Accumulated amortization and impairment | | | | |
| Balance at January 1, 2018 | \$ 204,190 | \$ 96,983 | \$ 10,472 | \$ 311,645 |
| Amortization expenses | 16,691 | 13,116 | 9,667 | 39,474 |
| Disposals | - | (668) | - | (668) |
| Impairment losses recognized | 27,630 | - | - | 27,630 |
| Effect of foreign currency exchange differences | <u>-</u> | <u>(1,160)</u> | <u>-</u> | <u>(1,160)</u> |
| Balance at December 31, 2018 | <u>\$ 248,511</u> | <u>\$ 108,271</u> | <u>\$ 20,139</u> | <u>\$ 376,921</u> |
| Carrying amounts at December 31, 2018 | <u>\$ 14,517</u> | <u>\$ 9,999</u> | <u>\$ 8,861</u> | <u>\$ 33,377</u> (Concluded) |

The Company obtained the technology royalties rights to use SiC in 2013. Due to lagged for development, the Company was recognized impairment loss of \$27,630 thousand in 2018.

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

| | |
|---------------------------------------|--------------|
| Technology royalties and patent right | 3 to 7 years |
| Computer software | 1 to 3 years |
| Others | 5 to 7 years |

21. PREPAYMENTS FOR LEASES

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Current assets (included in prepayments) | \$ 8,653 | \$ 9,973 |
| Non-current assets | <u>459,542</u> | <u>525,845</u> |
| | <u>\$ 468,195</u> | <u>\$ 535,818</u> |

The carrying amount of the prepaid lease payments include land use rights located in China and Malaysia.

Acme Electronics Corporation signed a contract with an unrelated party, company A, in January 2018 to become an investing shareholder by using a portion of its land use rights for land located in Kunshan, Jiangsu, and then it transferred all of its shares to activate the assets. The total transaction price was RMB63,227 thousand (NT\$291,368 thousand) and fully paid in February 2018. Acme Electronics Corporation has registered the land use rights valued as shares in May 2018 and recognized the disposal gain of RMB56,240 thousand (NT\$262,617 thousand) on the land use rights. Additionally, the land use rights valued as shares have been fully transferred.

Part of the carrying amount of prepaid lease payments pledged as collateral for borrowings is disclosed in Notes 22 and 40.

22. BORROWINGS

a. Short-term borrowings

| | <u>December 31</u> | |
|-----------------------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Secured borrowings</u> | | |
| Bank loans | \$ 153,239 | \$ 412,768 |
| <u>Unsecured borrowings</u> | | |
| Line of credit borrowings | <u>6,573,615</u> | <u>3,339,500</u> |
| | <u>\$ 6,726,854</u> | <u>\$ 3,752,268</u> |
| Range of interest rates | 0.83%-4.58% | 0.83%-4.79% |

b. Short-term bills payable

| | December 31 | |
|---|---------------------|---------------------|
| | 2018 | 2017 |
| Commercial paper | \$ 1,515,000 | \$ 1,685,000 |
| Less: Unamortized discount on bills payable | <u>(216)</u> | <u>(494)</u> |
| | <u>\$ 1,514,784</u> | <u>\$ 1,684,506</u> |
| Range of interest rates | 0.49%-1.18% | 0.40%-1.18% |
| c. Long-term borrowings | | |
| | December 31 | |
| | 2018 | 2017 |
| Secured borrowings | \$ 2,393,200 | \$ 4,502,800 |
| Line of credit borrowings | <u>6,550,000</u> | <u>3,000,000</u> |
| | <u>8,943,200</u> | <u>7,502,800</u> |
| Commercial paper | 200,000 | 200,000 |
| Unamortized discounts on bills payable | <u>(576)</u> | <u>(52)</u> |
| | <u>199,424</u> | <u>199,948</u> |
| | 9,142,624 | 7,702,748 |
| Less: Current portions | <u>(525,000)</u> | <u>(799,600)</u> |
| | <u>\$ 8,617,624</u> | <u>\$ 6,903,148</u> |
| Range of interest rates | | |
| Secured borrowings | 1.04%-1.45% | 1.04%-1.57% |
| Line of credit borrowings | 0.98%-1.34% | 0.99%-1.31% |
| Commercial paper | 1.618% | 1.348% |

The Company entered into medium- and long-term loan contracts with banks to increase working capital. The contracts became effective from June 2017 to August 2023 with a total credit limit of \$2,800,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, the Company has borrowed \$1,500,000 thousand.

UPIIC entered into medium- and long-term financing contracts with banks to increase working capital. The contracts became effective from March 2015 to June 2020 with a total credit limit of \$2,400,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, UPIIC has borrowed \$1,350,000 thousand.

CGPCP entered into medium- and long-term financing contracts with banks to increase working capital. The contracts became effective from March 2015 to January 2019 with a total credit limit of \$1,450,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, CGPCP has borrowed \$1,000,000 thousand.

TTC entered into medium- and long-term financing contracts with banks to increase working capital. The contract became effective from November 2012 to June 2021 with a total credit limit of \$1,300,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, TTC has borrowed \$1,000,000 thousand.

APC entered into medium- and long-term financing contracts with banks to increase working capital.

The contracts became effective from October 2015 to March 2021 with a total credit limit of \$4,200,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, APC has borrowed \$3,100,000 thousand.

ACME entered into medium- and long-term financing contracts with banks to increase working capital. The contract became effective from September 2013 to September 2022 with a total credit limit of \$640,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, ACME has borrowed \$540,000 thousand.

SPC entered into medium- and long-term financing contracts with banks to increase working capital. The contracts became effective from December 2013 to December 2020 with a total credit limit of \$670,000 thousand, which is used cyclically during the validity period. As of December 31, 2018, SPC has borrowed \$653,200 thousand.

UPIIC had offered its 26,500 thousand shares in APC, 19,500 thousand shares in CGPC and 19,500 thousand shares in TTC as long-term loan collateral, each of which was endorsed by the Company.

According to the loan contracts of part of subsidiaries, the current ratio, bank loan ratio, debt ratio, and interest protection multiples should not be less than the specified percentage. The subsidiaries should provide the improvements to the bank if the requirements were not met. As of December 31, 2018, the subsidiaries did not violate the requirements.

23. BONDS PAYABLE

| | December 31 | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| Domestic unsecured bonds 104-1A - issuance on February 12, 2015, 5 years, total amount \$1,000,000 thousand, coupon rate 1.55%, bullet repayment | \$ 1,000,000 | \$ 1,000,000 |
| Domestic unsecured bonds 104-1B - issuance on February 12, 2015, 7 years, total amount \$1,000,000 thousand, coupon rate 1.90%, bullet repayment | 1,000,000 | 1,000,000 |
| Domestic unsecured bonds 105-1 - issuance on October 28, 2016, 5 years, total amount \$2,000,000 thousand, coupon rate 0.80%, bullet repayment | 2,000,000 | 2,000,000 |
| Domestic unsecured bonds 106-1 - issuance on October 27, 2017, 5 years, total amount \$2,000,000 thousand, coupon rate 1.10%, bullet repayment | <u>2,000,000</u> | <u>2,000,000</u> |
| | 6,000,000 | 6,000,000 |
| Less: Discounts on bonds payable | <u>(7,396)</u> | <u>(9,833)</u> |
| | <u>\$ 5,992,604</u> | <u>\$ 5,990,167</u> |

In December 2014, the Company applied for the first issuance of unsecured ordinary corporate bonds issued in 2015 with the amount of \$2,000,000 thousand in order to reimburse the due bonds and to increase working capital. The unsecured ordinary corporate bonds with a 5-7-year maturity, due for repayment, were all issued in February 2015.

In October 2016, the Company applied for the first issuance of unsecured ordinary corporate bonds issued in 2016 with the amount of \$2,000,000 thousand in order to reimburse the bank loans, and the unsecured ordinary corporate bonds with a 5-year maturity, due for repayment, were all issued in October 2016.

In October 2017, the Company applied for the first issuance of unsecured ordinary corporate bonds issued in 2017 with the amount of \$2,000,000 thousand in order to reimburse the bank loans, and the unsecured ordinary corporate bonds with a 5-year maturity, due for repayment, were all issued in October 2017.

24. NOTES AND ACCOUNTS PAYABLE

| | December 31 | |
|------------------|---------------------|---------------------|
| | 2018 | 2017 |
| <u>Operating</u> | | |
| Notes payable | \$ 483 | \$ 360 |
| Accounts payable | <u>3,392,204</u> | <u>3,965,084</u> |
| | <u>\$ 3,392,687</u> | <u>\$ 3,965,444</u> |

The average credit period of the Group is between 1 to 3 months. The Group has financial risk management policies to ensure that all payables are paid within the credit terms.

25. OTHER PAYABLES

| | December 31 | |
|-------------------------------------|---------------------|---------------------|
| | 2018 | 2017 |
| <u>Current</u> | | |
| Other payables | | |
| Payables for salaries and bonuses | \$ 745,236 | \$ 795,514 |
| Payables for purchases of equipment | 189,420 | 237,632 |
| Payables for water and electricity | 181,003 | 147,131 |
| Payables for fares | 166,463 | 104,684 |
| Payables for interests | 43,068 | 40,219 |
| Payables for insurance | 28,335 | 17,516 |
| Payables for dividends | 20,176 | 21,537 |
| Payables for fuel fees | 19,830 | 19,192 |
| Others | <u>504,019</u> | <u>588,671</u> |
| | 1,897,550 | 1,972,096 |
| Other liabilities | | |
| Refund liability (Note 26) | <u>30,034</u> | - |
| | <u>\$ 1,927,584</u> | <u>\$ 1,972,096</u> |

26. PROVISIONS

| | December 31 | |
|--|-----------------------|-----------------------|
| | 2018 | 2017 |
| <u>Current</u> | | |
| Provision for customer returns and rebates (a) | \$ <u> -</u> | \$ <u> 32,205</u> |
| <u>Non-current</u> | | |
| Litigation provision (b) | \$ <u>136,375</u> | \$ <u> -</u> |

The movements of the customer returns and rebates were as follows:

| | For the Year Ended December 31, 2017 |
|----------------------------------|---|
| Balance at January 1 | \$ 23,041 |
| Additional provisions recognized | 18,579 |
| Actual occurrence | <u>(9,415)</u> |
| Balance at December 31 | <u>\$ 32,205</u> |

a. Provision for customer returns and rebates

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

Since 2018, the Group elected to apply IFRS 15 and recognized refund liabilities for provision for customer returns and rebates.

b. Litigation provision

Litigation provision is a result of the first-instance judgment and reconciliation of the Kaohsiung gas explosion case on July 31, 2014 for which cash outflows may be recognized in the near future. Please refer to Note 41 for the explanation related to the provision.

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and domestic subsidiaries of the Group adopted a pension plan under the Labor Pension Act ("the LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Furthermore, overseas subsidiaries also make contributions at certain percentages according to the basic regulation.

b. Defined benefit plans

The defined benefit plans adopted by the Company and domestic subsidiaries of the Group in accordance with the Labor Standards Law are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 9% (the percentage increased to 12% since November 10, 2016) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Subsidiaries make monthly contributions at certain percentages of the basic salaries of their employees (TTC and CGTD are 12%; APC, CGPC and TVCM are 10%; SPC is 3.5%; ACME, USII, UM and TUVVM are 2%). Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

| | December 31 | |
|---|----------------------|----------------------|
| | 2018 | 2017 |
| Present value of defined benefit obligation | \$(3,845,821) | \$(3,986,665) |
| Fair value of plan assets | <u>2,187,593</u> | <u>1,566,768</u> |
| Net defined benefit liabilities - non-current | <u>\$(1,658,228)</u> | <u>\$(2,419,897)</u> |

Movements in net defined benefit liabilities - non-current were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Balance at January 1, 2017 | <u>\$(4,104,599)</u> | <u>\$ 1,117,477</u> | <u>\$(2,987,122)</u> |
| Current service cost | (46,356) | - | (46,356) |
| Net interest income (expense) | <u>(42,555)</u> | <u>13,096</u> | <u>(29,459)</u> |
| Recognized in profit or loss | <u>(88,911)</u> | <u>13,096</u> | <u>(75,815)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (1,661) | (1,661) |
| Actuarial loss - changes in demographic assumptions | (10,538) | - | (10,538) |
| Actuarial loss - changes in financial assumptions | (61,442) | - | (61,442) |
| Actuarial gain - experience adjustments | <u>14,625</u> | <u>-</u> | <u>14,625</u> |
| Recognized in other comprehensive income | <u>(57,355)</u> | <u>(1,661)</u> | <u>(59,016)</u> |
| Contributions from the employer | <u>5,368</u> | <u>696,688</u> | <u>702,056</u> |
| Benefits paid | <u>258,832</u> | <u>(258,832)</u> | <u>-</u> |
| Balance at December 31, 2017 | <u>\$(3,986,665)</u> | <u>\$ 1,566,768</u> | <u>\$(2,419,897)</u> |
| Balance at January 1, 2018 | <u>\$(3,986,665)</u> | <u>\$ 1,566,768</u> | <u>\$(2,419,897)</u> |
| Current service cost | (38,600) | - | (38,600) |
| Net interest income (expense) | <u>(42,794)</u> | <u>18,391</u> | <u>(24,403)</u> |
| Recognized in profit or loss | <u>(81,394)</u> | <u>18,391</u> | <u>(63,003)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 42,197 | 42,197 |
| Actuarial loss - changes in demographic assumptions | (2,188) | - | (2,188) |
| Actuarial loss - changes in financial assumptions | (53,825) | - | (53,825) |
| Actuarial gain - experience adjustments | <u>18,711</u> | <u>-</u> | <u>18,711</u> |
| Recognized in other comprehensive income | <u>(37,302)</u> | <u>42,197</u> | <u>4,895</u> |
| Contributions from the employer | <u>26,844</u> | <u>792,933</u> | <u>819,777</u> |
| Benefits paid | <u>232,696</u> | <u>(232,696)</u> | <u>-</u> |
| Balance at December 31, 2018 | <u>\$(3,845,821)</u> | <u>\$ 2,187,593</u> | <u>\$(1,658,228)</u> |

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

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

- 2) Interest risk: A decrease in government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|----------------------------------|--------------------|-------------|
| | 2018 | 2017 |
| Discount rate | 0.88%-1.25% | 1.00%-1.25% |
| Expected rate of salary increase | 2.00%-2.75% | 2.00%-2.50% |

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

| | December 31 | |
|-------------------------------------|--------------------|-------------------|
| | 2018 | 2017 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$(75,594)</u> | <u>\$(81,280)</u> |
| 0.25% decrease | <u>\$ 78,060</u> | <u>\$ 83,201</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 75,570</u> | <u>\$ 84,706</u> |
| 0.25% decrease | <u>\$(73,573)</u> | <u>\$(82,948)</u> |

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

| | December 31 | |
|--|--------------------|-------------------|
| | 2018 | 2017 |
| The expected contributions to the plan for the next year | <u>\$ 200,592</u> | <u>\$ 191,349</u> |
| The average duration of the defined benefit obligation | 8-13 years | 8-12 years |

28. GOVERNMENT GRANTS

Acme Electronics (Kunshan) Co., Ltd. reached an agreement with Kunshan Zhoushizhen People's Government in 2006 in which Acme Electronics (Kunshan) Co., Ltd. promised to relocate its new plant and raise its investment amount to US\$15,000 thousand; Zhoushizhen People's Government then promised to assist Acme Electronics (Kunshan) Co., Ltd. in acquiring land for a new plant. Furthermore, by applying the tax refund, Kunshan Zhoushizhen People's Government subsidized Acme Electronics (Kunshan) Co., Ltd.'s acquisition of the land for its new plant with a difference in price of over RMB50 thousand per acre. According to this agreement, Acme Electronics (Kunshan) Co., Ltd. raised the capital by cash and share

dividends to meet its capital increase requirement for the relocation of the new plant. Acme Electronics (Kunshan) Co., Ltd. also recognized RMB10,591 thousand of the subsidy as long-term deferred revenue, which will be amortized along with the land use rights when the new plant is constructed. The related government subsidies were retrieved in January 2014. As stated in Note 21, Acme Electronics (Kunshan) Co., Ltd. also derecognized RMB1,983 thousand of deferred revenue related to the land use rights.

Besides this, Acme Electronics (Kunshan) Co., Ltd. arrived at an agreement with Kunshan Zhoushizhen People's Government for an additional subsidy for the external line project for high voltage power during the relocation process. The amount of the subsidy was RMB8,145 thousand in total, which was recognized as long-term deferred revenue by Acme Electronics (Kunshan) Co., Ltd. and will be amortized based on the duration of the power equipment.

For the years ended December 31, 2018 and 2017, the amount of deferred income that had not been amortized was RMB9,423 thousand (\$42,170 thousand) and RMB11,958 thousand (\$54,461 thousand), respectively.

29. EQUITY

| | December 31 | |
|---------------------------|----------------------|----------------------|
| | 2018 | 2017 |
| Share capital | \$ 11,887,635 | \$ 11,654,544 |
| Capital surplus | 253,738 | 238,194 |
| Retained earnings | 6,814,829 | 6,738,561 |
| Other equity items | (293,443) | (31,286) |
| Treasury shares | (475,606) | (475,606) |
| Non-controlling interests | <u>18,267,556</u> | <u>16,684,012</u> |
| | <u>\$ 36,454,709</u> | <u>\$ 34,808,419</u> |

a. Share capital

| | December 31 | |
|---|----------------------|----------------------|
| | 2018 | 2017 |
| Number of shares authorized (in thousands) | <u>1,342,602</u> | <u>1,342,602</u> |
| Shares authorized | <u>\$ 13,426,024</u> | <u>\$ 13,426,024</u> |
| Number of shares issued and fully paid (in thousands) | <u>1,188,763</u> | <u>1,165,454</u> |
| Shares issued | <u>\$ 11,887,635</u> | <u>\$ 11,654,544</u> |

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On June 8, 2017, the Company's regular shareholders' meeting resolved to issue 22,852 thousand ordinary shares as share dividends appropriated from earnings, with a par value of \$10, which increased the share capital issued and fully paid to \$11,654,544 thousand. On June 22, 2017, this transaction was approved by the FSC, and the subscription base date was determined as at August 4, 2017 by the board of directors. The alteration of the registered amount of capital of the Company was completed on August 31, 2017.

On June 5, 2018, the Company's regular shareholders' meeting resolved to issue 23,309 thousand ordinary shares as share dividends appropriated from earnings, with a par value of \$10, which increased the share capital issued and fully paid to \$11,887,635 thousand. On July 6, 2018, this transaction was approved by the FSC, and the subscription base date was determined as at August 3, 2018 by the board

of directors. The alteration of the registered amount of capital of the Company was completed on August 29, 2018.

b. Capital surplus

The capital surplus generated from donations and the excess of the issuance price over the par value of share capital (including the shares issued from new capital, mergers and treasury shares) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital. The capital surplus arising from investments accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, please refer to "Employees' compensation and remuneration of directors" in Note 31(f).

The industry that the Company operates in is in the maturity stage. Consequently, in order to take R&D needs and diversification into consideration, shareholders' dividends shall be no less than 10% of the distributable earnings in the current year, of which the cash dividends not be no less than 10% of the total dividends. However, if the distributable earnings of the year are less than \$0.1 per share, it shall not be distributed.

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

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

The appropriations of earnings for 2017 and 2016 as approved in the shareholders' meetings on June 5, 2018 and June 8, 2017, respectively, were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-----------------|--|-------------------|--|-------------|
| | For the Years Ended December 31 | | For the Years Ended December 31 | |
| | 2017 | 2016 | 2017 | 2016 |
| Legal reserve | \$ 111,129 | \$ 118,957 | | |
| Special reserve | - | (35,883) | | |
| Cash dividends | 349,636 | 571,301 | \$0.3 | \$0.5 |
| Share dividends | <u>233,091</u> | <u>228,520</u> | 0.2 | 0.2 |
| | <u>\$ 693,856</u> | <u>\$ 882,895</u> | | |

The appropriation of earnings for 2018 was proposed by the Company's board of directors on March 8, 2019. The appropriation and dividends per share were as follows:

| | Appropriation of Earnings | Dividends Per Share (NT\$) |
|-----------------|--------------------------------------|---------------------------------------|
| Legal reserve | \$ 53,993 | |
| Special reserve | 55,399 | |
| Cash dividends | <u>356,629</u> | \$0.3 |
| | <u>\$ 466,021</u> | |

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 12, 2019.

d. Other equity items

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

| | For the Year Ended December 31 | |
|---|---|---------------------------|
| | 2018 | 2017 |
| Balance at January 1 | \$(190,880) | \$ 8,204 |
| Effect of change in tax rate | (1,825) | - |
| Recognized for the year | | |
| Exchange differences on translating foreign operations | (1,155) | (239,270) |
| Related income tax | 4,490 | 40,186 |
| Disposal interests in subsidiaries | <u>(18,937)</u> | <u>-</u> |
| Balance at December 31 | <u><u>\$(208,307)</u></u> | <u><u>\$(190,880)</u></u> |

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

| | |
|---|--------------------|
| Balance at January 1, 2017 | \$ 77,535 |
| Recognized during the period | |
| Unrealized loss on revaluation of available-for-sale financial assets | (8,212) |
| Related income tax | (371) |
| Reclassification adjustments | |
| Disposal of available-for-sale financial assets | <u>90,642</u> |
| Balance at December 31, 2017 | 159,594 |
| Adjustment on initial application of IFRS 9 | <u>(159,594)</u> |
| Balance at January 1, 2018 per IFRS 9 | <u><u>\$ -</u></u> |

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

| | For the Year Ended December 31, 2018 |
|--|---|
| Balance at January 1 per IAS 39 | \$ - |
| Adjustment on initial application of IFRS 9 | <u>181,005</u> |
| Balance at January 1 per IFRS 9 | 181,005 |
| Effect of tax rate changes | (22) |
| Recognized during the period | |
| Unrealized gain | |
| Equity instruments | (186,605) |
| Related income tax | (681) |
| Cumulative unrealized loss on equity instruments transferred to retained earnings due to disposals | <u>(78,833)</u> |
| Balance at December 31 | <u>\$ (85,136)</u> |

e. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|----------------------|
| | 2018 | 2017 |
| Balance at January 1 per IAS 39 | \$ 16,684,012 | \$ 14,292,690 |
| Adjustment on initial application of IFRS 9 | <u>44,007</u> | <u>-</u> |
| Balance at January 1 per IFRS 9 | 16,728,019 | 14,292,690 |
| Cash dividends of subsidiaries' shareholders | (615,849) | (807,986) |
| Share in profit for the period | 1,335,881 | 1,598,563 |
| Other comprehensive income (loss) for the period | | |
| Effect of tax rate changes | 8,028 | - |
| Exchange difference on translating foreign operations | (73,232) | (177,047) |
| Income tax relating to exchange difference on translating foreign operations | 16,610 | 25,752 |
| Unrealized loss on available-for-sale financial assets | - | (69,786) |
| Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets | - | 18,341 |
| Income tax relating to unrealized gain on available-for-sale financial assets | - | (776) |
| Unrealized gain on financial assets at FVTOCI | 162,228 | - |
| Income tax relating to unrealized gain on financial assets at FVTOCI | (1,450) | - |
| Remeasurement on defined benefit plans | 1,722 | (30,864) |
| Income tax remeasurement on defined benefit plans | (1,081) | 5,084 |
| Adjustments relating to changes accounted for using the equity method | 6,456 | 22,312 |
| Non-controlling interests arising from acquisition of subsidiaries | - | 1,053,211 |
| Disposal interests in subsidiaries | (20,086) | - |
| Changes in non-controlling interests | <u>720,310</u> | <u>754,518</u> |
| Balance at December 31 | <u>\$ 18,267,556</u> | <u>\$ 16,684,012</u> |

f. Treasury shares

| Purpose of Buy-Back | Number of shares at January 1 (In Thousands of Shares) | Increase during the Year | Decrease during the Year | Number of shares at December 31 (In Thousands of Shares) |
|-----------------------------|---|---------------------------------|---------------------------------|---|
| <u>2018</u> | | | | |
| Shares held by subsidiaries | <u>114,182</u> | <u>2,284</u> | <u>-</u> | <u>116,466</u> |
| <u>2017</u> | | | | |
| Shares held by subsidiaries | <u>111,943</u> | <u>2,239</u> | <u>-</u> | <u>114,182</u> |

The Company's shares held by its subsidiaries at the end of the reporting period were as follows:

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|--|---|---------------------|---------------------|
| <u>December 31, 2018</u> | | | |
| Asia Polymer Corporation ("APC") | 101,356 | \$ 1,377,381 | \$ 1,206,132 |
| Taita Chemical Company, Limited ("TTC") | 15,110 | <u>81,875</u> | <u>179,808</u> |
| | | <u>\$ 1,459,256</u> | <u>\$ 1,385,940</u> |
| <u>December 31, 2017</u> | | | |
| Asia Polymer Corporation ("APC") | 99,368 | \$ 1,377,381 | \$ 1,629,640 |
| Taita Chemical Company, Limited ("TTC") | 14,814 | <u>81,875</u> | <u>242,944</u> |
| | | <u>\$ 1,459,256</u> | <u>\$ 1,872,584</u> |

The Company's shares which subsidiaries hold are view as treasury shares. Investments accounted for using the equity method are reclassified as treasury shares.

APC and TTC holdings of the Company's shares are carried as unrealized gain (loss) on financial assets at FVTOCI and are valued at the closing price of December 31, 2018. The carrying amount of investments accounted for using the equity method and the unrealized loss on financial assets at FVTOCI were reduced by \$19,487 thousand.

APC and TTC holdings of the Company's shares are carried as available-for-sale financial assets and are valued at the closing price of December 31, 2017. As of December 31, 2017, the carrying amount of investments accounted for using the equity method and the unrealized gain on available-for-sale financial assets were reduced by \$140,670 thousand.

30. REVENUE

| | For the Year Ended December 31 | |
|------------------------|---|----------------------|
| | 2018 | 2017 |
| Products sales revenue | | |
| Plastic materials | \$ 57,962,076 | \$ 55,218,669 |
| Electronic materials | 2,373,962 | 2,349,246 |
| Others | <u>556,475</u> | <u>566,028</u> |
| | <u>\$ 60,892,513</u> | <u>\$ 58,133,943</u> |

Product sales revenue of the Company mainly comes from selling polyethylene plastic and other related products.

31. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations included the following:

| | For the Year Ended December 31 | |
|---------------------------|---|---------------------|
| | 2018 | 2017 |
| Owners of the Company | \$ 537,268 | \$ 1,112,074 |
| Non-controlling interests | <u>1,331,081</u> | <u>1,599,976</u> |
| | <u>\$ 1,868,349</u> | <u>\$ 2,712,050</u> |

Net profit from continuing operations includes the following:

a. Other income

| | For the Year Ended December 31 | |
|--|---|-------------------|
| | 2018 | 2017 |
| Interest income | | |
| Bank deposits | \$ 140,649 | \$ 75,382 |
| Financial assets at FVTPL | 27,565 | 27,801 |
| Financial assets at amortized cost | 1,596 | - |
| Debt investments with no active market | - | 1,269 |
| Others | <u>1,854</u> | <u>1,765</u> |
| | 171,664 | 106,217 |
| Dividend income | 186,003 | 185,187 |
| Rental income | 50,454 | 38,166 |
| Grants income (Notes 18 and 28) | 32,620 | 29,996 |
| Claim income | - | 34,438 |
| Commission income | 36,104 | 70,679 |
| Others | <u>139,832</u> | <u>113,572</u> |
| | <u>\$ 616,677</u> | <u>\$ 578,255</u> |

b. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|--------------------|
| | 2018 | 2017 |
| Gain on disposal of biological assets | \$ 13,735 | \$ - |
| Gain on disposal of land use rights | 262,617 | - |
| Gain on disposal of subsidiaries | 116,576 | - |
| Gain on disposal of property, plant and equipment | 11,030 | 12,492 |
| Loss on disposal of property, plant and equipment | (19,550) | (3,186) |
| Loss on disposal of investment properties | - | (497) |
| Net gain on disposal of financial instruments | 22,471 | 137,204 |
| Net foreign exchange losses | (8,899) | (124,219) |
| Net gain (loss) on financial assets at FVTPL | 35,754 | (78,893) |
| Net loss on financial liabilities at FVTPL | (46,923) | (26,994) |
| Loss on claims | (83,825) | - |
| Impairment losses on financial assets | - | (32,208) |
| (Recognized) reversed impairment losses on non-financial assets | (16,120) | 304 |
| Other gains and losses | <u>(101,791)</u> | <u>(107,857)</u> |
| | <u>\$ 185,075</u> | <u>\$(223,854)</u> |

c. Finance costs

| | For the Year Ended December 31 | |
|---|---|-------------------|
| | 2018 | 2017 |
| Interest on bank loans | \$ 193,810 | \$ 199,596 |
| Interest on bonds payable | 74,937 | 52,022 |
| Other interest expense | 2,435 | 923 |
| Less: Capitalized interest (included in construction in progress) | <u>(26,787)</u> | <u>(15,284)</u> |
| | <u>\$ 244,395</u> | <u>\$ 237,257</u> |

Information about capitalized interest is as follows:

| | For the Year Ended December 31 | |
|----------------------|---|-------------|
| | 2018 | 2017 |
| Capitalized interest | \$ 26,787 | \$ 15,284 |
| Capitalization rate | 0.82%-1.25% | 0.95%-1.20% |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|-------------------------------|---|---------------------|
| | 2018 | 2017 |
| Property, plant and equipment | \$ 1,961,453 | \$ 1,831,809 |
| Investment properties | 2,929 | 3,699 |
| Intangible assets | 39,474 | 61,924 |
| Others | <u>36,487</u> | <u>35,386</u> |
| | <u>\$ 2,040,343</u> | <u>\$ 1,932,818</u> |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---------------------|
| | 2018 | 2017 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 1,850,751 | \$ 1,704,831 |
| Operating expenses | 98,387 | 117,275 |
| Other gains and losses | <u>15,244</u> | <u>13,402</u> |
| | <u>\$ 1,964,382</u> | <u>\$ 1,835,508</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 39,044 | \$ 36,878 |
| Selling and marketing expenses | 10,386 | - |
| General and administrative expenses | 14,723 | 35,377 |
| Research and development expenses | <u>11,808</u> | <u>25,055</u> |
| | <u>\$ 75,961</u> | <u>\$ 97,310</u> |

(Concluded)

e. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---|---------------------|
| | 2018 | 2017 |
| Post-employment benefits (Note 27) | | |
| Defined contribution plans | \$ 139,570 | \$ 131,924 |
| Defined benefit plans | <u>63,003</u> | <u>75,815</u> |
| | 202,573 | 207,739 |
| Other employee benefits | <u>4,146,549</u> | <u>4,081,543</u> |
| Total employee benefits expense | <u>\$ 4,349,122</u> | <u>\$ 4,289,282</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 3,192,089 | \$ 2,956,126 |
| Operating expenses | <u>1,157,033</u> | <u>1,333,156</u> |

\$ 4,349,122 \$ 4,289,282

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 8, 2019 and March 13, 2018, respectively, were as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---|-------------|
| | 2018 | 2017 |
| Employees' compensation | 1.00% | 1.00% |
| Remuneration of directors | 0.82% | 0.45% |

Amount

| | For the Year Ended December 31 | |
|---------------------------|---|-------------|
| | 2018 | 2017 |
| Employees' compensation | \$ 6,319 | \$ 12,247 |
| Remuneration of directors | 5,200 | 5,500 |

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

g. Gain or loss on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---|---------------------|
| | 2018 | 2017 |
| Foreign exchange gains | \$ 390,980 | \$ 312,725 |
| Foreign exchange losses | <u>(399,879)</u> | <u>(436,944)</u> |
| | <u>\$ (8,899)</u> | <u>\$ (124,219)</u> |

32. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---|-------------------|
| | 2018 | 2017 |
| Current tax | | |
| In respect of the current year | \$ 453,462 | \$ 553,611 |
| Income tax on unappropriated earnings | 98,985 | 80,976 |
| Adjustments for prior years | (2,136) | 4,814 |
| Deductible income tax paid overseas | <u>(6,312)</u> | <u>(5,122)</u> |
| | <u>543,999</u> | <u>634,279</u> |
| Deferred tax | | |
| In respect of the current year | 113,607 | 130,855 |
| Tax rates changes | (12,044) | - |
| Adjustments for prior years | 5,623 | 11,407 |
| Others | <u>2,893</u> | <u>(321)</u> |
| | <u>110,079</u> | <u>141,941</u> |
| Income tax expense recognized in profit or loss | <u>\$ 654,078</u> | <u>\$ 776,220</u> |

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

| | For the Year Ended December 31 | |
|--|---|---------------------|
| | 2018 | 2017 |
| Profit before tax from continuing operations | <u>\$ 2,522,427</u> | <u>\$ 3,488,270</u> |
| Income tax expense calculated at the statutory rate | \$ 920,598 | \$ 1,064,868 |
| Nondeductible expenses (revenue) in determining taxable income | 18,619 | (14,742) |
| Tax-exempt income | (356,100) | (405,802) |
| Income tax on unappropriated earnings | 98,985 | 80,976 |
| Unrecognized loss carryforwards and deductible temporary differences | (12,633) | 69,586 |
| Effect of tax rate changes | (12,044) | 1,943 |
| Adjustments for prior years | 3,487 | 16,221 |
| Others | <u>(6,834)</u> | <u>(36,830)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 654,078</u> | <u>\$ 776,220</u> |

The Group's income tax rate was applicable by the Income Tax Act in ROC was 17% in 2017. In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The income tax rate of the subsidiaries in China is 25%. The tax amount generate by other jurisdictions is calculated based on the applicable tax rate in each relevant jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences on the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|------------------|
| | 2018 | 2017 |
| <u>Deferred tax</u> | | |
| Effect of tax rate changes | \$ 16,127 | \$ - |
| In respect of the current year | | |
| Translation of foreign operations | 21,100 | 65,938 |
| Fair value changes of available-for-sale financial assets | - | (1,147) |
| Fair value changes of financial at FVTOCI | (2,131) | - |
| Remeasurement on defined benefit plans | <u>(1,804)</u> | <u>9,003</u> |
| Total income tax recognized in other comprehensive income | <u>\$ 33,292</u> | <u>\$ 73,794</u> |

c. Current tax assets and liabilities

| | December 31 | |
|--------------------------------|--------------------|-------------------|
| | 2018 | 2017 |
| Current income tax assets | | |
| Tax refund receivable | <u>\$ 8,116</u> | <u>\$ 784</u> |
| Current income tax liabilities | | |
| Income tax payable | <u>\$ 270,351</u> | <u>\$ 370,062</u> |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen- sive Income | Exchange Differences | Closing Balance |
|--|---------------------|---------------------------------|---|-------------------------|---------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Defined benefit obligation | \$ 362,202 | \$ (85,431) | \$ 19,767 | \$ - | \$ 296,538 |
| Investments accounted for using the equity method | 77,122 | 17,873 | (3,565) | - | 91,430 |
| Allowance for inventory valuation | 46,162 | 21,962 | - | (261) | 67,863 |
| Allowance for impaired receivables | 14,028 | 3,960 | - | (202) | 17,786 |
| Unrealized gains on transactions with subsidiaries | 3,925 | (323) | - | - | 3,602 |
| Payables for annual leave | 18,185 | 4,702 | - | - | 22,887 |
| Others | 74,983 | 1,924 | 4,613 | (34) | 81,486 |
| | 596,607 | (35,333) | 20,815 | (497) | 581,592 |
| Loss carryforwards | 35,455 | 16,138 | - | 149 | 51,742 |
| | <u>\$ 632,062</u> | <u>\$ (19,195)</u> | <u>\$ 20,815</u> | <u>\$ (348)</u> | <u>\$ 633,334</u> |
| <u>Deferred tax liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Investments accounted for using the equity method | \$ 452,067 | \$ 92,306 | \$ - | \$ - | \$ 544,373 |
| Exchange differences on translating foreign operations | 19,605 | - | (14,896) | - | 4,709 |
| Differences on depreciation period between finance and tax | 51,383 | 284 | - | 63 | 51,730 |
| Revaluation increments of land | 800,993 | - | - | - | 800,993 |
| Others | 5,662 | (1,706) | 2,419 | 52 | 6,427 |
| | <u>\$ 1,329,710</u> | <u>\$ 90,884</u> | <u>\$ (12,477)</u> | <u>\$ 115</u> | <u>\$ 1,408,232</u> |

For the year ended December 31, 2017

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen- sive Income | Exchange Differences | Closing Balance |
|--|---------------------|---------------------------------|---|-------------------------|---------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Defined benefit obligation | \$ 454,101 | \$ (100,902) | \$ 9,003 | \$ - | \$ 362,202 |
| Investments accounted for using the equity method | 71,480 | (921) | 6,563 | - | 77,122 |
| Allowance for inventory valuation | 48,118 | (1,475) | - | (481) | 46,162 |
| Allowance for impaired receivables | 13,059 | 1,199 | - | (230) | 14,028 |
| Unrealized gains on transactions with subsidiaries | 10,042 | (5,937) | - | (180) | 3,925 |
| Payables for annual leave | 16,826 | 1,359 | - | - | 18,185 |
| Others | 54,868 | 14,036 | 5,428 | 651 | 74,983 |
| | 668,494 | (92,641) | 20,994 | (240) | 596,607 |
| Loss carryforwards | 74,478 | (38,549) | - | (474) | 35,455 |
| | <u>\$ 742,972</u> | <u>\$ (131,190)</u> | <u>\$ 20,994</u> | <u>\$ (714)</u> | <u>\$ 632,062</u> |
| <u>Deferred tax liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Investments accounted for using the equity method | \$ 444,747 | \$ 36,595 | \$ (29,275) | \$ - | \$ 452,067 |
| Exchange differences on translating foreign operations | 43,612 | - | (24,007) | - | 19,605 |
| Differences on depreciation period between finance and tax | 67,519 | (16,433) | - | 297 | 51,383 |
| Revaluation increments of land | 800,993 | - | - | - | 800,993 |
| Others | 14,633 | (9,411) | 482 | (42) | 5,662 |
| | <u>\$ 1,371,504</u> | <u>\$ 10,751</u> | <u>\$ (52,800)</u> | <u>\$ 255</u> | <u>\$ 1,329,710</u> |

- e. No deferred tax assets have been recognized in the consolidated balance sheets

| | December 31 | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| Loss carryforwards | <u>\$ 2,462,262</u> | <u>\$ 2,695,572</u> |
| Deductible temporary differences | | |
| Overseas investment loss under the equity method | \$ 829,561 | \$ 896,207 |
| Defined benefit obligation | 33,113 | 133,918 |
| Write-down of inventories | 28,920 | 196,007 |
| Impairment loss on property, plant and equipment | - | 316,637 |
| Differences on depreciation period between finance and tax | 22,455 | 27,724 |
| Others | <u>436,704</u> | <u>17,434</u> |
| | <u>\$ 1,350,753</u> | <u>\$ 1,587,927</u> |

- f. Unused loss carryforwards

As of December 31, 2018, the Group's unused loss carryforwards were \$2,462,262 thousand and will expire in 2030.

- g. Income tax assessments

The income tax returns of INOMA, APCI, UM, TM and STC through 2017 have been assessed by the tax authorities. The income tax returns of the Company, ACME, APC, CGPC, CGPCPOL, TVCM, UPIIC, CGTD, USII, TUVU, TUVU, USIO, CLT, TTC and SPC through 2016 have been assessed by the tax authorities.

33. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | For the Year Ended December 31 | |
|--|---------------------------------------|----------------|
| | 2018 | 2017 |
| Basic and diluted earnings per share | | |
| From continuing operations and discontinued operations | \$ 0.50 | \$ 1.04 |
| From discontinued operations | <u>-</u> | <u>-</u> |
| From continuing operations | <u>\$ 0.50</u> | <u>\$ 1.04</u> |

The weighted average number of shares outstanding used in the computation of earnings per share was adjusted retroactively for the issuance of bonus shares on August 3, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT\$ Per Share

| | Before Retrospective Adjustment | After Retrospective Adjustment |
|--|--|---|
| Basic and diluted earnings per share | | |
| From continuing operations and discontinued operations | \$ 1.06 | \$ 1.04 |
| From discontinued operations | <u>-</u> | <u>-</u> |
| From continuing operations | <u>\$ 1.06</u> | <u>\$ 1.04</u> |

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

Net Profit for the Year

| | For the Year Ended December 31 | |
|--|---|---------------------|
| | 2018 | 2017 |
| Profit for the period attributable to owners of the Company (earnings used in the computation of basic and diluted earnings per share) | \$ 539,935 | \$ 1,111,290 |
| Add: (Gain) loss for the period from discounted operations used in computation of basic earnings per share from discounted operations | <u>(2,667)</u> | <u>784</u> |
| Earnings used in the computation of basic and diluted earnings per share from continuing operations | <u>\$ 537,268</u> | <u>\$ 1,112,074</u> |

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

| | For the Year Ended December 31 | |
|---|---|------------------|
| | 2018 | 2017 |
| Weighted average number of ordinary shares used in computation of basic earnings per share | 1,072,298 | 1,072,298 |
| Effect of potentially dilutive ordinary shares: | | |
| Employees' compensation issued to employees | <u>690</u> | <u>911</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>1,072,988</u> | <u>1,073,209</u> |

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

of diluted earnings per share until the board of directors resolve the number of shares to be distributed to employees at their meeting in the following year.

34. SHARE-BASED PAYMENT ARRANGEMENTS

ACME did not issue employee share options for the years ended December 31, 2018 and 2017.

Information on employee share options which were issued was as follows:

| | For the Year Ended December 31 | | | |
|---------------------------------------|---------------------------------------|--|------------------------------|--|
| | 2018 | | 2017 | |
| | Number of Options | Weighted- average Exercise Price (NT\$) | Number of Options | Weighted- average Exercise Price (NT\$) |
| Balance at January 1 | 563 | \$ 8.2 | 675 | \$ 10.0 |
| Options exercised | - | - | (8) | 8.2 |
| Options expired | <u>-</u> | - | <u>(104)</u> | 19.9 |
| Balance at December 31 | <u>563</u> | 8.2 | <u>563</u> | 8.2 |
| Options exercisable, end of period | <u>563</u> | 8.2 | <u>563</u> | 8.2 |

The weighted-average share price at the date of exercise of share options for the year ended December 31, 2017 was \$21.8. (2018: None)

Information about ACME's outstanding options as of December 31, 2018 and 2017 was as follows:

| December 31 | | | |
|---|---|---|---|
| 2018 | | 2017 | |
| Weighted-average Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (In Years) | Weighted-average Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (In Years) |
| \$ 8.2 | 0.3 | \$ 8.2 | 1.3 |

USIO did not issue employee share options for the years ended December 31, 2018 and 2017.

Information on employee share options which were issued was as follows:

| | For the Year Ended December 31 | | | |
|----------------------------------|---------------------------------------|--|------------------------------|--|
| | 2018 | | 2017 | |
| | Number of Options | Weighted- average Exercise Price (NT\$) | Number of Options | Weighted- average Exercise Price (NT\$) |
| Balance at January 1 | 194 | \$ 10.8 | 295 | \$ 12.1 |
| Options expired | <u>(27)</u> | 10.8 | <u>(101)</u> | 11.7 |
| Balance at December 31 | <u>167</u> | 10.8 | <u>194</u> | 10.8 |
| Options exercisable, end of year | <u>167</u> | 10.8 | <u>194</u> | 10.8 |

Information about USIO's outstanding options as of December 31, 2018 and 2017 was as follows:

| December 31 | | | |
|---|---|---|---|
| 2018 | | 2017 | |
| Weighted-average Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (In Years) | Weighted-average Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (In Years) |
| \$ 10.8 | 3.4 | \$ 10.8 | 4.4 |

35. BUSINESS COMBINATIONS

a. Subsidiaries acquired

| | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|-----------------------------|--------------------------------|---|--------------------------------------|
| Ever Victory Global Limited | January 13, 2017 | 66.4 | <u>\$ 2,094,730</u> |

The Company and APC enter into a joint venture contract for their investment on Fujian Gulei Petrochemical Co., Ltd. on April 17, 2014. The related entities of the contract or commitments are Ho Tung Chemical Corporation, LCY Chemical Corporation, HsinTay Petroleum Company Limited, Chenery Global Corporation and Lien Hwa Industrial Corporation. The main contents of the contract and commitments include: (1) the shareholders shall establish Ever Victory Global Limited (hereinafter referred to the "Joint Venture") and agree to pass the establishment of the 100%-owned company named Dynamic Ever Investments Limited in Hong Kong, whose purpose is to build oil refineries and produce ethylene as well as seven other products on the Gulei Peninsula in Zhangzhou, Fujian Province, as approved by the Investment Commission at Taiwan's Ministry of Economic Affairs and according to the operating business permitted by the Joint Venture's board of directors; and (2) Dynamic Ever Investments Limited will establish a joint venture company in accordance with the laws of the People's Republic of China with Fujian Refining and Chemical Co., in Gulei Park located in Zhangzhou Fujian Province (hereunder "Gulei Company") and acquire 50% interest of Gulei Company for cooperative

investment.

The Company and APC invested US\$3,131 thousand (approximately \$94,221 thousand) and US\$2,171 thousand (approximately \$65,202 thousand), respectively, to establish Ever Conquest Global Limited in order to invest in Ever Victory Global Limited via the third party, and the shareholding ratio of the joint venture is 31.75%. Dynamic Ever Investments Limited and Fujian Refining and Chemical Co. signed “Fujian Gulei Petrochemical Corporation Limited joint venture contract” which stipulated an increase in the investment amount, and this contract led to part of the original related contract entities being unable to keep their respective investment ratio as provided by the original contract or to participate in the subsequent capital increase procedures. In order to meet the business requirement of the original contract, the Company and APC resigned the joint venture contract on September 30, 2016 and added a new contractually promised related entity, CTCI Corp.

The Company and APC increased the investment in Ever Conquest Global Limited by US\$37,572 thousand (approximately \$1,200,087 thousand) and US\$23,086 thousand (approximately \$739,424 thousand), respectively, on January 13, 2017. Via Ever Conquest Global Limited, the Company and APC increased capital of Ever Victory Global Limited and then reinvested in Dynamic Ever Investments Limited. The shareholding ratio in the Joint Venture increased from 31.75% to 66.4% (qualifying as having control) after the capital increase. Dynamic Ever Investments Limited invested in Gulei Company RMB576,200 thousand on April 18, 2017.

The Company and APC increased the investment in Ever Conquest Global Limited by US\$36,643 thousand (approximately \$1,113,427 thousand) and US\$21,013 thousand (approximately \$638,499 thousand), respectively, in July 2017. Via Ever Conquest Global Limited, the Company and APC increased capital of Ever Victory Global Limited and then reinvested in Dynamic Ever Investments Limited. The shareholding ratio in the Joint Venture was 67.9% after the capital increase. Dynamic Ever Investments Limited reinvested Gulei Company RMB576,200 thousand on August 1, 2017.

The Company and APC increased the investment in Ever Conquest Global Limited by US\$98,922 thousand (approximately \$3,034,601 thousand) and US\$56,970 thousand (approximately \$1,747,780 thousand), respectively, in August 2018. Via Ever Conquest Global Limited, the Company and APC increased the capital in Ever Victory Global Limited and then reinvested in Dynamic Ever Investments Limited. The shareholding ratio of the joint venture was 77.5% after the capital increase. Dynamic Ever Investments Limited invested in Gulei Company RMB1,152,400 thousand on November 29, 2018.

b. Consideration transferred

| | |
|---|---------------------|
| Cash | \$ 1,939,511 |
| Fair value before business combinations | <u>155,219</u> |
| Net cash outflow | <u>\$ 2,094,730</u> |

c. Assets acquired and liabilities assumed at the date of acquisition

| | |
|---------------------------|---------------------|
| Current assets | |
| Cash | \$ 2,938,643 |
| Other current assets | 269 |
| Non-current assets | |
| Prepaid investments | 213,154 |
| Current liabilities | |
| Other payables | <u>(4,125)</u> |
| Identifiable net assets | 3,147,941 |
| Non-controlling interests | <u>(1,053,211)</u> |
| | <u>\$ 2,094,730</u> |

d. Non-controlling interests

The non-controlling interest (a 33.6% ownership interest in Ever Victory Global Limited) recognized at the acquisition date was measured by proportion of the identifiable net assets of Ever Victory Global Limited; the amount was \$1,053,211 thousand.

e. Net cash outflow (inflow) on acquisition of subsidiaries

| | |
|------------------------------|---------------------|
| Consideration paid in cash | \$ 1,939,511 |
| Less: Cash balances acquired | <u>(2,938,643)</u> |
| Net cash inflow | <u>\$ (999,132)</u> |

f. Impact of acquisitions on the results of the Group

The results of the acquirers since the acquisition date included in the consolidated statements of comprehensive income were as follows:

| | |
|--------|---|
| | From January 13, 2017 to December 31, 2017 |
| Profit | <u>\$ 3,417</u> |

36. OPERATING LEASE AGREEMENTS

a. The Group as lessee

Operating leases are related to leases of office space and staff quarters with lease terms between 1 and 6 years. As of December 31, 2018 and 2017, the Group's refundable deposits paid resulting from operating lease agreements were \$9,186 thousand and \$8,646 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

| | December 31 | |
|--|--------------------|------------------|
| | 2018 | 2017 |
| Not later than 1 year | \$ 34,481 | \$ 33,475 |
| Later than 1 year and not later than 5 years | 131,616 | 59,575 |
| Later than 5 years | <u>84,974</u> | <u>-</u> |
| | <u>\$ 251,071</u> | <u>\$ 93,050</u> |

b. The Group as lessor

Operating leases are related to leases of investment properties with lease terms between 1 and 5 years. All operating lease agreements contain market review clauses in the event that the lessees exercise their options to renew. The lessees do not have bargain purchase options to acquire the properties at the expiry of the lease periods.

As of December 31, 2018 and 2017, the Group's guarantee deposits received resulting from operating lease agreements were \$8,662 thousand and \$11,304 thousand, respectively.

The future minimum lease payments of non-cancellable operating leases are as follows:

| | December 31 | |
|--|--------------------|------------------|
| | 2018 | 2017 |
| Not later than 1 year | \$ 39,617 | \$ 19,844 |
| Later than 1 year and not later than 5 years | 64,793 | 30,598 |
| Later than 5 years | <u>1,527</u> | <u>-</u> |
| | <u>\$ 105,937</u> | <u>\$ 50,442</u> |

37. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of its net debt and equity.

Key management of the Group review the capital structure periodically. As part of this review, the key management consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

38. FINANCIAL INSTRUMENTS

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

The management of the Group considers that the carrying amount of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values. Otherwise, the fair values cannot be measured reliably.

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

1) Fair value hierarchy

December 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------------|------------------|-------------------|---------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | \$ - | \$ 2,181 | \$ - | \$ 2,181 |
| Domestic listed shares and over-the-counter shares | 151,081 | - | - | 151,081 |
| Mutual funds | 3,995,963 | - | - | 3,995,963 |
| Beneficiary certificate | 934,252 | - | - | 934,252 |
| Foreign listed shares | <u>828</u> | <u>-</u> | <u>-</u> | <u>828</u> |
| | <u>\$ 5,082,124</u> | <u>\$ 2,181</u> | <u>\$ -</u> | <u>\$ 5,084,305</u> |
| Financial assets at FVTOCI | | | | |
| Equity instrument investments | | | | |
| Domestic listed shares and over-the-counter shares | \$ 1,828,996 | \$ - | \$ - | \$ 1,828,996 |
| Domestic emerging market shares | - | - | 15,937 | 15,937 |
| Domestic unlisted shares | - | - | 655,575 | 655,575 |
| Foreign listed shares and over-the-counter shares | 6,282 | - | - | 6,282 |
| Foreign unlisted shares | <u>-</u> | <u>-</u> | <u>173,667</u> | <u>173,667</u> |
| | <u>\$ 1,835,278</u> | <u>\$ -</u> | <u>\$ 845,179</u> | <u>\$ 2,680,457</u> |
| Financial liabilities at FVTPL | | | | |
| Derivatives financial liabilities | <u>\$ -</u> | <u>\$ 11,135</u> | <u>\$ -</u> | <u>\$ 11,135</u> |

December 31, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|-----------------|-----------------|---------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | \$ - | \$ 4,189 | \$ - | \$ 4,189 |
| Non-derivative financial assets held for trading | <u>5,311,705</u> | <u>-</u> | <u>-</u> | <u>5,311,705</u> |
| | <u>\$ 5,311,705</u> | <u>\$ 4,189</u> | <u>\$ -</u> | <u>\$ 5,315,894</u> |
| Available-for-sale financial assets | | | | |
| Domestic listed shares and over-the-counter shares | \$ 2,052,768 | \$ - | \$ - | \$ 2,052,768 |
| Foreign listed shares and over-the-counter shares | 17,212 | - | - | 17,212 |
| Domestic emerging market shares | <u>-</u> | <u>-</u> | <u>7,589</u> | <u>7,589</u> |
| | <u>\$ 2,069,980</u> | <u>\$ -</u> | <u>\$ 7,589</u> | <u>\$ 2,077,569</u> |
| Financial liabilities at FVTPL | | | | |
| Derivatives financial liabilities | <u>\$ -</u> | <u>\$ 7,883</u> | <u>\$ -</u> | <u>\$ 7,883</u> |

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

| | For the Year Ended December 31, 2018 |
|--|---|
| <u>Financial assets at FVTOCI</u> | |
| Balance at January 1 | \$ 779,889 |
| Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI) | 109,938 |
| Return of capital | <u>(44,648)</u> |
| Balance at December 31 | <u>\$ 845,179</u> |
| | For the Year Ended December 31, 2017 |
| <u>Available-for-sale financial assets - non-public offering equity investments</u> | |
| Balance at January 1 | \$ 6,219 |
| Recognized in other comprehensive income (included in unrealized gain (loss) on available-for-sale financial assets) | <u>1,370</u> |
| Balance at December 31 | <u>\$ 7,589</u> |

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

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

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

The Group applied the valuation techniques and inputs for Level 3 fair value measurement for its independent fair value authentication of financial instruments which is carried out by the financial department. Via information from independent resources, the Group keeps the result close to the market state and reviews such results periodically to ensure they are reasonable. The fair values of domestic unlisted equity securities were determined using the market approach. In this approach, the fair value is determined by the latest net value of the investee company and the financial and business condition of its observable company. If the discount for the lack of marketability decreases, the fair value of investments will increase. When the net asset value of investees increases/decreases by 1%, the fair value will decrease/increase by \$8,452 thousand.

c. Categories of financial instruments

| | <u>December 31</u> | |
|---|--------------------|--------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Financial assets</u> | | |
| Financial assets at FVTPL | | |
| Held for trading | \$ - | \$ 5,315,894 |
| Financial assets mandatory classified as at FVTPL | 5,084,305 | - |
| Loans and receivables | | |
| Cash and cash equivalents | - | 8,473,862 |
| Debt investments with no active markets | - | 737,942 |
| Notes receivable | - | 1,118,070 |
| Accounts receivable | - | 6,950,029 |
| Other receivables (including related parties) | - | 344,305 |
| Refundable deposits | - | 140,530 |
| Available-for-sale financial assets (including financial assets measured at cost) | - | 2,753,689 |
| Financial assets measured at amortized cost | | |
| Cash and cash equivalents | 8,123,304 | - |
| Pledged time deposits | 750,893 | - |
| Notes receivable | 1,015,882 | - |
| Accounts receivable | 7,532,851 | - |
| Other receivables (including related parties) | 279,612 | - |
| Refundable deposits | 151,042 | - |
| Financial assets at FVTOCI - equity instrument investments | 2,680,457 | - |

(Continued)

| | December 31 | |
|--|--------------------|-------------|
| | 2018 | 2017 |

Financial liabilities

| | | |
|--|-----------|-------------|
| Financial liabilities at FVTPL | | |
| Held for trading | \$ 11,135 | \$ 7,883 |
| Financial liabilities measured at amortized cost | | |
| Short-term borrowings | 6,726,854 | 3,752,268 |
| Short-term bills payable | 1,514,784 | 1,684,506 |
| Notes payable and accounts payable | 3,392,687 | 3,965,444 |
| Other payables and accounts payable | 1,897,550 | 1,972,096 |
| Current portion of long-term borrowings | 525,000 | 799,600 |
| Bonds payable | 5,992,604 | 5,990,167 |
| Long-term borrowings | 8,617,624 | 6,903,148 |
| Guarantee deposits received | 18,000 | 13,039 |
| | | (Concluded) |

d. Financial risk management objectives and policies

The Group's risk controlling and hedging strategy is influenced by the operational environment. The Group properly monitors and manages the risks related to business nature and according to the principle of risk diversification. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

The Group had conducted foreign currency sales and purchases, which exposed the Group to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Group used foreign exchange forward contracts to eliminate foreign currency exposure and thus mitigate the impact of the risk. The use of foreign exchange forward contracts was governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by internal auditors on a continuous basis. The Group did not enter into or traded foreign exchange contracts for speculative purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 43 and of the derivatives exposing the Group to foreign currency risk at the end of the reporting period are set out in Note 7.

Sensitivity analysis

The sensitivity analysis of foreign currency risk mainly focuses on the computation of foreign currency monetary items at the end of the financial reporting period (U.S. dollar denominated items). When the Group's functional currency against the USD appreciates/depreciates by 3%, the Group's profit before tax in 2018 will decrease/increase \$86,895 thousand; the profit before

tax in 2017 will decrease/increase \$78,854 thousand.

Because this sensitivity analysis is based on the computation of foreign currency exposure at balance sheet date, the management concedes that this analysis cannot properly reflect the mid-year exposures.

b) Interest rate risk

The Group was exposed to fair value interest rate risk because the Group held financial assets and financial liabilities at fixed rates; the Group was exposed to cash flow interest rate risk because the Group held financial assets and financial liabilities at floating rates. The Group's management monitors the changes in the market rates on a regular basis and adjusts the floating rate financial liabilities to make the Group's rates approach market rates in response to the risk caused by changing market rates.

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

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2018 | 2017 |
| Fair value interest rate risk | | |
| Financial assets | \$ 5,347,257 | \$ 5,871,048 |
| Financial liabilities | 12,766,926 | 11,364,719 |
| Cash flow interest rate risk | | |
| Financial assets | 3,422,707 | 1,801,948 |
| Financial liabilities | 10,609,940 | 7,764,970 |

Sensitivity analysis

Regarding the sensitivity analysis of interest risk, the Group's computation was based on financial assets and financial liabilities with cash flow interest rate risk. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the years ended December 31, 2018 and 2017 would have decreased/increased by \$35,936 thousand and \$29,815 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities listed in the ROC and beneficiary certificates. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk.

Sensitivity analysis

The analysis below was determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had fluctuated by 5%, the pre-tax profit for the year ended December 31, 2018 would have increased/decreased by \$254,106 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increase/decreased by \$134,023 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had fluctuated by 5%, the pre-tax profit for the year ended December 31, 2017 would have increased/decreased by \$265,585 thousand as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the year ended December 31, 2017 would have increase/decreased by \$103,878 thousand as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The counterparties of the Group's trade receivable included numerous clients distributed over a variety of areas, and not centered on a single client or location. Besides this, ongoing credit evaluations are performed on the financial conditions of trade receivables, so the Group's credit risk is limited. At balance sheet date, the Group's maximum exposure to credit risk approximates the carrying amounts of the respective recognized financial assets as stated in the consolidated balance sheet.

3) Liquidity risk

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

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods based on the probable earliest repayment dates.

December 31, 2018

| | Weighted Average Interest Rate (%) | On Demand or Less than 1 Year | 1-5 Years | 5+ Years |
|---|---|--|----------------------|-----------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | | \$ 5,290,237 | \$ - | \$ - |
| Floating interest rate liabilities | 0.83-4.58 | 4,441,740 | 6,168,200 | - |
| Fixed interest rate liabilities | 0.49-3.65 | <u>6,774,323</u> | <u>5,992,603</u> | <u>-</u> |
| | | <u>\$ 16,506,300</u> | <u>\$ 12,160,803</u> | <u>\$ -</u> |

December 31, 2017

| | Weighted Average Interest Rate (%) | On Demand or Less than 1 Year | 1-5 Years | 5+ Years |
|---|---|--|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | | \$ 5,937,540 | \$ - | \$ - |
| Floating interest rate liabilities | 0.50-4.35 | 3,474,970 | 4,290,000 | - |
| Fixed interest rate liabilities | 0.40-1.90 | <u>3,461,353</u> | <u>2,912,408</u> | <u>4,990,958</u> |
| | | <u>\$ 12,873,863</u> | <u>\$ 7,202,408</u> | <u>\$ 4,990,958</u> |

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following table details the Group's liquidity analysis for its derivative financial instruments and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2018

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year |
|------------------------------------|---|--------------------|-------------------------------|
| <u>Gross settled</u> | | | |
| Foreign exchange forward contracts | | | |
| Inflows | \$ 1,254,606 | \$ 1,249,421 | \$ 85,474 |
| Outflows | <u>(1,262,179)</u> | <u>(1,258,131)</u> | <u>(86,700)</u> |
| | <u>\$ (7,573)</u> | <u>\$ (8,710)</u> | <u>\$ (1,226)</u> |

December 31, 2017

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year |
|------------------------------------|---|--------------------|-------------------------------|
| <u>Gross settled</u> | | | |
| Foreign exchange forward contracts | | | |
| Inflows | \$ 774,990 | \$ 1,611,954 | \$ 91,897 |
| Outflows | <u>(776,782)</u> | <u>(1,616,673)</u> | <u>(92,873)</u> |
| | <u>\$ (1,792)</u> | <u>\$ (4,719)</u> | <u>\$ (976)</u> |

c) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2018 and 2017, the unused amounts of bank loan facilities were as follows:

| | December 31 | |
|----------------------|----------------------|----------------------|
| | 2018 | 2017 |
| Bank loan facilities | | |
| Amount unused | <u>\$ 20,493,587</u> | <u>\$ 23,835,609</u> |

39. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries (which are related parties of the Company) have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

- a. Related parties' names and their relationships

| <u>Related Party Names</u> | <u>Relationship with the Group</u> |
|--------------------------------------|---|
| Dynamic Ever Investments Limited | Associate (Since January 13, 2017 as a subsidiary, included in the consolidated financial statements) |
| Fujian Gulei Petrochemical Co., Ltd. | Joint venture |
| USI Education Foundation | Other related party |

- b. Donation expense (classified as general and administrative expenses)

| Related Party Category/Name | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2018 | 2017 |
| Other related party USI Education Foundation | <u>\$ 7,500</u> | <u>\$ 5,000</u> |

- c. Management services income (classified as other income)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|------------------|
| | 2018 | 2017 |
| Joint venture | <u>\$ 26,984</u> | <u>\$ 17,431</u> |

- d. Other receivables

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|------------------|
| | 2018 | 2017 |
| Joint venture | <u>\$ 12,768</u> | <u>\$ 14,642</u> |

e. Compensation of key management personnel

The types and amounts of the remuneration of directors and other members of key management personnel were as follows:

| | For the Year Ended December 31 | |
|------------------------------|---|------------------|
| | 2018 | 2017 |
| Short-term employee benefits | \$ 55,681 | \$ 81,208 |
| Post-employment benefits | <u>324</u> | <u>594</u> |
| | <u>\$ 56,005</u> | <u>\$ 81,802</u> |

Compensation of the board and other key management personnel depends on individual performance and market trending.

40. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as guarantees for the tariff of imported raw materials, outward documentary bill or financing facilities:

| | December 31 | |
|---|---------------------|---------------------|
| | 2018 | 2017 |
| Pledged time deposits (classified as financial assets measured at amortized cost) | \$ 750,893 | \$ - |
| Pledged time deposits (classified as debt investments with no active market) | - | 737,942 |
| Equity shares | 970,370 | 1,998,723 |
| Property, plant and equipment | 4,082,108 | 4,537,237 |
| Investment properties, net | 108,178 | 108,179 |
| Land use rights (classified as long-term prepayments for leases) | 78,189 | 37,809 |
| Refundable deposits (classified as other non-current assets) | <u>53,535</u> | <u>56,667</u> |
| | <u>\$ 6,043,273</u> | <u>\$ 7,476,557</u> |

41. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENT

- a. As of December 31, 2018 and 2017, the Company's unused letter of credit amounted to \$3,857,537 thousand and \$4,002,441 thousand, respectively.
- b. The following is regarding the subsidiary, CGTD, who was commissioned to operate LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014 and the first instance judgment of the criminal procedures, which was reached on May 11, 2018, whereby three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees in appealing against the judgment.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of \$227,167 thousand, interest included, to the Kaohsiung City

Government as collateral for the losses caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan. Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 2019, the provisionally attached properties were worth \$141,255 thousand.

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

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

As of February 28, 2019, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim for \$23,919 thousand, and the amount of the settlement was \$3,899 thousand. Along with the case still in litigation and the above-mentioned compensation, the accumulated amount of compensation is \$3,881,291 thousand. The first-instance judgments of some of the abovementioned civil cases (with a total amount of compensation of approximately \$1,177,192 thousand) have been gradually announced, starting from June 22, 2018. The proportion of fault liability of the Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3 in most judgments. The total amount of compensation that CGTD, LCY Chemical Corp. and the other defendants should pay is about \$383,831 thousand, of which CGTD was exempted for \$6,194 thousand, but should pay \$188,818 thousand, the estimated portion of compensation that CGTD should pay at the moment according to the judgment of the first instance. CGTD has appealed in those civil cases which were announced but not yet settled and entered into the second-instance trials. In addition, with regard to the above-mentioned compensation, CGTD estimated and recognized an amount of \$136,375 thousand based on its fault liability proportion in the first-instance judgment. The actual liability of CGTD depends on the future judgments of the remaining civil cases.

42. SIGNIFICANT CONTRACT

- a. TVCM along with Formosa Plastics Corporation, Mitsui Corp., signed a dichloromethane purchase agreement in which the purchase prices are calculated by the buyers and sellers in accordance with a pricing formula.
- b. Significant operating contract

CGTD is commissioned to operate the storage and transportation of any items of petrochemical raw materials; operating service charges are calculated in accordance with the actual operation quantities and at the rate stated in the contracts. The petrochemical raw materials insurance expenses are borne by individual commissioned companies.

| <u>Commissioned Company</u> | <u>Operation Contract Period</u> |
|--|----------------------------------|
| Taita Chemical Company, Ltd. | 2017.01.01-2019.12.31 |
| Taiwan VCM Corporation | 2017.01.01-2019.12.31 |
| USI Corporation | 2018.01.01-2018.12.31 |
| Asia Polymer Corporation | 2018.01.01-2018.12.31 |
| Formosa Plastic Corporation | 2018.01.01-2019.12.31 |
| Oriental Union Chemical Corporation | 2017.01.01-2018.12.31 |
| LCY Chemical Corporation | 2017.01.01-2019.12.31 |
| Taiwan Styrene Monomer Corporation | 2017.01.01-2019.12.31 |
| Transformational Chemistry Corporation | 2017.01.01-2019.12.31 |
| NANTEX Industry Co., Ltd. | 2017.01.01-2019.12.31 |
| En Chuan Chemical Industries Co., Ltd. | 2017.01.01-2019.12.31 |
| Xin Long Guang Plastics Co., Ltd. | 2017.01.01-2019.12.31 |

The above contracts may be renewed after the expiry of the period.

43. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: Foreign and Functional Currencies in Thousands

| | December 31, 2018 | | | | |
|--|-----------------------------|--|-----------|--------------------------------|--------------|
| | Foreign Currency | Exchange Rate (In Single Dollars) | | Functional Currency | NTD |
| <u>Foreign currency assets</u> | | | | | |
| Monetary items | | | | | |
| USD | \$ 147,405 | 30.72 | (USD:NTD) | \$ 4,527,541 | \$ 4,527,541 |
| USD | 4,965 | 6.86 | (USD:RMB) | 42,927 | 153,915 |
| USD | 2,995 | 4.32 | (USD:MYR) | 12,934 | 91,984 |
| RMB | 347,421 | 4.48 | (RMB:NTD) | 1,554,811 | 1,554,811 |
| AUD | 687 | 21.67 | (AUD:NTD) | 14,885 | 14,885 |
| EUR | 344 | 35.20 | (EUR:NTD) | 12,114 | 12,114 |
| Non-monetary items | | | | | |
| Joint ventures accounted for using the equity method | | | | | |
| RMB | 2,310,215 | 0.15 | (RMB:USD) | 336,609 | 10,338,945 |
| Non-monetary items | | | | | |
| Derivative instruments | | | | | |
| USD buy | 1,065 | 30.72 | (USD:NTD) | 9 | 9 |
| USD sell | 29,840 | 30.72 | (USD:NTD) | 1,412 | 1,412 |
| USD sell | 1,294 | 4.32 | (USD:MYR) | 65 | 464 |
| RMB sell | 27,700 | 4.48 | (RMB:NTD) | 219 | 219 |
| EUR sell | 163 | 5.00 | (EUR:MYR) | 11 | 77 |
| <u>Foreign currency liabilities</u> | | | | | |
| Monetary items | | | | | |
| USD | 41,876 | 30.72 | (USD:NTD) | 1,285,325 | 1,285,325 |
| USD | 19,262 | 6.86 | (USD:RMB) | 132,198 | 591,631 |
| RMB | 47,120 | 4.48 | (RMB:NTD) | 210,876 | 210,876 |
| Non-monetary items | | | | | |
| Derivative instruments | | | | | |
| USD buy | 16,965 | 30.72 | (USD:NTD) | 1,338 | 1,338 |
| USD sell | 4,585 | 30.72 | (USD:NTD) | 417 | 417 |
| RMB sell | 231,200 | 4.48 | (RMB:NTD) | 9,023 | 8,890 |
| JPY sell | 80,000 | 0.01 | (JPY:USD) | 16 | 490 |

December 31, 2017

| | Foreign Currency | Exchange Rate (In Single Dollars) | | Functional Currency | NTD |
|--|-----------------------------|--|-----------|--------------------------------|--------------|
| <u>Foreign currency assets</u> | | | | | |
| Monetary items | | | | | |
| USD | \$ 153,882 | 29.76 | (USD:NTD) | \$ 4,579,528 | \$ 4,579,528 |
| USD | 5,649 | 6.53 | (USD:RMB) | 36,910 | 168,109 |
| USD | 3,809 | 4.21 | (USD:MYR) | 16,029 | 113,356 |
| RMB | 209,407 | 4.55 | (RMB:NTD) | 953,743 | 953,743 |
| RMB | 2,223 | 0.15 | (RMB:USD) | 340 | 10,134 |
| JPY | 86,200 | 0.26 | (JPY:NTD) | 22,756 | 22,756 |
| AUD | 754 | 23.19 | (AUD:NTD) | 17,481 | 17,481 |
| EUR | 695 | 35.57 | (EUR:NTD) | 24,733 | 24,733 |
| Non-monetary items | | | | | |
| Joint ventures accounted for using the equity method | | | | | |
| RMB | 1,150,895 | 0.15 | (RMB:USD) | 176,134 | 5,241,747 |
| Non-monetary items | | | | | |
| Derivative instruments | | | | | |
| USD buy | 7,810 | 29.76 | (USD:NTD) | 1,107 | 1,107 |
| USD sell | 29,297 | 29.76 | (USD:NTD) | 3,018 | 3,018 |
| USD sell | 47 | 6.53 | (USD:MYR) | 3 | 24 |
| RMB sell | 10,000 | 4.55 | (RMB:NTD) | 20 | 20 |
| EUR sell | 101 | 35.57 | (EUR:MYR) | 3 | 20 |
| <u>Foreign currency liabilities</u> | | | | | |
| Monetary items | | | | | |
| USD | 53,582 | 29.76 | (USD:NTD) | 1,594,598 | 1,594,598 |
| USD | 21,436 | 6.53 | (USD:RMB) | 140,068 | 637,938 |
| RMB | 34,743 | 4.55 | (RMB:NTD) | 158,237 | 158,237 |
| Non-monetary items | | | | | |
| Derivative instruments | | | | | |
| USD buy | 530 | 29.76 | (USD:NTD) | 86 | 86 |
| USD sell | 12,593 | 29.76 | (USD:NTD) | 648 | 648 |
| RMB sell | 149,600 | 4.55 | (RMB:NTD) | 6,269 | 6,269 |
| EUR sell | 340 | 4.79 | (EUR:NTD) | 70 | 70 |
| JPY sell | 40,000 | 0.26 | (JPY:NTD) | 616 | 616 |
| AUD sell | 600 | 23.19 | (AUD:NTD) | 194 | 194 |

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange losses were \$(8,899) thousand and \$(124,219) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

44. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (Note 7 and Note 38)
- 10) Intercompany relationships and significant intercompany transactions. (Table 9)
- 11) Information on investees. (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
 - e) The highest balance during the period, the end of period balance, the interest rate range, and

total current period interest with respect to financing of funds. (None)

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

45. SEGMENT INFORMATION

The Group provides its chief operating decision maker with details on about allocated resources and assessed segment information which focus on each group entity's financial information. The Group's reportable segment related information is detailed as follows:

- a. Reportable segment income information

| | For the Year Ended December 31, 2018 | | | | | | Total |
|--------------------------------------|--------------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|--------------|---------------|
| | USI | CGPC and Its Subsidiaries | TTC and Its Subsidiaries | ACME and Its Subsidiaries | APC and Its Subsidiaries | Others | |
| Segment income | \$ 11,763,140 | \$ 15,192,621 | \$ 21,683,702 | \$ 2,382,293 | \$ 6,375,134 | \$ 5,213,465 | \$ 62,610,355 |
| Interest income | 18,186 | 16,400 | 12,922 | 14,275 | 18,489 | 91,392 | 171,664 |
| Finance costs | (86,490) | (10,149) | (55,349) | (23,252) | (40,142) | (55,800) | (271,182) |
| Depreciation and amortization | (430,952) | (526,598) | (197,771) | (216,354) | (292,406) | (389,107) | (2,053,188) |
| Impairment losses (reversed) | (27,630) | (168) | - | (50,163) | 11,678 | - | (66,283) |
| Reportable segment profit before tax | 620,342 | 1,654,352 | 331,252 | 150,703 | 316,863 | 397,277 | 3,470,789 |
| Reportable segment tax expense | (80,407) | (305,699) | (123,279) | (15,926) | (30,037) | (98,730) | (654,078) |
| Reportable segment net profit | 539,935 | 1,348,653 | 207,973 | 134,777 | 286,826 | 298,547 | 2,816,711 |

| For the Year Ended December 31, 2017 | | | | | | | |
|---|---------------|---------------------------|--------------------------|---------------------------|--------------------------|--------------|---------------|
| | USI | CGPC and Its Subsidiaries | TTC and Its Subsidiaries | ACME and Its Subsidiaries | APC and Its Subsidiaries | Others | Total |
| Segment income | \$ 11,551,511 | \$ 14,701,741 | \$ 19,821,042 | \$ 2,370,715 | \$ 6,404,467 | \$ 4,973,441 | \$ 59,822,917 |
| Interest income | 22,755 | 13,710 | 12,461 | 5,959 | 16,426 | 34,906 | 106,217 |
| Finance costs | (62,324) | (13,028) | (48,934) | (26,688) | (41,762) | (59,805) | (252,541) |
| Depreciation and amortization | (400,266) | (455,361) | (185,935) | (235,749) | (290,762) | (377,367) | (1,945,440) |
| Impairment losses | (3,047) | (2,083) | (3,035) | - | (10,173) | (13,566) | (31,904) |
| Reportable segment profit (loss) before tax | 1,206,938 | 1,616,143 | 677,851 | (98,455) | 655,753 | 885,384 | 4,943,614 |
| Reportable segment tax expense | (95,648) | (274,672) | (175,772) | (43,215) | (90,399) | (96,514) | (776,220) |
| Reportable segment net profit (loss) | 1,111,290 | 1,341,471 | 502,079 | (141,670) | 565,354 | 788,870 | 4,167,394 |

b. Reportable segment income and other major adjusted of items

1) Segment income and operating results

| | For the Year Ended December 31 | |
|---|--------------------------------|---------------------|
| | 2018 | 2017 |
| Reportable segment net profit before tax | \$ 3,073,512 | \$ 4,058,230 |
| Reportable segment tax expense | <u>(555,348)</u> | <u>(679,706)</u> |
| Reportable segment profit after tax | 2,518,164 | 3,378,524 |
| Other non-reportable segment profit | 298,547 | 788,870 |
| Less: Profit between segments | <u>(948,362)</u> | <u>(1,455,344)</u> |
| Profit from continuing operations | 1,868,349 | 2,712,050 |
| Profit or loss from discontinued operations | <u>7,467</u> | <u>(2,197)</u> |
| Net profit after tax | <u>\$ 1,875,816</u> | <u>\$ 2,709,853</u> |

2) Other significant items reconciliation

| For the Year Ended December 31, 2018 | | | | | | | | |
|--------------------------------------|-----------|---------------------------|--------------------------|---------------------------|--------------------------|-----------|----------------|-------------|
| | USI | CGPC and Its Subsidiaries | TTC and Its Subsidiaries | ACME and Its Subsidiaries | APC and Its Subsidiaries | Others | Reconciliation | Total |
| Interest income | \$ 18,186 | \$ 16,400 | \$ 12,922 | \$ 14,275 | \$ 18,489 | \$ 91,392 | \$ - | \$ 171,664 |
| Finance costs | (86,490) | (10,149) | (55,349) | (23,252) | (40,142) | (55,800) | - | (271,182) |
| Depreciation and amortization | (430,952) | (526,598) | (197,771) | (216,354) | (292,406) | (389,107) | 889 | (2,052,299) |
| Impairment losses | (27,630) | (168) | - | (50,163) | 11,678 | - | - | (66,283) |

| For the Year Ended December 31, 2017 | | | | | | | | |
|--------------------------------------|-----------|---------------------------|--------------------------|---------------------------|--------------------------|-----------|----------------|-------------|
| | USI | CGPC and Its Subsidiaries | TTC and Its Subsidiaries | ACME and Its Subsidiaries | APC and Its Subsidiaries | Others | Reconciliation | Total |
| Interest income | \$ 22,755 | \$ 13,710 | \$ 12,461 | \$ 5,959 | \$ 16,426 | \$ 34,906 | \$ - | \$ 106,217 |
| Finance costs | (62,324) | (13,028) | (48,934) | (26,688) | (41,762) | (59,805) | - | (252,541) |
| Depreciation and amortization | (400,266) | (455,361) | (185,935) | (235,749) | (290,762) | (377,367) | 889 | (1,944,551) |
| Impairment losses | (3,047) | (2,083) | (3,035) | - | (10,173) | (13,566) | - | (31,904) |

The Group had not offered information about assets of individual operating segments to the operational decision maker, so no such information from the individual operating segments is included in the segment information.

c. Revenue from major products

| | For the Year Ended December 31 | |
|----------------------|---|----------------------|
| | 2018 | 2017 |
| <u>Products</u> | | |
| Plastic materials | \$ 57,962,078 | \$ 55,218,669 |
| Electronic materials | 2,373,960 | 2,349,246 |
| Others | <u>556,475</u> | <u>566,028</u> |
| | <u>\$ 60,892,513</u> | <u>\$ 58,133,943</u> |

d. Geographical information

The Group's major operations are located in Asia, so its non-current assets and related information are not shown by location.

The Group's revenue from continuing operations from external customers by location of operations are detailed below:

| | For the Year Ended December 31 | |
|---------|---|----------------------|
| | 2018 | 2017 |
| Asia | \$ 55,101,296 | \$ 51,865,408 |
| America | 3,020,120 | 3,284,164 |
| Europe | 721,948 | 643,616 |
| Africa | 803,046 | 510,113 |
| Oceania | 287,405 | 344,685 |
| Others | <u>958,698</u> | <u>1,485,957</u> |
| | <u>\$ 60,892,513</u> | <u>\$ 58,133,943</u> |

e. Major customers

No single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

USI CORPORATION AND SUBSIDIARIES

(Acme Electronics Corporation (ACME))

FINANCING PROVIDED TO OTHERS**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance (Notes 3 and 4) | Actual Borrowing Amount (Notes 3 and 4) | Interest Rate (%) | Nature of Financing (Note 2) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 1) | Aggregate Financing Limit (Note 1) |
|-----|------------------------------|--------------------------------------|-------------------------------------|---------------|-------------------------------------|-------------------------------------|---|-------------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|--|------------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | Acme Electronics Corporation | ACME Electronics (Cayman) Corp. | Other receivables - related parties | Yes | \$ 246,640 (US\$ 8,000 thousand) | \$ 245,720 (US\$ 8,000 thousand) | \$ 184,290 (US\$ 6,000 thousand) | 2.15678-3.70663 | 2 | \$ - | Business turnover | \$ - | - | - | \$ 558,218 | \$ 558,218 |
| | | Acme Electronics (Kunshan) Co., Ltd. | Other receivables - related parties | Yes | 224,122 (RMB 48,000 thousand) | 89,506 (RMB 20,000 thousand) | - | 2.34861-4.785 | 2 | - | Business turnover | - | - | - | 558,218 | 558,218 |
| | | Golden Amber Enterprises Ltd. | Other receivables - related parties | Yes | 21,669 (US\$ 700 thousand) | 21,501 (US\$ 700 thousand) | 21,501 (US\$ 700 thousand) | 3.24814 | 2 | - | Business turnover | - | - | - | 558,218 | 558,218 |

Note 1: Total financing amounts provided to others shall not exceed 40% of ACME's net value, and the highest aggregate financing limits are calculated by the net value as of December 31, 2018.

Note 2: The nature of financing is provided as follow:

- a. Business relationship is coded "1"
- b. For short-term financing is coded "2"

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

Note 4: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

(Swanson Plastics Corporation (SPC))

FINANCING PROVIDED TO OTHERS**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period (Note 3) | Ending Balance | Actual Borrowing Amount | Interest Rate (%) | Nature of Financing (Note 1) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 2) | Aggregate Financing Limit (Note 2) |
|-----|--|--|---|---------------|---|----------------|-------------------------|-------------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|--|------------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Forever Young Company Limited | Swanson Plastics (India) Private Limited | Long-term receivables - related parties | Yes | \$ 85,425 | \$ - | \$ - | - | 1 | \$ 1,316 | - | \$ - | - | - | \$ 92,751 | \$ 185,503 |
| | | Swanson Plastics (Nantong) Co., Ltd. | Long-term receivables - related parties | Yes | 126,869 | - | - | - | 1 | - | - | - | - | - | 92,751 | 185,503 |
| | | A.S. Holding (UK) Limited | Long-term receivables - related parties | Yes | 9,252 | 9,180 | 9,180 | - | 1 | - | - | - | - | - | 92,751 | 185,503 |
| | | Swanson International Ltd. | Other receivables - related parties | Yes | 96,115 | 95,370 | 95,370 | - | 2 | - | Business turnover | - | - | - | 92,751 | 185,503 |
| 2 | ASK-Swanson (Kunshan) Co., Ltd. | Swanson Plastics (Nantong) Co., Ltd. | Other receivables -related parties | Yes | 46,701 | - | - | - | 2 | - | Business turnover | - | - | - | 522,897 | 522,897 |
| | | Swanson Plastics (Tianjin) Co., Ltd. | Other receivables - related parties | Yes | 183,487 | 183,487 | 183,487 | 4.35-4.43 | 2 | - | Business turnover | - | - | - | 522,897 | 522,897 |
| 3 | Swanson Plastics (Singapore) Private Limited | Swanson Plastics (India) Private Limited | Other receivables - related parties | Yes | 112,699 | 109,266 | 109,266 | - | 1 | - | - | - | - | - | 376,182 | 376,182 |
| | | PT. Swanson Plastics Indonesia | Other receivables - related parties | Yes | 77,217 | - | - | - | 1 | - | - | - | - | - | 376,182 | 376,182 |
| 4 | Swanson Plastics (Kunshan) Co., Ltd. | Swanson Plastics (Tianjin) Co., Ltd. | Other receivables - related parties | Yes | 84,062 | - | - | 4.35 | 2 | - | Business turnover | - | - | - | 966,721 | 966,721 |

Note 1: The nature of financing is provided as follow:

- a. Business relationship is coded "1"
- b. For short-term financing is coded "2"

Note 2: Financing provided to others limits shall not exceed 40% of SPC's net value.

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

Note 4: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(China General Plastics Corporation (CGPC))

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period (Note 4) | Ending Balance (Note 4) | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 3) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Notes 2 and 4) | Aggregate Financing Limits (Notes 2 and 4) |
|-----|------------------------------|---|-------------------------------------|---------------|---|-------------------------|-------------------------|---------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|---|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | CGPC (BVI) Holding Co., Ltd. | Continental General Plastics (Zhong Shan) Co., Ltd. | Other receivables - related parties | Yes | \$ 122,860 (US\$ 4,000 thousand) | \$ - | \$ - | - | 2 | \$ - | Business turnover | \$ - | - | - | \$ 353,757 | \$ 353,757 |

Note 1: The total amount of financing by CGPC to others shall not exceed 40% of the net worth of CGPC. CGPC has no financing provided to others as of December 31, 2018.

Note 2: The total amount of financing by the CGPC (BVI) Holding Co., Ltd. to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of financing provided to any subsidiary wholly-owned by CGPC shall not exceed 100% of the net worth of CGPC according to the most recent audited or reviewed financial statement. The maximum total amount of financing was calculated based on net value of the most recent audit.

Note 3: The nature of financing is provided as follow:

- a. Business relationship is coded "1"
- b. For short-term financing is coded "2"

Note 4: The amount is calculated using the spot exchange rate of December 31, 2018.

Note 5: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

(Taita Chemical Company, Limited (TTC))

FINANCING PROVIDED TO OTHERS**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period (Note 4) | Ending Balance (Note 4) | Actual Borrowing Amount (Note 4) | Interest Rate (%) | Nature of Financing (Note 3) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Notes 1, 2 and 4) | Aggregate Financing Limit (Notes 1, 2 and 4) |
|-----|---------------------------------------|------------------------------------|-------------------------------------|---------------|---|--------------------------------------|-------------------------------------|-------------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Taita Chemical (Zhong shan) Co., Ltd. | Taita Chemical (Tianjin) Co., Ltd. | Other receivables - related parties | Yes | \$ 895,060 (RMB 200,000 thousand) | \$ 447,530 (RMB 100,000 thousand) | \$ 268,518 (RMB 60,000 thousand) | 5.22 | 2 | \$ - | Business turnover | \$ - | - | \$ - | \$ 2,095,315 | \$ 2,095,315 |

Note 1: The total amount of lending to TTC for funding for a short-term period shall not exceed 40% of the net worth of TTC. As of December 31, 2018, TTC did not loan funds to anyone.

Note 2: The total amount of lending to a company for funding for a short-term period shall not exceed 40% of the audited net worth of Taita Chemical (Zhong shan) Co., Ltd. The restriction does not apply to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by TTC. As December 31, 2018, the audited net worth of Taita Chemical (Zhong shan) Co., Ltd. is RMB468,194 thousand.

Note 3: The nature of financing is provided as follows:

- a. Business relationship is coded "1"
- b. For short-term financing is coded "2"

Note 4: The amount is calculated using the spot exchange rate of December 31, 2018.

Note 5: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|--------------------|--------------------------------------|---|---|--|--|-------------------------------|--|---|--|---|---|--|
| | | Name | Relationship | | | | | | | | | | |
| 0 | USI Corporation | Union Polymer Int'l Investment Corp. | Subsidiary which directly held more than 50% of ordinary shares | \$ 10,912,292 | \$ 3,900,000 | \$ 3,700,000 | \$ 1,510,000 | None | 20.34 | \$ 10,912,292 | Yes | No | No |
| | | Chong Loong Trading Co., Ltd. | Subsidiary which directly held more than 50% of ordinary shares | 10,912,292 | 327,150 (US\$ 10,000 thousand) (NT\$ 20,000 thousand) | 327,150 (US\$ 10,000 thousand) (NT\$ 20,000 thousand) | 88,347 | None | 1.80 | 10,912,292 | Yes | No | No |
| | | Forum Pacific Trading Ltd. | Subsidiary which Chong Loong Co. directly held more than 50% of ordinary shares | 10,912,292 | 153,575 (US\$ 5,000 thousand) | - | - | None | - | 10,912,292 | Yes | No | No |
| | | Usig (Shanghai) Co., Ltd. | Parent company and subsidiary totally held more than 50% of ordinary shares | 10,912,292 | 482,911 (RMB 53,000 thousand) (US\$ 8,000 thousand) | - | - | None | - | 10,912,292 | Yes | No | Yes |

Note: Both total endorsements/guarantees provided amounts and the amount of endorsements/guarantees for an individual entity shall not exceed 60% of the Company's net value. The maximum amount of endorsement/guarantees s calculated based on net value as of December 31, 2018.

USI CORPORATION AND SUBSIDIARIES
(Acme Electronics Corporation (ACME))

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement / Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement / Guarantee at the End of the Period (Note 3) | Actual Borrowing Amount (Note 3) | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement / Guarantee to Net Equity in Latest Financial Statements (%) (Note 1) | Aggregate Endorsement / Guarantee Limit (Note 2) | Endorsement / Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement / Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement / Guarantee Given on Behalf of Companies in Mainland China |
|-----|------------------------------|---|--|--|---|---|----------------------------------|---|--|--|---|---|--|
| | | Name | Relationship | | | | | | | | | | |
| 0 | Acme Electronics Corporation | Acme Electronics (Kunshan) Co., Ltd. | Subsidiary of ACME Electronics (Cayman) Corp. | \$ 2,791,092 | \$ 371,460 (US\$ 12,000 thousand) | \$ 368,580 (US\$ 12,000 thousand) | \$ 122,860 (US\$ 4,000 thousand) | None | 26.41 | \$ 2,791,092 | No | No | Yes |
| | | Acme Electronics (Guang-Zhou) Co., Ltd. | Subsidiary of Golden Amber Enterprises Limited | 2,791,092 | 306,050 (US\$ 10,000 thousand) | 153,575 (US\$ 5,000 thousand) | - | None | 11.00 | 2,791,092 | No | No | Yes |
| | | ACME Ferrite Products Sdn. Bhd. | Subsidiary of ACME Electronics (Cayman) Corp. | 2,791,092 | 123,820 (US\$ 4,000 thousand) | - | - | None | - | 2,791,092 | No | No | No |

Note 1: The ratio is calculated using the ending balance of equity of the endorser/guarantor as of December 31, 2018.

Note 2: The maximum amount of total endorsement/guarantee shall not exceed 200% of the equity attributable to owners of the endorser/guarantor. The maximum amount of endorsement/guarantee was calculated based on the equity of the endorser/guarantor as of December 31, 2018.

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION AND SUBSIDIARIES
(Swanson Plastics Corporation (SPC))

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period (Note 2) | Actual Borrowing Amount (Note 2) | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note 1) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|------------------------------|---|-------------------|---|---|--|----------------------------------|---|--|---|--|--|---|
| | | Name | Relationship | | | | | | | | | | |
| 0 | Swanson Plastics Corporation | Forever Young Company Limited | Subsidiary | \$ 6,180,745 | \$ 2,377,694 | \$ 2,377,694 | \$ 399,295 | \$ - | 95.88 | \$ 6,180,745 | No | No | No |
| | | Swanson Plastics (Malaysia) Private Sdn. Bhd. | Sub-subsubsidiary | 6,180,745 | 37,146 | 36,858 | - | - | 1.49 | 6,180,745 | No | No | No |
| | | PT. Swanson Plastics Indonesia | Subsidiary | 6,180,745 | 61,910 | 61,430 | - | - | 2.48 | 6,180,745 | No | No | No |
| | | Swanson Plastics (Singapore) Sdn. Bhd. | Subsidiary | 6,180,745 | 87,585 | 85,603 | - | - | 3.45 | 6,180,745 | No | No | No |
| | | Swanson Plastics (Tianjin) Co., Ltd. | Sub-subsubsidiary | 6,180,745 | 61,910 | 61,430 | - | - | 2.48 | 6,180,745 | No | No | Yes |
| | | Swanson Plastics (Kunshan) Co., Ltd. | Sub-subsubsidiary | 6,180,745 | 123,820 | 122,860 | - | - | 4.95 | 6,180,745 | No | No | Yes |
| | | Swanson Technologies Corporation | Subsidiary | 6,180,745 | 109,528 | 109,144 | 95,900 | - | 4.40 | 6,180,745 | No | No | No |

Note 1: The amount of endorsements/guarantees for an individual entity shall not exceed 250% of SPC's equity.

Note 2: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION AND SUBSIDIARIES
(China General Plastics Corporation (CGPC))

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement / Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement / Guarantee at the End of the Period (Note 3) | Actual Borrowing Amount (Note 3) | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement / Guarantee to Net Equity in Latest Financial Statements (%) (Note 1) | Aggregate Endorsement / Guarantee Limit (Note 2) | Endorsement / Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement / Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement / Guarantee Given on Behalf of Companies in Mainland China |
|-----|------------------------------------|--------------------------|--------------|--|---|---|----------------------------------|---|--|--|---|---|--|
| | | Name | Relationship | | | | | | | | | | |
| 0 | China General Plastics Corporation | CGPC Polymer Corporation | Subsidiary | \$ 8,374,640 | \$ 3,307,150 | \$ 2,907,150 | \$ 515,358 | None | 34.71 | \$ 8,374,640 | No | No | No |

Note 1: The ratio is calculated using the ending balance of equity of CGPC as of December 31, 2018.

Note 2: After the revisions to the Company's guarantee procedures was approved in the shareholders' meeting on June 2018, the total amount of guarantee that may be provided by CGPC to any individual entity shall not exceed 100% of CGPC's net worth.

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION AND SUBSIDIARIES
 (Taita Chemical Company, Limited (TTC))

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/Guaranteed During the Period (Note 1) | Outstanding Endorsement/Guarantee at the End of the Period (Note 1) | Actual Borrowing Amount (Note 1) | Amount Endorsed/Guaranteed by Collateral (Note 1) | Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/Guarantee Limit (Note 2) | Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/Guarantee Given on Behalf of Companies in Mainland China |
|-----|---------------------------------|---------------------------------------|---|--|---|---|--------------------------------------|---|---|--|---|---|--|
| | | Name | Relationship | | | | | | | | | | |
| 0 | Taita Chemical Company, Limited | Taita (BVI) Holding Co., Ltd. | Subsidiary which directly held 100% ordinary shares | \$ 5,987,936 | \$ 1,613,595 (US\$ 33,000 thousand) (NT\$ 600,000 thousand) | \$ 1,613,595 (US\$ 33,000 thousand) (NT\$ 600,000 thousand) | \$ 771,561 (US\$ 25,120 thousand) | \$ - | 40.42 | \$ 5,987,936 | No | No | No |
| | | Taita Chemical (Zhong shan) Co., Ltd. | 100% voting shares directly owned by TTC | 5,987,936 | 243,081 (US\$ 5,000 thousand) (RMB 50,000 thousand) | 223,765 (RMB 50,000 thousand) | - | - | 5.61 | 5,987,936 | No | No | Yes |
| | | Taita Chemical (Tianjin) Co., Ltd. | 100% voting shares directly owned by TTC | 5,987,936 | 460,725 (US\$ 15,000 thousand) | 460,725 (US\$ 15,000 thousand) | 153,575 (US\$ 5,000 thousand) | - | 11.54 | 5,987,936 | No | No | Yes |

Note 1: The amount is calculated using the spot exchange rate of December 31, 2018.

Note 2: The ceiling to TTC on the aggregate amounts of endorsements/guarantees permitted shall not exceed 150% of total equity of TTC. The ceilings on the aggregate amounts of endorsements/guarantees permitted shall not exceed 200% of total equity of TTC.

USI CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)

DECEMBER 31, 2018

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|----------------------|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| USI Corporation | <u>Shares</u> | | | | | | | |
| | CTCI Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 15,180,656 | \$ 674,021 | 1.99 | \$ 674,021 | |
| | KHL IB Venture Capital Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 16,707,600 | 240,042 | 11.90 | 240,042 | |
| | AU Optronics Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 8,514,006 | 104,722 | 0.09 | 104,722 | |
| | Global BioPharma, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 310,000 | 2,716 | 0.45 | 2,716 | |
| | Evergreen Marine Corp. | - | Financial assets at fair value through profit or loss - current | 1,664,722 | 19,810 | - | 19,810 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 500,000 | 26,350 | - | 26,350 | |
| | United Renewable Energy Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 229,127 | 1,794 | - | 1,794 | |
| | Teratech Corp. | - | Financial assets at fair value through profit or loss - non-current | 110,000 | - | - | - | Note 2 |
| | <u>Beneficiary certificates</u> | | | | | | | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 15,428,541 | 208,401 | - | 208,401 | |
| | Yuanta De-Li Money Market Fund | - | Financial assets at fair value through profit or loss - current | 7,685,512 | 125,126 | - | 125,126 | |
| | CTBC Hwa Win Money Market Fund | - | Financial assets at fair value through profit or loss - current | 7,043,449 | 77,507 | - | 77,507 | |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,759,574 | 72,710 | - | 72,710 | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,422,810 | 65,429 | - | 65,429 | |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,104,115 | 50,388 | - | 50,388 | |
| | Franklin Templeton SinoAm Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,857,576 | 50,135 | - | 50,135 | |

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|----------------------|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| USI Corporation | <u>Shares</u> Taishin Ta-Chong Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,531,672 | 50,095 | - | 50,095 | |
| | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,993,546 | 50,007 | - | 50,007 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|--------------------------------------|--|---------------------------------------|---|-------------------|------------------------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | FSITC Money Market Fund | - | Financial assets at fair value through profit or loss - current | 280,738 | \$ 50,007 | - | \$ 50,007 | |
| | TCB Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,928,876 | 50,006 | - | 50,006 | |
| | Eastspring Investments Well Pool Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,518,774 | 34,215 | - | 34,215 | |
| | Yuanta De-Bao Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,667,334 | 32,011 | - | 32,011 | |
| | KGI Victory Money Market Fund | - | Financial assets at fair value through profit or loss - current | 953,107 | 11,020 | - | 11,020 | |
| | Deutsche Far Eastern DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 429,056 | 5,011 | - | 5,011 | |
| | <u>Beneficiary certificates (REIT)</u> | | | | | | | |
| | Fubon No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 8,000,000 | 100,800 | - | 100,800 | |
| | Shin Kong No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 3,000,000 | 45,210 | - | 45,210 | |
| | Cathay No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 2,500,000 | 37,575 | - | 37,575 | |
| | Cathay No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 4,900,000 | 72,814 | - | 72,814 | |
| Union Polymer Int'l Investment Corp. | <u>Shares</u> Asia Polymer Corporation | Equity-method investee | Financial assets at fair value through other comprehensive income - non-current | 20,711,939 | 271,326 | 3.74 | 271,326 | |
| | China General Plastics Corporation | Equity-method investee | Financial assets at fair value through other comprehensive income - non-current | 3,897,878 | 85,753 | 0.77 | 85,753 | |
| | Taita Chemical Company, Limited | Equity-method investee | Financial assets at fair value through other comprehensive income - non-current | 376,000 | 3,745 | 0.11 | 3,745 | |
| Swanlake Traders Ltd. | <u>Shares</u> SOHOWare, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 1,150,000 | - | 1.05 | - | Note 2 |
| | TGF Linux Communications Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 300,000 | - | 2.14 | - | Note 2 |
| | NeuroSky, Inc. Preferred D | - | Financial assets at fair value through other comprehensive income - non-current | 2,397,364 | 3,247 (US\$ 138 thousand) | 0.70 | 3,247 | |
| USIFE Investment Co., Ltd. | <u>Shares</u> AU Optronics Corporation | - | Financial assets at fair value through other comprehensive income - current | 1,266,061 | 15,573 | 0.01 | 15,573 | |

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|----------------------|--|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | AU Optronics Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 1,266,061 | 15,573 | 0.01 | 15,573 | |
| | Wafer Works Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 3,001,655 | 100,555 | 0.59 | 100,555 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|----------------------|--|--|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Solargiga Energy Holdings Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 11,876,111 | \$ 4,726 | 0.37 | \$ 4,726 | |
| | Dah Chung Bills Finance Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 470,914 | 6,536 | 0.10 | 6,536 | |
| | Swanson Plastics Corp. | Investor company and investee have the same chairman | Financial assets at fair value through other comprehensive income - non-current | 213,686 | 3,432 | 0.14 | 3,432 | |
| | USI Optronics Corporation | Investor company and investee have the same chairman | Financial assets at fair value through other comprehensive income - non-current | 165,279 | 788 | 0.25 | 788 | |
| | Digimax, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 23,234 | 111 | 0.05 | 111 | |
| | Global BioPharma, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 712,000 | 6,237 | 1.03 | 6,237 | |
| | Silicon Technology Investment (Cayman) Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 1,215,798 | 57,519 | 2.36 | 57,519 | |
| | Boldworks Inc. | - | Financial assets at fair value through profit or loss - non-current | 300,000 | - | - | - | Note 2 |
| | TGF Linux Communication, Inc. | - | Financial assets at fair value through profit or loss - non-current | 200,000 | - | - | - | Note 2 |
| | !Hey Inc. | - | Financial assets at fair value through profit or loss - non-current | 557,661 | - | - | - | Note 2 |
| | SOHWARE, Inc. Ordinary | - | Financial assets at fair value through profit or loss - non-current | 9,000,000 | - | 8.19 | - | Note 2 |
| | SOHWARE, Inc. Preferred A | - | Financial assets at fair value through profit or loss - non-current | 4,950,000 | - | 4.51 | - | Note 2 |
| | SOHWARE, Inc. Preferred D | - | Financial assets at fair value through profit or loss - non-current | 7,725,000 | - | 7.03 | - | Note 2 |
| | SOHWARE, Inc. Convertible Bond | - | Financial assets at fair value through profit or loss - non-current | - | - | - | - | Note 2 |
| | China General Plastics Corporation | Investor company and investee have the same chairman | Financial assets at fair value through profit or loss - current | 439,086 | 9,660 | 0.09 | 9,660 | |
| | Asia Polymer Corporation | Investor company and investee have the same chairman | Financial assets at fair value through profit or loss - current | 1,577,809 | 20,669 | 0.28 | 20,669 | |
| | Taita Chemical Company, Limited | Investor company and investee have the same chairman | Financial assets at fair value through profit or loss - current | 1,132,098 | 11,276 | 0.35 | 11,276 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 100,000 | 5,270 | - | 5,270 | |
| | Evergreen Marine Corp. | - | Financial assets at fair value through profit or loss - current | 554,907 | 6,603 | 0.01 | 6,603 | |

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|----------------------|---|--|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | United Renewable Energy Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 2,465,005 | 19,301 | 0.10 | 19,301 | |
| | Acme Electronics Corp. | Investor company and investee have the same chairman | Financial assets at fair value through profit or loss - current | 500,000 | 6,650 | 0.27 | 6,650 | |
| | Superactive Group Company Limited | - | Financial assets at fair value through profit or loss - current | 678,000 | 828 | - | 828 | |
| | <u>Beneficiary certificates</u> Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,760,710 | 56,883 | - | 56,883 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|-------------------------------------|--|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Taiwan United Venture Capital Corp. | Yuanta De-Li Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,870,081 | \$ 30,446 | - | \$ 30,446 | |
| | Fuh Hwa Money Market | - | Financial assets at fair value through profit or loss - current | 2,149,137 | 30,987 | - | 30,987 | |
| | Cathay Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 5,151,207 | 64,020 | - | 64,020 | |
| | <u>Beneficiary certificates (REIT)</u> Cathay No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 750,000 | 11,273 | - | 11,273 | |
| | <u>Beneficiary certificates</u> Fuh Hwa Money Market | - | Financial assets at fair value through profit or loss - current | 3,544,556 | 51,107 | - | 51,107 | |
| | <u>Shares</u> Innovation & Infinity Global Corp. | - | Financial assets at fair value through profit or loss - non-current | 720,804 | - | 0.73 | - | Note 2 |
| | Teratech Corp. | - | Financial assets at fair value through profit or loss - non-current | 90,000 | - | 0.58 | - | Note 2 |
| | Intergrafx, Inc. | - | Financial assets at fair value through profit or loss - non-current | 167,000 | - | 1.20 | - | Note 2 |
| | SOHOware, Inc. | - | Financial assets at fair value through profit or loss - non-current | 750,000 | - | 0.68 | - | Note 2 |
| | TGF Linux Communications Inc. | - | Financial assets at fair value through profit or loss - non-current | 600,000 | - | 4.26 | - | Note 2 |
| | B4 Composites, Inc. | - | Financial assets at fair value through profit or loss - non-current | 4,000 | - | 4.00 | - | Note 2 |
| | IWICS, Inc. | - | Financial assets at fair value through profit or loss - non-current | 500,000 | - | 0.40 | - | Note 2 |
| | United Renewable Energy Co., Ltd. | - | Financial assets at fair value through other comprehensive income - current | 4,593,286 | 35,965 | 0.18 | 35,965 | |
| | Mitac Holdings Corp. | - | Financial assets at fair value through other comprehensive income - current | 1,600,933 | 39,463 | 0.17 | 39,463 | |
| | Chitec Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 381,906 | 15,937 | 1.37 | 15,937 | |
| | Leadwell Cnc Machines Mfg., Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 419,753 | 8,777 | 0.68 | 8,777 | |
| | Digimax, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 518,898 | 2,486 | 1.18 | 2,486 | |
| | Orgchem Technology, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 594,594 | 9,359 | 1.09 | 9,359 | |

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|----------------------|--|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Hexawave, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 770,000 | 3,735 | 1.08 | 3,735 | |
| | Global BioPharma, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 712,000 | 6,237 | 1.03 | 6,237 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|--|--|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Uranus Chemicals Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 10,294 | \$ 260 | 0.03 | \$ 260 | |
| | NeuroSky, Inc. Preferred A | - | Financial assets at fair value through other comprehensive income - non-current | 10,000,000 | 7,000 | 1.42 | 7,000 | |
| | NeuroSky, Inc. Preferred B | - | Financial assets at fair value through other comprehensive income - non-current | 12,595,523 | 17,004 | 1.78 | 17,004 | |
| | NeuroSky, Inc. Preferred C | - | Financial assets at fair value through other comprehensive income - non-current | 4,532,823 | 6,119 | 0.64 | 6,119 | |
| Taiwan United Venture Management Corp. | <u>Beneficiary certificates</u> | | | | | | | |
| | Fuh Hwa Money Market | - | Financial assets at fair value through profit or loss - current | 91,730 | 1,323 | - | 1,323 | |
| | <u>Shares</u> | | | | | | | |
| | SOHOWare, Inc. Preferred B2 | - | Financial assets at fair value through profit or loss - non-current | 5,277,560 | - | 4.80 | - | Note 2 |
| | SOHOWare, Inc. Preferred C | - | Financial assets at fair value through profit or loss - non-current | 1,250,458 | - | 1.14 | - | Note 2 |
| Thintec Materials Corporation | <u>Beneficiary certificates</u> | | | | | | | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 930,329 | 12,566 | - | 12,566 | |
| Inoma Corporation | <u>Beneficiary certificates</u> | | | | | | | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,392,348 | 18,807 | - | 18,807 | |
| USI Optronics Corporation | <u>Beneficiary certificates</u> | | | | | | | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,496,884 | 22,144 | - | 22,144 | |
| | Taishin Ta-Chong Money Market Fund | - | Financial assets at fair value through profit or loss - current | 496,715 | 7,046 | - | 7,046 | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,190,740 | 16,084 | - | 16,084 | |
| USI Management Consulting Corp. | <u>Beneficiary certificates</u> | | | | | | | |
| | Eastspring Investments Well Pool Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,283,118 | 31,014 | - | 31,014 | |

Note 1: All securities in the table are shares, bonds, beneficiary certificates and items derived above which regulated by IFRS 9 “Financial Instruments”.

Note 2: As of December 31, 2018, the Group evaluated the fair value of equity instruments as \$0.

Note 3: Please refer to Tables 7 and 8 for information about subsidiaries and associates.

(Concluded)

USI CORPORATION AND SUBSIDIARIES
(China General Plastics Corporation (CGPC))

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|------------------------------------|---|---|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| China General Plastics Corporation | <u>Closed-end fund beneficiary certificates</u> | | | | | | | |
| | Cathay No. 1 Real Estate Investment Trust | - | Financial assets at fair value through profit or loss - current | 4,268,000 | \$ 63,422 | - | \$ 63,422 | Note 1 |
| | Fubon No. 2 Real Estate Investment Trust | - | Financial assets at fair value through profit or loss - current | 5,000,000 | 63,000 | - | 63,000 | Note 1 |
| | Shin Kong No. 1 Real Estate Investment Trust | - | Financial assets at fair value through profit or loss - current | 3,000,000 | 45,210 | - | 45,210 | Note 1 |
| | Cathay No. 2 Real Estate Investment Trust | - | Financial assets at fair value through profit or loss - current | 2,500,000 | 37,575 | - | 37,575 | Note 1 |
| | <u>Open-end fund beneficiary certificates</u> | | | | | | | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,702,173 | 50,007 | - | 50,007 | Note 1 |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,143,272 | 46,500 | - | 46,500 | Note 1 |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,466,700 | 40,041 | - | 40,041 | Note 1 |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,226,387 | 34,011 | - | 34,011 | Note 1 |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,653,002 | 25,003 | - | 25,003 | Note 1 |
| | <u>Ordinary shares</u> | | | | | | | |
| KHL IB Venture Capital Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 8,353,800 | 121,047 | 5.95 | 121,047 | Note 1 | |
| Taiwan VCM Corporation | <u>Open-end fund beneficiary certificates</u> | | | | | | | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 12,193,440 | 180,384 | - | 180,384 | Note 1 |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,534,572 | 130,378 | - | 130,378 | Note 1 |
| | Yuanta De-Li Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,081,056 | 50,162 | - | 50,162 | Note 1 |
| | Prudential Financial Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,174,885 | 50,144 | - | 50,144 | Note 1 |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|------------------------------|---|---|---|-------------------|-----------------|-------------------------|------------|------------------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| CGPC Polymer Corporation | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,705,515 | \$ 50,052 | - | \$ 50,052 | Note 1 |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,306,310 | 50,010 | - | 50,010 | Note 1 |
| | Hua Nan Kirin Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,182,735 | 50,009 | - | 50,009 | Note 1 |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,529,381 | 41,058 | - | 41,058 | Note 1 |
| | UPAMC James Bond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,397,737 | 40,008 | - | 40,008 | Note 1 |
| | <u>Ordinary shares</u> Asia Polymer Corporation | The major shareholders are the same as the those of the Company | Financial assets at fair value through other comprehensive income - non-current | 121,611 | 1,593 | 0.02 | 1,593 | Note 1 |
| | <u>Open-end fund beneficiary certificates</u> Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 5,670,905 | 76,600 | - | 76,600 | Note 1 |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,755,891 | 72,653 | - | 72,653 | Note 1 |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,561,990 | 69,003 | - | 69,003 | Note 1 |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,355,891 | 49,645 | - | 49,645 | Note 1 |
| | Capital Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,793,539 | 45,006 | - | 45,006 | Note 1 |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,523,727 | 40,967 | - | 40,967 | Note 1 |
| | Nomura Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,903,908 | 31,020 | - | 31,020 | Note 1 |
| CGPC (BVI) Holding Co., Ltd. | <u>Shares</u> Teratech Corporation - ordinary shares | - | Financial assets at fair value through profit or loss - non-current | 112,200 | - | 0.67 | - | Notes 1 and 3 |
| | SOHOware, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 100,000 | - | - | - | Notes 1, 2 and 3 |

Note 1: The marketable securities were not pledged as guarantees or collateral for borrowings and are not subject to restrictions.

Note 2: The preference shares are not used in the calculation of the shareholding ratio and net worth.

Note 3: As of December 31, 2018, the CGPC evaluated the fair value of equity impairments as \$0.

(Concluded)

USI CORPORATION AND SUBSIDIARIES
(Taita Chemical Company, Limited)

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|--|---|---|---|---|-----------------------------|-------------------------|-----------------------------|---------------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Taita Chemical Company, Limited | <u>Ordinary shares</u> USI Corporation | Ultimate parent company | Financial assets at fair value through other comprehensive income - non-current | 15,109,901 | \$ 179,808 | 1.27 | \$ 179,808 | Note 1 |
| | Harbinger Venture Capital | - | Financial assets at fair value through other comprehensive income - non-current | 51,500 | 473 | 0.50 | 473 | Notes 3 and 5 |
| | <u>Beneficiary securities</u> Cathay No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 4,900,000 | 72,814 | - | 72,814 | Note 1 |
| | Cathay No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 2,500,000 | 37,575 | - | 37,575 | Note 1 |
| | Shin Kong No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 4,000,000 | 60,280 | - | 60,280 | Note 1 |
| | Fubon No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 6,600,000 | 83,160 | - | 83,160 | Note 1 |
| | <u>Beneficiary certificates</u> Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,305,676 | 50,000 | - | 50,000 | Note 2 |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,379,863 | 50,000 | - | 50,000 | Note 2 |
| | Nomura Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,068,821 | 50,000 | - | 50,000 | Note 2 |
| | Taita (BVI) Holding Co., Ltd. | <u>Shares</u> Teratech Corporation - ordinary shares | - | Financial assets at fair value through profit or loss - non-current | 112,000 | - | 0.72 | - |
| SOHOfware, Inc. - preference shares | | - | Financial assets at fair value through profit or loss - non-current | 100,000 | - | - | - | Note 4 |
| Budworth Investment Ltd. - ordinary shares | | - | Financial assets at fair value through other comprehensive income - non-current | 127,980 | 2,555 (US\$ 83 thousand) | 2.22 | 2,555 (US\$ 83 thousand) | Note 3 |

(Continued)

Note 1: Fair value was based on the closing price of the Taiwan Stock Exchange as on December 31, 2018.

Note 2: Fair value was based on the carrying amount as on December 31, 2018.

Note 3: Fair value is assessed using the asset-based approach, and the determination of fair value refers to the investee's recent net asset value and observable financial and operational evaluations.

Note 4: As of December 31, 2018, the TTC evaluated the fair value of equity instruments as \$0.

Note 5: The investee, Harbinger Venture Capital, announced a reduction of capital by returning cash in April 2018, and TTC received \$1,185 thousand according to its ownership percentage.

(Concluded)

USI CORPORATION AND SUBSIDIARIES
(Asia Polymer Corporation (APC))

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|--------------------------|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Asia Polymer Corporation | <u>Ordinary shares</u> | | | | | | | |
| | Harbinger Venture Capital Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 123,600 | \$ 1,136 | 1.20 | \$ 1,136 | |
| | Riselinke Venture Capital | - | Financial assets at fair value through other comprehensive income - non-current | 438,624 | 4,330 | 1.67 | 4,330 | |
| | KHL IB Venture Capital Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 16,707,600 | 242,093 | 11.90 | 242,093 | |
| | USI Corporation | Ultimate parent company | Financial assets at fair value through other comprehensive income - non-current | 101,355,673 | 1,206,132 | 8.53 | 1,206,132 | |
| | CTCI Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 14,496,107 | 643,627 | 1.90 | 643,627 | |
| | AU Optronics Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 9,618,516 | 118,308 | 0.10 | 118,308 | |
| | Wafer Works Corporation | - | Financial assets at fair value through other comprehensive income - current | 2,017,946 | 67,601 | 0.39 | 67,601 | |
| | United Renewable Energy Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 229,127 | 1,794 | 0.01 | 1,794 | |
| | Evergreen Marine Corp. | - | Financial assets at fair value through profit or loss - current | 1,664,722 | 19,810 | 0.04 | 19,810 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 500,000 | 26,350 | 0.01 | 26,350 | |
| | <u>Beneficiary securities</u> | | | | | | | |
| | Cathay No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 4,901,000 | 72,829 | - | 72,829 | |
| | Cathay No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 2,500,000 | 37,575 | - | 37,575 | |
| | Shin Kong No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 2,000,000 | 30,140 | - | 30,140 | |
| | Fubon No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 5,000,000 | 63,000 | - | 63,000 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|-----------------------------|--|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,993,164 | \$ 50,002 | - | \$ 50,002 | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 7,165,538 | 106,003 | - | 106,003 | |
| | Nomura Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,070,291 | 50,024 | - | 50,024 | |
| | Prudential Financial Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,183,308 | 50,277 | - | 50,277 | |
| | UPAMC James Bond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 5,993,389 | 100,003 | - | 100,003 | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 12,536,352 | 169,335 | - | 169,335 | |
| | CTBC Hwa Win Money Market Fund | - | Financial assets at fair value through profit or loss - current | 9,403,369 | 103,476 | - | 103,476 | |
| | Taishin Ta-Chong Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,358,474 | 33,454 | - | 33,454 | |
| | FSITC Money Market Fund | - | Financial assets at fair value through profit or loss - current | 280,711 | 50,002 | - | 50,002 | |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 5,892,948 | 90,024 | - | 90,024 | |
| | Yuanta De-Bao Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,332,917 | 100,003 | - | 100,003 | |
| | Fubon Chi-Hsiang Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,192,114 | 50,002 | - | 50,002 | |
| | Hua Nan Kirin Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,364,176 | 100,003 | - | 100,003 | |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,530,557 | 41,077 | - | 41,077 | |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,655,234 | 25,036 | - | 25,036 | |
| | Shin Kong Chi-Shin Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,232,961 | 50,002 | - | 50,002 | |
| | TCB Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 12,639,471 | 128,235 | - | 128,235 | |
| APC (BVI) Holding Co., Ltd. | <u>Shares</u> | | | | | | | |
| | Budworth Investment Ltd. - ordinary shares | - | Financial assets at fair value through other comprehensive income - non-current | 256,140 | 5,079 | 4.45 | 5,079 | |
| | Silicon Technology Investment (Cayman) Corp. - preference shares | - | Financial assets at fair value through other comprehensive income - non-current | 1,519,701 | 71,896 | 2.95 | 71,896 | |
| | NeuroSky, Inc. - series D preference shares | - | Financial assets at fair value through other comprehensive income - non-current | 2,397,364 | 3,247 | 0.37 | 3,247 | |
| | Solargiga Energy Holdings Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 15,863,333 | 6,282 | 0.49 | 6,282 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|-----------------------------------|---|---|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| APC Investment Corporation | Teratech Corp. - ordinary shares | - | Financial assets at fair value through profit or loss - non-current | 112,000 | \$ - | 0.67 | \$ - | Note |
| | TGF Linux Communication, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 300,000 | - | - | - | Note |
| | SOHOware, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 450,000 | - | - | - | Note |
| | Boldworks, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 689,266 | - | - | - | Note |
| | <u>Ordinary shares</u> | | | | | | | |
| | USI Corporation - ordinary shares | Ultimate parent company | Financial assets at fair value through profit or loss - current | 44,808 | 533 | - | 533 | |
| | Evergreen Marine Corp. - ordinary shares | - | Financial assets at fair value through profit or loss - current | 554,907 | 6,603 | 0.01 | 6,603 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 100,000 | 5,270 | - | 5,270 | |
| | <u>Beneficiary securities</u> | | | | | | | |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,784,986 | 26,999 | - | 26,999 | |
| Cathay Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,999,525 | 24,850 | - | 24,850 | | |
| <u>Ordinary shares</u> | | | | | | | | |
| United Renewable Energy Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 1,131,920 | 8,863 | 0.04 | 8,863 | | |

Note: As of December 31, 2018, the APC evaluated the fair value of equity instruments as \$0.

(Concluded)

USI CORPORATION AND SUBSIDIARIES
(China General Terminal & Distribution Co.)

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|---|--|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| China General Terminal & Distribution Co. | Shares Asia Polymer Corporation | Equity-method investor | Financial assets at fair value through other comprehensive income - non-current | 4,939,760 | \$ 64,711 | 0.89 | \$ 64,711 | Note 2 |
| | China General Plastics Corporation | Equity-method investor | Financial assets at fair value through other comprehensive income - non-current | 2,564,791 | 56,425 | 0.51 | 56,425 | Note 1 |
| | Taita Chemical Company, Limited | Equity-method investor | Financial assets at fair value through other comprehensive income - non-current | 1,877,484 | 18,700 | 0.57 | 18,700 | Note 1 |
| | China Steel Corporation | - | Financial assets at fair value through profit or loss - current | 499,552 | 12,114 | - | 12,114 | Note 3 |

Note 1: No guarantees, pledged loans, or other restrictions on the use of the contract were provided.

Note 2: Part of 2,907,349 shares were provided to Taiwan Power Company as a provisional attachment.

Note 3: Part of 257,000 shares were provided to Taiwan Water Corporation as a provisional attachment.

USI CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counter-party | Relationship | Beginning Balance (Note 1) | | Acquisition | | Disposal | | | Ending Balance (Notes 1 and 2) | | |
|----------------------------------|--|---|---------------|---------------|----------------------------|--------------|------------------|--------------|------------------|---------|-----------------|--------------------------------|------------------|--------------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| USI Corporation | <u>Ordinary shares</u> Ever Conquest Global Limited | Investments accounted for using the equity method | - | Subsidiary | 77,346,000 | \$ 2,375,283 | 98,922,000 | \$ 3,034,601 | - | \$ - | \$ - | \$ - | 176,268,000 | \$ 5,408,533 |
| | <u>Beneficiary certificates</u> FSITC Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 312,467 | 55,400 | 1,928,874 | 343,000 | 1,960,603 | 348,640 | 348,400 | 240 | 280,738 | 50,000 |
| | FSITC Taiwan Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 6,641,554 | 100,900 | 26,504,939 | 404,300 | 28,386,919 | 433,020 | 432,500 | 520 | 4,759,574 | 72,700 |
| | Yuanta Wan Tai Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 42,365,551 | 639,300 | 42,365,551 | 639,597 | 639,300 | 297 | - | - |
| | Yuanta De Li Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 4,672,231 | 75,700 | 19,501,624 | 317,000 | 16,488,343 | 268,041 | 267,700 | 341 | 7,685,512 | 125,000 |
| | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 4,582,049 | 67,385 | 35,408,052 | 522,400 | 35,567,291 | 524,860 | 524,385 | 475 | 4,422,810 | 65,400 |
| | Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 12,608,393 | 169,500 | 38,883,476 | 524,000 | 36,063,328 | 485,916 | 485,400 | 516 | 15,428,541 | 208,100 |
| | TCB Taiwan Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 14,417,605 | 145,600 | 28,378,729 | 287,300 | 37,867,458 | 383,285 | 382,900 | 385 | 4,928,876 | 50,000 |
| | Fubon Chi-Hsiang Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 9,861,923 | 153,700 | 40,543,970 | 633,400 | 50,405,893 | 787,475 | 787,100 | 375 | - | - |
| Ever Conquest Global Limited | <u>Ordinary shares</u> Ever Victory Global Limited | Investments accounted for using the equity method | - | Subsidiary | 123,616,000 | 3,796,226 | 155,892,000 | 4,782,381 | - | - | - | - | 279,508,000 | 8,576,305 |
| Ever Victory Global Limited | <u>Ordinary shares</u> Dynamic Ever Investments Limited | Investments accounted for using the equity method | - | Subsidiary | 181,877,000 | 5,565,831 | 178,700,000 | 5,482,069 | - | - | - | - | 360,577,000 | 11,046,947 |
| Dynamic Ever Investments Limited | <u>Ordinary shares</u> Fujian Gulei Petrochemical Co., Ltd. | Investments accounted for using the equity method | - | Joint venture | (Note 3) | 5,241,747 | (Note 3) | 5,117,787 | - | - | - | - | (Note 3) | 10,338,945 |

Note 1: Carrying amount includes the original acquisition cost, investments gain (loss) on valuation for using equity method, effects of exchange rate and net value changes.

Note 2: The ending balance of beneficiary certificates is at the original investment cost.

Note 3: There are zero shares of the limited company.

USI CORPORATION AND SUBSIDIARIES
(China General Plastics Corporation (CGPC))

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018**
(In Thousands of New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counter-party | Relationship | Beginning Balance (Note) | | Acquisition | | Disposal | | | Ending Balance (Note) | | |
|------------------------------------|--|---|---------------|--------------|--------------------------|-----------|------------------|------------|------------------|------------|-----------------|-------------------------|------------------|-----------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| China General Plastics Corporation | <u>Beneficiary certificates</u> | | | | | | | | | | | | | |
| | Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 6,249,509 | \$ 84,000 | 31,986,466 | \$ 431,300 | 34,533,802 | \$ 465,565 | \$ 465,300 | \$ 265 | 3,702,173 | \$ 50,000 |
| | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 27,217,007 | 401,500 | 24,073,735 | 355,114 | 355,000 | 114 | 3,143,272 | 46,500 |
| | FSITC Taiwan Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 9,518,158 | 144,000 | 21,470,093 | 327,500 | 28,761,864 | 438,447 | 437,500 | 947 | 2,226,387 | 34,000 |
| | Capital Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 2,431,581 | 39,000 | 16,355,138 | 263,000 | 18,786,719 | 302,200 | 302,000 | 200 | - | - |
| | Fubon Chi-Hsiang Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 1,378,417 | 21,500 | 31,756,270 | 496,000 | 33,134,687 | 517,628 | 517,500 | 128 | - | - |
| Taiwan VCM Corporation | <u>Beneficiary certificates</u> | | | | | | | | | | | | | |
| | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 23,728,131 | 350,000 | 11,534,691 | 170,049 | 170,000 | 49 | 12,193,440 | 180,000 |
| | Hua Nan Kirin Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 4,200,022 | 50,000 | 45,256,139 | 540,000 | 45,273,426 | 540,105 | 540,000 | 105 | 4,182,735 | 50,000 |
| | Yuanta Wan Tai Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 29,154,730 | 440,000 | 25,848,420 | 390,104 | 390,000 | 104 | 3,306,310 | 50,000 |
| | UPAMC James Bond Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 1,805,815 | 30,000 | 27,027,086 | 450,000 | 26,435,164 | 440,112 | 440,000 | 112 | 2,397,737 | 40,000 |
| | Yuanta De-Bao Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 25,052,723 | 300,000 | 25,052,723 | 300,131 | 300,000 | 131 | - | - |
| | Shin Kong Chi Shi Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 19,429,019 | 300,000 | 19,429,019 | 300,066 | 300,000 | 66 | - | - |
| CGPC Polymer Corporation | <u>Beneficiary certificates</u> | | | | | | | | | | | | | |
| | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 28,460,472 | 419,500 | 25,104,581 | 370,263 | 370,000 | 263 | 3,355,891 | 49,500 |

Note: The amount as of December 31, 2018 was calculated at the original investment cost.

USI CORPORATION AND SUBSIDIARIES

(Taita Chemical Company Ltd.)

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counter-party | Relationship | Beginning Balance (Note) | | Acquisition | | Disposal | | | | Ending Balance (Note) | |
|------------------------------|--|---|---------------|--------------|--------------------------|--------|------------------|------------|------------------|------------|-----------------|-------------------------|-----------------------|--------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| Taita Chemical Company, Ltd. | <u>Beneficiary certificates</u> Yuanta De-Bao Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | \$ - | 27,822,544 | \$ 333,000 | 27,822,544 | \$ 333,038 | \$ 333,000 | \$ 38 | - | \$ - |

Note: The amount as of December 31, 2018 was calculated at the original investment cost.

USI CORPORATION AND SUBSIDIARIES

(Asia Polymer Corporation)

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counter-party | Relationship | Beginning Balance (Note) | | Acquisition | | Disposal | | | | Ending Balance | |
|--------------------------|---|---|---------------|------------------------|--------------------------|--------------|------------------|--------------|------------------|---------|-----------------|-------------------------|------------------|--------------------------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| Asia Polymer Corporation | Ordinary shares Ever Conquest Global Limited. | Investment accounted for using the equity method | - | Equity-method investee | 46,270,000 | \$ 1,420,944 | 56,970,000 | \$ 1,747,780 | - | \$ - | \$ - | \$ - | 103,240,000 | \$ 3,167,773 (Note 1) |
| | Beneficiary certificates Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 3,534,072 | 52,028 | 20,867,472 | 308,000 | 17,236,006 | 254,543 | 254,028 | 515 | 7,165,538 | 106,003 (Note 2) |

Note 1: The ending balance includes the original investment amount, the share of profit (loss) of investees and other related adjustments.

Note 2: The ending balance includes the original investment amount of \$106,000 thousand and adjustments for fair value changes of \$3 thousand.

USI CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|----------------------------------|----------------------------------|---------------------------------------|---------------------|-------------|------------|--|---------------------------|---------------------------|-------------------------------------|------------|------|
| | | | Purchase / Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| USI Corporation | USI Far East (HK) Co., Ltd. | Subsidiary | Sale | \$(217,193) | (1.85) | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | \$ 12,488 | 0.80 | |
| | Forever Young | Subsidiary | Sale | (101,141) | (0.86) | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | 10,796 | 0.69 | |
| | USI Trading (Shanghai) Co., Ltd. | Subsidiary | Sale | (134,774) | (1.15) | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | 28,604 | 1.83 | |
| | Asia Polymer Corporation | Investee of UPIIC under equity method | Purchase | 670,909 | 6.90 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | (158,522) | (16.66) | |
| USI Far East (HK) Co., Ltd. | USI Corporation | Parent company | Purchase | 217,193 | 2.24 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | (12,488) | (1.31) | |
| Forever Young | USI Corporation | Parent company | Purchase | 101,104 | 1.04 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | (10,796) | (1.13) | |
| USI Trading (Shanghai) Co., Ltd. | USI Corporation | Parent company | Purchase | 134,774 | 1.39 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | (28,604) | (3.01) | |
| APC Polymer Corporation | USI Corporation | Parent company | Sale | (670,909) | (5.70) | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | 158,522 | 10.12 | |

USI CORPORATION AND SUBSIDIARIES
(Acme Electronics Corporation (ACME))

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction (Note 1) | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|--|-------------------------------------|------------|------------|---------------|-------------------------------|---------------------------|-------------------------------------|------------|--------|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| Acme Electronics Corporation | Acme Electronics (Guang-Zhou) Co., Ltd. | Subsidiary of Golden Amber Enterprises Limited | Purchase (includes processing fees) | \$ 467,034 | 51 | 55 days | No significant difference | No significant difference | \$(210,028) | 67 | Note 2 |
| Acme Electronics (Guang-Zhou) Co., Ltd. | Acme Electronics Corporation | Subsidiary of Golden Amber Enterprises Limited | Sale (includes processing fees) | (467,034) | 46 | 55 days | No significant difference | No significant difference | 210,028 | 55 | Note 2 |
| Acme Electronics Corporation | Acme Electronics (Kunshan) Co., Ltd. | Subsidiary of ACME Electronics (Cayman) Corp. | Sale | (208,832) | 18 | 55 days | No significant difference | No significant difference | 18,211 | 7 | Note 2 |
| Acme Electronics (Kunshan) Co., Ltd. | Acme Electronics Corporation | Subsidiary of ACME Electronics (Cayman) Corp. | Purchase | 208,832 | 72 | 55 days | No significant difference | No significant difference | (18,211) | 91 | Note 2 |
| Acme Electronics Corporation | Acme Electronics (Guang-Zhou) Co., Ltd. | Subsidiary of Golden Amber Enterprises Limited | Sale | (129,124) | 11 | 55 days | No significant difference | No significant difference | 31,750 | 12 | Note 2 |
| Acme Electronics (Guang-Zhou) Co., Ltd. | Acme Electronics Corporation | Subsidiary of Golden Amber Enterprises Limited | Purchase | 129,124 | 27 | 55 days | No significant difference | No significant difference | (31,750) | 83 | Note 2 |
| Acme Electronics (Kunshan) Co., Ltd. | Acme Electronics Corporation | Subsidiary of ACME Electronics (Cayman) Corp. | Sale | (100,550) | 13 | 55 days | No significant difference | No significant difference | 31,301 | 16 | Note 2 |
| Acme Electronics Corporation | Acme Electronics (Kunshan) Co., Ltd. | Subsidiary of ACME Electronics (Cayman) Corp. | Purchase | 100,550 | 35 | 55 days | No significant difference | No significant difference | (31,301) | 10 | Note 2 |

Note 1: The transaction terms and prices between Acme Electronics Corporation, Acme Electronics (Guang-Zhou) Co., Ltd. and Acme Electronics (Kunshan) Co., Ltd. have no significant difference from abnormal transactions.

Note 2: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(Swanson Plastics Corporation (SPC))

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|--|--|---|---------------------|------------|---------------|--|---------------------------------|---------------------------------|---|---------------|------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | % of Total | |
| Swanson Plastics (Singapore) Private Limited | Swanson Plastics (Malaysia) Sdn., Bhd. | Subsidiary | Purchase | \$ 319,709 | 92 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties \$ (23,495) | 90 | |
| Forever Young Company Limited | USI Corporation | Ultimate parent company | Purchase | 100,359 | 7 | Payments within 75 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties (8,723) | 5 | |
| | Swanson Plastics (Kunshan) Co., Ltd. | Have the same ultimate parent company | Sale | (410,331) | 28 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties 223,530 | 45 | |
| Forever Yong Company Limited | Swanson Plastics (Malaysia) Sdn., Bhd. | Have the same ultimate parent company | Purchase | 284,123 | 20 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties (21,907) | 14 | |
| | Swanson Plastics (Malaysia) Sdn., Bhd. | Have the same ultimate parent company | Sale | (495,515) | 33 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties 26,058 | 5 | |
| | PT. Swanson Plastics Indonesia | Have the same ultimate parent company | Sale | (183,460) | 12 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties 28,002 | 6 | |
| Swanson Plastics (Kunshan) Co., Ltd. | Forever Young Company Limited | Have the same ultimate parent company | Purchase | 410,331 | 37 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties (223,530) | 73 | |
| Swanson Plastics (Malaysia) Sdn., Bhd. | Forever Yong Company Limited | Have the same ultimate parent company | Sale | (284,123) | 22 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties 21,907 | 18 | |
| | Forever Yong Company Limited | Have the same ultimate parent company | Purchase | 495,515 | 45 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties (26,058) | 27 | |
| | Swanson Plastics (Singapore) Private Limited | Parent company | Sale | (319,709) | 25 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties 23,495 | 20 | |

(Continued)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---------------------|-------------|---------------|--|---------------------------------|---------------------------------|---|---------------|------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | % of Total | |
| Swanson Plastics (Kunshan) Co., Ltd. | ASK-Swanson (Kunshan) Co., Ltd. | Have the same ultimate parent company | Sale | \$(102,185) | 8 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties 18,348 | \$ 6 | |
| ASK-Swanson (Kunshan) Co., Ltd. | Swanson Plastics (Kunshan) Co., Ltd. | Have the same ultimate parent company | Purchase | 102,185 | 40 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties (26,058) | (26,058) 31 | |
| PT. Swanson Plastics Indonesia | Forever Young Company Limited | Have the same ultimate parent company | Purchase | 183,460 | 72 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties (28,002) | (28,002) 59 | |

Note: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(China General Plastics Corporation (CGPC))

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer/Seller | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Trade Receivables (Payables) | | Note | |
|------------------------------------|------------------------------------|-------------------|---------------------|------------------|---------------|---------------|---------------------------|---------------------------|--|---------------|------|------|
| | | | Purchase/ Sale | Amount (Note) | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance (Note) | % of Total | | |
| China General Plastics Corporation | Taiwan VCM Corporation | Subsidiary | Purchase | \$ 4,230,003 | 72 | 45 days | No significant difference | No significant difference | Accounts payable-related parties | \$ (774,140) | (77) | Note |
| | CGPC America Corporation | Subsidiary | Sale | (374,307) | (5) | 90 days | No significant difference | No significant difference | Accounts receivable - related parties | 101,245 | 9 | Note |
| Taiwan VCM Corporation | China General Plastics Corporation | Parent company | Sale | (4,230,003) | (43) | 45 days | No significant difference | No significant difference | Accounts receivable - related parties | 774,140 | 45 | Note |
| | CGPC Polymer Corporation | Fellow subsidiary | Sale | (4,410,087) | (45) | 45 days | No significant difference | No significant difference | Accounts receivable - related parties | 778,034 | 45 | Note |
| CGPC Polymer Corporation | Taiwan VCM Corporation | Fellow subsidiary | Purchase | 4,410,087 | 96 | 45 days | No significant difference | No significant difference | Accounts payable-related parties | (778,034) | (97) | Note |
| CGPC America Corporation | China General Plastics Corporation | Parent company | Purchase | 374,307 | 83 | 90 days | No significant difference | No significant difference | Accounts payable-related parties | (101,245) | (97) | Note |

Note: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(Taita Chemical Company, Limited (TTC))

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|------------------------------------|---|------------------------|---------------------|--|---------------|---------------|---------------------------------|---------------------------------|--|---------------|------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | % of Total | |
| Taita Chemical Company, Limited | Taita Chemical (Zhong shan) Co., Ltd. | Sub-subsiary | Sales | \$(1,603,160) (US\$(53,509) thousand) | (10.73) | 30 days | No significant difference | No significant difference | Accounts receivable - related parties \$ - | - | - |
| | Taita Chemical (Tianjin) Co., Ltd. | Sub-subsiary | Sales | (201,301) (US\$ (6,662 thousand) | (1.35) | 30 days | No significant difference | No significant difference | Accounts receivable - related parties 122,547 (US\$ 3,990 thousand) | 7.22 | - |
| | USI Trading (Shanghai) Co., Ltd. | Fellow sub-subsiary | Sale | (104,456) (US\$ (2,433 thousand) (RMB (6,963) thousand) | (0.70) | 90 days | No significant difference | No significant difference | Accounts receivable - related parties 31,162 (RMB6,963 thousand) | 1.83 | - |

Note: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(Asia Polymer Corporation (APC))

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note | |
|----------------------------------|-----------------|-------------------------|---------------------|-------------|---------------|----------------------|---------------------------|-------------------------------------|---|--------|---------------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | | % of Total |
| Asia Polymer Corporation | USI Corporation | Ultimate parent company | Sale | \$(670,909) | (10.52) | 60 days | No significant difference | No significant difference | Accounts receivable - related parties \$ 162,209 | 18.44 | Note |
| USI Trading (Shanghai) Co., Ltd. | USI Corporation | Ultimate parent company | Sale | (619) | (0.01) | 60 days | No significant difference | No significant difference | Accounts receivable - related parties - | - | Note |
| Asia Polymer Corporation | USI Corporation | Ultimate parent company | Purchase | 131,257 | 2.72 | 30 days | No significant difference | No significant difference | Accounts payable-related parties (18,496) | (5.42) | Note |
| USI Trading (Shanghai) Co., Ltd. | USI Corporation | Ultimate parent company | Purchase | 135,188 | 2.80 | 30 days | No significant difference | No significant difference | Accounts payable-related parties (28,604) | (8.38) | Note |

Note: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2018

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

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss (Note 1) |
|-----------------|--------------------------|---------------------------|---|---------------|---------|---------------|--|--|
| | | | | | Amount | Actions Taken | | |
| USI Corporation | Asia Polymer Corporation | Subsidiary of the Company | Other receivables -related parties \$ 146,325 | - | \$ - | - | \$ 146,325 | |
| | Taiwan VCM Corporation | Subsidiary of the Company | Other receivables -related parties 171,372 | - | - | - | 171,372 | |

Note 1: The assessment does not need to recognize allowance for impairment loss.

Note 2: The subsequent period is from January 1, 2019 to March 8, 2019.

Note 3: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(Acme Electronics Corporation (ACME))

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss (Note 1) |
|---|---------------------------------|--|--|---------------|---------|---------------|--|--|
| | | | | | Amount | Actions Taken | | |
| Acme Electronics Corporation | ACME Electronics (Cayman) Corp. | Subsidiary of ACME | Other receivables - related parties \$ 186,504 | - | \$ - | - | \$ 58,641 | \$ - |
| Acme Electronics (Guang-Zhou) Co., Ltd. | Acme Electronics Corporation | Subsidiary of Golden Amber Enterprises Limited | Accounts receivable - related parties 210,028 | 2.54 | - | - | 84,067 | - |

Note 1: The assessment does not need to recognize allowance for impairment loss.

Note 2: The subsequent period is from January 1, 2019 to March 5, 2019.

Note 3: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

(Swanson Plastics Corporation (SPC))

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2018

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

| Company Name | Related Party | Relationship | Ending Balance (Note 4) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 3) | Allowance for Impairment Loss (Note 1) |
|--|---------------------------------------|---------------------------------------|--|---------------|---------|---------------|--|--|
| | | | | | Amount | Actions Taken | | |
| Forever Young Company Limited | Swanson Plastics (India) Private Ltd. | Have the same ultimate parent company | Accounts receivable - related parties \$ 181,510 (US\$ 5,909,480) | - | \$ - | - | \$ 6,787 (US\$ 220,959) | \$ - |
| | Swanson Plastics (Kunshan) Co., Ltd. | Have the same ultimate parent company | Accounts receivable - related parties 223,530 (US\$ 7,277,552) | - | - | - | 29,308 (US\$ 954,201) | - |
| Swanson Plastics (Singapore) Private Limited | Swanson Plastics (India) Private Ltd. | Subsidiary | Accounts receivables - related parties 109,266 (US\$ 3,557,416) | - | - | - | - | - |

Note 1: The assessment does not need to recognize allowance for impairment loss.

Note 2: Forever Young Company Limited purchased raw materials for associates.

Note 3: The subsequent period refers to the period from January 1, 2019 to February 28, 2019.

Note 4: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(China General Plastics Corporation (CGPC))

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance (Note 3) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss |
|------------------------------------|------------------------------------|-------------------|---|---------------|---------|---------------|--|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| China General Plastics Corporation | CGPC America Corporation | Subsidiary | Accounts receivable from related parties \$ <u>101,245</u> | 3.41 | \$ - | - | \$ 63,311 | Note 1 |
| Taiwan VCM Corporation | China General Plastics Corporation | Parent company | Accounts receivable from related parties \$ <u>774,140</u> | 5.70 | - | - | 774,140 | Note 1 |
| | CGPC Polymer Corporation | Fellow subsidiary | Accounts receivable from related parties \$ <u>778,034</u> | 5.87 | - | - | 778,034 | Note 1 |

Note 1: The assessment does not need to recognize allowance for impairment loss.

Note 2: The subsequent period is from January 1, 2019 to February 27, 2019.

Note 3: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(Taita Chemical Company, Limited)

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance (Note 4) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 3) | Allowance for Impairment Loss (Note 4) |
|---------------------------------------|------------------------------------|-------------------|---|---------------|---------|---------------|--|--|
| | | | | | Amount | Actions Taken | | |
| Taita Chemical Company, Limited | Taita Chemical (Tianjin) Co., Ltd. | Sub-subsidiary | Accounts receivable \$ 122,547 (US\$ 3,990 thousand) (Note 1) | - | \$ - | - | \$ - | \$ - |
| | Taita Chemical (Tianjin) Co., Ltd. | Sub-subsidiary | Other receivables 173,988 (US\$ 5,665 thousand) (Note 1) | - | - | - | - | - |
| Taita Chemical (Zhong shan) Co., Ltd. | Taita Chemical (Tianjin) Co., Ltd. | Fellow subsidiary | Other receivables 279,905 (RMB 62,544 thousand) (Note 2) | - | - | - | - | - |

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

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

Note 3: The amount received in the subsequent period means the collection made up to March 6, 2019.

Note 4: The assessment does not need to recognize allowance for impairment loss.

Note 5: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES
(Asia Polymer Corporation (APC))

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance (Note 1) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|--------------------------|-----------------|----------------|---|---------------|---------|---------------|---------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| Asia Polymer Corporation | USI Corporation | Parent company | Trade receivables from related parties \$ 162,209 | 5.13 | \$ - | - | \$ 162,209 | \$ - |
| | USI Corporation | Parent company | Other receivables from related parties 190 | - | - | - | 190 | - |

Note 1: The assessment does not need to recognize allowance for impairment loss.

Note 2: The subsequent period is from January 2019 to March 6, 2019.

Note 3: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|--------------------------------------|--|--|--|---------------------------------------|--------------------------------------|-------------------------|--------|---------------------------------------|--------------------------------------|----------------------------|---------------------|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| USI Corporation | USIFE Investment Co., Ltd. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Investment (focus on "product, transportation, storage, building, bank, securities investment and trading industry") | \$ 550,000 | \$ 550,000 | 87,250,800 | 100.00 | \$ 690,217 | \$ (31,847) | \$ (31,847) | Subsidiary |
| | Swanlake Traders Ltd. | Citco Building, Wickhamo Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | Trading and investment business | 728,439 | 728,439 | 30,000,000 | 100.00 | 1,349,147 | 44,643 | 44,643 | Subsidiary |
| | USI Far East (HK) Co., Ltd. | 6/F., Caltex House, 258 Hennessy Road, Hong Kong | Trading and investment business | 63,482 | 63,482 | 159,999 | 100.00 | 132,245 | (1,182) | (1,182) | Subsidiary |
| | Union Polymer Int'l Investment Corp. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Investment (focus on "product and service industry") | 3,490,255 | 3,490,255 | 521,440,500 | 100.00 | 5,464,646 | 468,242 | 456,812 | Subsidiary |
| | Taiwan United Venture Capital Corp. | 10F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Venture capital (focus on "high technology industry") | 471,800 | 471,800 | 32,900,000 | 70.00 | 183,773 | (4,921) | (3,445) | Subsidiary |
| | Chong Loong Trading Co., Ltd. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Engaging in import and export trade | 28,323 | 28,323 | 3,758,195 | 99.93 | 44,013 | 11,454 | 10,567 | Subsidiary |
| | Swanson Plastics Corp. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of stretch film, embossed film and industrial-use multi-layer wrap | 171,210 | 171,210 | 62,616,299 | 40.58 | 997,613 | 68,441 | 27,772 | Subsidiary |
| | Acme Electronics Corp. | 8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of manganese-zinc soft ferrite powder | 221,513 | 221,513 | 49,250,733 | 27.00 | 361,415 | 56,187 | 15,169 | Subsidiary |
| | INOMA Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Engaging in optical products and fireproof materials | 250,354 | 250,354 | 9,126,786 | 93.18 | 44,282 | (29,122) | (27,136) | Subsidiary |
| | USI Management Consulting Corp. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Providing management services | 1,000 | 1,000 | 671,400 | 100.00 | (1,310) | 1,258 | 1,258 | Subsidiary (Note 1) |
| | Cypress Epoch Limited | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investment business | 150,540 | 150,540 | 5,000,000 | 100.00 | 129,688 | 4,710 | 4,710 | Subsidiary |
| | Thintec Materials Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Reinforced plastic products manufacturing | 36,250 | 36,250 | 1,825,000 | 30.42 | 4,415 | (10,525) | (3,201) | Subsidiary |
| | Ever Conquest Global Limited | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investment business | 5,442,335 | 2,407,735 | 176,268,000 | 63.06 | 5,408,533 | 8,889 | 5,506 | Subsidiary |
| | USI Optronics Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Manufacture and marketing of sapphire crystal | 330,000 | 330,000 | 33,000,000 | 50.85 | 157,537 | (165,012) | (83,902) | Subsidiary |
| Ever Conquest Global Limited | Ever Victory Global Limited | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investment business | 8,585,088 (US\$ 279,508 thousand) | 3,796,865 (US\$ 123,616 thousand) | 279,508,000 | 77.47 | 8,576,305 (US\$ 279,222 thousand) | 15,203 (US\$ 533 thousand) | | Subsidiary |
| Ever Victory Global Limited | Dynamic Ever Investments Limited | Room 1902, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong | Investment business | 11,075,123 (US\$ 360,577 thousand) | 5,586,352 (US\$ 181,877 thousand) | 360,577,000 | 100.00 | 11,046,947 (US\$ 359,660 thousand) | 15,774 (US\$ 552 thousand) | | Sub-subsiidiary |
| Union Polymer Int'l Investment Corp. | Taita Chemical Company, Limited | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of polystyrene, acrylonitrile, butadiene, ABS resin, SAN resin, glasswool insulation products and plastic materials | 1,749,212 | 1,749,212 | 120,159,750 | 36.37 | 1,676,969 | 207,972 | | Sub-subsiidiary |
| | Asia Polymer Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of low-density polyethylene, medium-density polyethylene, ethylene vinyl acetate and importing and marketing of linear low-density polyethylene and high-density polyethylene | 1,965,437 | 1,965,437 | 179,330,846 | 32.35 | 3,606,302 | 286,826 | | Sub-subsiidiary |
| | China General Plastics Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of plastic cloths, plastic skins, plastic tubes, plastic pellets, plastic powder and other related products | 1,320,045 | 1,320,045 | 122,632,069 | 24.20 | 2,156,276 | 1,276,156 | | Sub-subsiidiary |
| USIFE Investment Co., Ltd. | Acme Electronics Corp. | 8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of manganese-zinc soft ferrite powder | 155,632 | 155,632 | 16,424,242 | 9.00 | 135,113 | 56,187 | | Subsidiary |
| | Swanson Technologies Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production, marketing and development of EVA packaging film and other value added plastic products | 30,000 | 30,000 | 3,000,000 | 15.00 | (11,869) | (16,486) | | Sub-subsiidiary |
| | Taiwan United Venture Management Corp. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Business management consulting | 8,000 | 8,000 | 800,000 | 100.00 | 15,206 | 2,441 | | Sub-subsiidiary |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|-------------------------------------|---------------------------------|---|---|----------------------------------|----------------------------------|-------------------------|--------|----------------------------------|-----------------------------------|-------------------------|--------------|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| Taiwan United Venture Capital Corp. | Thintec Materials Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Reinforced plastic products manufacturing | \$ 21,465 | \$ 21,465 | 900,000 | 15.00 | \$ 2,177 | \$ (10,525) | \$ - | Sub-subsiary |
| Chong Loong Trading Co., Ltd. | Forum Pacific Trading Ltd. | British Virgin Islands | Engaging in import and export trade | 6,757 (US\$ 220 thousand) | 6,757 (US\$ 220 thousand) | 220,000 | 100.00 | 31,445 | (3,354) (US\$ (110) thousand) | | Sub-subsiary |
| Swanlake Traders Ltd. | ACME Electronics (Cayman) Corp. | Ugland House P.O. Box 309 George Town, Grand Cayman, Cayman Islands | Reinvestment business | 108,656 (US\$ 3,538 thousand) | 108,656 (US\$ 3,538 thousand) | 5,609,231 | 11.23 | 144,211 (US\$ 4,695 thousand) | 255,187 (US\$ 8,561 thousand) | | Sub-subsiary |

Note 1: The Company gained control over USI Management Consulting Corp. and recognized the investment gain (loss) using the equity method, but it made a reclassification to other non-current liabilities if there was an accounting credit.

Note 2: The Company invested additional capital in the amount of \$98,922 thousand (approximately \$3,034,601 thousand) and \$36,643 thousand (approximately \$1,113,427 thousand) in Ever Conquest Global Limited in August 2018.

Note 3: Information on investments in mainland China is provided in Table 8.

Note 4: All the transactions were written-off when preparing the consolidated financial statements.

(Concluded)

USI CORPORATION AND SUBSIDIARIES

(Acme Electronics Corporation (ACME))

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount (Note 2) | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|--------------------------------------|--------------------------------------|---|---|--|--------------------------------------|-------------------------|--------|----------------------|---|---|--------|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| Acme Electronics Corporation | ACME Electronics (Cayman) Corp. | Ugland House P.O. Box 309 George Town, Grand Cayman, Cayman Islands | Investment business | \$ 605,182 (US\$ 18,336 thousand) | \$ 605,182 (US\$ 18,336 thousand) | 25,621,692 | 51.27 | \$ 656,125 | \$ 164,621 (US\$ 5,626 thousand) | \$ 82,698 (US\$ 2,828 thousand) | Note 1 |
| | Golden Amber Enterprises Limited | CITCO Building, Wickhams Cay Road Town, Tortola, British Virgin Islands | Investment business | 638,676 (US\$ 19,800 thousand) | 638,676 (US\$ 19,800 thousand) | 19,800,000 | 100.00 | 812,301 | 35,197 | 35,197 | Note 1 |
| | ACME Electronics (BVI) Corp. | CITCO Building, Wickhams Cay P.O. Box 662, Road Town, Tortola, British Virgin Islands | Investment business | 23,923 (US\$ 730 thousand) | 23,923 (US\$ 730 thousand) | 730,000 | 100.00 | 490 | (65) (US\$ 2 thousand) | (65) (US\$ 2 thousand) | Note 1 |
| | USI Optronics Corporation | 12F, No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of sapphire monocrystals | 646,200 | 646,200 | 22,064,224 | 34.00 | 105,331 | (165,012) | (56,098) | |
| ACME Electronics (Cayman) Corp. | ACME Components (Malaysia) Sdn. Bhd. | Plot 15, Jalan Industri 6 Kawasan Perindustrian Jelapang II (ZPB) Jelapang 30020 Ipoh, Perak, Malaysia. | Investment business | US\$ 11,891 thousand | US\$ 11,891 thousand | 42,600,000 | 100.00 | US\$ 19,626 thousand | US\$ 1,131 thousand (MYR 4,755 thousand) | US\$ 1,131 thousand (MYR 4,755 thousand) | Note 1 |
| ACME Components (Malaysia) Sdn. Bhd. | ACME Ferrite Products Sdn. Bhd. | Plot 15, Jalan Industri 6 Kawasan Perindustrian Jelapang II (ZPB) Jelapang 30020 Ipoh, Perak, Malaysia. | Production and marketing of soft ferrite core | MYR 37,964 thousand | MYR 5,500 thousand | 9,120,000 | 100.00 | MYR 83,014 thousand | MYR 4,842 thousand | MYR 4,842 thousand | Note 1 |

Note 1: All the transactions were written-off when preparing the consolidated financial statements.

Note 2: The amount is calculated according to the original investment cost.

Note 3: Information on investments in mainland China is provided in Table 8-1.

USI CORPORATION AND SUBSIDIARIES

(Swanson Plastics Corporation (SPC))

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) (Note 4) | Note |
|--|--|---|--|------------------------------|------------------------------|-------------------------|-----|---------------------------------|-----------------------------------|----------------------------------|--------------|
| | | | | December 31, 2018 (Note 2) | December 31, 2017 (Note 2) | Number of Shares | % | Carrying Amount (Notes 2 and 4) | | | |
| Swanson Plastics Corporation | Swanson Plastics (Singapore) Private Limited | 2 Venture Drive Vision Exchange #12-10 Singapore 608526 | Production and marketing of plastic products | \$ 808,506 | \$ 808,506 | 36,863 | 100 | \$ 1,865,174 | \$ (27,964) | \$ (27,964) | Note 3 |
| | Forever Young Company Limited | Skelton Building Main Street P.O. Box 3136 Road Town, Tortola British Virgin Islands | Import, export and agency services | 1,297 | 1,297 | 50 | 100 | 61,799 | (57,118) | (57,100) | |
| | Swanson International Ltd. | Ugland House, P.O. Box 309 George Town, Grand Cayman, Cayman Islands, British West Indies | Investment business | 454,134 | 454,134 | 14,541 | 100 | 1,385,103 | 67,737 | 67,737 | Note 3 |
| | Curtana Company Ltd. | Flatb 6/F Caltex House 258 Hennessy Road Wanchai, Hong Kong | Investment business | 4,850 | 4,850 | 1,600 | 100 | 6,658 | 8,204 | 8,204 | Note 3 |
| | Swanson Technologies Corporation | 12F, No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production, sales and development of EVA packaging film and other value added plastic products | 140,000 | 140,000 | 14,000 | 70 | (55,391) | (16,486) | (11,540) | |
| | PT. Swanson Plastics Indonesia | Ngoro Industrial Park Blok D2-3 Ds. Lolawang Kec. Ngoro Kab. Mojokerto | Production and marketing of plastic products | 7,979 | 5,486 | 261 | 1 | 6,612 | (14,224) | (142) | Note 1 |
| Swanson Plastics (Singapore) Private Limited | Swanson Plastics (Malaysia) Sdn. Bhd. | Plot 505, Tingkat Perusahaan 4A, Kawasan Perusahaan Perai, Zon Perdagangan Bebas, 13600 Perai, Seberang Perai, Malaysia | Production and marketing of plastic products | 202,516 (US\$ 6,593,398) | 202,516 (US\$ 6,593,398) | 20,000 | 100 | 612,770 (US\$ 19,950,179) | 124,897 (RM 16,667,119) | - | |
| | Swanson Plastics (India) Private Ltd. | PLOT No. 2, GDDIDC. Honda, Bhuipal Sattari-403 506, Goa-India | Production and marketing of plastic products | 229,160 (US\$ 7,460,850) | 106,300 (US\$ 3,460,850) | 42,970 | 100 | 91,830 (US\$ 2,989,759) | (88,672) (INR(201,524,992)) | - | |
| | PT. Swanson Plastics Indonesia | Ngoro Industrial Park Blok D2-3 Ds. Lolawang Kec. Ngoro Kab. Mojokerto | Production and marketing of plastic products | 793,677 (US\$ 25,840,033) | 547,341 (US\$ 17,820,000) | 25,840 | 99 | 654,607 (US\$ 21,312,284) | (14,224) (IDR (6,694,851,719)) | - | Note 1 |
| Swanson International Ltd. | A.S. Holdings (UK) Limited | United Kingdom | Investment business | 217,895 (US\$ 7,094,082) | 217,895 (US\$ 7,094,082) | - | 100 | 513,719 (US\$ 16,725,332) | 5,144 (US\$ 170,622) | - | Note 1 and 3 |

Note 1: There are zero shares of the limited company.

Note 2: The original investment amount and carrying amount are translated at the spot exchange rate of December 31, 2018.

Note 3: Information on investments in mainland China is provided in Table 8-2.

Note 4: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

(China General Plastics Corporation (CGPC))

INFORMATION ON INVESTEEES**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| Investor Company | Investee Company | Location | Nature of Activities | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of Investee | Share of Profit (Loss) | Note |
|------------------------------------|---|--|---|----------------------------|-------------------|-------------------------|--------|-----------------|-------------------------------|------------------------|--|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| China General Plastics Corporation | Taiwan VCM Corporation | No. 1, Gongye 1st Rd., Linyuan Dist., Kaohsiung City 832, Taiwan (R.O.C.) | Manufacture and marketing of vinyl chloride monomer | \$2,930,995 | \$2,930,994 | 206,008,832 | 87.22 | \$2,919,181 | \$ 625,587 | \$ 535,972 | Subsidiary |
| | CGPC Polymer Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Manufacture and marketing of PVC resin | 800,000 | 800,000 | 78,859,281 | 100.00 | 1,103,222 | 257,674 | 257,674 | Subsidiary |
| | CGPC (BVI) Holding Co., Ltd. | Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | Reinvestment | 1,073,906 | 1,073,906 | 16,308,258 | 100.00 | 353,757 | 8,843 | 8,843 | Subsidiary |
| | China General Terminal & Distribution Corporation | No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.) | Warehousing of petrochemical raw materials | 41,106 | 41,106 | 18,667,465 | 33.33 | 228,250 | (75,720) | (25,241) | Investment accounted for using the equity method |
| | CGPC America Corporation | 1181 California Ave., Suite 235 Corona, CA 92881 U.S. A. | Marketing of PVC second- and third-time processed products | 648,931 | 648,931 | 100 | 100.00 | 203,543 | (11,119) | (11,119) | Subsidiary |
| | Krystal Star International Corporation | Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | Marketing of PVC second- and third-time processed products | 283,502 | 283,502 | 5,780,000 | 100.00 | 76,490 | 1,646 | 1,646 | Subsidiary |
| | Acme Electronics Corporation | 8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Manufacture and marketing of manganese-zinc soft ferrite powder | 33,995 | 33,995 | 3,176,019 | 1.74 | 24,296 | 56,187 | 978 | Investment accounted for using the equity method |
| | Thintec Materials Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Manufacture and marketing of reinforced plastic products | 15,000 | 15,000 | 600,000 | 10.00 | 1,452 | (10,525) | (1,052) | Investment accounted for using the equity method |

Note 1: All the transactions were written-off when preparing the consolidated financial statements.

Note 2: Information on investments in mainland China is provided in Table 8-3.

USI CORPORATION AND SUBSIDIARIES

(Taita Chemical Company, Limited)

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|---------------------------------|---|------------------------|--|--|--|-------------------------|--------|--|------------------------------------|------------------------------------|--|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| Taita Chemical Company, Limited | Taita (BVI) Holding Co., Ltd. | British Virgin Islands | Reinvestment business | \$ 1,896,283 (US\$ 61,738 thousand) | \$ 1,896,283 (US\$ 61,738 thousand) | 61,738,000 | 100.00 | \$ 1,440,314 (US\$ 46,852 thousand) | \$ 55,742 (US\$ 1,959 thousand) | \$ 55,742 (US\$ 1,959 thousand) | Subsidiary |
| | China General Plastics Corporation | Taiwan | Manufacture and marketing of PVC plastic cloth and three-time processed products | 65,365 | 65,365 | 10,043,760 | 1.98 | 165,982 | 1,276,156 | 25,293 | Investment accounted for using the equity method |
| | China General Terminal & Distribution Corporation | Taiwan | Warehousing and transportation of petro chemical raw materials | 41,082 | 41,082 | 18,667,463 | 33.33 | 228,250 | (75,720) | (25,240) | Investment accounted for using the equity method |
| | Acme Electronics Corporation | Taiwan | Manufacture and marketing of manganese-zinc and ferrite core | 44,771 | 44,771 | 4,445,019 | 2.44 | 34,003 | 56,187 | 1,369 | Investment accounted for using the equity method |
| | Thintec Materials Corporation | Taiwan | Manufacture and marketing of reinforced plastic products | 15,000 | 15,000 | 600,000 | 10.00 | 1,452 | (10,525) | (1,052) | Investment accounted for using the equity method |
| Taita (BVI) Holding Co., Ltd. | ACME Electronics (Cayman) Corporation | British Cayman Islands | Reinvestment business | 52,217 (US\$ 1,700 thousand) | 52,217 (US\$ 1,700 thousand) | 2,695,619 | 5.39 | 69,303 (US\$ 2,256 thousand) | 164,621 (US\$ 5,626 thousand) | | Investment accounted for using the equity method |

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

Note 2: All the transactions were written-off when preparing the consolidated financial statements.

Note 3: Information on investments in mainland China is provided in Table 8-4.

USI CORPORATION AND SUBSIDIARIES

(Asia Polymer Corporation (APC))

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|-----------------------------|---|------------------------|---|---------------------------------|---------------------------------|-------------------------|--------|-----------------|-----------------------------------|-------------------------|---|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| Asia Polymer Corporation | APC (BVI) Holding Co., Ltd. | British Virgin Islands | Reinvestment business | \$ 423,093 (US\$ 13,774,806) | \$ 423,093 (US\$ 13,774,806) | 11,342,594 | 100.00 | \$ 477,505 | \$ 31,477 | \$ 31,477 | Subsidiary (Note 1) |
| | APC Investment Corporation | Taipei, Taiwan | Investment business | 200,000 | 200,000 | 20,000,000 | 100.00 | 97,433 | (4,199) | (4,199) | Subsidiary (Note 1) |
| | USI International Corp. | British Virgin Islands | Reinvestment business | 86,002 (US\$ 2,800,000) | 86,002 (US\$ 2,800,000) | 2,800,000 | 70.00 | 130,090 | 7,086 | 4,960 | Subsidiary (Note 1) |
| | China General Plastics Corporation | Taipei, Taiwan | Manufacture and marketing of PVC plastic cloth and three-time processed products | 247,412 | 247,412 | 40,891,494 | 8.07 | 675,767 | 1,276,156 | 102,976 | Investment accounted for using the equity method |
| | China General Terminal & Distribution Corporation | Taipei, Taiwan | Warehousing and transportation of petro chemical raw materials | 41,082 | 41,082 | 18,667,464 | 33.33 | 228,250 | (75,720) | (25,240) | Investment accounted for using the equity method |
| | Swanson Plastics Corporation | Taipei, Taiwan | Manufacture and marketing of stretch film, diaper film, embossed film, heavy-duty sacks | 75,242 | 75,242 | 12,266,779 | 7.95 | 196,411 | 76,311 | 5,441 | Investment accounted for using the equity method |
| | Acme Electronics Corporation | Taipei, Taiwan | Manufacture and marketing of manganese-zinc and ferrite core | 61,348 | 61,348 | 6,056,623 | 3.32 | 46,332 | 56,187 | 1,865 | Investment accounted for using the equity method |
| | Taiwan United Venture Capital Corp. | Taipei, Taiwan | Investment in high technology businesses | 52,791 | 52,791 | 3,913,533 | 8.33 | 21,860 | (4,921) | (410) | Investment accounted for using the equity method |
| | Thintec Materials Corporation | Taipei, Taiwan | Manufacture and marketing of reinforced plastic products | 36,250 | 36,250 | 1,825,000 | 30.42 | 4,415 | (10,525) | (3,201) | Investment accounted for using the equity method |
| | USI Optronics Corporation | Taipei, Taiwan | Manufacture and marketing of sapphire products | 59,725 | 59,725 | 5,972,464 | 9.20 | 28,512 | (165,012) | (15,185) | Investment accounted for using the equity method |
| APC (BVI) Holding Co., Ltd. | Ever Conquest Global Ltd. | British Virgin Islands | Reinvestment business | 3,171,017 (US\$ 103,240,000) | 1,421,183 (US\$ 46,270,000) | 103,240,000 | 36.94 | 3,167,773 | 8,889 | 3,384 | Investment accounted for using the equity method |
| | ACME Electronics (Cayman) Corp. | British Cayman Islands | Reinvestment business | 161,097 (US\$ 5,244,903) | 161,097 (US\$ 5,244,903) | 8,316,450 | 16.64 | 213,812 | 164,621 | - | Investment accounted for using the equity method |
| APC Investment Corporation | USI International Corp. | British Virgin Islands | Reinvestment business | 36,858 (US\$ 1,200,000) | 36,858 (US\$ 1,200,000) | 1,200,000 | 30.00 | 55,753 | 7,086 | - | Investment accounted for using the equity method (Note 1) |
| | Acme Electronics Corporation | Taipei, Taiwan | Manufacture and marketing of manganese-zinc and ferrite core | 14,889 | 14,889 | 1,884,548 | 1.03 | 14,416 | 56,187 | - | Investment accounted for using the equity method |
| | Swanson Technologies Corporation | Taipei, Taiwan | Manufacture and marketing of EVA film | 30,000 | 30,000 | 3,000,000 | 15.00 | (11,869) | (16,486) | - | Investment accounted for using the equity method |

Note 1: All the transactions were written-off when preparing the consolidated financial statements.

Note 2: Information on investments in mainland China is provided in Table 8-5.

USI CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 6 and 7) | Carrying Amount as of December 31, 2018 (Notes 6 and 7) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|--|--|-----------------------------------|----------------------|---|--------------------------------|--------|---|-----------------------------------|--|--|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Acme Electronics (Kunshan) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | \$ 943,718 (US\$ 30,725,000) | Note 1 | \$ 86,540 (US\$ 2,817,528) | \$ - | \$ - | \$ 86,540 (US\$ 2,817,528) | \$ 150,563 (US\$ 5,163,095) | 11.23 | \$ 16,901 (US\$ 579,562) | \$ 94,931 (US\$ 3,090,710) | \$ - |
| Usig (Shanghai) Co., Ltd. | Importing and distributing various chemical raw materials and products | 153,575 (US\$ 5,000,000) | Note 2 | 153,575 (US\$ 5,000,000) | - | - | 153,575 (US\$ 5,000,000) | 4,710 (US\$ 157,357) | 100.00 | 4,710 (US\$ 157,357) | 129,688 (US\$ 4,222,313) | - |
| Fujian Gulei Petrochemical Co., Ltd. ("Gulei") | Manufacture of crude oil and petroleum products | 20,629,343 (RMB 4,609,600,000) | Note 3 | 2,216,814 (US\$ 72,173,674) | 2,816,313 (US\$ 91,691,773) | - | 5,033,127 (US\$ 163,865,447) | 64,542 (US\$ 2,181,422) | 24.43 | 13,592 (US\$ 459,531) | 5,051,389 (US\$ 164,460,018) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$5,533,015 (US\$180,140,475) | \$8,169,253 (US\$265,969,510) (Note 5) | \$ - (Note 4) |

Note 1: The Company reinvested in China-based companies via Swanlake Traders Ltd. (100%) by wiring transfer funds to other areas.

Note 2: The Company reinvested in the China area via the Cypress Epoch Limited (100%).

Note 3: The Company reinvested in 50% of the outstanding shares of Gulei at first via Ever Conquest Global Limited (63.06%), then via Ever Victory Global Limited (77.47%), and finally via Dynamic Ever Investments Limited (100%).

Note 4: As the Company has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10320406700 on March 25, 2014, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note 5: As included in the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10500116380 on September 1, 2016 and No. 10500234240 on December 29, 2016, the Company was able to wire transfer US\$248,025 thousands to Gulei.

Note 6: All the transactions were written-off when preparing the consolidated financial statements.

Note 7: Except for Gulei, whose financial statements are audited by KPMG and adjusted according to TIFRS, the financial statements of ACME Electronics (Kunshan) and USIG (Shanghai) are calculated by CPA of the ROC parent company.

USI CORPORATION AND SUBSIDIARIES

(Acme Electronics Corporation (ACME))

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 5) | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 5) | Net Income (Loss) of the Investee (Note 6) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 4, 6 and 8) | Carrying Amount as of December 31, 2018 (Notes 7 and 8) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|---|---|----------------------|----------------------|--|------------------|--------|--|--|--|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Acme Electronics (Kunshan) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | US\$ 30,725 thousand | Note 2 | \$ 374,188 (US\$ 11,144 thousand) | \$ - | \$ - | \$ 374,188 (US\$ 11,144 thousand) | \$ 150,563 (RMB 31,235 thousand) | 51.27 | \$ 77,194 (RMB 16,014 thousand) | \$ 433,622 (RMB 96,892 thousand) | \$ - |
| Acme Electronics (Guang-Zhou) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | US\$ 19,200 thousand | Note 2 | 619,676 (US\$ 19,200 thousand) | - | - | 619,676 (US\$ 19,200 thousand) | 37,575 (RMB 8,148 thousand) | 100.00 | 37,575 (RMB 8,148 thousand) | 839,736 (RMB 187,638 thousand) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$932,016 (US\$30,344 thousand) (Note 7) | \$1,125,183 (US\$36,633 thousand) (Notes 3 and 7) | \$ - (Note 2) |

Note 1: ACME reinvested in the China area via another investment area.

Note 2: According to the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 09704604680 on August 29, 2008, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note 3: ACME Electronics (Kunshan) Co., Ltd. transferred earnings to ordinary shares, and ACME thusly increased its capital investment by the amount of US\$6,289 thousand according to its ownership percentage.

Note 4: ACME recognized the investment gain (loss), according to Certified Public Accountants and auditing financial report accepted in the ROC

Note 5: The amount is calculated using the exchange rate on the original investment date.

Note 6: The calculation was based on the average exchange rate for the year ended December 31, 2018.

Note 7: The amount is calculated using the spot exchange rate of December 31, 2018.

Note 8: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

(Swanson Plastics Corporation (SPC))

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

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

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 2) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 5) | Carrying Amount as of December 31, 2018 (Note 5) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|---|--|--------------------------------|---|--|------------------|------------|--|--------------------------------------|--|------------------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Swanson Plastics (Nantong) Co., Ltd. (Note 3) | Production and sale of heavy bags, garbage bags, diapers and so on | \$ 122,860 (US\$ 4,000,000) | 1. Indirect investment Swanson Plastics (Nantong) Corp. (95.5%) via Curtana (HK) Company Ltd. 2. Indirect investment Swanson Plastics (Nantong) Corp. (4.5%) via Curtana (HK) Company Ltd. | \$ 113,369 | \$ - | \$ 113,369 | \$ - | \$ 37,166 (US\$ 8,150,539) | - | \$ 37,166 (Note 1) | \$ - (Note 1) | \$ 6,091 (US\$ 198,309) |
| Swanson Plastics (Kunshan) Co., Ltd. | Production, sales and development of multi-functional film, optical film and so on | 408,202 (US\$ 13,290,000) | Indirect investment it via Swanson (BVI) International Ltd. | 223,930 | - | - | 223,930 | 61,316 US\$ 2,033,739 | 100 | 61,316 US\$ 2,033,739 | 966,725 US\$ 31,474,027 | - |
| ASK-Swanson (Kunshan) Co., Ltd. | Management of production and sales of PE release film and other release products | 279,507 (US\$ 9,100,000) | Indirect investment A.S. Holdings (UK) Limited via Swanson International Ltd. | 193,447 | - | - | 193,447 | 5,144 US\$ 170,622 | 100 | 5,144 US\$ 170,622 | 522,899 US\$ 17,024,224 | - |
| Swanson Plastics (Tianjin) Co., Ltd. | Production, sales and development of multi-functional film, optical film and so on | 328,651 (US\$ 10,700,000) | Indirect investment it via Swanson (Singapore) Private Ltd. | 170,754 | - | - | 170,754 | (62,825) (US\$ (2,083,807)) | 100 | (62,825) (US\$ (2,083,807)) | 190,009 US\$ 6,186,183 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$588,131 | \$1,007,014 (US\$32,785,753) | \$ - (Note 4) |

Note 1: The amount is the total amount between Curtana Company Ltd. and Swanson Plastics Corporation.

Note 2: Paid in capital and upper limit on the amount investment stipulated by Industrial Development Bureau, MOEA is calculated using the spot exchange rate on December 31, 2018.

Note 3: SPC disposed of SPC (Nantong) as agreed in the meeting of the board of directors held in April 2016, and sold it's all shares by NT\$129,077 thousand on December 21, 2018. As of December 31, 2018, the SPC completed the process of the disposed and recognized gain of disposal NT\$116,576 thousand.

Note 4: According to the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10620415720, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable, and the effective period is the year-end from 2017 to 2020.

Note 5: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

(China General Plastics Corporation (CGPC))

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| Investee Company | Nature of Activities | Paid-in Capital (Note 1) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 1) | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 1) | Net Income (Loss) of Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 5) | Carrying Amount as of December 31, 2018 (Notes 1) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|--|--|---|--|--|------------------|--------|--|------------------------------------|--|---------------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | | |
| Continental General Plastics (Zhong Shan) Co., Ltd. (Note 4) | Manufacture and marketing of PVC leather and third-time processed products | \$ 614,300 (US\$ 20,000 thousand) | Investment through CGPC (BVI) Holding Co., Ltd. | \$ 614,300 (US\$ 20,000 thousand) | \$ - | \$ - | \$ 614,300 (US\$ 20,000 thousand) | \$ 7,455 (US\$ 247 thousand) | 100.00 | \$ 7,455 (US\$ 247 thousand) | \$ 264,486 (US\$ 8,611 thousand) | \$ - |
| CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4) | Manufacture and marketing of PVC leather and third-time processed products | 46,073 (US\$ 1,500 thousand) | Investment through CGPC (BVI) Holding Co., Ltd. | 46,073 (US\$ 1,500 thousand) | - | - | 46,073 (US\$ 1,500 thousand) | 12 (US\$ - thousand) | 100.00 | 12 (US\$ - thousand) | 13,932 (US\$ 454 thousand) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Notes 1 and 3) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2) |
|--|---|--|
| \$831,824 (US\$27,082 thousand) | \$1,053,371 (US\$34,295 thousand) | \$- (Note 2) |

Note 1: The amount is calculated using the spot exchange rate as on December 31, 2018.

Note 2: As the CGPC has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10620424930 on September 22, 2017, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note 3: QuanZhou Continental General Plastics Co., Ltd. ("CGPC (QZ)") and Union (Zhong Shan) Co., Ltd. ("Union (ZS)") completed dissolution procedures, and CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)") retrieved the residual assets. The shares of Continental General Plastics (SanHe) Co., Ltd. were fully sold, and CGPC (BVI) retrieved the residual assets. However, the amount of capital has not been wired back to Taiwan. The accumulated amount includes the investment amount of CGPC (QZ) of \$21,009 thousand (US\$684 thousand), the investment amount of Union (ZS) of \$27,582 thousand (US\$898 thousand) and the investment amount of Continental General Plastics (SanHe) Co., Ltd. of \$122,860 thousand (US\$4,000 thousand).

Note 4: The board of directors of CGPC passed a resolution to dissolve CGPC (ZS) and CGPC (CP) in October 24, 2011. As of December 31, 2018, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2018 is based on the financial statements audited by the parent company's R.O.C.-based CPA.

Note 6: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

(Taita Chemical Company, Limited (TTC))

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

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

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of the Investee (Note 5) | % Ownership of Direct or Indirect Investment | Investment Gain (Note 5) | Carrying Amount as of December 31, 2018 (Note 5) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|--|---|--|---|---|------------------|--------|---|--|--|--------------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | | |
| Taita Chemical (Zhong shan) Co., Ltd. ("TAITA (ZS)") | Production and marketing of polystyrene derivatives | \$ 1,420,569 (US\$ 46,250 thousand) (Note 1) | Investment through a holding company registered in a third region | \$ 1,320,745 (US\$ 43,000 thousand) | \$ - | \$ - | \$ 1,320,745 (US\$ 43,000 thousand) | \$ 216,260 (US\$ 7,219 thousand) | 100.00 | \$ 216,260 (US\$ 7,219 thousand) | \$ 2,095,315 (US\$ 68,218 thousand) | \$ - |
| Taita Chemical (Tianjin) Co., Ltd. ("TAITA (TJ)") | Producing and marketing of polystyrene derivatives | 840,055 (US\$ 27,350 thousand) (Note 2) | Investment through a holding company registered in a third region | 798,590 (US\$ 26,000 thousand) | - | - | 798,590 (US\$ 26,000 thousand) | (144,178) (US\$ (4,729) thousand) | 100.00 | (144,178) (US\$ (4,729) thousand) | 42,749 (US\$ 1,392 thousand) | - |
| ACME Electronics (Kunshan) Co., Ltd. ("ACME (KS)") | Manufacturing and marketing of manganese-zinc soft ferrite core | 943,718 (US\$ 30,725 thousand) | Investment through a holding company registered in a third region | 41,589 (US\$ 1,354 thousand) | - | - | 41,589 (US\$ 1,354 thousand) | 150,562 (US\$ 5,163 thousand) | 5.39 | 8,115 (US\$ 278 thousand) | 45,621 (US\$ 1,485 thousand) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$2,160,924 (US\$ 70,354 thousand) | \$2,328,729 (US\$ 75,817 thousand) (Note 3) | \$2,395,174 (Note 3) |

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

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

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

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

Note 5: The basis for investment income (loss) recognition is financial statements which were reviewed by the parent company's ROC-based CPA.

Note 6: All the transactions were written-off when preparing the consolidated financial statements.

USI CORPORATION AND SUBSIDIARIES

(Asia Polymer Corporation (APC))

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 3) | Method and Medium of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of Investee (Note 2) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2018 (Note 3) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|--------------------------------------|---|-----------------------------------|--|---|--------------------------------|--------|---|--|--|---------------------------------------|---|--|
| | | | | | Outflow | Inflow | | | | | | |
| ACME Electronics (Kunshan) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | \$ 943,718 (US\$ 30,725,000) | b. ACME Electronics (Cayman) Corp. | \$ 128,308 (US\$ 4,177,369) | \$ - | \$ - | \$ 128,308 (US\$ 4,177,369) | (2) 150,562 | 16.64 | \$ 25,057 | \$ 140,748 | \$ - |
| USI Trading (Shanghai) Co., Ltd. | Management of chemical products, equipment, and plastic products; wholesale of electronic materials, commission agency services and related supporting import and export services | 76,788 (US\$ 2,500,000) | b. APC (BVI) Holding Co., Ltd. | 93,238 (US\$ 3,035,601) | - | - | 93,238 (US\$ 3,035,601) | (2) 1,982 | 100.00 | 1,982 | 99,982 | - |
| Fujian Gulei Petrochemical Co., Ltd. | Manufacture of crude oil and petroleum products | 20,629,343 (RMB 4,609,600,000) | b. Dynamic Ever Investments Limited | 1,326,145 (US\$ 43,175,806) | 1,622,390 (US\$ 52,820,780) | - | 2,948,535 (US\$ 95,996,586) | (1) 64,542 | 14.31 | 8,167 | 2,958,581 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$3,318,132 (US\$108,029,692) (Note 4) | \$4,956,836 (US\$161,381,608) | \$ - (Note 5) |

Note 1: Investments are divided into three categories as follows:

- Direct investment.
- Investments through a holding company registered in a third region.
- Others.

Note 2: For the column of investment gain (loss):

- If there is no investment gain (loss) during the preparation, it should be noted.
- If the basis for the recognition of investment gain (loss) is classified into the following three type, it should be noted as follows:
 - Financial statements audited by international accounting firms which have a cooperation relationship with an accounting firm in the Republic of China.
 - Financial statements audited by the parent company's CPA.
 - Others.

Note 3: The amount is calculated using the exchange rate as at December 31, 2018.

Note 4: The accumulated outward remittance includes the investments in Wafer Works Epitaxial Corp., Wafer Works (Shanghai) Corp., Shanghai JingJi Electronic Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., Jinzhou Youhua Silicon Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., Qinghai Chenguang New Energy Co., Ltd., USI Trading (Shanghai) Co., Ltd. ("USIT"), and Fujian Gulei Petroleum Company.

- APC invested in Wafer Works Epitaxial Corp. and Wafer Works (Shanghai) Corp. through Silicon Technology Investment (Cayman) Corp.
- APC invested in Solar Technology Investment (Cayman) Corp. and Risheng Investment Limited through Solargiga Energy Holdings Limited, which indirectly invested in Solar Energy Silicon Materials Co., Ltd. and then in Shanghai JingJi Electronic Materials Co., Ltd. Risheng Investment Limited indirectly invested in Jinzhou Yangguang Energy Co., Ltd., Jinzhou Youhua Silicon Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., and Qinghai Chenguang New Energy Co., Ltd.

Note 5: As APC has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10520427730 on November 11, 2016, the upper limit on investments in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

USI CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | % to Total Sales or Assets (Note 4) |
|-----------------|---|---|--------------------------|------------------------------------|--------------------|---------------------------|---|
| | | | | Financial Statement Accounts | Amount (Note 3) | Payment Terms | |
| 0 | USI Corporation | USI Far East (HK) Co., Ltd. | a | Sales revenue | \$ 215,322 | No significant difference | 0.35 |
| | | USI Trading (Shanghai) Co., Ltd. | a | Sales revenue | 134,774 | No significant difference | 0.22 |
| | | Forever Young Company Ltd. | a | Sales revenue | 100,296 | No significant difference | 0.16 |
| | | Swanson Plastics Corporation | a | Sales revenue | 83,582 | No significant difference | 0.14 |
| | | Asia Polymer Corporation | a | Purchases | 670,909 | No significant difference | 1.10 |
| | | Swanson Plastics Corporation | a | Purchases | 68,091 | No significant difference | 0.11 |
| | | Taita Chemical Company, Limited | a | Purchases | 17,276 | No significant difference | 0.03 |
| | | Chong Loong Trading Co., Ltd. | a | Purchases | 15,485 | No significant difference | 0.03 |
| | | USI Trading (Shanghai) Co., Ltd. | a | Accounts receivable | 28,604 | No significant difference | 0.04 |
| | | USI Far East (HK) Co., Ltd. | a | Accounts receivable | 12,488 | No significant difference | 0.02 |
| | | Asia Polymer Corporation | a | Other receivables | 146,325 | No significant difference | 0.21 |
| | | Taiwan VCM Corporation | a | Other receivables | 171,224 | No significant difference | 0.25 |
| | | Asia Polymer Corporation | a | Accounts payable - related parties | 158,522 | No significant difference | 0.23 |
| | | USI Management Consulting Corporation | a | Management services expense | 80,912 | No significant difference | 0.12 |
| | | China General Terminal & Distribution Corporation | a | Purchases costs | 31,542 | No significant difference | 0.05 |
| 1 | Asia Polymer Corporation (APC) | Swanson Plastics Corporation | c | Sales revenue | 46,339 | No significant difference | 0.08 |
| | | USI Far East (HK) Co., Ltd. | c | Sales revenue | 27,133 | No significant difference | 0.04 |
| | | Forever Young Company Ltd. | c | Sales revenue | 23,799 | No significant difference | 0.04 |
| | | Taita Chemical Company, Limited | c | Purchases | 104,456 | No significant difference | 0.17 |
| | | Swanson Plastics Corporation | c | Purchases | 36,708 | No significant difference | 0.05 |
| | | Taita Chemical Company, Limited | c | Accounts payable | 31,162 | No significant difference | 0.05 |
| | | China General Terminal & Distribution Corporation | c | Storage tank operating costs | 23,585 | No significant difference | 0.04 |
| 2 | China General Plastics Corporation (CGPC) | CGPC America Corporation | c | Sales revenue | 374,307 | No significant difference | 0.61 |
| | | Taiwan VCM Corporation | c | Purchases | 4,230,003 | No significant difference | 6.13 |
| | | CGPC Polyymmer Corporation | c | Purchases | 19,239 | No significant difference | 0.03 |
| | | China General Terminal & Distribution Corporation | c | Purchases costs | 88,185 | No significant difference | 0.14 |
| | | CGPC America Corporation | c | Accounts receivable | 101,245 | No significant difference | 0.17 |
| | | Taiwan VCM Corporation | c | Accounts payable | 774,140 | No significant difference | 1.27 |
| | | USI Management Consulting Corporation | c | Management services expense | 70,340 | No significant difference | 0.12 |

(Continued)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|-----------------|---------------------------------------|---|--------------------------|------------------------------|--------------------|---------------------------|---|
| | | | | Financial Statement Accounts | Amount (Note 3) | Payment Terms | % to Total Sales or Assets (Note 4) |
| 3 | Taita Chemical Company, Limited | Taita Chemical (Zhong Shan) Co., Ltd. | c | Sales revenue | \$ 1,603,160 | No significant difference | 2.63 |
| | | Taita Chemical (Tianjin) Co., Ltd. | c | Sales revenue | 201,301 | No significant difference | 0.33 |
| | | Taita Chemical (Tianjin) Co., Ltd. | c | Accounts receivable | 122,547 | No significant difference | 0.18 |
| | | Taita Chemical (Tianjin) Co., Ltd. | c | Other receivables | 173,988 | No significant difference | 0.29 |
| | | USI Management Consulting Corporation | c | Management services expense | 54,816 | No significant difference | 0.09 |
| | | China General Terminal & Distribution Corporation | c | Storage tank operating costs | 13,258 | No significant difference | 0.02 |
| 4 | Acme Electronics Corp. | Acme Electronics (Kunshan) Co., Ltd. | c | Sales revenue | 208,832 | No significant difference | 0.30 |
| | | Acme Electronics (Guang-Zhou) Co., Ltd. | c | Sales revenue | 129,124 | No significant difference | 0.19 |
| | | ACME Ferrite Product Sdn. Bhd. | c | Sales revenue | 22,492 | No significant difference | 0.04 |
| | | Acme Electronics (Kunshan) Co., Ltd. | c | Cost of goods sold | 100,550 | No significant difference | 0.17 |
| | | Acme Electronics (Guang-Zhou) Co., Ltd. | c | Accounts receivable | 31,750 | No significant difference | 0.05 |
| | | Acme Electronics (Kunshan) Co., Ltd. | c | Accounts receivable | 18,211 | No significant difference | 0.03 |
| | | ACME Electronics (Cayman) Corp. | c | Other receivables | 186,504 | No significant difference | 0.27 |
| | | Golden Amber Enterprises Limited | c | Other receivables | 21,706 | No significant difference | 0.03 |
| | | Acme Electronics (Kunshan) Co., Ltd. | c | Other receivables | 13,279 | No significant difference | 0.02 |
| | | Acme Electronics (Guang-Zhou) Co., Ltd. | c | Notes and accounts payable | 210,028 | No significant difference | 0.30 |
| | | Acme Electronics (Kunshan) Co., Ltd. | c | Notes and accounts payable | 31,301 | No significant difference | 0.05 |
| | | Acme Electronics (Kunshan) Co., Ltd. | c | Premium revenue | 14,941 | No significant difference | 0.02 |
| | | ACME Electronics (Cayman) Corp. | c | Management services revenue | 12,362 | No significant difference | 0.02 |
| | | Acme Electronics (Guang-Zhou) Co., Ltd. | c | Processing cost | 462,101 | No significant difference | 0.76 |
| | | USI Management Consulting Corporation | c | Management services expense | 10,061 | No significant difference | 0.02 |
| 5 | USI Management Consulting Corporation | Asia Polymer Corporation | c | Management services revenue | 33,279 | No significant difference | 0.05 |
| | | Swanson Plastics Corporation | c | Management services revenue | 20,010 | No significant difference | 0.03 |
| | | China General Terminal & Distribution Corporation | c | Management services revenue | 17,375 | No significant difference | 0.03 |
| 6 | USI International Corp. | USIG (Shanghai) Co., Ltd | c | Other receivables | 11,312 | No significant difference | 0.02 |
| 7 | Taita Chemical (Zhong Shan) Co., Ltd. | Taita Chemical (Tianjin) Co., Ltd. | c | Other receivables | 279,905 | No significant difference | 0.46 |
| | | Taita Chemical (Tianjin) Co., Ltd. | c | Interest revenue | 13,236 | No significant difference | 0.02 |
| 8 | Acme Electronics (Kunshan) Co., Ltd. | Acme Electronics (Guang-Zhou) Co., Ltd. | c | Sales revenue | 53,844 | No significant difference | 0.08 |
| | | ACME Ferrite Product Sdn. Bhd. | c | Sales revenue | 33,978 | No significant difference | 0.06 |
| | | ACME Ferrite Product Sdn. Bhd. | c | Cost of goods sold | 20,584 | No significant difference | 0.03 |
| 9 | CGPC Polymer Corporation | Taiwan VCM Corporation | c | Purchases | 4,410,087 | No significant difference | 6.39 |
| | | Taiwan VCM Corporation | c | Accounts payable | 778,034 | No significant difference | 1.13 |
| | | Taiwan VCM Corporation | c | Other payables | 24,902 | No significant difference | 0.04 |
| 10 | Swanson Plastics Corporation | Forever Young Company Limited | c | Sales revenue | 74,555 | No significant difference | 0.12 |
| | | Swanson Plastics (Kunshan) Co., Ltd. | c | Cost of goods sold | 11,007 | No significant difference | 0.02 |
| | | Forever Young Company Limited | c | Management services revenue | 21,707 | No significant difference | 0.04 |

(Continued)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|--------------------|---|---------------------------------------|--------------------------|------------------------------|--------------------|---------------------------|---|
| | | | | Financial Statement Accounts | Amount (Note 3) | Payment Terms | % to Total Sales or Assets (Note 4) |
| 11 | Forever Young Company Limited | Swanson Plastics (Malaysia) Sdn. Bhd. | c | Sales revenue | \$ 495,515 | No significant difference | 0.81 |
| | | Swanson Plastics (Kunshan) Co., Ltd. | c | Sales revenue | 410,331 | No significant difference | 0.59 |
| | | PT. Swanson Plastics Indonesia | c | Sales revenue | 183,460 | No significant difference | 0.30 |
| | | Swanson Plastics (Tianjin) Sdn. Bhd. | c | Sales revenue | 36,680 | No significant difference | 0.06 |
| | | Swanson Plastics (Malaysia) Sdn. Bhd. | c | Cost of goods sold | 284,123 | No significant difference | 0.47 |
| | | Swanson Plastics (Kunshan) Co., Ltd. | c | Accounts receivable | 223,530 | No significant difference | 0.32 |
| | | PT. Swanson Plastics Indonesia | c | Accounts receivable | 28,002 | No significant difference | 0.04 |
| | | Swanson Plastics (Malaysia) Sdn. Bhd. | c | Accounts receivable | 26,058 | No significant difference | 0.04 |
| | | Swanson Plastics (Tianjin) Sdn. Bhd. | c | Accounts receivable | 13,012 | No significant difference | 0.02 |
| | | Swanson International Ltd. | c | Other receivables | 95,370 | No significant difference | 0.16 |
| | | Swanson Plastics (Malaysia) Sdn. Bhd. | c | Accounts payable | 21,907 | No significant difference | 0.03 |
| 12 | Swanson Plastic (Singapore) Private Limited | Swanson Plastics (Malaysia) Sdn. Bhd. | c | Cost of goods sold | 319,709 | No significant difference | 0.46 |
| | | PT. Swanson Plastics Indonesia | c | Cost of goods sold | 16,579 | No significant difference | 0.02 |
| | | Swanson Plastics (India) Private Ltd. | c | Accounts receivable | 109,266 | No significant difference | 0.16 |
| | | Swanson Plastics (Malaysia) Sdn. Bhd. | c | Accounts payable | 23,495 | No significant difference | 0.04 |
| 13 | Swanson Plastics (Kunshan) Corp. | ASK-Swanson (Kunshan) Co., Ltd. | c | Sales revenue | 102,185 | No significant difference | 0.17 |
| | | Swanson Plastics (Tianjin) Sdn. Bhd. | c | Cost of goods sold | 44,635 | No significant difference | 0.07 |
| 14 | ASK-Swanson (Kunshan) Co., Ltd. | Swanson Plastics (Tianjin) Co., Ltd. | c | Other receivables | 184,420 | No significant difference | 0.27 |

Note 1: The information about the transactions between the Company and the subsidiaries should be marked in the note column as follows:

- a. The Company: 0.
- b. The subsidiaries were marked from 1 in order of numeric characters by the companies.

Note 2: Investment types as follows:

- a. The Company to the subsidiaries.
- b. The subsidiaries to the Company.
- c. Between subsidiaries.

Note 3: The above transactions were not included in the consolidated financial statements.

Note 4: The ratio of transaction amounts accounted for total sales revenue or assets is calculated as follows: (1) asset or liability: The ratio was calculated based on the ending balance accounted for total consolidated assets; (2) income or loss: The ratio was calculated based on the midterm accumulated amounts accounted for total consolidated sales revenue.

(Concluded)

V. The Company's Parent Company-only Financial Statements Audited by CPAs in the Most Recent Fiscal Year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
USI Corporation

Opinion

We have audited the accompanying financial statements of USI Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2018 are stated as follows:

Estimation of Inventory Write-downs

As of December 31, 2018, the carrying amount of inventory was NT\$1,368,761 thousand (i.e. the gross

amount of inventory of NT\$1,376,352 thousand with a deduction of allowance for impairment of NT\$7,591 thousand) which accounted for 5% of the total assets in the financial statements as a whole. The Company's inventories are stated at the lower of cost or net realizable value and are subject to the price fluctuations of ethylene. With the drastic fluctuation of oil prices worldwide, the estimation of the net realizable value is affected by management's subjective judgment and evaluation. Thus, the estimation of inventory write-downs, in our professional judgement, is one of the key audit matters.

For the significant accounting policies, critical accounting judgments, and key sources of estimation uncertainty related to the estimation of inventory write-downs, refer to Note 4(e), Note 5(c) and Note 13 to the financial statements.

We performed the corresponding audit procedures, for the estimation of inventory write-downs, as follows:

1. We understood and evaluated the reasonableness of the Company's policy and methods for the allowance for losses on inventory.
2. We obtained the evaluation documents of the allowance for losses on inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify the basis of the evaluation and whether it is appropriate.
3. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for losses on inventory.

Revenue Recognition - Revenue from Specific Customers

The operating revenue of the Company is dispersive to customers with large volume of transactions. The revenue from specific customers, with a growth higher than the average sales trend of the industry in the past three years for the year ended December 31, 2018 was NT\$3,886,856 thousand which accounted for approximately 33% of the operating revenue in the financial statements as a whole. The Company's financial statements would be influenced by a material misstatement of revenue from specific customers. Therefore, recognition of revenue from these specific customers is identified as one of the key audit matters.

For the significant accounting policies and critical accounting judgments and key sources of estimation uncertainty related to the recognition of revenue from specific customers, refer to Note 4(l) and Note 25 to the financial statements.

We performed the corresponding audit procedures, for the recognition of specific customers, as follows:

1. We obtained an understanding of the design and implementation of internal controls about these specific customers and tested whether these controls were performed effectively.
2. We sampled and inspected purchase orders, shipping documents, billing orders and receipt documents, to confirm whether the significant risks and rewards of ownership of the goods had been transferred to the buyer and to confirm the rationality of the timing of specific customers' revenue recognition on specific sales.
3. We reviewed sales returns and discounts recognized and the amounts received in subsequent periods to assess or any abnormalities.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and

for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Pi-Yu Chuang and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2019

Notice to Readers

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

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

USI CORPORATION

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

| ASSETS | 2018 | | 2017 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 3, 4 and 6) | \$ 1,789,529 | 6 | \$ 1,951,190 | 7 |
| Financial assets at fair value through profit or loss (FVTPL)- current (Notes 3, 4 and 7) | 1,236,761 | 4 | 1,680,720 | 6 |
| Financial assets measured at amortized cost - current (Notes 3, 4, 9 and 33) | 60,500 | - | - | - |
| Debt investments with no active market - current (Notes 3, 4, 11 and 33) | - | - | 54,000 | - |
| Notes receivable, net (Notes 3, 4, 5 and 12) | 92,521 | - | 98,428 | 1 |
| Accounts receivable, net (Notes 3, 4, 5 and 12) | 1,411,861 | 5 | 1,128,049 | 4 |
| Accounts receivable from related parties (Notes 3, 4, 12 and 32) | 61,326 | - | 84,119 | 1 |
| Other receivables (Notes 3, 4 and 12) | 61,616 | - | 72,405 | - |
| Other receivables from related parties (Notes 3, 4, 12 and 32) | 329,845 | 1 | 566,138 | 2 |
| Current tax assets (Notes 4 and 27) | - | - | 3,254 | - |
| Inventories (Notes 4, 5 and 13) | 1,368,761 | 5 | 1,343,725 | 5 |
| Prepayments | 173,019 | 1 | 151,889 | 1 |
| Other current assets | <u>31</u> | - | <u>-</u> | - |
| Total current assets | <u>6,585,770</u> | <u>22</u> | <u>7,133,917</u> | <u>27</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 3, 4 and 8) | 1,021,501 | 4 | - | - |
| Available-for-sale financial assets - non-current (Notes 3, 4 and 10) | - | - | 892,511 | 3 |
| Financial assets measured at cost - non-current (Notes 3, 4 and 14) | - | - | 186,650 | 1 |
| Investments accounted for using the equity method (Notes 3, 4, 15 and 35) | 14,967,524 | 51 | 11,721,808 | 44 |
| Property, plant and equipment (Notes 4, 5, 16 and 33) | 6,682,004 | 23 | 6,536,559 | 25 |
| Investment properties (Notes 4, 5, 17 and 32) | 32,366 | - | 33,467 | - |
| Intangible assets (Notes 4, 5 and 18) | 470 | - | 33,638 | - |
| Deferred tax assets (Notes 4 and 27) | 80,749 | - | 75,183 | - |
| Other non-current assets (Notes 29 and 33) | <u>97,386</u> | - | <u>108,312</u> | - |
| Total non-current assets | <u>22,882,000</u> | <u>78</u> | <u>19,588,128</u> | <u>73</u> |
| TOTAL | <u>\$ 29,467,770</u> | <u>100</u> | <u>\$ 26,722,045</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 19) | \$ 1,753,000 | 6 | \$ 200,000 | 1 |
| Short-term bills payable (Note 19) | 199,981 | 1 | - | - |
| Financial liabilities at fair value through profit or loss (FVTPL) - current (Notes 4 and 7) | 6,817 | - | 5,154 | - |
| Accounts payable (Note 21) | 788,239 | 3 | 1,208,350 | 5 |
| Accounts payable from related parties (Notes 21 and 32) | 163,346 | - | 100,228 | - |
| Other payables (Notes 22 and 26) | 273,325 | 1 | 403,848 | 2 |
| Other payables from related parties (Notes 22 and 32) | 16,179 | - | 17,720 | - |
| Current tax liabilities (Notes 4 and 27) | 33,353 | - | 58,642 | - |
| Other current liabilities (Note 32) | <u>59,499</u> | - | <u>82,902</u> | - |
| Total current liabilities | <u>3,293,739</u> | <u>11</u> | <u>2,076,844</u> | <u>8</u> |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Notes 4 and 20) | 5,992,604 | 20 | 5,990,167 | 22 |
| Long-term borrowings (Notes 19 and 33) | 1,500,000 | 5 | - | - |
| Deferred tax liabilities (Notes 4 and 27) | 171,743 | 1 | 137,354 | 1 |
| Net defined benefit liabilities - non-current (Notes 4 and 23) | 308,934 | 1 | 376,438 | 1 |
| Credit balance for investments accounted for using the equity method (Notes 4 and 15) | 1,310 | - | 2,841 | - |
| Other non-current liabilities (Note 29) | <u>12,287</u> | - | <u>13,994</u> | - |
| Total non-current liabilities | <u>7,986,878</u> | <u>27</u> | <u>6,520,794</u> | <u>24</u> |
| Total liabilities | <u>11,280,617</u> | <u>38</u> | <u>8,597,638</u> | <u>32</u> |
| EQUITY (Notes 3, 4, 8, 10, 23, 24 and 27) | | | | |
| Share capital | | | | |
| Ordinary shares | <u>11,887,635</u> | <u>40</u> | <u>11,654,544</u> | <u>44</u> |
| Capital surplus | <u>253,738</u> | <u>1</u> | <u>238,194</u> | <u>1</u> |
| Retained earnings | | | | |
| Legal reserve | 2,925,759 | 10 | 2,814,630 | 11 |
| Special reserve | 375,127 | 1 | 375,127 | 1 |
| Unappropriated earnings | <u>3,513,943</u> | <u>12</u> | <u>3,548,804</u> | <u>13</u> |
| Total retained earnings | <u>6,814,829</u> | <u>23</u> | <u>6,738,561</u> | <u>25</u> |
| Other equity | <u>(293,443)</u> | <u>(1)</u> | <u>(31,286)</u> | <u>-</u> |
| Treasury shares | <u>(475,606)</u> | <u>(1)</u> | <u>(475,606)</u> | <u>(2)</u> |
| Total equity | <u>18,187,153</u> | <u>62</u> | <u>18,124,407</u> | <u>68</u> |
| TOTAL | <u>\$ 29,467,770</u> | <u>100</u> | <u>\$ 26,722,045</u> | <u>100</u> |

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

USI CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2018 | | 2017 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 25 and 32) | | | | |
| Sales | \$ 11,763,140 | 100 | \$ 11,551,511 | 100 |
| OPERATING COSTS (Notes 4, 13, 16, 18, 23, 26 and 32) | <u>10,956,048</u> | <u>93</u> | <u>10,350,818</u> | <u>90</u> |
| GROSS PROFIT | 807,092 | 7 | 1,200,693 | 10 |
| UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Notes 4 and 32) | (1,035) | - | (1,905) | - |
| REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Notes 4 and 32) | <u>1,905</u> | <u>-</u> | <u>2,127</u> | <u>-</u> |
| REALIZED GROSS PROFIT | <u>807,962</u> | <u>7</u> | <u>1,200,915</u> | <u>10</u> |
| OPERATING EXPENSES (Notes 4, 16, 18, 23, 26, 29 and 32) | | | | |
| Selling and marketing expenses | 249,633 | 2 | 254,971 | 2 |
| General and administrative expenses | 267,581 | 2 | 290,739 | 3 |
| Research and development expenses | <u>178,611</u> | <u>2</u> | <u>151,419</u> | <u>1</u> |
| Total operating expenses | <u>695,825</u> | <u>6</u> | <u>697,129</u> | <u>6</u> |
| PROFIT FROM OPERATIONS | <u>112,137</u> | <u>1</u> | <u>503,786</u> | <u>4</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income (Notes 4, 16, 26, 29 and 32) | 185,355 | 2 | 176,984 | 2 |
| Other gains and losses (Notes 4, 7, 10, 14, 17, 18, 26 and 32) | (32,548) | - | (60,654) | (1) |
| Finance costs (Notes 4, 19, 20 and 26) | (60,326) | (1) | (43,818) | - |
| Share of profit of subsidiaries accounted for using the equity method (Notes 4 and 15) | <u>415,724</u> | <u>3</u> | <u>630,640</u> | <u>5</u> |
| Total non-operating income and expenses | <u>508,205</u> | <u>4</u> | <u>703,152</u> | <u>6</u> |
| PROFIT BEFORE INCOME TAX | 620,342 | 5 | 1,206,938 | 10 |
| INCOME TAX EXPENSE (Notes 4 and 27) | <u>80,407</u> | <u>-</u> | <u>95,648</u> | <u>1</u> |
| NET PROFIT FOR THE YEAR | <u>539,935</u> | <u>5</u> | <u>1,111,290</u> | <u>9</u> |

(Continued)

USI CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2018 | | 2017 | |
|---|-------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Notes 4 and 23) | \$ 807 | - | \$ (11,231) | - |
| Profit of equity instruments measured at FVTOCI (Notes 4 and 24) | 24,687 | - | - | - |
| Share of the other comprehensive income of subsidiaries accounted for using the equity method, net of tax (Notes 4 and 24) | (204,114) | (2) | (14,911) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4, 24 and 27) | <u>3,708</u> | <u>-</u> | <u>1,909</u> | <u>-</u> |
| | <u>(174,912)</u> | <u>(2)</u> | <u>(24,233)</u> | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations (Notes 4 and 24) | 32,263 | - | (140,102) | (1) |
| Unrealized loss on available-for-sale financial assets (Notes 4 and 24) | - | - | (76,626) | (1) |
| Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method, net of tax (Notes 4 and 24) | (24,130) | - | 75,886 | 1 |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 24 and 27) | <u>(6,623)</u> | <u>-</u> | <u>23,817</u> | <u>-</u> |
| | <u>1,510</u> | <u>-</u> | <u>(117,025)</u> | <u>(1)</u> |
| Other comprehensive loss for the year, net of income tax | <u>(173,402)</u> | <u>(2)</u> | <u>(141,258)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 366,533</u> | <u>3</u> | <u>\$ 970,032</u> | <u>8</u> |
| EARNINGS PER SHARE (Note 28) | | | | |
| Basic | <u>\$ 0.50</u> | | <u>\$ 1.04</u> | |
| Diluted | <u>\$ 0.50</u> | | <u>\$ 1.04</u> | |

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

(Concluded)

USI CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

| | Share Capital (Notes 4 and 24) | Treasury Share Transactions (Note 24) | Capital Surplus | | Retained Earnings | | | Other Equity | | | Treasury Shares (Notes 4 and 24) | Total |
|--|-----------------------------------|---|---|---------------------|----------------------------|------------------------------|---|---|--|---|-------------------------------------|---------------|
| | | | Changes in Capital Surplus from Investments in Associates Accounted for Using the Equity Method (Notes 4 and 24) | Others (Note 24) | Legal Reserve (Note 24) | Special Reserve (Note 24) | Unappropriated Earnings (Notes 3, 4, 8, 23, 24 and 27) | Exchange Differences on Translating Foreign Operations (Notes 4, 24 and 27) | Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 3, 4, 10 and 24) | Unrealized Gain (Loss) on Financial Assets Measured at FVTOCI (Notes 3, 4, 8, 24, and 31) | | |
| BALANCE AT JANUARY 1, 2017 | \$ 11,426,024 | \$ 204,289 | \$ 129 | \$ 11,717 | \$ 2,695,673 | \$ 411,010 | \$ 3,367,821 | \$ 8,204 | \$ 77,535 | \$ - | \$ (475,606) | \$ 17,726,796 |
| Appropriation of the 2016 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 118,957 | - | (118,957) | - | - | - | - | - |
| Special reserve reversal | - | - | - | - | - | (35,883) | 35,883 | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (571,301) | - | - | - | - | (571,301) |
| Share dividends distributed by the Company | 228,520 | - | - | - | - | - | (228,520) | - | - | - | - | - |
| Net profit for the year ended December 31, 2017 | - | - | - | - | - | - | 1,111,290 | - | - | - | - | 1,111,290 |
| Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax | - | - | - | - | - | - | (24,233) | (199,084) | 82,059 | - | - | (141,258) |
| Total comprehensive income (loss) for the year ended December 31, 2017 | - | - | - | - | - | - | 1,087,057 | (199,084) | 82,059 | - | - | 970,032 |
| Changes in capital surplus and retained earnings from investments in subsidiaries | - | - | 867 | - | - | - | (23,179) | - | - | - | - | (22,312) |
| Other changes in capital surplus | - | - | - | 2,771 | - | - | - | - | - | - | - | 2,771 |
| Changes in capital surplus from distributing cash dividends to subsidiaries | - | 18,421 | - | - | - | - | - | - | - | - | - | 18,421 |
| BALANCE AT DECEMBER 31, 2017 | 11,654,544 | 222,710 | 996 | 14,488 | 2,814,630 | 375,127 | 3,548,804 | (190,880) | 159,594 | - | (475,606) | 18,124,407 |
| Effects of retrospective application | - | - | - | - | - | - | 30,762 | - | (159,594) | 181,005 | - | 52,173 |
| RECLASSIFIED BALANCE AT JANUARY 1, 2018 | 11,654,544 | 222,710 | 996 | 14,488 | 2,814,630 | 375,127 | 3,579,566 | (190,880) | - | 181,005 | (475,606) | 18,176,580 |
| Appropriation of the 2017 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 111,129 | - | (111,129) | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (349,636) | - | - | - | - | (349,636) |
| Share dividends distributed by the Company | 233,091 | - | - | - | - | - | (233,091) | - | - | - | - | - |
| Net profit for the year ended December 31, 2018 | - | - | - | - | - | - | 539,935 | - | - | - | - | 539,935 |
| Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax | - | - | - | - | - | - | 12,396 | 1,510 | - | (187,308) | - | (173,402) |
| Total comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | - | - | 552,331 | 1,510 | - | (187,308) | - | 366,533 |
| Changes in capital surplus and retained earnings from investments in subsidiaries | - | - | 1,596 | - | - | - | 4,664 | - | - | (7,595) | - | (1,335) |
| Other changes in capital surplus | - | - | - | 2,675 | - | - | - | - | - | - | - | 2,675 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | (18,937) | - | - | - | (18,937) |
| Changes in capital surplus from distributing cash dividends to subsidiaries | - | 11,273 | - | - | - | - | - | - | - | - | - | 11,273 |
| Disposal of equity instruments measured at FVTOCI | - | - | - | - | - | - | 71,238 | - | - | (71,238) | - | - |
| BALANCE AT DECEMBER 31, 2018 | \$ 11,887,635 | \$ 233,983 | \$ 2,592 | \$ 17,163 | \$ 2,925,759 | \$ 375,127 | \$ 3,513,943 | \$ (208,307) | \$ - | \$ (85,136) | \$ (475,606) | \$ 18,187,153 |

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

USI CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

| | 2018 | 2017 |
|---|----------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 620,342 | \$ 1,206,938 |
| Adjustments for: | | |
| Depreciation expenses | 419,380 | 373,573 |
| Amortization expenses | 11,572 | 26,693 |
| Net loss on fair value change of financial assets and liabilities as at FVTPL | 1,171 | 55,533 |
| Finance costs | 86,490 | 62,324 |
| Interest income | (18,186) | (22,755) |
| Dividend income | (68,098) | (57,681) |
| Share of profit of subsidiaries accounted for using the equity method | (415,724) | (630,640) |
| Gain on disposal of property, plant and equipment | (1,242) | (766) |
| Gain on disposal of investment | - | (45,693) |
| Impairment loss recognized on financial assets | - | 3,047 |
| Inventory write-downs recognized | 5,426 | 728 |
| Impairment loss recognized on non-financial assets | 27,630 | - |
| Unrealized gain on transactions with subsidiaries | 1,035 | 1,905 |
| Realized gain on transactions with subsidiaries | (1,905) | (2,127) |
| Changes in operating assets and liabilities | | |
| Decrease in financial assets held for trading | - | 557,393 |
| Decrease in financial assets at FVTPL | 472,412 | - |
| Decrease (increase) in notes receivable | 5,907 | (3,060) |
| Increase in accounts receivable | (283,812) | (250,380) |
| Decrease (increase) in accounts receivable from related parties | 22,793 | (9,462) |
| Decrease (increase) in other receivables | 9,849 | (14,594) |
| Decrease (increase) in other receivables from related parties | 236,293 | (169,061) |
| Increase in inventories | (30,462) | (162,720) |
| (Increase) decrease in prepayments | (21,130) | 30,737 |
| (Increase) decrease in other current assets | (31) | 171 |
| Decrease in financial liabilities held for trading | (27,961) | (24,084) |
| (Decrease) increase in accounts payable | (420,111) | 455,714 |
| Increase (decrease) in accounts payable from related parties | 63,118 | (66,670) |
| (Decrease) increase in other payables | (128,918) | 1,126 |
| Decrease in other payables from related parties | (1,541) | (164,628) |
| (Decrease) increase in other current liabilities | (23,403) | 7,295 |
| Decrease in net defined benefit liabilities | (66,697) | (86,021) |
| Cash generated from operations | 474,197 | 1,072,835 |
| Interest received | 19,126 | 23,639 |
| Interest paid | (82,983) | (56,656) |
| Income tax paid | (76,534) | (29,134) |
| Net cash generated from operating activities | <u>333,806</u> | <u>1,010,684</u> |

(Continued)

USI CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

| | 2018 | 2017 |
|--|---------------------|---------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of financial assets at FVTOCI | \$ 99,455 | \$ - |
| Proceeds from capital reduction by returning cash of financial assets at FVTOCI | 14,924 | - |
| Payment for financial assets measured at amortized cost | (6,500) | - |
| Proceeds from sale of available-for-sale financial assets | - | 123,208 |
| Proceeds from capital reduction by returning cash of financial assets measured at cost | - | 18,000 |
| Net cash outflow on acquisition of subsidiaries | (3,034,601) | (330,000) |
| Payments for property, plant and equipment | (536,102) | (1,715,177) |
| Proceeds from disposal of property, plant and equipment | 454 | 1,461 |
| Increase in refundable deposits | (3,705) | (4,160) |
| Payments for intangible assets | (689) | (566) |
| Increase in other non-current assets | (18,438) | (12,954) |
| Dividends received | <u>86,337</u> | <u>69,601</u> |
| Net cash used in investing activities | <u>(3,398,865)</u> | <u>(1,850,587)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term borrowings | 1,553,000 | (200,000) |
| Increase (decrease) in short-term bills payable | 199,981 | (99,980) |
| Proceeds from issuance of bonds payable | - | 1,995,421 |
| Proceeds from long-term borrowings | 5,600,000 | - |
| Repayments of long-term borrowings | (4,100,000) | - |
| Increase in guarantee deposits received | 53 | 40 |
| Acquisition of additional interests in subsidiaries | - | (2,353,071) |
| Payment for cash dividends | <u>(349,636)</u> | <u>(571,301)</u> |
| Net cash generated from (used in) financing activities | <u>2,903,398</u> | <u>(1,228,891)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (161,661) | (2,068,794) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>1,951,190</u> | <u>4,019,984</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 1,789,529</u> | <u>\$ 1,951,190</u> |

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

(Concluded)

USI CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

USI Corporation (the “Company”) was incorporated in May 1965. The Company mainly produces and sells polyethylene.

In May 1972, the Company’s shares became listed on the Taiwan Stock Exchange (“TWSE”).

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and issued by the Company’s board of directors on March 8, 2019.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

IFRS 9 “Financial Instruments” and related amendments

IFRS 9 “Financial Instruments” supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosure” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets. Please refer to Note 4 for the related accounting policies.

The requirements for the classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

| Financial Asset | Measurement Category | | Carrying Amount | | Remark | | |
|---|--|--|-----------------|--|---|--|-----------|
| | IAS 39 | IFRS 9 | IAS 39 | IFRS 9 | | | |
| Cash and cash equivalents | Loans and receivables | Amortized cost | \$ 1,951,190 | \$ 1,951,190 | 1) | | |
| Derivatives | Held for trading | Mandatorily at fair value through profit or loss (i.e. FVTPL) | 20 | 20 | | | |
| Equity investments | Available for sale | Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments | 1,079,161 | 1,111,194 | 2) | | |
| Mutual funds | Held for trading | Mandatorily at FVTPL | 84,895 | 84,895 | | | |
| | Held for trading | Mandatorily at FVTPL | 1,363,115 | 1,363,115 | | | |
| Beneficiary securities | Held for trading | Mandatorily at FVTPL | 232,690 | 232,690 | | | |
| Pledged time deposits | Loans and receivables | Amortized cost | 54,000 | 54,000 | 3) | | |
| Notes receivable, trade receivables and other receivables | Loans and receivables | Amortized cost | 1,949,139 | 1,949,139 | 1) | | |
| Refundable deposits | Loans and receivables | Amortized cost | 39,187 | 39,187 | 1) | | |
| | | | | | | | |
| Financial Asset | IAS 39 Carrying Amount as of January 1, 2018 | Reclassification | Remeasurement | IFRS 9 Carrying Amount as of January 1, 2018 | Retained Earnings Effect on January 1, 2018 | Other Equity Effect on January 1, 2018 | Remark |
| FVTPL | \$ 1,680,720 | \$ - | \$ - | \$ 1,680,720 | \$ - | \$ - | |
| FVTOCI | | | | | | | |
| Equity instruments | - | - | - | - | - | - | |
| Add: Reclassification from available-for-sale (IAS 39) | - | 1,079,161 | 32,033 | 1,111,194 | - | 32,033 | 2) |
| Amortized cost | - | 1,079,161 | 32,033 | 1,111,194 | - | 32,033 | |
| Add: Reclassification from loans and receivables (IAS 39) | - | 3,993,516 | - | 3,993,516 | - | - | 1) and 3) |
| | - | 3,993,516 | - | 3,993,516 | - | - | |
| Investments accounted for using the equity method | 11,721,808 | - | 20,140 | 11,741,948 | 30,762 | (10,622) | 4) |
| | \$ 13,402,528 | \$ 5,072,677 | \$ 52,173 | \$ 18,527,378 | \$ 30,762 | \$ 21,411 | |

- Cash and cash equivalents, notes receivable, accounts receivable, other receivables and refundable deposits previously classified as loans and receivables under IAS 39 are classified as measured at amortized cost under IFRS 9 and assess for expected credit losses.
- The Company selected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9, due to these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of \$159,594 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been classified as at FVTPL and designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$32,033 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

- Pledged time deposits previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because as of January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

- 4) As a result of the retrospective application of IFRS 9 by associates, there was an increase in investments accounted for using the equity method of \$20,140 thousand, a decrease in other equity - unrealized gain on financial assets at FVTOCI of \$10,622 thousand, an increase in retained earnings of \$30,762 thousand on January 1, 2018.
- b. The IFRSs endorsed by the FSC for application starting from 2019

| New, Revised or Amended Standards and Interpretations (the “New IFRSs”) | Effective Date Announced by IASB (Note 1) |
|--|--|
| Annual Improvements to IFRSs 2015-2017 Cycle | January 1, 2019 |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation” | January 1, 2019 (Note 2) |
| IFRS 16 “Leases” | January 1, 2019 |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | January 1, 2019 (Note 3) |
| Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” | January 1, 2019 |
| IFRIC 23 “Uncertainty over Income Tax Treatments” | January 1, 2019 |

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

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

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

Definition of a lease

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

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

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

The Company expects to apply the following practical expedients:

- 1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

Except for sublease transactions, the Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Company subleased its leasehold building Tai-An to a third party in 2014. Such sublease is classified as an operating lease under IAS 17. The Company will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity

| | Carrying Amount as of December 31, 2018 | Adjustments Arising from Initial Application | Adjusted Carrying Amount as of January 1, 2019 |
|--|--|---|---|
| Prepayments for leases - current | \$ 114 | \$ (114) | \$ - |
| Investments accounted for using the equity method | 14,967,524 | (6,829) | 14,960,695 |
| Right-of-use assets | - | 23,556 | 23,556 |
| Investment properties | <u>32,366</u> | <u>208,655</u> | <u>241,021</u> |
| Total effect on assets | <u>\$ 15,000,004</u> | <u>\$ 225,268</u> | <u>\$ 15,225,272</u> |
| Lease liabilities - current | \$ - | \$ 29,918 | \$ 29,918 |
| Lease liabilities - non-current | <u>-</u> | <u>208,115</u> | <u>208,115</u> |
| Total effect on liabilities | <u>\$ -</u> | <u>\$ 238,033</u> | <u>\$ 238,033</u> |
| Retained earnings/total effect on equity | <u>\$ 3,513,943</u> | <u>\$ (12,765)</u> | <u>\$ 3,501,178</u> |

Except for the above impact, as of the date the financial statements were authorized for issue, the application of other standards and interpretations have no significant impact on the Company's financial position and financial performance.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 3 "Definition of a Business" | January 1, 2020 (Note 2) |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2021 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 (Note 3) |

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

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries in other countries or currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation which are attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

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

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

h. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

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

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each year, with the effects of any changes in the estimates accounted for on a prospective basis. On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

j. Impairment of tangible and intangible assets

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. Financial assets measured at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such financial assets. Fair value is determined in the manner described in Note 31.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

2018

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the respective financial asset.

2017

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

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

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

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

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

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

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

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

c) Derecognition of financial assets

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

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset measured at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Measurement category

Except financial liabilities at FVTPL, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

1. Revenue recognition

2018

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

Revenue from the sale of goods mainly comes from the sale of PE and other related plastic products.

Sales of PE and other related plastic products are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar provisions. Provisions for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

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

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of the risks and rewards of the ownership of the materials.

2) Dividend and interest income

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

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

m. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

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

n. Borrowing costs

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

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

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company (with no future related costs) are recognized in profit or loss in the period in which they become receivable.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Write-down of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. The Company estimates the net realizable value of inventory for impairments, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The estimation of the net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value. Please refer to Note 13 for the carrying amount of inventories.

b. Impairment measurement of tangible and intangible assets

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

c. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities. Please refer to Note 23 for the carrying amount of retirement benefit costs and net defined benefit liabilities.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---------------------|---------------------|
| | 2018 | 2017 |
| Cash on hand and petty cash | \$ 520 | \$ 520 |
| Checking accounts and demand deposits | 52,561 | 97,549 |
| Cash equivalents | | |
| Time deposits | 790,796 | 1,853,121 |
| Reserve repurchase agreements collateralized by bonds | <u>945,652</u> | <u>-</u> |
| | <u>\$ 1,789,529</u> | <u>\$ 1,951,190</u> |

At the end of the reporting period, the ranges of the market rates for bank deposits and repurchase agreements collateralized by bonds were as follows:

| | December 31 | |
|---|--------------------|-------------|
| | 2018 | 2017 |
| Bank deposits | 0.02%-2.00% | 0.13%-1.35% |
| Reserve repurchase agreements collateralized by bonds | 0.55%-0.75% | - |

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

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Financial assets held for trading</u> | | |
| Derivative financial assets (not under hedge accounting) | | |
| Foreign exchange forward contracts | \$ - | \$ 20 |
| Non-derivative financial assets | | |
| Domestic listed and over-the-counter shares | - | 84,895 |
| Mutual funds | - | 1,363,115 |
| Beneficiary securities | - | 232,690 |
| | - | <u>1,680,700</u> |
| <u>Financial assets mandatorily at FVTPL</u> | | |
| Derivative financial assets (not under hedge accounting) | | |
| Foreign exchange forward contracts | <u>340</u> | - |
| Non-derivative financial assets | | |
| Domestic listed and over-the-counter shares | 47,954 | - |
| Mutual funds | 932,068 | - |
| Beneficiary securities | <u>256,399</u> | - |
| | <u>1,236,421</u> | - |
| | <u>\$ 1,236,761</u> | <u>\$ 1,680,720</u> |
| <u>Financial liabilities held for trading</u> | | |
| Derivative financial liabilities (not under hedge accounting) | | |
| Foreign exchange forward contracts | <u>\$ 6,817</u> | <u>\$ 5,154</u> |

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

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|--------------------------|-----------------|-----------------------|---|
| <u>December 31, 2018</u> | | | |
| Sell | RMB/NTD | 2019.01.07-2019.04.02 | RMB188,700/NTD833,656 |
| Sell | USD/NTD | 2019.01.14-2019.01.25 | USD2,340/NTD71,942 |
| <u>December 31, 2017</u> | | | |
| Sell | RMB/NTD | 2018.01.18-2018.03.23 | RMB126,000/NTD567,315 |

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT - 2018

| | December 31, 2018 |
|---|------------------------------|
| Investments in equity instruments at FVTOCI | |
| Domestic investments | |
| Listed shares and over-the-counter shares | \$ 778,743 |
| Unlisted shares | <u>242,758</u> |
| | <u>\$ 1,021,501</u> |

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets and financial assets measured at cost under IAS 39. Please refer to Notes 3, 10 and 14 for information relating to their reclassification and comparative information for 2017.

The Company sold 1,538 thousand shares of Vanguard International Semiconductor Corporation during the year ended December 31, 2018, and the Company transferred a gain of \$71,238 thousand from other equity to retained earnings.

The investees KHL IB Venture Capital Co., Ltd. and Riselink Venture Capital announced a reduction of capital by returning cash in August 2018, and the Company received \$14,924 thousand according to its ownership percentage.

9. FINANCIAL ASSETS MEASURED AT AMORTIZED COST - CURRENT - 2018

| | December 31, 2018 |
|-----------------------|------------------------------|
| Pledged time deposits | <u>\$ 60,500</u> |

The trading partner of the Company invested in time deposits which are pledged in financial institutions with good credit ratings. After assessing that the credit risk of the time deposit is low, no allowance for loss is recognized.

As of December 31, 2018, the interest rates of pledged time deposits ranged from 0.55% to 1.035%. Pledged time deposits were classified as debt investments with no active market under IAS 39. Please refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

Please refer to Notes 33 for the information related to financial assets measured at amortized cost pledged as collateral.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT - 2017

| | December 31, 2017 |
|---|------------------------------|
| Domestic listed and over-the-counter shares | <u>\$ 892,511</u> |

The Company sold 1,933 thousand shares of Vanguard International Semiconductor Corporation in 2017, and the gain on the disposal of the investments was \$75,745 thousand.

The Company sold 1,000 thousand shares of AU Optronics Corporation in 2017, and the loss on the disposal of the investments was \$30,052 thousand.

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT - 2017

| | December 31, 2017 |
|---------------------|------------------------------|
| Restricted deposits | <u>\$ 54,000</u> |

Restricted deposits are used as collateral for purchasing materials and outward documentary bill. Please refer to Note 33.

12. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|---------------------------------------|---------------------|---------------------|
| | 2018 | 2017 |
| <u>Notes receivable (a)</u> | | |
| Operating | <u>\$ 92,521</u> | <u>\$ 98,428</u> |
| <u>Accounts receivable (a)</u> | | |
| Non-related parties | \$ 1,414,512 | \$ 1,130,700 |
| Less: Allowance for impairment loss | <u>(2,651)</u> | <u>(2,651)</u> |
| | <u>\$ 1,411,861</u> | <u>\$ 1,128,049</u> |
| <u>Related parties (a)</u> | | |
| Operating (Note 32) | <u>\$ 61,326</u> | <u>\$ 84,119</u> |
| <u>Other receivables (b)</u> | | |
| Tax refund receivables | \$ 51,651 | \$ 57,128 |
| Purchasing price variance receivables | 7,367 | 439 |
| Securities transaction receivables | - | 13,099 |
| Others | <u>2,598</u> | <u>1,739</u> |
| | <u>\$ 61,616</u> | <u>\$ 72,405</u> |
| <u>Related parties (Note 32)</u> | <u>\$ 329,845</u> | <u>\$ 566,138</u> |

a. Notes and accounts receivable

In 2018

The average credit period of sales of goods was 10 to 90 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting a new customer, the Company surveys the customers' credit history and measures the potential customer's credit quality to grant a credit term. A customer's credit term and rating are reviewed annually. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk is significantly reduced.

The Company applies the simplified approach to the recognition of allowances for expected credit losses during the reporting period as prescribed by IFRS 9, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

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

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

December 31, 2018

Based on the number of days past due

| | Up to 60 Days | 61-90 Days | Over 90 Days | Total |
|--------------------------------|----------------------|-------------------|---------------------|---------------------|
| Gross carrying amount | \$ 1,568,359 | \$ - | \$ - | \$ 1,568,359 |
| Loss allowance (lifetime ECLs) | <u>(2,651)</u> | <u>-</u> | <u>-</u> | <u>(2,651)</u> |
| Amortized cost | <u>\$ 1,565,708</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,565,708</u> |

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

There was no change in the allowance for impairment loss recognized on notes and accounts receivable for the year ended December 31, 2018:

| | |
|--|-----------------|
| | 2018 |
| Balance at January 1, 2018 and December 31, 2018 | <u>\$ 2,651</u> |

In 2017

The Company applied the same credit policy in 2018 and 2017. In determining the recoverability of an account receivable, the Company considers any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period. The Company's accounts receivable mainly stem from long-term customers with whom the Company has historical experience, and no significant past default experience was observed. Thus, the irrecoverable ratio due to overdue receivables is not high.

Before accepting a new customer, the Company takes both the past credit survey and client evaluation results generated by the internal system into consideration to measure the potential customer's credit quality and define the customer's credit limit. Customer credit limits and ratings are reviewed periodically.

The concentration of credit risk is limited because the customer base of the Company is wide and the customers are unrelated to each other.

For the notes receivable balances that were not past due at December 31, 2017, the Company did not recognize an allowance for impairment loss. For some accounts receivable balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the amounts were still considered recoverable. In addition, the Company did not have the legal right of offset the accounts receivable and payable against the respective counterparties.

The aging schedule of notes and accounts receivable (included related parties) were as follows:

| | |
|---------------|------------------------------|
| | December 31, 2017 |
| Not overdue | \$ 1,304,345 |
| Up to 60 days | <u>8,902</u> |
| | <u>\$ 1,313,247</u> |

The aging schedule of accounts receivable that were past due but not impaired was as follows:

| | |
|---------------|------------------------------|
| | December 31, 2017 |
| Up to 60 days | <u>\$ 8,902</u> |

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

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

| | Individually Assessed for Impairment | Collectively Assessed for Impairment | Total |
|---|---|---|-----------------|
| Balance at January 1, 2017 and December 31, 2017 | <u>\$ -</u> | <u>\$ 2,651</u> | <u>\$ 2,651</u> |

b. Other receivables

Other receivables mainly consisted of tax refund receivables. The average aging of other receivables was less than 60 days based on the number of days past due from the invoice date. There were no overdue other receivables with unrecognized allowances for doubtful accounts in the Company as of December 31, 2018 and 2017.

13. INVENTORIES

| | <u>December 31</u> | |
|------------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Finished goods | \$ 998,237 | \$ 988,064 |
| Work in progress | 54,819 | 55,258 |
| Raw materials | 244,294 | 231,174 |
| Supplies | <u>71,411</u> | <u>69,229</u> |
| | <u>\$ 1,368,761</u> | <u>\$ 1,343,725</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017, was \$10,956,048 thousand and \$10,350,818 thousand, respectively.

The cost of goods sold included inventory write-downs of \$5,426 thousand and \$728 thousand for the years ended December 31, 2018 and 2017, respectively.

14. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

| | <u>December 31, 2017</u> |
|--------------------------|------------------------------|
| Domestic unlisted shares | \$ 186,650 |
| Overseas unlisted shares | <u>-</u> |
| | <u>\$ 186,650</u> |

Classifications according to financial asset measurement categories were as follows:

| | <u>December 31, 2017</u> |
|-------------------------------------|------------------------------|
| Available-for-sale financial assets | <u>\$ 186,650</u> |

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

The Company assessed the operating and financial status of Teratech Corp. and confirmed an impairment of its investment value; thereafter, the Company recognized an impairment loss of \$3,047 thousand for the year ended December 31, 2017 and accumulated impairment loss was \$30,477 thousand, which led to a carrying amount for that equity investment of zero as of December 31, 2017.

The investee, KHL IB Venture Capital Co., Ltd., announced a reduction of capital by returning cash in September 2017, and the Company got \$18,000 thousand back at its ownership percentage.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | | | |
|---|----------------------|---|----------------------|---|
| | 2018 | | 2017 | |
| | Carrying Amount | % of Ownership and Voting Rights | Carrying Amount | % of Ownership and Voting Rights |
| <u>Investment in subsidiaries</u> | | | | |
| Listed company at over-the-counter market | | | | |
| Acme Electronics Corp. (“ACME”) | \$ 361,415 | 27.0 | \$ 352,649 | 27.0 |
| Not listed | | | | |
| USI Investment Co., Ltd. | 690,217 | 100.0 | 744,391 | 100.0 |
| Swanlake Traders Ltd. | 1,349,147 | 100.0 | 1,270,833 | 100.0 |
| USI Far East (HK) Co., Ltd. | 132,245 | 100.0 | 129,596 | 100.0 |
| USI Management Consulting Corp. (“UM”) | (1,310) | 100.0 | (2,841) | 100.0 |
| Chong Loong Trading Co., Ltd. | 44,013 | 99.9 | 32,484 | 99.9 |
| Union Polymer Int’l Investment Corp. (“UPIIC”) | 5,464,646 | 100.0 | 5,142,634 | 100.0 |
| Taiwan United Venture Capital Corp. (“TUVC”) | 183,773 | 70.0 | 224,863 | 70.0 |
| Swanson Plastics Corp. (“SPC”) | 997,613 | 40.6 | 1,001,333 | 40.6 |
| Thintec Materials Corp. (“TMC”) | 4,415 | 30.4 | 7,616 | 30.4 |
| Cypress Epoch Limited | 129,688 | 100.0 | 127,270 | 100.0 |
| INOMA Corporation (“INOMA”) | 44,282 | 93.2 | 71,417 | 93.2 |
| Ever Conquest Global Limited (“ECGL”) | 5,408,533 | 63.1 | 2,375,283 | 62.6 |
| USI Optronics Company (“USIO”) | <u>157,537</u> | 50.9 | <u>241,439</u> | 50.9 |
| | 14,604,799 | | 11,366,318 | |
| Add: Credit balance for investments accounted for using the equity method classified as non-current liabilities | <u>1,310</u> | | <u>2,841</u> | |
| | <u>14,606,109</u> | | <u>11,369,159</u> | |
| | <u>\$ 14,967,524</u> | | <u>\$ 11,721,808</u> | |

The Company holds a 27.0%, 40.6% and 30.4% interest in ACME, SPC and TMC, respectively. The directors of the Company considered the Company’s absolute size of holding in ACME, SPC and TMC and the relative size of and dispersion of the shareholdings owned by the other shareholders and concluded that the Company has the practical ability to direct the relevant activities of ACME, SPC and TMC, and therefore, the Company has control over ACME, SPC and TMC. The Company indirectly held the receipt of investments in subsidiaries, the details for which can be found in Note 37.

At December 31, 2018 and 2017, the fair value of the closing prices for listed shares’ accounted for using the equity method are \$655,035 thousand and \$906,213 thousand, respectively.

The Company’s share of profit (loss) and other comprehensive income (loss) of subsidiaries was recognized based on audited financial statements.

The Company recognized losses in UM at its ownership percentage; therefore, the carrying amount of this long-term equity investment present at a credit balance. The Company transferred the relevant credit amount to non-current liabilities.

In order to improve its financial structure and to meet the needs of operating capital, INOMA was continually in the research and, developed stage and experiencing subsequent operating losses, on June 26, 2017, the shareholders meeting of INOMA approved a capital reduction project for the make-up of losses in the amount of \$67,500 thousand and cancellation of 6,750 thousand shares, a capital reduction accounting for 53.81% of its paid-in capital. The shareholders meeting also approved the issuance of 4,000 thousand shares. The paid-in capital of INOMA is \$97,950 thousand after the above reduction and issuance of shares. The Company subscribed for the 3,955 thousand shares and owns 93.18% of the outstanding shares. As of December 31, 2018, there has been no significant operating income.

On February 19, 2014, the board of directors of the Company and APC agreed to establish ECGL. The Company and APC invested in refining crude oil and producing ethylene and other petro-chemical products in Gulei Park, located in Zhangzhou, Fujian Province, China, via ECGL. The Company invested US\$3,131 thousand (\$94,221 thousand) with a 59.1% ownership percentage in ECGL, and reinvested in EVGL via ECGL as well as in DEIL. The Company invested additional capital of US\$37,572 thousand (around \$1,200,087 thousand), US\$36,643 thousand (around \$1,113,427 thousand) and US\$98,922 thousand (around \$3,034,601 thousand) in ECGL in January 2017, July 2017 and August 2018, respectively. As of December 31, 2018, the Company invested the total ownership percentage of ECGL in EVGL is 63.1%. For more explanation, please refer to Note 35.

In order to improve its financial structure and cover losses of \$966,795 thousand, USIO performed a capital reduction by cancelling 96,680 thousand shares, accounting for 80.18% of its paid-in capital, on May 24, 2017, as approved in the shareholders' meeting held on April 7, 2017. USIO performed a capital increase of 41,000 thousand shares with a par value of \$10 on June 8, 2017. The Company subscribed for 33,000 thousand shares, total \$330,000 thousand, and the paid-in capital of USIO was \$649,017 thousand and owned 50.9% of the outstanding shares.

In consideration of the whole operations of the Company and its subsidiaries, SPC disposed of SPC (Nantong) as agreed in the meeting of the board of directors held in April 2016, and sold all shares in SPC (Nantong) on December 21, 2018. As of December 31, 2018, the SPC completed the process of the disposal.

16. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | land Improvements | Buildings Improvements | Machinery and Equipment | Transportation Equipment | Other Equipment | Construction in Progress and Equipment under Installation | Total |
|--|-------------------|-------------------|------------------------|-------------------------|--------------------------|-------------------|---|----------------------|
| Cost | | | | | | | | |
| Balance at January 1, 2017 | \$ 515,281 | \$ 104,269 | \$ 1,067,671 | \$ 6,130,447 | \$ 33,932 | \$ 168,681 | \$ 800,908 | \$ 8,821,189 |
| Additions | - | - | - | - | 1,204 | - | 1,713,973 | 1,715,177 |
| Disposals | - | - | - | (25,190) | (5,197) | (438) | - | (30,825) |
| Reclassification | - | 7,512 | 31,101 | 519,248 | 2,649 | 1,307 | (554,712) | 7,105 |
| Balance at December 31, 2017 | <u>\$ 515,281</u> | <u>\$ 111,781</u> | <u>\$ 1,098,772</u> | <u>\$ 6,624,505</u> | <u>\$ 32,588</u> | <u>\$ 169,550</u> | <u>\$ 1,960,169</u> | <u>\$ 10,512,646</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2017 | \$ - | \$ 101,171 | \$ 320,166 | \$ 3,024,811 | \$ 23,314 | \$ 163,891 | \$ - | \$ 3,633,353 |
| Depreciation expenses | - | 1,164 | 27,853 | 336,889 | 3,457 | 2,612 | - | 371,975 |
| Disposals | - | - | - | (24,727) | (4,076) | (438) | - | (29,241) |
| Balance at December 31, 2017 | <u>\$ -</u> | <u>\$ 102,335</u> | <u>\$ 348,019</u> | <u>\$ 3,336,973</u> | <u>\$ 22,695</u> | <u>\$ 166,065</u> | <u>\$ -</u> | <u>\$ 3,976,087</u> |
| Carrying amounts at December 31, 2017 | <u>\$ 515,281</u> | <u>\$ 9,446</u> | <u>\$ 750,753</u> | <u>\$ 3,287,532</u> | <u>\$ 9,893</u> | <u>\$ 3,485</u> | <u>\$ 1,960,169</u> | <u>\$ 6,536,559</u> |

(Continued)

| | Freehold Land | land Improvements | Buildings Improvements | Machinery and Equipment | Transportation Equipment | Other Equipment | Construction in Progress and Equipment under Installation | Total |
|--|-------------------|-------------------|------------------------|-------------------------|--------------------------|-------------------|---|----------------------|
| Cost | | | | | | | | |
| Balance at January 1, 2018 | \$ 515,281 | \$ 111,781 | \$ 1,098,772 | \$ 6,624,505 | \$ 32,588 | \$ 169,550 | \$ 1,960,169 | \$ 10,512,646 |
| Additions | - | - | - | 7,410 | 2,396 | 376 | 525,920 | 536,102 |
| Disposals | - | - | (37) | (3,105) | (2,611) | (372) | - | (6,125) |
| Reclassification | - | 600 | 7,623 | 125,024 | - | 861 | (106,385) | 27,723 |
| Balance at December 31, 2018 | <u>\$ 515,281</u> | <u>\$ 112,381</u> | <u>\$ 1,106,358</u> | <u>\$ 6,753,834</u> | <u>\$ 32,373</u> | <u>\$ 170,415</u> | <u>\$ 2,379,704</u> | <u>\$ 11,070,346</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2018 | \$ - | \$ 102,335 | \$ 348,019 | \$ 3,336,973 | \$ 22,695 | \$ 166,065 | \$ - | \$ 3,976,087 |
| Depreciation expenses | - | 1,474 | 29,239 | 382,451 | 3,168 | 1,947 | - | 418,279 |
| Disposals | - | - | (13) | (3,027) | (2,611) | (373) | - | (6,024) |
| Balance at December 31, 2018 | <u>\$ -</u> | <u>\$ 103,809</u> | <u>\$ 377,245</u> | <u>\$ 3,716,397</u> | <u>\$ 23,252</u> | <u>\$ 167,639</u> | <u>\$ -</u> | <u>\$ 4,388,342</u> |
| Carrying amounts at December 31, 2018 | <u>\$ 515,281</u> | <u>\$ 8,572</u> | <u>\$ 729,113</u> | <u>\$ 3,037,437</u> | <u>\$ 9,121</u> | <u>\$ 2,776</u> | <u>\$ 2,379,704</u> | <u>\$ 6,682,004</u> |

(Concluded)

No impairment assessment was performed for the years ended December 31, 2018 and 2017 as there was no indication of impairment.

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

| | |
|--------------------------|---------------|
| Land improvements | 7 to 25 years |
| Buildings improvements | 3 to 55 years |
| Machinery and equipment | 3 to 9 years |
| Transportation equipment | 5 to 7 years |
| Other equipment | 2 to 15 years |

The board of directors of the Company passed a resolution for EVA capacity expansion in the Kaohsiung plant, and authorized the chairman with full power to sign contract on December 28, 2011. The Company signed the EVA equipment contract with CTCI Corporation on November 8, 2012. The project was completed in 2018, and total fees and charges of \$2,383,885 thousand have been paid.

On March 21, 2013 the board of directors of the Company decided to invest \$1,000,000 thousand in the construction of a cyclic block copolymer production plant. On September 23, 2014, the board of directors decided to construct a front-end material production plant and utility system, which cost \$1,000,000 thousand. In addition, the amount of investment to adjust the plant configuration increased by \$700,000 thousand after discussion of the board of directors in its meeting on August 11, 2016, and the total cost was \$2,700,000 thousand. As of December 31, 2018, the Company has paid CTCI \$1,764,662 thousand. In June 2014, the Company received subsidies amounting to \$160,000 thousand from the Industrial Development Bureau, and as of December 31, 2018, the Company has received \$158,841 thousand. According to the schedule and acceptance situation, the subsidy income had accumulated to \$128,841 thousand.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 33.

For the related capitalized interest, please refer to Note 26 (c).

17. INVESTMENT PROPERTIES

| | <u>December 31</u> | |
|--------------------------------------|---------------------------------------|--------------------|
| | <u>2018</u> | <u>2017</u> |
| Buildings | \$ <u>32,366</u> | \$ <u>33,467</u> |
| | For the Year Ended December 31 | |
| | <u>2018</u> | <u>2017</u> |
| <u>Cost</u> | | |
| Balance at January 1 and December 31 | \$ <u>69,805</u> | \$ <u>69,805</u> |
| <u>Accumulated depreciation</u> | | |
| Balance at January 1 | \$ 36,338 | \$ 34,740 |
| Depreciation expenses | <u>1,101</u> | <u>1,598</u> |
| Balance at December 31 | \$ <u>37,439</u> | \$ <u>36,338</u> |
| Carrying amounts at December 31 | \$ <u>32,366</u> | \$ <u>33,467</u> |

The investment properties are depreciated using the straight-line method over their estimated useful lives of 3 to 55 years.

The fair value of the investment properties was both \$190,912 thousand at December 31, 2018 and 2017, which was not evaluated by an independent qualified professional valuer. The management of the Company used the valuation model that market participants would use in determining fair value, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The evaluation referred to the transaction price of similar real estate in the neighboring areas. If the transaction price per square meter will increase or decrease by 10%, the fair value of the investment properties would increase or decrease by \$19,091 thousand as at December 31, 2018 and 2017.

All of the Company's investment properties were held under freehold interests.

18. INTANGIBLE ASSETS

| | Technology Royalties and Patent Rights | Computer Software | Total |
|------------------------------|---|------------------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2017 | \$ 174,850 | \$ 28,767 | \$ 203,617 |
| Additions | <u>-</u> | <u>566</u> | <u>566</u> |
| Balance at December 31, 2017 | \$ <u>174,850</u> | \$ <u>29,333</u> | \$ <u>204,183</u> |

(Continued)

| | Technology Royalties and Patent Rights | Computer Software | Total |
|--|---|------------------------------|------------------------------|
| <u>Accumulated amortization and impairment</u> | | | |
| Balance at January 1, 2017 | \$ 124,862 | \$ 24,546 | \$ 149,408 |
| Amortization expenses | <u>17,887</u> | <u>3,250</u> | <u>21,137</u> |
| Balance at December 31, 2017 | <u>\$ 142,749</u> | <u>\$ 27,796</u> | <u>\$ 170,545</u> |
| Carrying amounts at December 31, 2017 | <u>\$ 32,101</u> | <u>\$ 1,537</u> | <u>\$ 33,638</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2018 | \$ 174,850 | \$ 29,333 | \$ 204,183 |
| Additions | <u>-</u> | <u>689</u> | <u>689</u> |
| Balance at December 31, 2018 | <u>\$ 174,850</u> | <u>\$ 30,022</u> | <u>\$ 204,872</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance at January 1, 2018 | \$ 142,749 | \$ 27,796 | \$ 170,545 |
| Amortization expenses | 4,471 | 1,756 | 6,227 |
| Impairment losses recognized | <u>27,630</u> | <u>-</u> | <u>27,630</u> |
| Balance at December 31, 2018 | <u>\$ 174,850</u> | <u>\$ 29,552</u> | <u>\$ 204,402</u> |
| Carrying amounts at December 31, 2018 | <u>\$ -</u> | <u>\$ 470</u> | <u>\$ 470</u> (Concluded) |

The Company obtained the technology royalties rights to use SIP in 2013. Due to lagged development, the Company recognized impairment loss of \$27,630 thousand in 2018

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

| | |
|--|--------------|
| Technology royalties and patent rights | 3 to 7 years |
| Computer software | 1 to 3 years |

19. BORROWINGS

a. Short-term borrowings

| | <u>December 31</u> | |
|-----------------------------|---------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Unsecured borrowings</u> | | |
| Line of credit borrowings | <u>\$ 1,753,000</u> | <u>\$ 200,000</u> |
| Range of interest rates | 0.89%-1.06% | 0.80% |

b. Short-term bills payable (December 31, 2017: None)

| | December 31, 2018 |
|----------------------------------|------------------------------|
| Commercial paper | \$ 200,000 |
| Less: Discounts on bills payable | <u>(19)</u> |
| | <u>\$ 199,981</u> |
| Range of interest rates | 1.038% |

c. Long-term borrowings (December 31, 2017: None)

| | December 31, 2018 |
|---------------------------|------------------------------|
| Secured borrowings | \$ 200,000 |
| Line of credit borrowings | <u>1,300,000</u> |
| | <u>\$ 1,500,000</u> |
| Range of interest rates | |
| Secured borrowings | 1.1% |
| Line of credit borrowings | 0.98%-1.05% |

The Company entered into medium- and long-term loan contracts with Changhua bank to increase working capital. The contracts for 5-year loans became effective from August 2018 with a total credit limit of \$1,000,000 thousand, which is used cyclically during the validity period. The Company also provided the land and plant of Kaohsiung Renwu Factory as collateral (please refer to Note 33). As of December 31, 2018, the Company has borrowed \$200,000 thousand.

The Company entered into medium- and long-term loan contracts with KGI bank to increase working capital. The contracts for 3-year loans became effective from June 2017 with a total credit limit of \$500,000 thousand, which is used cyclically during the validity period. Under the credit agreement, the Company should maintain financial ratios in which the current ratio is not below 150%, the debt ratio does not exceed 150%. As of December 31, 2018, the Company has borrowed \$500,000 thousand and has not violated the above financial ratios and terms.

The Company entered into medium- and long-term loan contracts with Yuanta Commercial Bank to increase working capital. The contracts for 3-year loans became effective from September 2018 with a total credit limit of \$500,000 thousand, which is used cyclically during the validity period. Under the credit agreement, the Company should maintain financial ratios in which the current ratio is not below 100%, the debt ratio does not exceed 150%. As of December 31, 2018, the Company has borrowed \$500,000 thousand and has not violated the above financial ratios and terms.

The Company entered into medium- and long-term loan contracts with Bank SinoPac to increase working capital. The contracts for 3-year loans became effective from June 2017 with a total credit limit of \$300,000 thousand, which is used cyclically during the validity period. Under the credit agreement, the Company should maintain financial ratios in which the current ratio is not below 150%, the debt ratio does not exceed 150%. As of December 31, 2018, the Company has borrowed \$300,000 thousand and has not violated the above financial ratios and terms.

The Company entered into medium- and long-term loan contracts with Taipei Fubon Bank to increase working capital. The contracts for 3-year loans became effective from September 2017 with a total credit limit of \$500,000 thousand, which is used cyclically during the validity period. Under the credit agreement, the Company should maintain financial ratios in which the current ratio is not below 100%, the debt ratio does not exceed 150%. As of December 31, 2018, the Company has not drawn money from the loan and has not violated the above financial ratios and terms.

20. BONDS PAYABLE

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Unsecured ordinary corporate bonds 104-1A - issuance on February 12, 2015, 5 years, total amount \$1,000,000 thousand, coupon rate 1.55%, bullet repayment | \$ 1,000,000 | \$ 1,000,000 |
| Unsecured ordinary corporate bonds 104-1B - issuance on February 12, 2015, 7 years, total amount \$1,000,000 thousand, coupon rate 1.90%, bullet repayment | 1,000,000 | 1,000,000 |
| Unsecured ordinary corporate bonds 105-1 - issuance on October 28, 2016, 5 years, total amount \$2,000,000 thousand, coupon rate 0.80%, bullet repayment | 2,000,000 | 2,000,000 |
| Unsecured ordinary corporate bonds 106-1 - issuance on October 27, 2017, 5 years, total amount \$2,000,000 thousand, coupon rate 1.10%, bullet repayment | <u>2,000,000</u> | <u>2,000,000</u> |
| | 6,000,000 | 6,000,000 |
| Less: Discounts on bonds payable | <u>(7,396)</u> | <u>(9,833)</u> |
| | <u>\$ 5,992,604</u> | <u>\$ 5,990,167</u> |

In December 2014, the Company applied for the first issuance of unsecured ordinary corporate bonds issued in 2015 with the amount of \$2,000,000 thousand in order to reimburse the due bonds and to increase working capital. The unsecured ordinary corporate bonds with a 5-7-year maturity, due for repayment, were all issued in February 2015.

In October 2016, the Company applied for the first issuance of unsecured ordinary corporate bonds issued in 2016 with the amount of \$2,000,000 thousand in order to reimburse the bank loans, and the unsecured ordinary corporate bonds with a 5-year maturity, due for repayment, were all issued in October 2016.

In October 2017, the Company applied for the first issuance of unsecured ordinary corporate bonds issued in 2017 with the amount of \$2,000,000 thousand in order to reimburse the bank loans, and the unsecured ordinary corporate bonds with a 5-year maturity, due for repayment, were all issued in October 2017.

21. ACCOUNTS PAYABLE

| | <u>December 31</u> | |
|---|--------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Accounts payable</u> | | |
| Operating | <u>\$ 788,239</u> | <u>\$ 1,208,350</u> |
| <u>Accounts payable - related parties (Note 32)</u> | | |
| Operating | <u>\$ 163,346</u> | <u>\$ 100,228</u> |

The average credit period of the Company is between 1 to 3 months. The Company has financial risk management policies to ensure that all payables are paid within the credit terms.

22. OTHER PAYABLES

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Non related parties | | |
| Payables for salaries and bonuses | \$ 75,219 | \$ 116,209 |
| Payables for water and electricity | 55,287 | 54,371 |
| Payables for interests | 38,437 | 37,367 |
| Payables for fares | 25,448 | 15,314 |
| Payables for annual leave | 24,126 | 22,738 |
| Payables for purchases of equipment | 11,835 | 113,178 |
| Others | <u>42,973</u> | <u>44,671</u> |
| | <u>\$ 273,325</u> | <u>\$ 403,848</u> |
| Related parties (Note 32) | <u>\$ 16,179</u> | <u>\$ 17,720</u> |

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 9% (the percentage increased to 12% since November 10, 2016) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

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

| | December 31 | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| Present value of defined benefit obligation | \$ (691,947) | \$ (773,362) |
| Fair value of plan assets | <u>383,013</u> | <u>396,924</u> |
| Net defined benefit liabilities- non-current | <u>\$ (308,934)</u> | <u>\$ (376,438)</u> |

Movements in net defined benefit liabilities non-current were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|--|--|--|--|
| Balance at January 1, 2017 | \$ (822,474) | \$ 371,246 | \$ (451,228) |
| Current service cost | (8,065) | - | (8,065) |
| Net interest income (expense) | <u>(7,702)</u> | <u>5,175</u> | <u>(2,527)</u> |
| Recognized in profit or loss | <u>(15,767)</u> | <u>5,175</u> | <u>(10,592)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (2,395) | (2,395) |
| Actuarial loss - changes in demographic assumptions | (4,800) | - | (4,800) |
| Actuarial loss - changes in financial assumptions | (12,908) | - | (12,908) |
| Actuarial gain - experience adjustments | <u>8,872</u> | <u>-</u> | <u>8,872</u> |
| Recognized in other comprehensive income | <u>(8,836)</u> | <u>(2,395)</u> | <u>(11,231)</u> |
| Contributions from the employer | 4,061 | 92,552 | 96,613 |
| Benefits paid | <u>69,654</u> | <u>(69,654)</u> | <u>-</u> |
| Balance at December 31, 2017 | <u>\$ (773,362)</u> | <u>\$ 396,924</u> | <u>\$ (376,438)</u> |
| Balance at January 1, 2018 | \$ (773,362) | \$ 396,924 | \$ (376,438) |
| Current service cost | (6,407) | - | (6,407) |
| Net interest income (expense) | <u>(7,402)</u> | <u>3,873</u> | <u>(3,529)</u> |
| Recognized in profit or loss | <u>(13,809)</u> | <u>3,873</u> | <u>(9,936)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 11,114 | 11,114 |
| Actuarial loss - changes in demographic assumptions | (1,285) | - | (1,285) |
| Actuarial loss - changes in financial assumptions | (6,019) | - | (6,019) |
| Actuarial loss - experience adjustments | <u>(3,003)</u> | <u>-</u> | <u>(3,003)</u> |
| Recognized in other comprehensive income | <u>(10,307)</u> | <u>11,114</u> | <u>807</u> |
| Contributions from the employer | 16,723 | 59,910 | 76,633 |
| Benefits paid | <u>88,808</u> | <u>(88,808)</u> | <u>-</u> |
| Balance at December 31, 2018 | <u>\$ (691,947)</u> | <u>\$ 383,013</u> | <u>\$ (308,934)</u> |

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

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

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

| | December 31 | |
|----------------------------------|--------------------|-------------|
| | 2018 | 2017 |
| Discount rate | 0.875% | 1.00% |
| Expected rate of salary increase | 2.25% | 2.25% |

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

| | December 31 | |
|----------------------------------|--------------------|--------------------|
| | 2018 | 2017 |
| Discount rate | | |
| 0.25% increase | <u>\$ (11,953)</u> | <u>\$ (13,290)</u> |
| 0.25% decrease | <u>\$ 12,341</u> | <u>\$ 13,723</u> |
| Expected rate of salary increase | | |
| 0.25% increase | <u>\$ 11,957</u> | <u>\$ 13,312</u> |
| 0.25% decrease | <u>\$ (11,643)</u> | <u>\$ (12,961)</u> |

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

| | December 31 | |
|--|--------------------|------------------|
| | 2018 | 2017 |
| The expected contributions to the plan for the next year | <u>\$ 60,075</u> | <u>\$ 31,055</u> |
| The average duration of the defined benefit obligation | 7.6 years | 7.6 years |

24. EQUITY

| | <u>December 31</u> | |
|--------------------|----------------------|----------------------|
| | <u>2018</u> | <u>2017</u> |
| Share capital | \$ 11,887,635 | \$ 11,654,544 |
| Capital surplus | 253,738 | 238,194 |
| Retained earnings | 6,814,829 | 6,738,561 |
| Other equity items | (293,443) | (31,286) |
| Treasury shares | <u>(475,606)</u> | <u>(475,606)</u> |
| | <u>\$ 18,187,153</u> | <u>\$ 18,124,407</u> |

a. Share capital

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | <u>2018</u> | <u>2017</u> |
| Number of shares authorized (in thousands) | <u>1,342,602</u> | <u>1,342,602</u> |
| Shares authorized | <u>\$ 13,426,024</u> | <u>\$ 13,426,024</u> |
| Number of shares issued and fully paid (in thousands) | <u>1,188,763</u> | <u>1,165,454</u> |
| Shares issued | <u>\$ 11,887,635</u> | <u>\$ 11,654,544</u> |

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On June 8, 2017, the Company's regular shareholders' meeting resolved to issue 22,852 thousand ordinary shares as share dividends appropriated from earnings, with a par value of \$10, which increased the share capital issued and fully paid to \$11,654,544 thousand. On June 22, 2017, this transaction was approved by the FSC, and the subscription base date was determined as at August 4, 2017 by the board of directors. The alteration of the registered amount of capital of the Company was completed on August 31, 2017.

On June 5, 2018, the Company's regular shareholders' meeting resolved to issue 23,309 thousand ordinary shares as share dividends appropriated from earnings, with a par value of \$10, which increased the share capital issued and fully paid to \$11,887,635 thousand. On July 6, 2018, this transaction was approved by the FSC, and the subscription base date was determined as at August 3, 2018 by the board of directors. The alteration of the registered amount of capital of the Company was completed on August 29, 2018.

b. Capital surplus

The capital surplus generated from donations and the excess of the issuance price over the par value of share capital (including the shares issued from new capital, mergers and treasury shares) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital. The capital surplus arising from investments accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, please refer to "Employees' compensation and remuneration of directors" in Note 26(f).

The industry that the Company operates in is in the maturity stage. Consequently, in order to take R&D needs and diversification into consideration, shareholders' dividends shall be no less than 10% of the distributable earnings in the current year, of which the cash dividends not be no less than 10% of the total dividends. However, if the distributable earnings of the year are less than \$0.1 per share, it shall not be distributed.

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

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

The appropriations of earnings for 2017 and 2016 as approved in the shareholders' meetings on June 5, 2018 and June 8, 2017, respectively, were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-----------------|---------------------------------------|-------------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2017 | 2016 | 2017 | 2016 |
| Legal reserve | \$ 111,129 | \$ 118,957 | | |
| Special reserve | - | (35,883) | | |
| Cash dividends | 349,636 | 571,301 | \$0.3 | \$0.5 |
| Share dividends | <u>233,091</u> | <u>228,520</u> | 0.2 | 0.2 |
| | <u>\$ 693,856</u> | <u>\$ 882,895</u> | | |

The appropriation of earnings for 2018 was proposed by the Company's board of directors on March 8, 2019. The appropriation and dividends per share were as follows:

| | Appropriation of Earnings | Dividends Per Share (NT\$) |
|-----------------|----------------------------------|-----------------------------------|
| Legal reserve | \$ 53,993 | |
| Cash dividends | 55,399 | \$0.3 |
| Share dividends | <u>356,629</u> | |
| | <u>\$ 466,021</u> | |

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 12, 2019.

d. Other equity items

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2018 | 2017 |
| Balance at January 1 | \$ (190,880) | \$ 8,204 |
| Effect of tax rate changes | (170) | - |
| Exchange differences on translating foreign operations | 32,263 | (140,102) |
| Related income tax | (6,453) | 23,817 |
| Share of exchange differences of subsidiaries accounted for using the equity method | (24,130) | (82,799) |
| Disposals of subsidiaries | <u>(18,937)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ (208,307)</u> | <u>\$ (190,880)</u> |

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

| | |
|---|------------------|
| Balance at January 1, 2017 | \$ 77,535 |
| Recognized during the period | |
| Unrealized gain on revaluation of available-for-sale financial assets | (122,319) |
| Share from associates accounted for using the equity method | 158,685 |
| Reclassification adjustments | |
| Disposal of available-for-sale financial assets | <u>45,693</u> |
| Balance at December 31, 2017 | 159,594 |
| Adjustment on initial application of IFRS 9 | <u>(159,594)</u> |
| Balance at January 1, 2018 per IFRS 9 | <u>\$ -</u> |

3) Unrealized gain (loss) on available-for-sale financial assets

| | For the Year Ended December 31, 2018 |
|--|---|
| Balance at January 1 per IAS 39 | \$ - |
| Adjustment on initial application of IFRS 9 | <u>181,005</u> |
| Balance at January 1 per IFRS 9 | 181,005 |
| Recognized during the period | |
| Unrealized gain | |
| Equity instruments | 24,687 |
| Share from associates accounted for using the equity method | (211,995) |
| Cumulative unrealized loss on equity instruments transferred to retained earnings due to disposals | |
| Equity instruments -in respect of the current year | (71,238) |
| Share from associates accounted for using the equity method | <u>(7,595)</u> |
| Balance at December 31 | <u>\$ (85,136)</u> |

e. Treasury shares

| Purpose of Buy-Back | Number of Shares at January 1 (In Thousands of Shares) | Increase During the Year | Decrease During the Year | Number of Shares at December 31 (In Thousands of Shares) |
|-----------------------------|---|---------------------------------|---------------------------------|---|
| <u>2018</u> | | | | |
| Shares held by subsidiaries | <u>114,182</u> | <u>2,284</u> | <u>-</u> | <u>116,466</u> |
| <u>2017</u> | | | | |
| Shares held by subsidiaries | <u>111,943</u> | <u>2,239</u> | <u>-</u> | <u>114,182</u> |

The Company's shares held by its subsidiaries at the end of the reporting period were as follows:

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|---|---|------------------------|---------------------|
| <u>December 31, 2018</u> | | | |
| Asia Polymer Corporation ("APC") | 101,356 | \$ 1,377,381 | \$ 1,206,132 |
| Taita Chemical Company, Limited ("TTC") | 15,110 | <u>81,875</u> | <u>179,808</u> |
| | | <u>\$ 1,459,256</u> | <u>\$ 1,385,940</u> |
| <u>December 31, 2017</u> | | | |
| Asia Polymer Corporation ("APC") | 99,368 | \$ 1,377,381 | \$ 1,629,640 |
| Taita Chemical Company, Limited ("TTC") | 14,814 | <u>81,875</u> | <u>242,944</u> |
| | | <u>\$ 1,459,256</u> | <u>\$ 1,872,584</u> |

The Company's shares which subsidiaries hold are view as treasury shares. Investments accounted for using the equity method are reclassified as treasury shares.

APC and TTC holdings of the Company's shares are carried as unrealized gain (loss) on financial assets at FVTOCI and are valued at the closing price of December 31, 2018. The carrying amount of investments accounted for using the equity method and the unrealized gain on financial assets at FVTOCI were reduced by 19,487 thousand.

APC and TTC holdings of the Company's shares are carried as available-for-sale financial assets and are valued at the closing price of December 31, 2017. The carrying amount of investments accounted for using the equity method and the unrealized gain on available-for-sale financial assets were reduced by \$140,670 thousand.

25. REVENUE

| | <u>For the Year Ended December 31</u> | |
|------------------------|---------------------------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Products sales revenue | | |
| Plastic materials | <u>\$11,763,140</u> | <u>\$11,551,511</u> |

Product sales revenue of the Company mainly comes from selling polyethylene plastic and other related products.

26. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations included the following:

a. Other income

| | <u>For the Year Ended December 31</u> | |
|---------------------------|---------------------------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Interest income | | |
| Bank deposits | \$ 10,100 | \$ 15,156 |
| Real estate securities | 7,352 | 7,368 |
| Other | <u>734</u> | <u>231</u> |
| | 18,186 | 22,755 |
| Dividends income | 68,098 | 57,681 |
| Rental income | 20,651 | 20,256 |
| Grants income (Note 16) | 22,293 | 27,491 |
| Management service income | 32,073 | 37,490 |
| Others | <u>24,054</u> | <u>11,311</u> |
| | <u>\$ 185,355</u> | <u>\$ 176,984</u> |

b. Other gains and losses

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|--------------------|
| | <u>2018</u> | <u>2017</u> |
| Gain on disposal of property, plant and equipment | \$ 1,343 | \$ 1,350 |
| Loss on disposal of property, plant and equipment | (101) | (584) |
| Net gain on disposal of financial instruments | 7,345 | 60,964 |
| Net foreign exchange gains (losses) | 15,495 | (29,240) |
| Net gain (loss) on financial assets at fair value through profit or loss | 28,453 | (27,759) |
| Net loss on financial liabilities at fair value through profit or loss | (29,624) | (27,774) |
| Impairment losses recognized on non-financial assets | (27,630) | - |
| Loss on financial assets measured at cost - non-current | - | (3,047) |
| Other expenses | <u>(27,829)</u> | <u>(34,564)</u> |
| | <u>\$ (32,548)</u> | <u>\$ (60,654)</u> |

c. Finance costs

| | <u>For the Year Ended December 31</u> | |
|--|--|------------------|
| | 2018 | 2017 |
| Interest on bonds payable | \$ 74,937 | \$ 56,145 |
| Interest on bank loans | 9,118 | 5,627 |
| Other interest expense | 2,435 | 552 |
| Less: Capitalized interest amount (included in construction in progress) | <u>(26,164)</u> | <u>(18,506)</u> |
| | <u>\$ 60,326</u> | <u>\$ 43,818</u> |

Information about capitalized interest is as follows:

| | <u>For the Year Ended December 31</u> | |
|----------------------|--|-------------|
| | 2018 | 2017 |
| Capitalized interest | \$ 26,164 | \$ 18,506 |
| Capitalization rate | 1.25% | 1.25%-1.30% |

d. Depreciation and amortization

| | <u>For the Year Ended December 31</u> | |
|---|--|-------------------|
| | 2018 | 2017 |
| Property, plant and equipment | \$ 418,279 | \$ 371,975 |
| Investment properties | 1,101 | 1,598 |
| Intangible assets | 6,227 | 21,137 |
| Others | <u>5,345</u> | <u>5,556</u> |
| | <u>\$ 430,952</u> | <u>\$ 400,266</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 407,766 | \$ 360,779 |
| Operating expenses | 10,481 | 11,196 |
| Other gains and losses | <u>1,133</u> | <u>1,598</u> |
| | <u>\$ 419,380</u> | <u>\$ 373,573</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 5,345 | \$ 5,556 |
| General and administrative expenses | 1,755 | 3,250 |
| Research and development expenses | <u>4,472</u> | <u>17,887</u> |
| | <u>\$ 11,572</u> | <u>\$ 26,693</u> |

e. Employee benefits expense

| | <u>For the Year Ended December 31</u> | |
|--|--|-------------------|
| | 2018 | 2017 |
| Post-employment benefits (Note 23) | | |
| Defined contribution plans | \$ 19,494 | \$ 18,884 |
| Defined benefit plans | <u>9,936</u> | <u>10,592</u> |
| | 29,430 | 29,476 |
| Other employee benefits | <u>537,137</u> | <u>591,812</u> |
| Total employee benefits expense | <u>\$ 566,567</u> | <u>\$ 621,288</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 344,582 | \$ 385,493 |
| Operating expenses | 221,540 | 235,795 |
| Non-operating income and expense | <u>445</u> | <u>-</u> |
| | <u>\$ 566,567</u> | <u>\$ 621,288</u> |

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which were approved by the Company's board of directors on March 8, 2019 and March 13, 2018, respectively, were as follows:

Accrual rate

| | <u>For the Year Ended December 31</u> | |
|---------------------------|--|-------------|
| | 2018 | 2017 |
| Employees' compensation | 1.00% | 1.00% |
| Remuneration of directors | 0.82% | 0.45% |

Amount

| | <u>For the Year Ended December 31</u> | |
|---------------------------|--|-------------|
| | 2018 | 2017 |
| Employees' compensation | \$ 6,319 | \$ 12,247 |
| Remuneration of directors | 5,200 | 5,500 |

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

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

g. Gain or loss on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|--------------------|
| | 2018 | 2017 |
| Foreign exchange gains | \$ 97,064 | \$ 74,268 |
| Foreign exchange losses | <u>(81,569)</u> | <u>(103,508)</u> |
| | <u>\$ 15,495</u> | <u>\$ (29,240)</u> |

27. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense (benefit) were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2018 | 2017 |
| Current tax | | |
| In respect of the current year | \$ 16,910 | \$ 61,576 |
| Income tax on unappropriated earnings | 39,320 | 23,301 |
| Adjustments for prior years | <u>(1,731)</u> | <u>1,566</u> |
| | <u>54,499</u> | <u>86,443</u> |
| Deferred tax | | |
| In respect of the current year | 19,191 | 15,607 |
| Adjustments for prior years | (264) | (6,402) |
| Tax rates changes | <u>6,981</u> | <u>-</u> |
| | <u>25,908</u> | <u>9,205</u> |
| Income tax expense recognized in profit or loss | <u>\$ 80,407</u> | <u>\$ 95,648</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2018 | 2017 |
| Profit before tax from continuing operations | <u>\$ 620,342</u> | <u>\$ 1,206,938</u> |
| Income tax expense calculated at the statutory rate | \$ 124,068 | \$ 205,179 |
| Nondeductible expenses in determining taxable income | 376 | 248 |
| Tax-exempt income | (15,089) | (20,170) |
| (Gain) loss on valuation of financial assets | (1,383) | 5,397 |
| Share of profit or loss of domestic subsidiaries accounted for using the equity method | (72,409) | (103,534) |
| Loss on impairment of investing activities | - | (10,241) |
| Income tax on unappropriated earnings | 39,320 | 23,301 |
| Unrecognized deductible temporary differences | 6,981 | - |
| Adjustments for prior years | (1,995) | (4,836) |
| Others | <u>538</u> | <u>304</u> |
| Income tax expense recognized in profit or loss | <u>\$ 80,407</u> | <u>\$ 95,648</u> |

In 2017, the applicable corporate income tax rate used by the Company in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted

from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|------------------|
| | 2018 | 2017 |
| <u>Deferred tax</u> | | |
| Effect of change in tax rate In respect of the current period | \$ 3,699 | - |
| Translation of foreign operations | (6,453) | 23,817 |
| Remeasurement on defined benefit plans | <u>(161)</u> | <u>1,909</u> |
| Total income tax recognized in other comprehensive (expense) income | <u>\$ (2,915)</u> | <u>\$ 25,726</u> |

c. Current income tax assets and liabilities

| | <u>December 31</u> | |
|---------------------------------------|--------------------|------------------|
| | 2018 | 2017 |
| <u>Current income tax assets</u> | | |
| Tax refund receivable | <u>\$ -</u> | <u>\$ 3,254</u> |
| <u>Current income tax liabilities</u> | | |
| Income tax payable | <u>\$ 33,353</u> | <u>\$ 58,642</u> |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

| | Patents | Service Concession Arrangements | Licenses and Franchises | Others | Total |
|--|----------------|--|------------------------------------|---------------|--------------|
| <u>Deferred tax assets</u> | | | | | |
| <u>Temporary differences</u> | | | | | |
| Allowance for inventory valuation and obsolescence losses | \$ 368 | \$ 1,085 | \$ - | \$ 65 | \$ 1,518 |
| Defined benefit obligation | 21,929 | - | (161) | 3,869 | 25,637 |
| Differences on retirement benefit expenses of defined benefit plans between finance and tax | 28,586 | (13,339) | - | 5,045 | 20,292 |
| Payables for annual leave | 3,866 | 278 | - | 682 | 4,826 |
| Unrealized gains on transactions | 1,759 | (347) | - | 310 | 1,722 |

(Continued)

| | Patents | Service Concession Arrangements | Licenses and Franchises | Others | Total |
|--|-------------------|---------------------------------------|----------------------------|------------------|-------------------|
| Impairment loss recognized on financial assets at FVTPL | \$ 5,181 | \$ - | \$ - | \$ 914 | \$ 6,095 |
| Differences on amortization period of intangible assets between finance and tax | 8,164 | 2,973 | - | 1,441 | 12,578 |
| Differences on depreciation period between finance and tax | 667 | - | - | 118 | 785 |
| Deferred revenue | 3,790 | 1,540 | - | 6,670 | 6,000 |
| Unrealized loss on valuation of financial assets at FVTPL | <u>873</u> | <u>269</u> | <u>-</u> | <u>154</u> | <u>1,296</u> |
| | <u>\$ 75,183</u> | <u>\$ (7,541)</u> | <u>\$ (161)</u> | <u>\$ 13,268</u> | <u>\$ 80,749</u> |
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Share of profit or loss of overseas subsidiaries accounted for using the equity method | \$ 92,159 | \$ 10,735 | \$ - | \$ 16,263 | \$ 119,157 |
| Exchange differences on foreign operations | 966 | - | 6,453 | 170 | 7,589 |
| Unrealized foreign exchange gains | 649 | 653 | - | 115 | 1,417 |
| Revaluation increments of land | <u>43,580</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>43,580</u> |
| | <u>\$ 137,354</u> | <u>\$ 11,388</u> | <u>\$ 6,453</u> | <u>\$ 16,548</u> | <u>\$ 171,743</u> |

(Concluded)

For the year ended December 31, 2017

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen- sive Income | Closing Balance |
|---|--------------------|---------------------------------|---|--------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Allowance for inventory valuation and obsolescence losses | \$ 244 | \$ 124 | \$ - | \$ 368 |
| Defined benefit obligation | 20,020 | - | 1,909 | 21,929 |
| Differences on retirement benefit expenses of defined benefit plans between finance and tax | 43,210 | (14,624) | - | 28,586 |
| Payables for annual leave | 3,841 | 25 | - | 3,866 |
| Unrealized gains on transactions | 2,108 | (349) | - | 1,759 |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen- sive Income | Closing Balance |
|--|----------------------------|---|---|----------------------------------|
| Impairment loss recognized on financial assets measured at cost | \$ 4,663 | \$ 518 | \$ - | \$ 5,181 |
| Differences on amortization period of intangible assets between finance and tax | 6,638 | 1,526 | - | 8,164 |
| Differences on depreciation period between finance and tax | 667 | - | - | 667 |
| Deferred revenue | - | 3,790 | - | 3,790 |
| Unrealized loss on valuation of financial assets at fair value through profit or loss | <u>187</u> | <u>686</u> | <u>-</u> | <u>873</u> |
| | <u>\$ 81,578</u> | <u>\$ (8,304)</u> | <u>\$ 1,909</u> | <u>\$ 75,183</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Share of profit or loss of overseas subsidiaries accounted for using the equity method | \$ 88,484 | \$ 3,675 | \$ - | \$ 92,159 |
| Exchange differences on foreign operations | 24,783 | - | (23,817) | 966 |
| Unrealized foreign exchange gains | 3,423 | (2,774) | - | 649 |
| Revaluation increments of land | <u>43,580</u> | <u>-</u> | <u>-</u> | <u>43,580</u> |
| | <u>\$ 160,270</u> | <u>\$ 901</u> | <u>\$ (23,817)</u> | <u>\$ 137,354</u> (Concluded) |

e. Income tax assessments

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

28. EARNINGS PER SHARE

The weighted average number of shares outstanding used in the computation of earnings per share was adjusted retroactively for the issuance of bonus shares on August 3, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

| | Unit: NT\$ Per Share | |
|----------------------------|--|---|
| | Before Retrospective Adjustment | After Retrospective Adjustment |
| Basic earnings per share | <u>\$ 1.06</u> | <u>\$ 1.04</u> |
| Diluted earnings per share | <u>\$ 1.06</u> | <u>\$ 1.04</u> |

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

Net Profit for the Year

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2018 | 2017 |
| Earnings used in the computation of basic and diluted earnings per share | <u>\$ 539,935</u> | <u>\$ 1,111,290</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2018 | 2017 |
| Weighted average number of ordinary shares used in computation of basic earnings per share | 1,072,298 | 1,072,298 |
| Effect of potentially dilutive ordinary shares: | | |
| Employees' compensation issue to employees | <u>690</u> | <u>911</u> |
| | <u>1,072,988</u> | <u>1,073,209</u> |

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

29. OPERATING LEASE AGREEMENTS

a. The Company as lessee

Operating leases relate to leases of office space and staff quarters with lease terms between 1 and 12 years. As of December 31, 2018 and 2017, the Company's refundable deposits paid resulting from operating lease agreements were \$7,781 thousand and \$7,241 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

| | December 31 | |
|--|--------------------|------------------|
| | 2018 | 2017 |
| Not later than 1 year | \$ 35,949 | \$ 31,724 |
| Later than 1 year and not later than 5 years | 131,616 | 56,800 |
| Later than 5 years | <u>84,975</u> | <u>-</u> |
| | <u>\$ 252,540</u> | <u>\$ 88,524</u> |

b. The Company as lessor

Operating leases are related to leases of investment properties with lease terms between 1 and 5 years. All operating lease agreements contain market review clauses in the event that the lessees exercise their options to renew. The lessees do not have bargain purchase options to acquire the properties at the expiry of the lease periods.

As of December 31, 2018 and 2017, the Company's guarantee deposits received resulting from operating lease agreements were \$5,316 thousand and \$5,276 thousand, respectively.

The future minimum lease payments of non-cancellable operating leases are as follows:

| | December 31 | |
|--|--------------------|------------------|
| | 2018 | 2017 |
| Not later than 1 year | \$ 23,878 | \$ 18,854 |
| Later than 1 year and not later than 5 years | 36,037 | 23,157 |
| Later than 5 years | <u>1,527</u> | <u>-</u> |
| | <u>\$ 61,442</u> | <u>\$ 42,011</u> |

30. CAPITAL MANAGEMENT

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

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

Key management of the Company review the capital structure periodically. As part of this review, the key management consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

31. FINANCIAL INSTRUMENTS

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

The management of the Company considers that the carrying amount of financial assets and financial liabilities recognized in the financial statements approximate their fair values. Otherwise, the fair values cannot be measured reliably.

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

1) Fair value hierarchy

December 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|-----------------|-------------------|---------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | \$ - | \$ 340 | \$ - | \$ 340 |
| Domestic listed shares and over-the-counter shares | 47,954 | - | - | 47,954 |
| Mutual funds | 932,068 | - | - | 932,068 |
| Beneficiary certificates | <u>256,399</u> | <u>-</u> | <u>-</u> | <u>256,399</u> |
| | <u>\$ 1,236,421</u> | <u>\$ 340</u> | <u>\$ -</u> | <u>\$ 1,236,761</u> |
| Financial assets at FVTOCI | | | | |
| Equity instrument investments | | | | |
| Domestic listed shares and over-the-counter shares | \$ 778,743 | \$ - | \$ - | \$ 778,743 |
| Domestic unlisted shares | <u>-</u> | <u>-</u> | <u>242,758</u> | <u>242,758</u> |
| | <u>\$ 778,746</u> | <u>\$ -</u> | <u>\$ 242,758</u> | <u>\$ 1,021,501</u> |
| Financial liabilities at FVTPL | | | | |
| Derivatives financial liabilities | <u>\$ -</u> | <u>\$ 6,817</u> | <u>\$ -</u> | <u>\$ 6,817</u> |

December 31, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|-----------------|-------------|---------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | \$ - | \$ 20 | \$ - | \$ 20 |
| Non-derivative financial assets held for trading | <u>1,680,700</u> | <u>-</u> | <u>-</u> | <u>1,680,700</u> |
| | <u>\$ 1,680,700</u> | <u>\$ 20</u> | <u>\$ -</u> | <u>\$ 1,680,720</u> |
| Available-for-sale financial assets | | | | |
| Domestic listed shares and over-the-counter shares | <u>\$ 892,511</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 892,511</u> |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | <u>\$ -</u> | <u>\$ 5,154</u> | <u>\$ -</u> | <u>\$ 5,154</u> |

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

| | For the Year Ended December 31, 2018 |
|---|---|
| <u>Financial assets at FVTOCI</u> | |
| Balance at January 1 | \$ 218,683 |
| Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI) | 38,999 |
| Return of capital | <u>(14,924)</u> |
| Balance at December 31 | <u>\$ 242,758</u> |

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

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

4) Evaluation techniques measured by fair value and assumptions

The Company applied the valuation techniques and inputs for Level 3 fair value measurement for its independent fair value authentication of financial instruments which is carried out by the financial department. Via information from independent resources, the Company keeps the results close to that of the market state and reviews such results periodically to ensure that they are reasonable. The fair values of domestic and foreign unlisted equity securities were determined using the asset-based approach. In this approach, the fair value is determined by the latest net value of the investee company and the financial and business conditions of its observable company. If the discount for the lack of marketability decreases, the fair value of investments will increase. When the net asset value of investees increases/decreases by 1%, the fair value will decrease/increase by \$2,428 thousand.

c. Categories of financial instruments

| | <u>December 31</u> | |
|--|--------------------|--------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Financial assets</u> | | |
| Financial assets at FVTPL | | |
| Held for trading | \$ - | \$ 1,680,720 |
| Financial assets mandatory classified as at FVTPL | 1,236,761 | - |
| Loans and receivables (Note 1) | - | 3,897,201 |
| Financial assets measured at amortized cost (Note 2) | 3,755,547 | - |
| Available-for-sale financial assets (including financial assets measured at cost) (Note 3) | - | 1,079,161 |
| Financial assets at FVTOCI - equity instrument investments | 1,021,501 | - |
| Refundable deposits | 42,352 | 39,187 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at FVTPL | | |
| Held for trading | 6,817 | 5,154 |
| Financial liabilities measured at amortized cost (Note 4) | 10,686,674 | 7,920,313 |

Note 1: The balance includes loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes and accounts receivable (included related parties) and other receivables (including related parties, except tax refund receivable).

Note 2: The balance includes loans and receivables measured at amortized cost, which comprise cash and cash equivalents and accounts receivable (included related parties) and other receivables (including related parties, except tax refund receivable).

Note 3: The balance includes the carrying amount of available-for-sale financial assets measured at cost.

Note 4: The balance includes financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, accounts payable (including related parties), other payables (including related parties) and bonds payable.

d. Financial risk management objectives and policies

The Company's risk controlling and hedging strategy is influenced by the operational environment. The Company properly monitors and manages the risks related to business nature and according to the principle of risk diversification. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

The Company had conducted foreign currency sales and purchases, which exposed the Company to foreign currency risk. The trade of derivative financial instruments that the Company engaged in was not for speculation purposes. In order to avoid the impact of foreign currency changes, which lead to the deduction of foreign currency assets and fluctuations of future cash flows, the Company used foreign exchange forward contracts to eliminate currency exposure and thus mitigate the impact of the risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 36 and of the derivatives which expose the Company to foreign currency risk are set out in Note 7.

Sensitivity analysis

The sensitivity analysis of foreign currency risk mainly focuses on the computation of foreign currency monetary items at the end of the financial reporting period (U.S. dollar denominated items). When the USD appreciates/depreciates by 3%, the Company's profit before tax in 2018 will decrease/increase \$6,512 thousand; the profit before tax in 2017 will decrease/increase \$4,716 thousand.

Because this formerly mentioned sensitivity analysis is based on the computation of foreign currency exposure at balance sheet date, the management concedes that this analysis cannot properly reflect the mid-year exposures.

b) Interest rate risk

The Company was exposed to fair value interest rate risk because the Company held financial assets and financial liabilities at fixed rates; the Company was exposed to cash flow interest rate risk because the Company held financial assets and financial liabilities at floating rates. The Company's management monitors the changes in the market rates on a regular basis and adjusts the floating rate financial liabilities to make the Company's rates approach market rates in response to the risk caused by the changing market rates.

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

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2018 | 2017 |
| Fair value interest rate risk | | |
| Financial assets | \$ 1,818,167 | \$ 1,928,138 |
| Financial liabilities | 6,192,585 | 5,990,167 |
| Cash flow interest rate risk | | |
| Financial assets | 48,590 | 94,558 |
| Financial liabilities | 3,253,000 | 200,000 |

Sensitivity analysis

Regarding the sensitivity analysis of interest risk, the Company's computation was based on financial assets and financial liabilities with cash flow interest rate risk. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate. If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Company's profit before tax for the years ended December 31, 2018 and 2017 would have decreased/increased by \$16,022 thousand and \$527 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

The analysis below was determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had fluctuated by 5%, the pre-tax profit for the year ended December 31, 2018 would have increased/decreased by \$61,821 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$51,075 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had fluctuated by 5%, the pre-tax profit for the year ended December 31, 2017 would have increased/decreased by \$84,035 thousand as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the year ended December 31, 2017 would have increased/decreased by \$44,626 thousand as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk mainly comes from:

- a) Carrying amount of financial assets recognized on the balance sheets.
- b) Amount of contingent liabilities generated from the financial guarantees of the Company.

The Company adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. The Company provides financial guarantees and endorsements for tariffs and loans of subsidiaries. As of December 31, 2018 and 2017 the amount the Company's provided endorsements and guarantees was \$4,027,150 thousand and \$4,845,869 thousand. As the end of the reporting period expected, subsidiaries operate well and the possibility of loss on such endorsements and guarantees due to defaults of subsidiaries is not high.

The counterparties of the Company's trade receivable include numerous clients distributed over a variety of areas, and not centered on a single client or location. Besides this, ongoing credit evaluations are performed on the financial condition of trade receivables, so the Company's credit risk is limited. At balance sheet date, the Company's maximum exposure to credit risk approximates the carrying amounts of the respective recognized financial assets as stated in the balance sheet.

3) Liquidity risk

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

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

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods based on the probable earliest repayment dates.

December 31, 2018

| | Weighted Average Interest Rate (%) | On Demand or Less than 1 Year | 1-5 Years | 5+ Years |
|---|---|--|---------------------|-----------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | | \$ 1,241,089 | \$ - | \$ - |
| Fixed interest rate liabilities | 0.80-1.90 | 1,952,981 | 7,492,604 | - |
| Floating interest rate liabilities | | - | - | - |
| | | <u>\$ 3,194,070</u> | <u>\$ 7,492,604</u> | <u>\$ -</u> |

December 31, 2017

| | Weighted Average Interest Rate (%) | On Demand or Less than 1 Year | 1-5 Years | 5+ Years |
|---|---|--|---------------------|-----------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | | \$ 1,730,146 | \$ - | \$ - |
| Fixed interest rate liabilities | 0.80-1.90 | - | 5,990,167 | - |
| Floating interest rate liabilities | 0.80 | <u>200,000</u> | <u>-</u> | <u>-</u> |
| | | <u>\$ 1,930,146</u> | <u>\$ 5,990,167</u> | <u>\$ -</u> |

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following table details the Company's liquidity analysis for its derivative financial instruments and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2018

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year |
|------------------------------------|---|-------------------|-------------------------------|
| <u>Gross settled</u> | | | |
| Foreign exchange forward contracts | | | |
| Inflows | \$ 454,345 | \$ 407,043 | \$ 44,210 |
| Outflows | <u>(459,887)</u> | <u>(411,732)</u> | <u>(44,754)</u> |
| | <u>\$ (5,542)</u> | <u>\$ (4,689)</u> | <u>\$ (544)</u> |

December 31, 2017

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year |
|------------------------------------|---|-------------------|-------------------------------|
| <u>Gross settled</u> | | | |
| Foreign exchange forward contracts | | | |
| Inflows | \$ 168,320 | \$ 398,995 | \$ - |
| Outflows | <u>(169,883)</u> | <u>(403,984)</u> | <u>-</u> |
| | <u>\$ (1,563)</u> | <u>\$ (4,989)</u> | <u>\$ -</u> |

c) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2018 and 2017, the unused amount of bank loan facilities were as follows:

| | <u>December 31</u> | |
|----------------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Bank loan facilities | | |
| Amount unused | <u>\$ 4,310,891</u> | <u>\$ 4,772,671</u> |

32. TRANSACTIONS WITH RELATED PARTIES

Except for disclosure on other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related parties' names and their relationships

| <u>Related Party Name</u> | <u>Relationship with the Company</u> |
|---|---|
| USIFE Investment Co., Ltd. | Subsidiary |
| Swanson Plastics Corp. ("SPC") | Subsidiary |
| Acme Electronics Corp. ("ACME") | Subsidiary |
| Chong Loong Trading Co., Ltd. ("CLT") | Subsidiary |
| Swanlake Traders Ltd. | Subsidiary |
| Union Polymer Int'l Investment Corp. ("UPIIC") | Subsidiary |
| USI Far East (HK) Co., Ltd. ("USI HK") | Subsidiary |
| USI Management Consulting Corp. ("UM") | Subsidiary |
| Thintec Materials Corporation | Subsidiary |
| Forever Young Company Limited ("Forever Young") | Subsidiary |
| Swanson Technologies Corporation | Subsidiary |
| Taiwan United Venture Management Corp. ("TUVVM") | Subsidiary |
| China General Plastics Corporation ("CGPC") | Subsidiary |
| Taita Chemical Company, Ltd. ("TTC") | Subsidiary |
| Asia Polymer Corporation ("APC") | Subsidiary |
| Taiwan VCM Corporation ("TVCM") | Subsidiary |
| CGPC Polymer Corporation | Subsidiary |
| China General Terminal & Distribution Co. ("CGTD") | Subsidiary |
| INOMA Corporation | Subsidiary |
| USIG (Shanghai) Co., Ltd. ("USIG") | Subsidiary |
| Forum Pacific Trading Ltd. | Subsidiary |
| USI International Corporation ("USI International") | Subsidiary |
| USI Trading (Shanghai) Co., Ltd. ("USI Trading Shanghai") | Subsidiary |
| APC Investment Corporation | Subsidiary |
| USI Optronics Corporation | Subsidiary |
| Dynamic Ever Investments Limited ("DEIL") | Associates (since January 13, 2017 as a subsidiary) |
| USI Education Foundation ("USIF") | Other related party |

b. Sales

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2018 | 2017 |
| Subsidiary | \$ <u>537,558</u> | \$ <u>525,339</u> |

The Company sold inventories to subsidiaries in 2018 and 2017, and at the end of 2018 and 2017, the Company's unearned gross margin for SPC was \$510 thousand and \$1,453 thousand, respectively, which was deferred. The Company's unearned gross margin for USI Trading (Shanghai) was \$524 thousand and \$452 thousand in 2018 and 2017, respectively, which was deferred. The deferred unrealized gain of subsidiaries was \$1,034 thousand and \$1,905 thousand in 2018 and 2017, respectively.

c. Purchases

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2018 | 2017 |
| Subsidiary | \$ <u>771,761</u> | \$ <u>667,508</u> |

d. Exports of ethylene

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|---------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| APC | \$ 427,616 | \$ 733,680 |
| TVCM | <u>135,306</u> | <u>337,238</u> |
| | \$ <u>562,922</u> | \$ <u>1,070,918</u> |

e. Imports of ethylene

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| APC | \$ 56,490 | \$ 75,044 |
| TVCM | <u>86,351</u> | <u>18,004</u> |
| | \$ <u>142,841</u> | \$ <u>93,048</u> |

f. Rental income (classified as other income)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| SPC | \$ 6,672 | \$ 6,442 |
| CGPC | 5,644 | 5,283 |
| TTC | 5,478 | 5,325 |
| ACME | 2,981 | 2,883 |
| Others | <u>8,704</u> | <u>8,641</u> |
| | \$ <u>29,479</u> | \$ <u>28,574</u> |

The Company leased part of the floors of its Neihu office building to subsidiaries, and the lease period was from April 2006 to April 2014. When the lease term ended, the contract was extended to April 2019, and the rental income was received monthly according to the contract.

The Company entered into a housing lease contract between the Company and Dynamic Ever Investments Limited in May 2016, and the lease period is from May 2016 to April 2018. When the lease term ended, the contract was extended to April 2019, and the rental income was received monthly according to the contract.

g. Management service income (classified as other income)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| DEIL | \$ 9,445 | \$ 5,579 |
| APC | 5,879 | 6,474 |
| ACME | 4,592 | 3,137 |
| SPC | 3,957 | 3,149 |
| CGPC | 3,785 | 3,981 |
| TTC | 1,117 | 9,912 |
| Others | <u>3,298</u> | <u>5,258</u> |
| | <u>\$ 32,073</u> | <u>\$ 37,490</u> |

The Company, in order to correspond to the demands of management and integrating corporation resources, signed a resource support contract with its subsidiary, UM, on July 2002. UM coordinates the resources of the Company's common services department, and the related fee is calculated and charged by the contract content.

In order to correspond to management demands, the Company signed a management service contract with Dynamic Ever Investment Limited on May 2015, and the related fee is calculated and charged by the contract content.

h. Management service fee-investment (classified as other gains and losses)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|---------------|
| | 2018 | 2017 |
| Subsidiary | | |
| TUVM | <u>\$ 542</u> | <u>\$ 542</u> |

i. Management service fee-management (classified as general and administrative expenses and research and development expense)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| UM | \$ 80,912 | \$ 95,350 |
| Others | <u>4,685</u> | <u>10,104</u> |
| | <u>\$ 85,597</u> | <u>\$ 105,454</u> |

- j. Rental expenses (classified as operating expense)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-----------------|
| | 2018 | 2017 |
| Subsidiary | | |
| APC | \$ 2,132 | \$ 2,689 |
| TTC | 910 | 910 |
| USI International | - | 164 |
| Others | <u>7</u> | <u>135</u> |
| | <u>\$ 3,049</u> | <u>\$ 3,898</u> |

- k. Commission expenses (classified as selling and marketing expenses)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-----------------|
| | 2018 | 2017 |
| Subsidiary | | |
| USI Trading (Shanghai) | <u>\$ 656</u> | <u>\$ 1,065</u> |

- l. Environmental protection expenses (classified as cost of goods sold, for the year ended December 31, 2018: None)

| Related Party Category/Name | For the Year Ended December 31, 2017 |
|------------------------------------|---|
| | Subsidiary |

- m. Operating storage tank costs (classified as cost of goods sold)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| CGTD | <u>\$ 32,297</u> | <u>\$ 56,685</u> |

- n. Donations (classified as general and administrative expenses)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-----------------|
| | 2018 | 2017 |
| Subsidiary | | |
| USIF | <u>\$ 3,000</u> | <u>\$ 3,000</u> |

- o. Foreign business trip expenses (classified as operating expense)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|--------------|
| | 2018 | 2017 |
| Subsidiary | <u>\$ 69</u> | <u>\$ 21</u> |

- p. Other expenses (classified as operating expense)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------|
| | 2018 | 2017 |
| Subsidiary | \$ <u>2,213</u> | \$ <u>-</u> |

- q. Revenue from sale of raw materials (classified as other income)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| APC | \$ 131,257 | \$ 135,944 |
| TVCM | <u>2,120</u> | <u>37,435</u> |
| | \$ <u>133,377</u> | \$ <u>173,379</u> |

- r. Import fees on ethylene inspection income (classified as other income)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|---------------|
| | 2018 | 2017 |
| Subsidiary | | |
| CGTD | \$ 456 | \$ 888 |
| SPC | <u>20</u> | <u>-</u> |
| | \$ <u>476</u> | \$ <u>888</u> |

- s. Gains on disposal of property, plant and equipment (classified as other income and loss)

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|---------------|
| | 2018 | 2017 |
| Subsidiary | | |
| USI HK | \$ <u>889</u> | \$ <u>889</u> |

The Hong Kong branch sold fixed assets to USI (HK) in August 2005, and the price was \$18,049 thousand (HK\$4,180 thousand). As of December 31, 2018 and 2017, the unrealized profit and loss was \$5,924 thousand and \$6,813 thousand, which was deferred, and the reversal was recognized by estimating the useful life of the equipment.

- t. Accounts receivable

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| USI Trading (Shanghai) | \$ 28,604 | \$ 37,810 |
| USI HK | 12,488 | 11,759 |
| Forever Young | 10,796 | 21,517 |
| SPC | <u>9,438</u> | <u>13,033</u> |
| | \$ <u>61,326</u> | \$ <u>84,119</u> |

There was no collateral provided for outstanding related party receivables. There is no bad debt for related parties' accounts receivable in 2018 and 2017.

u. Other receivables

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|-------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| TVCM | \$ 171,372 | \$ 231,747 |
| APC | 146,325 | 322,683 |
| Others | <u>12,148</u> | <u>11,708</u> |
| | <u>\$ 329,845</u> | <u>\$ 566,138</u> |

v. Accounts payable

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|-------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| APC | \$ 158,522 | \$ 96,995 |
| Others | <u>4,824</u> | <u>3,233</u> |
| | <u>\$ 163,346</u> | <u>\$ 100,228</u> |

Outstanding amounts due to related parties had no guarantee provided.

w. Other payables

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| UM | \$ 7,671 | \$ 7,407 |
| TVCM | 6,113 | 518 |
| CGTD | 1,272 | 7,710 |
| Others | <u>1,123</u> | <u>2,085</u> |
| | <u>\$ 16,179</u> | <u>\$ 17,720</u> |

x. Other unearned revenue (classified as current liabilities)

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|---------------|
| | 2018 | 2017 |
| Subsidiary | <u>\$ 284</u> | <u>\$ 284</u> |

- y. Endorsements (tariffs and bank loans)

| Related Party Category/Name | December 31 | |
|------------------------------------|---------------------|---------------------|
| | 2018 | 2017 |
| Subsidiary | | |
| UPIIC | \$ 3,700,000 | \$ 3,900,000 |
| CLT | 327,150 | 479,469 |
| USIG | - | 317,600 |
| Others | - | 148,800 |
| | <u>\$ 4,027,150</u> | <u>\$ 4,845,869</u> |

- z. Compensation of key management personnel

The types and amounts of the remuneration of directors and other members of key management personnel were as follows:

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2018 | 2017 |
| Short-term employee benefits | \$ 37,943 | \$ 49,019 |
| Post-employment benefits | <u>324</u> | <u>432</u> |
| | <u>\$ 38,267</u> | <u>\$ 49,451</u> |

Compensation of the directors and other key management personnel depends on individual performance and market trends.

33. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as guarantees for tariff of imported raw materials, for outward documentary bill or for financing facilities:

| | December 31 | |
|---|--------------------|-------------------|
| | 2018 | 2017 |
| Time deposits | | |
| Classified as financial assets measured at amortized cost - current | \$ 60,500 | \$ - |
| Classified as debt investments with no active market - current | - | 54,000 |
| Classified as other assets - non-current | 21,219 | 21,017 |
| Property, plant and equipment | <u>157,449</u> | <u>564,104</u> |
| | <u>\$ 239,168</u> | <u>\$ 639,121</u> |

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENT

- a. As of December 31, 2018 and 2017, the Company's unused letter of credit amounted to \$1,662,598 thousand and \$1,884,286 thousand, respectively, and the Company's endorsements and guarantees provided by related parties were \$4,027,150 thousand and \$4,845,869 thousand. Please refer to Notes 31 and 32 for details.

- b. The following is regarding the subsidiary, CGTD, who was commissioned to operate LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014 and the first instance judgment of the criminal procedures, which was reached on May 11, 2018, whereby three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees in appealing against the judgment.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of \$227,167 thousand, interest included, to the Kaohsiung City Government as collateral for the losses caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan. Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 2019, the provisionally attached properties were worth \$141,255 thousand.

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

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

As of February 28, 2019, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim for \$23,919 thousand, and the amount of the settlement was \$3,899 thousand. Along with the case still in litigation and the above-mentioned compensation, the accumulated amount of compensation is \$3,881,291 thousand. The first-instance judgments of some of the abovementioned civil cases (with a total amount of compensation of approximately \$1,177,192 thousand) have been gradually announced, starting from June 22, 2018. The proportion of fault liability of the Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3 in most judgments. The total amount of compensation that CGTD, LCY Chemical Corp. and the other defendants should pay is about \$383,831 thousand, of which CGTD was exempted for \$6,194 thousand, but should pay \$188,818 thousand, the estimated portion of compensation that CGTD should pay at the moment according to the judgment of the first instance. CGTD has appealed in those civil cases which were announced but not yet settled and entered into the second-instance trials. In addition, with regard to the above-mentioned compensation, CGTD estimated and recognized an amount of \$136,375 thousand based on its fault liability proportion in the first-instance judgment. The actual liability of CGTD depends on the future judgments of the remaining civil cases.

35. SIGNIFICANT CONTRACT

The Company and APC enter into a joint venture contract for their investment on Fujian Gulei Petrochemical Co., Ltd. investment on April 17, 2014. The related entities of the contract or commitments are Ho Tung Chemical Corporation, LCY Chemical Corporation, Hengtai Petroleum Company Limited, Chenergy Global Corporation and Lien Hwa Industrial Corporation. The main contents of the contract and commitments include: (1) the shareholders shall establish Ever Victory Global Limited (hereinafter referred to the “Joint Venture”) and agree to pass the establishment of the 100%-owned company named Dynamic Ever Investments Limited in Hong Kong, whose purpose is to build oil refineries and produce ethylene as well as seven other products on the Gulei Peninsula in Zhangzhou, Fujian Province, as approved by the Investment Commission at Taiwan’s Ministry of Economic Affairs and according to the operating business permitted by the Joint Venture’s board of directors; and (2) Dynamic Ever Investments Limited will establish a joint venture company in accordance with the laws of the People’s Republic of China with Fujian Refining and Chemical Co. in Gulei Park located in Zhangzhou Fujian province (hereunder “Gulei Company”) and acquire 50% interest of Gulei Company for cooperative investment.

The Company and APC invested US\$3,131 thousand (approximately \$94,221 thousand) and US\$2,171 thousand (approximately \$65,202 thousand), respectively, to establish Ever Conquest Global Limited in order to invest in Ever Victory Global Limited via the third party, and the shareholding ratio of the joint venture is 31.75%. Dynamic Ever Investments Limited and Fujian Refining and Chemical Co. signed “Fujian Gulei Petrochemical Corporation Limited joint venture contract” which stipulated an increase in the investment amount, and this contract led to part of the original related contract entities being unable to keep their respective investment ratio as provided by the original contract or to participate in the subsequent capital increase procedures. In order to meet the business requirement of the original contract, the Company and APC resigned the joint venture contract on September 30, 2016 and added a new contractually promised related entity, CTCI Corp.

The Company and APC increased the investment in Ever Conquest Global Limited by US\$37,572 thousand (approximately \$1,200,087 thousand) and US\$23,086 thousand (approximately \$739,424 thousand), respectively, on January 13, 2017. Via Ever Conquest Global Limited, the Company and APC increased capital in Ever Victory Global Limited and then reinvested in Dynamic Ever Investments Limited. The shareholding ratio of the Joint Venture increased from 31.75% to 66.4% (qualifying as having control) after the capital increase. Dynamic Ever Investments Limited invested in Gulei Company by RMB576,200 thousand on April 18, 2017.

The Company and APC increased the investment in Ever Conquest Global Limited by US\$36,643 thousand (approximately \$1,113,427 thousand) and US\$21,013 thousand (approximately \$638,499 thousand), respectively, in July 2017. Via Ever Conquest Global Limited, the Company and APC increased capital in Ever Victory Global Limited and then reinvested in Dynamic Ever Investments Limited. The shareholding ratio of the joint venture was 67.9% after the capital increase. Dynamic Ever Investments Limited reinvested in Gulei Company by RMB576,200 thousand on August 1, 2017.

The Company and APC increased the investment in Ever Conquest Global Limited by US\$98,922 thousand (approximately \$3,034,601 thousand) and US\$56,970 thousand (approximately \$1,747,780 thousand), respectively, in August 2018. Via Ever Conquest Global Limited, the Company and APC increased capital of Ever Victory Global Limited and then reinvested in Dynamic Ever Investments Limited. The shareholding ratio in the joint venture was 77.5% after the capital increase. Dynamic Ever Investments Limited reinvested in Gulei Company RMB1,152,400 thousand on November 29, 2018.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: Foreign Currency/Carrying Amount in Thousands

| | December 31, 2018 | | |
|---|---------------------|---|--------------------|
| | Foreign Currency | Exchange Rate (In Single Dollars) | Carrying Amount |
| <u>Foreign currency assets</u> | | | |
| Monetary items | | | |
| USD | \$ 16,600 | 30.72 | \$ 509,883 |
| RMB | 226,009 | 4.48 | 1,011,458 |
| Non-monetary items | | | |
| Subsidiaries accounted for using the equity method | | | |
| USD | 224,679 | 30.72 | 6,901,014 |
| HKD | 33,727 | 3.92 | 132,245 |
| Derivative instruments method | | | |
| USD Sell | 2,340 | 30.72 | 122 |
| RMB Sell | 27,700 | 4.48 | 218 |
| <u>Foreign currency liabilities</u> | | | |
| Monetary items | | | |
| USD | 9,534 | 30.72 | 292,829 |
| JPY | 1,814 | 0.28 | 505 |
| Non-monetary items | | | |
| Derivative instruments method | | | |
| RMB sell | 161,000 | 4.48 | 6,817 |
| | December 31, 2017 | | |
| | Foreign Currency | Exchange Rate (In Single Dollars) | Carrying Amount |
| <u>Foreign currency assets</u> | | | |
| Monetary items | | | |
| USD | \$ 25,885 | 29.76 | \$ 770,347 |
| RMB | 145,369 | 4.55 | 662,084 |
| Non-monetary items | | | |
| Subsidiaries accounted for using the equity method | | | |
| USD | 127,252 | 29.76 | 3,787,032 |
| HKD | 34,042 | 3.81 | 129,596 |
| Derivative instruments method | | | |
| RMB Sell | 10,000 | 4.55 | 20 |

(Continued)

| | December 31, 2017 | | |
|-------------------------------------|-----------------------------|--|----------------------------|
| | Foreign Currency | Exchange Rate (In Single Dollars) | Carrying Amount |
| <u>Foreign currency liabilities</u> | | | |
| Monetary items | | | |
| USD | \$ 20,603 | 29.76 | \$ 613,136 |
| Non-monetary items | | | |
| Derivative instruments method | | | |
| RMB sell | 116,000 | 4.55 | 5,154 (Concluded) |

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange losses were \$15,495 thousand and \$29,240 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments:

As of December 31, 2018, information about foreign exchange forwards contracts held by the Company and its subsidiaries were as follows:

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|--------------------------|----------|-----------------------|-----------------------------------|
| <u>December 31, 2018</u> | | | |
| Sell | RMB/NTD | 2019.01.02-2019.04.02 | RMB258,900/NTD1,143,806 |
| Sell | USD/MYR | 2019.01.30-2019.04.30 | USD894/MYR3,719 |
| Sell | USD/NTD | 2019.01.03-2019.03.22 | USD27,360/NTD839,640 |
| Sell | EUR/MYR | 2019.01.31-2019.03.29 | EUR117/MYR559 |
| Sell | JPY/USD | 2019.01.18-2019.01.30 | JPY80,000/USD711 |
| Buy | NTD/USD | 2019.01.04-2019.03.04 | NTD554,147/USD18,030 |

10) Information on investees. (Table 7)

b. Information on investments in mainland China

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

USI CORPORATION
(Acme Electronics Corporation (ACME))

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance (Note 3) | Actual Borrowing Amount (Note 3) | Interest Rate (%) | Nature of Financing (Note 2) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 1) | Aggregate Financing Limit (Note 1) |
|-----|------------------------------|--------------------------------------|-------------------------------------|---------------|-------------------------------------|-------------------------------------|-------------------------------------|---------------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|--|------------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | Acme Electronics Corporation | ACME Electronics (Cayman) Corp. | Other receivables - related parties | Yes | \$ 246,640 (US\$ 8,000 thousand) | \$ 245,720 (US\$ 8,000 thousand) | \$ 184,290 (US\$ 6,000 thousand) | 2.15678- 3.70663 | 2 | \$ - | Business turnover | \$ - | - | - | \$ 558,218 | \$ 558,218 |
| | | Acme Electronics (Kunshan) Co., Ltd. | Other receivables - related parties | Yes | 224,122 (RMB 48,000 thousand) | 89,506 (RMB 20,000 thousand) | - | 2.34861- 4.785 | 2 | - | Business turnover | - | - | - | 558,218 | 558,218 |
| | | Golden Amber Enterprises Ltd. | Other receivables - related parties | Yes | 21,699 (US\$ 700 thousand) | 21,501 (US\$ 700 thousand) | 21,501 (US\$ 700 thousand) | 3.24814 | 2 | - | Business turnover | - | - | - | 558,218 | 558,218 |

Note 1: Total financing amounts provided to others shall not exceed 40% of ACME's net value, and the highest aggregate financing limits are calculated by the net value as of December 31, 2018.

Note 2: The nature of financing is provided as follow:

- a. Business relationship is coded "1".
- b. For short-term financing is coded "2".

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION

(Swanson Plastics Corporation (SPC))

FINANCING PROVIDED TO OTHERS**FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period (Note 3) | Ending Balance | Actual Borrowing Amount | Interest Rate (%) | Nature of Financing (Note 1) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 2) | Aggregate Financing Limit (Note 2) |
|-----|--|--|---|---------------|---|----------------|-------------------------|-------------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|--|------------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Forever Young Company Limited | Swanson Plastics (India) Private Limited | Long-term receivables - related parties | Yes | \$ 85,425 | \$ - | \$ - | - | 1 | \$ 1,316 | - | \$ - | - | - | \$ 92,751 | \$ 185,503 |
| | | Swanson Plastics (Nantong) Co., Ltd. | Long-term receivables - related parties | Yes | 126,869 | - | - | - | 1 | - | - | - | - | - | 92,751 | 185,503 |
| | | A.S. Holding (UK) Limited | Long-term receivables - related parties | Yes | 9,252 | 9,180 | 9,180 | - | 1 | - | - | - | - | - | 92,751 | 185,503 |
| | | Swanson International Ltd. | Other receivables - related parties | Yes | 96,115 | 95,370 | 95,370 | - | 2 | - | Business turnover | - | - | - | 92,751 | 185,503 |
| 2 | ASK-Swanson (Kunshan) Co., Ltd. | Swanson Plastics (Nantong) Co., Ltd. | Other receivables -related parties | Yes | 46,701 | - | - | - | 2 | - | Business turnover | - | - | - | 522,897 | 522,897 |
| | | Swanson Plastics (Tianjin) Co., Ltd. | Other receivables - related parties | Yes | 183,487 | 183,487 | 183,487 | 4.35-4.43 | 2 | - | Business turnover | - | - | - | 522,897 | 522,897 |
| 3 | Swanson Plastics (Singapore) Private Limited | Swanson Plastics (India) Private Limited | Other receivables - related parties | Yes | 112,699 | 109,266 | 109,266 | - | 1 | - | - | - | - | - | 376,182 | 376,182 |
| | | PT. Swanson Plastics Indonesia | Other receivables - related parties | Yes | 77,217 | - | - | - | 1 | - | - | - | - | - | 376,182 | 376,182 |
| 4 | Swanson Plastics (Kunshan) Co., Ltd. | Swanson Plastics (Tianjin) Co., Ltd. | Other receivables - related parties | Yes | 84,062 | - | - | 4.35 | 2 | - | Business turnover | - | - | - | 966,721 | 966,721 |

Note 1: Fill in the nature of financing provided as follow:

- a. Business relationship is coded "1"
- b. For short-term financing is coded "2"

Note 2: Total financing amounts provided to others shall not exceed 40% of SPC's net value, and the highest aggregate financing limits are calculated by the net value as of December 31, 2018.

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION
(China General Plastics Corporation (CGPC))

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period (Note 4) | Ending Balance (Note 4) | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 3) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Notes 2 and 4) | Aggregate Financing Limits (Notes 2 and 4) |
|-----|------------------------------|---|-------------------------------------|---------------|---|-------------------------|-------------------------|---------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|---|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | CGPC (BVI) Holding Co., Ltd. | Continental General Plastics (Zhong Shan) Co., Ltd. | Other receivables - related parties | Yes | \$ 122,860 (US\$ 4,000 thousand) | \$ - | \$ - | - | 2 | \$ - | Business turnover | \$ - | - | - | \$ 353,757 | \$ 353,757 |

Note 1: The total amount of financing by CGPC to others shall not exceed 40% of the net worth of CGPC. CGPC has no financing provided to others as of December 31, 2018.

Note 2: The total amount of financing by the CGPC (BVI) Holding Co., Ltd. to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of financing provided to any subsidiary wholly-owned by CGPC shall not exceed 100% of the net worth of CGPC according to the most recent audited or reviewed financial statement. The maximum total amount of financing was calculated based on net value of the most recent audit.

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

- a. Business relationship is coded "1"
- b. For short-term financing is coded "2"

Note 4: The amount is calculated using the spot exchange rate as on December 31, 2018.

USI CORPORATION

(Taita Chemical Company, Limited (TTC))

FINANCING PROVIDED TO OTHERS**FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period (Note 4) | Ending Balance (Note 4) | Actual Borrowing Amount (Notes 4) | Interest Rate (%) | Nature of Financing (Note 3) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Notes 1, 2 and 4) | Aggregate Financing Limit (Notes 1, 2 and 4) |
|-----|---------------------------------------|------------------------------------|-------------------------------------|---------------|---|--------------------------------------|-------------------------------------|-------------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Taita Chemical (Zhong shan) Co., Ltd. | Taita Chemical (Tianjin) Co., Ltd. | Other receivables - related parties | Yes | \$ 895,060 (RMB 200,000 thousand) | \$ 447,530 (RMB 100,000 thousand) | \$ 268,518 (RMB 60,000 thousand) | 5.22 | 2 | \$ - | Business turnover | \$ - | - | \$ - | \$ 2,095,315 | \$ 2,095,315 |

Note 1: The total amount of lending to TTC for funding for a short-term period shall not exceed 40% of the net worth of TTC. As of December 31, 2018, TTC didn't loan funds to anyone.

Note 2: The total amount of lending to a company for funding for a short-term period shall not exceed 40% of the audited net worth of Taita Chemical (Zhong shan) Co., Ltd. The restriction does not apply to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by TTC. As December 31, 2018, the audited net worth of Taita Chemical (Zhong shan) Co., Ltd. is RMB468,194 thousand.

Note 3: The nature of financing is provided as follows:

- a. Business relationship is coded "1"
- b. For short-term financing is coded "2".

Note 4: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|--------------------|--------------------------------------|---|---|--|--|-------------------------------|--|---|--|---|---|--|
| | | Name | Relationship | | | | | | | | | | |
| 0 | USI Corporation | Union Polymer Int'l Investment Corp. | Subsidiary which directly held more than 50% of ordinary shares | \$ 10,912,292 | \$ 3,900,000 | \$ 3,700,000 | \$ 1,510,000 | None | 20.34 | \$ 10,912,292 | Yes | No | No |
| | | Chong Loong Trading Co., Ltd. | Subsidiary which directly held more than 50% of ordinary shares | 10,912,292 | 327,150 (US\$ 10,000 thousand) (NT\$ 20,000 thousand) | 327,150 (US\$ 10,000 thousand) (NT\$ 20,000 thousand) | 88,347 | None | 1.80 | 10,912,292 | Yes | No | No |
| | | Forum Pacific Trading Ltd. | Subsidiary which Chong Loong Co. directly held more than 50% of ordinary shares | 10,912,292 | 153,575 (US\$ 5,000 thousand) | - | - | None | - | 10,912,292 | Yes | No | No |
| | | Usig (Shanghai) Co., Ltd. | Parent company and subsidiary totally held more than 50% of ordinary shares | 10,912,292 | 482,911 (RMB 53,000 thousand) (US\$ 8,000 thousand) | - | - | None | - | 10,912,292 | Yes | No | Yes |

Note: Both total endorsements/guarantees provided amounts and the amount of endorsements/guarantees for an individual entity shall not exceed 60% of the Company's net value. The maximum amount of endorsement/guarantees was calculated based on net value as of December 31, 2018.

USI CORPORATION

(Acme Electronics Corporation)

ENDORSEMENTS/GUARANTEES PROVIDED**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period (Note 3) | Actual Borrowing Amount (Note 3) | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1) | Aggregate Endorsement/ Guarantee Limit (Note 2) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|------------------------------|---|--|---|---|--|-------------------------------------|--|---|---|--|--|---|
| | | Name | Relationship | | | | | | | | | | |
| 0 | Acme Electronics Corporation | Acme Electronics (Kunshan) Co., Ltd. | Subsidiary of ACME Electronics (Cayman) Corp. | \$ 2,791,092 | \$ 371,460 (US\$ 12,000 thousand) | \$ 368,580 (US\$ 12,000 thousand) | \$ 122,860 (US\$ 4,000 thousand) | None | 26.41 | \$ 2,791,092 | No | No | Yes |
| | | Acme Electronics (Guang-Zhou) Co., Ltd. | Subsidiary of Golden Amber Enterprises Limited | 2,791,092 | (US\$ 10,000 thousand) | (US\$ 5,000 thousand) | - | None | 11.00 | 2,791,092 | No | No | Yes |
| | | ACME Ferrite Products Sdn. Bhd. | Subsidiary of ACME Electronics (Cayman) Corp. | 2,791,092 | 123,820 (US\$ 4,000 thousand) | - | - | None | - | 2,791,092 | No | No | No |

Note 1: The rate is calculated by the ending balance of equity of the endorser/guarantor as of December 31, 2018.

Note 2: The maximum total endorsement/guarantee shall not exceed 200% of the equity attributable to owners of the endorser/guarantor. The maximum amount of endorsement/guarantee was calculated based on the equity of the endorser/guarantor as of December 31, 2018.

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION

(Swanson Plastics Corporation (SPC))

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period (Note 2) | Actual Borrowing Amount (Note 2) | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note 1) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|------------------------------|--|-------------------|--|--|--|---|--|---|--|---|---|--|
| | | Name | Relationship | | | | | | | | | | |
| 0 | Swanson Plastics Corporation | Forever Young Company Limited | Subsidiary | \$ 6,180,745 | \$ 2,377,694 | \$ 2,377,694 | \$ 399,295 | \$ - | 95.88 | \$ 6,180,745 | No | No | No |
| | | Swanson Plastics (Malaysia) Sdn. Bhd. | Sub-subsubsidiary | 6,180,745 | 37,146 | 36,858 | - | - | 1.49 | 6,180,745 | No | No | No |
| | | PT. Swanson Plastics Indonesia | Subsidiary | 6,180,745 | 61,910 | 61,430 | - | - | 2.48 | 6,180,745 | No | No | No |
| | | Swanson Plastics (Singapore) Private Limited | Subsidiary | 6,180,745 | 87,585 | 85,603 | - | - | 3.45 | 6,180,745 | No | No | No |
| | | Swanson Plastics (Tianjin) Co., Ltd. | Sub-subsubsidiary | 6,180,745 | 61,910 | 61,430 | - | - | 2.48 | 6,180,745 | No | No | Yes |
| | | Swanson Plastics (Kunshan) Co., Ltd. | Sub-subsubsidiary | 6,180,745 | 123,820 | 122,860 | - | - | 4.95 | 6,180,745 | No | No | Yes |
| | | Swanson Technologies Corporation | Subsidiary | 6,180,745 | 109,528 | 109,144 | 95,900 | - | 4.40 | 6,180,745 | No | No | No |

Note 1: The amount of endorsements/guarantees for an individual entity shall not exceed 250% of SPC's equity.

Note 2: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION

(China General Plastics Corporation (CGPC))

ENDORSEMENTS/GUARANTEES PROVIDED**FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period (Note 3) | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1) | Aggregate Endorsement/ Guarantee Limit (Note 2) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|------------------------------------|--------------------------|--------------|---|---|--|-------------------------|---|---|---|--|--|---|
| | | Name | Relationship | | | | | | | | | | |
| 0 | China General Plastics Corporation | CGPC Polymer Corporation | Subsidiary | \$ 8,374,640 | \$ 3,307,150 | \$ 2,907,150 | \$ 515,358 | None | 34.71 | \$ 8,374,640 | No | No | No |

Note 1: The ratio is calculated using the ending balance of equity of CGPC as of December 31, 2018.

Note 2: After the revisions to the Company's guarantee procedures was approved in the shareholders' meeting on June 2018, the total amount of guarantee that may be provided by CGPC to any individual entity shall not exceed 100% of CGPC's net worth.

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION

(Taita Chemical Company, Ltd. (TTC))

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

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

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/Guaranteed During the Period (Note 1) | Outstanding Endorsement/Guarantee at the End of the Period (Note 1) | Actual Borrowing Amount (Note 1) | Amount Endorsed/Guaranteed by Collateral | Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/Guarantee Limit (Note 2) | Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/Guarantee Given on Behalf of Companies in Mainland China |
|-----|---------------------------------|---------------------------------------|---|--|---|---|--------------------------------------|--|---|--|---|---|--|
| | | Name | Relationship | | | | | | | | | | |
| 0 | Taita Chemical Company, Limited | Taita (BVI) Holding Co., Ltd. | Subsidiary which directly held 100% ordinary shares | \$ 5,987,936 | \$ 1,613,595 (US\$ 33,000 thousand) (NT\$ 600,000 thousand) | \$ 1,613,595 (US\$ 33,000 thousand) (NT\$ 600,000 thousand) | \$ 771,561 (US\$ 25,120 thousand) | \$ - | 40.42 | \$ 5,987,936 | No | No | No |
| | | Taita Chemical (Zhong shan) Co., Ltd. | 100% voting shares directly owned by TTC | 5,987,936 | 243,081 (US\$ 5,000 thousand) (RMB 50,000 thousand) | 223,765 (RMB 50,000 thousand) | - | - | 5.61 | 5,987,936 | No | No | Yes |
| | | Taita Chemical (Tianjin) Co., Ltd. | 100% voting shares directly owned by TTC | 5,987,936 | 460,725 (US\$ 15,000 thousand) | 460,725 (US\$ 15,000 thousand) | 153,575 (US\$ 5,000 thousand) | - | 11.54 | 5,987,936 | No | No | Yes |

Note 1: The amount is calculated using the spot exchange rate of December 31, 2018.

Note 2: The ceiling to TTC on the aggregate amounts of endorsements/guarantees permitted shall not exceed 150% of total equity of TTC. The ceilings on the aggregate amounts of endorsements/guarantees permitted shall not exceed 200% of total equity of TTC.

USI CORPORATION

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)

DECEMBER 31, 2018

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|----------------------|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| USI Corporation | <u>Shares</u> | | | | | | | |
| | CTCI Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 15,180,656 | \$ 674,021 | 1.99 | \$ 674,021 | |
| | KHL IB Venture Capital Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 16,707,600 | 240,042 | 11.90 | 240,042 | |
| | AU Optronics Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 8,514,006 | 104,722 | 0.09 | 104,722 | |
| | Global BioPharma, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 310,000 | 2,716 | 0.45 | 2,716 | |
| | Evergreen Marine Corp. | - | Financial assets at fair value through profit or loss - current | 1,664,722 | 19,810 | - | 19,810 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 500,000 | 26,350 | - | 26,350 | |
| | United Renewable Energy Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 229,127 | 1,794 | - | 1,794 | |
| | Teratech Corp. | - | Financial assets at fair value through profit or loss - non-current | 110,000 | - | - | - | Note 2 |
| | <u>Beneficiary certificates</u> | | | | | | | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 15,428,541 | 208,401 | - | 208,401 | |
| | Yuanta De-Li Money Market Fund | - | Financial assets at fair value through profit or loss - current | 7,685,512 | 125,126 | - | 125,126 | |
| | CTBC Hwa Win Money Market Fund | - | Financial assets at fair value through profit or loss - current | 7,043,449 | 77,507 | - | 77,507 | |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,759,574 | 72,710 | - | 72,710 | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,422,810 | 65,429 | - | 65,429 | |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,104,115 | 50,388 | - | 50,388 | |
| | Franklin Templeton SinoAm Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,857,576 | 50,135 | - | 50,135 | |
| | Taishin Ta-Chong Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,531,672 | 50,095 | - | 50,095 | |
| | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,993,546 | 50,007 | - | 50,007 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|--------------------------------------|--|---------------------------------------|---|-------------------|------------------------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | FSITC Money Market Fund | - | Financial assets at fair value through profit or loss - current | 280,738 | \$ 50,007 | - | \$ 50,007 | |
| | TCB Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,928,876 | 50,006 | - | 50,006 | |
| | Eastspring Investments Well Pool Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,518,774 | 34,215 | - | 34,215 | |
| | Yuanta De-Bao Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,667,334 | 32,011 | - | 32,011 | |
| | KGI Victory Money Market Fund | - | Financial assets at fair value through profit or loss - current | 953,107 | 11,020 | - | 11,020 | |
| | Deutsche Far Eastern DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 429,056 | 5,011 | - | 5,011 | |
| | <u>Beneficiary certificates (REIT)</u> | | | | | | | |
| | Fubon No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 8,000,000 | 100,800 | - | 100,800 | |
| | Shin Kong No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 3,000,000 | 45,210 | - | 45,210 | |
| | Cathay No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 2,500,000 | 37,575 | - | 37,575 | |
| | Cathay No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 4,900,000 | 72,814 | - | 72,814 | |
| Union Polymer Int'l Investment Corp. | <u>Shares</u> Asia Polymer Corporation | Equity-method investee | Financial assets at fair value through other comprehensive income - non-current | 20,711,939 | 271,326 | 3.74 | 271,326 | |
| | China General Plastics Corporation | Equity-method investee | Financial assets at fair value through other comprehensive income - non-current | 3,897,878 | 85,753 | 0.77 | 85,753 | |
| | Taita Chemical Company, Limited | Equity-method investee | Financial assets at fair value through other comprehensive income - non-current | 376,000 | 3,745 | 0.11 | 3,745 | |
| Swanlake Traders Ltd. | <u>Shares</u> SOHWARE, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 1,150,000 | - | 1.05 | - | Note 2 |
| | TGF Linux Communications Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 300,000 | - | 2.14 | - | Note 2 |
| | NeuroSky, Inc. Preferred D | - | Financial assets at fair value through other comprehensive income - non-current | 2,397,364 | 3,247 (US\$ 138 thousand) | 0.70 | 3,247 | |
| USIFE Investment Co., Ltd. | <u>Shares</u> AU Optronics Corporation | - | Financial assets at fair value through other comprehensive income - current | 1,266,061 | 15,573 | 0.01 | 15,573 | |
| | AU Optronics Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 1,266,061 | 15,573 | 0.01 | 15,573 | |
| | Wafer Works Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 3,001,655 | 100,555 | 0.59 | 100,555 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|----------------------|---|--|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Solargiga Energy Holdings Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 11,876,111 | \$ 4,726 | 0.37 | \$ 4,726 | |
| | Dah Chung Bills Finance Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 470,914 | 6,536 | 0.10 | 6,536 | |
| | Swanson Plastics Corp. | Investor company and investee have the same chairman | Financial assets at fair value through other comprehensive income - non-current | 213,686 | 3,432 | 0.14 | 3,432 | |
| | USI Optronics Corporation | Investor company and investee have the same chairman | Financial assets at fair value through other comprehensive income - non-current | 165,279 | 788 | 0.25 | 788 | |
| | Digimax, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 23,234 | 111 | 0.05 | 111 | |
| | Global BioPharma, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 712,000 | 6,237 | 1.03 | 6,237 | |
| | Silicon Technology Investment (Cayman) Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 1,215,798 | 57,519 | 2.36 | 57,519 | |
| | Boldworks Inc. | - | Financial assets at fair value through profit or loss - non-current | 300,000 | - | - | - | Note 2 |
| | TGF Linux Communication, Inc. | - | Financial assets at fair value through profit or loss - non-current | 200,000 | - | - | - | Note 2 |
| | !Hey Inc. | - | Financial assets at fair value through profit or loss - non-current | 557,661 | - | - | - | Note 2 |
| | SOHWARE, Inc. Ordinary | - | Financial assets at fair value through profit or loss - non-current | 9,000,000 | - | 8.19 | - | Note 2 |
| | SOHWARE, Inc. Preferred A | - | Financial assets at fair value through profit or loss - non-current | 4,950,000 | - | 4.51 | - | Note 2 |
| | SOHWARE, Inc. Preferred D | - | Financial assets at fair value through profit or loss - non-current | 7,725,000 | - | 7.03 | - | Note 2 |
| | SOHWARE, Inc. Convertible Bond | - | Financial assets at fair value through profit or loss - non-current | - | - | - | - | Note 2 |
| | China General Plastics Corporation | Investor company and investee have the same chairman | Financial assets at fair value through profit or loss - current | 439,086 | 9,660 | 0.09 | 9,660 | |
| | Asia Polymer Corporation | Investor company and investee have the same chairman | Financial assets at fair value through profit or loss - current | 1,577,809 | 20,669 | 0.28 | 20,669 | |
| | Taita Chemical Company, Limited | Investor company and investee have the same chairman | Financial assets at fair value through profit or loss - current | 1,132,098 | 11,276 | 0.35 | 11,276 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 100,000 | 5,270 | - | 5,270 | |
| | Evergreen Marine Corp. | - | Financial assets at fair value through profit or loss - current | 554,907 | 6,603 | 0.01 | 6,603 | |
| | United Renewable Energy Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 2,465,005 | 19,301 | 0.10 | 19,301 | |
| | Acme Electronics Corp. | Investor company and investee have the same chairman | Financial assets at fair value through profit or loss - current | 500,000 | 6,650 | 0.27 | 6,650 | |
| | Superactive Group Company Limited | - | Financial assets at fair value through profit or loss - current | 678,000 | 828 | - | 828 | |
| | <u>Beneficiary certificates</u> Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,760,710 | 56,883 | - | 56,883 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|-------------------------------------|--|---|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Taiwan United Venture Capital Corp. | Yuanta De-Li Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,870,081 | \$ 30,446 | - | \$ 30,446 | |
| | Fuh Hwa Money Market | - | Financial assets at fair value through profit or loss - current | 2,149,137 | 30,987 | - | 30,987 | |
| | Cathay Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 5,151,207 | 64,020 | - | 64,020 | |
| | <u>Beneficiary certificates (REIT)</u> | | | | | | | |
| | Cathay No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 750,000 | 11,273 | - | 11,273 | |
| | <u>Beneficiary certificates</u> | | | | | | | |
| | Fuh Hwa Money Market | - | Financial assets at fair value through profit or loss - current | 3,544,556 | 51,107 | - | 51,107 | |
| | <u>Shares</u> | | | | | | | |
| | Innovation & Infinity Global Corp. | - | Financial assets at fair value through profit or loss - non-current | 720,804 | - | 0.73 | - | Note 2 |
| | Teratech Corp. | - | Financial assets at fair value through profit or loss - non-current | 90,000 | - | 0.58 | - | Note 2 |
| | Intergrafx, Inc. | - | Financial assets at fair value through profit or loss - non-current | 167,000 | - | 1.20 | - | Note 2 |
| | SOHOware, Inc. | - | Financial assets at fair value through profit or loss - non-current | 750,000 | - | 0.68 | - | Note 2 |
| | TGF Linux Communications Inc. | - | Financial assets at fair value through profit or loss - non-current | 600,000 | - | 4.26 | - | Note 2 |
| | B4 Composites, Inc. | - | Financial assets at fair value through profit or loss - non-current | 4,000 | - | 4.00 | - | Note 2 |
| | IWICS, Inc. | - | Financial assets at fair value through profit or loss - non-current | 500,000 | - | 0.40 | - | Note 2 |
| | United Renewable Energy Co., Ltd. | - | Financial assets at fair value through other comprehensive income - current | 4,593,286 | 35,965 | 0.18 | 35,965 | |
| | Mitac Holdings Corp. | - | Financial assets at fair value through other comprehensive income - current | 1,600,933 | 39,463 | 0.17 | 39,463 | |
| | Chitec Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 381,906 | 15,937 | 1.37 | 15,937 | |
| | Leadwell Cnc Machines Mfg., Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 419,753 | 8,777 | 0.68 | 8,777 | |
| | Digimax, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 518,898 | 2,486 | 1.18 | 2,486 | |
| Orgchem Technology, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 594,594 | 9,359 | 1.09 | 9,359 | | |
| Hexawave, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 770,000 | 3,735 | 1.08 | 3,735 | | |
| Global BioPharma, Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 712,000 | 6,237 | 1.03 | 6,237 | | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|--|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Uranus Chemicals Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 10,294 | \$ 260 | 0.03 | \$ 260 | |
| | NeuroSky, Inc. Preferred A | - | Financial assets at fair value through other comprehensive income - non-current | 10,000,000 | 7,000 | 1.42 | 7,000 | |
| | NeuroSky, Inc. Preferred B | - | Financial assets at fair value through other comprehensive income - non-current | 12,595,523 | 17,004 | 1.78 | 17,004 | |
| | NeuroSky, Inc. Preferred C | - | Financial assets at fair value through other comprehensive income - non-current | 4,532,823 | 6,119 | 0.64 | 6,119 | |
| Taiwan United Venture Management Corp. | <u>Beneficiary certificates</u> Fuh Hwa Money Market | - | Financial assets at fair value through profit or loss - current | 91,730 | 1,323 | - | 1,323 | |
| | <u>Shares</u> SOHWARE, Inc. Preferred B2 | - | Financial assets at fair value through profit or loss - non-current | 5,277,560 | - | 4.80 | - | Note 2 |
| | SOHWARE, Inc. Preferred C | - | Financial assets at fair value through profit or loss - non-current | 1,250,458 | - | 1.14 | - | Note 2 |
| Thintec Materials Corporation | <u>Beneficiary certificates</u> Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 930,329 | 12,566 | - | 12,566 | |
| Inoma Corporation | <u>Beneficiary certificates</u> Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,392,348 | 18,807 | - | 18,807 | |
| USI Optronics Corporation | <u>Beneficiary certificates</u> Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,496,884 | 22,144 | - | 22,144 | |
| | Taishin Ta-Chong Money Market Fund | - | Financial assets at fair value through profit or loss - current | 496,715 | 7,046 | - | 7,046 | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,190,740 | 16,084 | - | 16,084 | |
| USI Management Consulting Corp. | <u>Beneficiary certificates</u> Eastspring Investments Well Pool Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,283,118 | 31,014 | - | 31,014 | |

Note 1: All securities in the table are shares, bonds, beneficiary certificates and items derived above which regulated by IFRS 9 "Financial Instruments".

Note 2: As of December 31, 2018, the Group evaluated the fair value of equity instruments as \$0.

Note 3: Please refer to Table 7 and 8 for information about subsidiaries and associates.

(Concluded)

USI CORPORATION AND JOINT VENTURES
(China General Plastics Corporation (CGPC))

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)

DECEMBER 31, 2018

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|------------------------------------|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| China General Plastics Corporation | <u>Closed-end fund beneficiary certificates</u> | | | | | | | |
| | Cathay No. 1 Real Estate Investment Trust | - | Financial assets at fair value through profit or loss - current | 4,268,000 | \$ 63,422 | - | \$ 63,422 | Note 1 |
| | Fubon No. 2 Real Estate Investment Trust | - | Financial assets at fair value through profit or loss - current | 5,000,000 | 63,000 | - | 63,000 | Note 1 |
| | Shin Kong No. 1 Real Estate Investment Trust | - | Financial assets at fair value through profit or loss - current | 3,000,000 | 45,210 | - | 45,210 | Note 1 |
| | Cathay No. 2 Real Estate Investment Trust | - | Financial assets at fair value through profit or loss - current | 2,500,000 | 37,575 | - | 37,575 | Note 1 |
| | <u>Open-end fund beneficiary certificates</u> | | | | | | | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,702,173 | 50,007 | - | 50,007 | Note 1 |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,143,272 | 46,500 | - | 46,500 | Note 1 |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,466,700 | 40,041 | - | 40,041 | Note 1 |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,226,387 | 34,011 | - | 34,011 | Note 1 |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,653,002 | 25,003 | - | 25,003 | Note 1 |
| | <u>Ordinary shares</u> | | | | | | | |
| | KHL IB Venture Capital Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 8,353,800 | 121,047 | 5.95 | 121,047 | Note 1 |
| Taiwan VCM Corporation | <u>Open-end fund beneficiary certificates</u> | | | | | | | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 12,193,440 | 180,384 | - | 180,384 | Note 1 |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,534,572 | 130,378 | - | 130,378 | Note 1 |
| | Yuanta De-Li Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,081,056 | 50,162 | - | 50,162 | Note 1 |
| | Prudential Financial Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,174,885 | 50,144 | - | 50,144 | Note 1 |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|------------------------------|---|---|---|-------------------|-----------------|-------------------------|------------|------------------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,705,515 | \$ 50,052 | - | \$ 50,052 | Note 1 |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,306,310 | 50,010 | - | 50,010 | Note 1 |
| | Hua Nan Kirin Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,182,735 | 50,009 | - | 50,009 | Note 1 |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,529,381 | 41,058 | - | 41,058 | Note 1 |
| | UPAMC James Bond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,397,737 | 40,008 | - | 40,008 | Note 1 |
| | <u>Ordinary shares</u> Asia Polymer Corporation | The major shareholders are the same as the those of the Company | Financial assets at fair value through other comprehensive income - non-current | 121,611 | 1,593 | 0.02 | 1,593 | Note 1 |
| CGPC Polymer Corporation | <u>Open-end fund beneficiary certificates</u> Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 5,670,905 | 76,600 | - | 76,600 | Note 1 |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,755,891 | 72,653 | - | 72,653 | Note 1 |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 4,561,990 | 69,003 | - | 69,003 | Note 1 |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,355,891 | 49,645 | - | 49,645 | Note 1 |
| | Capital Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,793,539 | 45,006 | - | 45,006 | Note 1 |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,523,727 | 40,967 | - | 40,967 | Note 1 |
| | Nomura Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,903,908 | 31,020 | - | 31,020 | Note 1 |
| CGPC (BVI) Holding Co., Ltd. | <u>Shares</u> Teratech Corporation - ordinary shares | - | Financial assets at fair value through profit or loss - non-current | 112,200 | - | 0.67 | - | Notes 1 and 3 |
| | SOHOWare, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 100,000 | - | - | - | Notes 1, 2 and 3 |

Note 1: The marketable securities were not pledged as guarantees or collateral for borrowings and are not subject to restrictions.

Note 2: The preference shares are not used in the calculation of the shareholding ratio and net worth.

Note 3: As of December 31, 2018, the CGPC evaluated the fair value of equity instruments as \$0.

(Concluded)

USI CORPORATION
(Taita Chemical Company, Ltd.)

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)

DECEMBER 31, 2018

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note | |
|---------------------------------|---|---|---|---|-----------------|-----------------------------|------------|-----------------------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | | |
| Taita Chemical Company, Limited | <u>Ordinary shares</u> USI Corporation | Ultimate parent company | Financial assets at fair value through other comprehensive income - non-current | 15,109,901 | \$ 179,808 | 1.27 | \$ 179,808 | Note 1 | |
| | Harbinger Venture Capital | - | Financial assets at fair value through other comprehensive income - non-current | 51,500 | 473 | 0.50 | 473 | Notes 3 and 5 | |
| | <u>Beneficiary securities</u> Cathay No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 4,900,000 | 72,814 | - | 72,814 | Note 1 | |
| | Cathay No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 2,500,000 | 37,575 | - | 37,575 | Note 1 | |
| | Shin Kong No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 4,000,000 | 60,280 | - | 60,280 | Note 1 | |
| | Fubon No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 6,600,000 | 83,160 | - | 83,160 | Note 1 | |
| | <u>Beneficiary certificates</u> Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,305,676 | 50,000 | - | 50,000 | Note 2 | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,379,863 | 50,000 | - | 50,000 | Note 2 | |
| | Nomura Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,068,821 | 50,000 | - | 50,000 | Note 2 | |
| | Taita (BVI) Holding Co., Ltd. | <u>Shares</u> Teratech Corporation - ordinary shares | - | Financial assets at fair value through profit or loss - non-current | 112,000 | - | 0.72 | - | Note 4 |
| | | SOHOWare, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 100,000 | - | - | - | Note 4 |
| | | Budworth Investment Ltd. - ordinary shares | - | Financial assets at fair value through other comprehensive income - non-current | 127,980 | 2,555 (US\$ 83 thousand) | 2.22 | 2,555 (US\$ 83 thousand) | Note 3 |

(Continued)

Note 1: Fair value was based on the closing price of the Taiwan Stock Exchange as on December 31, 2018.

Note 2: Fair value was based on the carrying amount as on December 31, 2018.

Note 3: Fair value is assessed using the asset-based approach, and the determination of fair value refers to the investee's recent net asset value and observable financial and operational evaluations.

Note 4: As of December 31, 2018, the TTC evaluated the fair value of equity instruments as \$0.

Note 5: The investee, Harbinger Venture Capital, announced a reduction of capital by returning cash in April 2018, and TTC received \$1,185 thousand according to its ownership percentage.

(Concluded)

USI CORPORATION
(Asia Polymer Corporation)

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)

DECEMBER 31, 2018

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|--------------------------|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Asia Polymer Corporation | <u>Ordinary shares</u> | | | | | | | |
| | Harbinger Venture Capital Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 123,600 | \$ 1,136 | 1.20 | \$ 1,136 | |
| | Riselink Venture Capital | - | Financial assets at fair value through other comprehensive income - non-current | 438,624 | 4,330 | 1.67 | 4,330 | |
| | KHL IB Venture Capital Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 16,707,600 | 242,093 | 11.90 | 242,093 | |
| | USI Corporation | Ultimate parent company | Financial assets at fair value through other comprehensive income - non-current | 101,355,673 | 1,206,132 | 8.53 | 1,206,132 | |
| | CTCI Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 14,496,107 | 643,627 | 1.90 | 643,627 | |
| | AU Optronics Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 9,618,516 | 118,308 | 0.10 | 118,308 | |
| | Wafer Works Corporation | - | Financial assets at fair value through other comprehensive income - current | 2,017,946 | 67,601 | 0.39 | 67,601 | |
| | United Renewable Energy Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 229,127 | 1,794 | 0.01 | 1,794 | |
| | Evergreen Marine Corp. | - | Financial assets at fair value through profit or loss - current | 1,664,722 | 19,810 | 0.04 | 19,810 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 500,000 | 26,350 | 0.01 | 26,350 | |
| | <u>Beneficiary securities</u> | | | | | | | |
| | Cathay No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 4,901,000 | 72,829 | - | 72,829 | |
| | Cathay No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 2,500,000 | 37,575 | - | 37,575 | |
| | Shin Kong No. 1 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 2,000,000 | 30,140 | - | 30,140 | |
| | Fubon No. 2 Real Estate Investment Trust Fund | - | Financial assets at fair value through profit or loss - current | 5,000,000 | 63,000 | - | 63,000 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|-----------------------------|--|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,993,164 | \$ 50,002 | - | \$ 50,002 | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 7,165,538 | 106,003 | - | 106,003 | |
| | Nomura Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,070,291 | 50,024 | - | 50,024 | |
| | Prudential Financial Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,183,308 | 50,277 | - | 50,277 | |
| | UPAMC James Bond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 5,993,389 | 100,003 | - | 100,003 | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss - current | 12,536,352 | 169,335 | - | 169,335 | |
| | CTBC Hwa Win Money Market Fund | - | Financial assets at fair value through profit or loss - current | 9,403,369 | 103,476 | - | 103,476 | |
| | Taishin Ta-Chong Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,358,474 | 33,454 | - | 33,454 | |
| | FSITC Money Market Fund | - | Financial assets at fair value through profit or loss - current | 280,711 | 50,002 | - | 50,002 | |
| | FSITC Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 5,892,948 | 90,024 | - | 90,024 | |
| | Yuanta De-Bao Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,332,917 | 100,003 | - | 100,003 | |
| | Fubon Chi-Hsiang Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,192,114 | 50,002 | - | 50,002 | |
| | Hua Nan Kirin Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,364,176 | 100,003 | - | 100,003 | |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,530,557 | 41,077 | - | 41,077 | |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,655,234 | 25,036 | - | 25,036 | |
| | Shin Kong Chi-Shin Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,232,961 | 50,002 | - | 50,002 | |
| | TCB Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 12,639,471 | 128,235 | - | 128,235 | |
| APC (BVI) Holding Co., Ltd. | <u>Shares</u> | | | | | | | |
| | Budworth Investment Ltd. - ordinary shares | - | Financial assets at fair value through other comprehensive income - non-current | 256,140 | 5,079 | 4.45 | 5,079 | |
| | Silicon Technology Investment (Cayman) Corp. - preference shares | - | Financial assets at fair value through other comprehensive income - non-current | 1,519,701 | 71,896 | 2.95 | 71,896 | |
| | NeuroSky, Inc. - series D preference shares | - | Financial assets at fair value through other comprehensive income - non-current | 2,397,364 | 3,247 | 0.37 | 3,247 | |
| | Solargiga Energy Holdings Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 15,863,333 | 6,282 | 0.49 | 6,282 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|-----------------------------------|---|---|---|-------------------|-----------------|-------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| APC Investment Corporation | Teratech Corp. - ordinary shares | - | Financial assets at fair value through profit or loss - non-current | 112,000 | \$ - | 0.67 | \$ - | Note |
| | TGF Linux Communication, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 300,000 | - | - | - | Note |
| | SOHOware, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 450,000 | - | - | - | Note |
| | Boldworks, Inc. - preference shares | - | Financial assets at fair value through profit or loss - non-current | 689,266 | - | - | - | Note |
| | <u>Ordinary shares</u> | | | | | | | |
| | USI Corporation - ordinary shares | Ultimate parent company | Financial assets at fair value through profit or loss - current | 44,808 | 533 | - | 533 | |
| | Evergreen Marine Corp. - ordinary shares | - | Financial assets at fair value through profit or loss - current | 554,907 | 6,603 | 0.01 | 6,603 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 100,000 | 5,270 | - | 5,270 | |
| | <u>Beneficiary securities</u> | | | | | | | |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,784,986 | 26,999 | - | 26,999 | |
| Cathay Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 1,999,525 | 24,850 | - | 24,850 | | |
| <u>Ordinary shares</u> | | | | | | | | |
| United Renewable Energy Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 1,131,920 | 8,863 | 0.04 | 8,863 | | |

Note: As of December 31, 2018, the APC evaluated the fair value of equity instruments as \$0.

(Concluded)

USI CORPORATION

(China General Terminal & Distribution Co.)

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES AND AFFILIATED COMPANIES)

DECEMBER 31, 2018

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2018 | | | | Note |
|---|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| China General Terminal & Distribution Co. | <u>Shares</u> Asia Polymer Corporation | Equity-method investor | Financial assets at fair value through other comprehensive income - non-current | 4,939,760 | \$ 64,711 | 0.89 | \$ 64,711 | Note 2 |
| | China General Plastics Corporation | Equity-method investor | Financial assets at fair value through other comprehensive income - non-current | 2,564,791 | 56,425 | 0.51 | 56,425 | Note 1 |
| | Taita Chemical Company, Limited | Equity-method investor | Financial assets at fair value through other comprehensive income - non-current | 1,877,484 | 18,700 | 0.57 | 18,700 | Note 1 |
| | China Steel Corporation | - | Financial assets at fair value through profit or loss - current | 499,552 | 12,114 | - | 12,114 | Note 3 |

Note 1: No guarantees, pledged loans, or other restrictions on the use of the contract were provided.

Note 2: Part of 2,907,349 shares were provided to Taiwan Power Company as a provisional attachment.

Note 3: Part of 257,000 shares were provided to Taiwan Water Corporation as a provisional attachment.

USI CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance (Note 1) | | Acquisition | | Disposal | | | | Ending Balance (Notes 1 and 2) | |
|----------------------------------|--|---|--------------|---------------|----------------------------|--------------|------------------|--------------|------------------|---------|-----------------|-------------------------|--------------------------------|--------------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| USI Corporation | <u>Ordinary shares</u> Ever Conquest Global Limited | Investments accounted for using the equity method | - | Subsidiary | 77,346,000 | \$ 2,375,283 | 98,922,000 | \$ 3,034,601 | - | \$ - | \$ - | \$ - | 176,268,000 | \$ 5,408,533 |
| | <u>Beneficiary certificates</u> FSITC Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 312,467 | 55,400 | 1,928,874 | 343,000 | 1,960,603 | 348,640 | 348,400 | 240 | 280,738 | 50,000 |
| | FSITC Taiwan Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 6,641,554 | 100,900 | 26,504,939 | 404,300 | 28,386,919 | 433,020 | 432,500 | 520 | 4,759,574 | 72,700 |
| | Yuanta Wan Tai Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 42,365,551 | 639,300 | 42,365,551 | 639,597 | 639,300 | 297 | - | - |
| | Yuanta De Li Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 4,672,231 | 75,700 | 19,501,624 | 317,000 | 16,488,343 | 268,041 | 267,700 | 341 | 7,685,512 | 125,000 |
| | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 4,582,049 | 67,385 | 35,408,052 | 522,400 | 35,567,291 | 524,860 | 524,385 | 475 | 4,422,810 | 65,400 |
| | Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 12,608,393 | 169,500 | 38,883,476 | 524,000 | 36,063,328 | 485,916 | 485,400 | 516 | 15,428,541 | 208,100 |
| | TCB Taiwan Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 14,417,605 | 145,600 | 28,378,729 | 287,300 | 37,867,458 | 383,285 | 382,900 | 385 | 4,928,876 | 50,000 |
| | Fubon Chi-Hsiang Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 9,861,923 | 153,700 | 40,543,970 | 633,400 | 50,405,893 | 787,475 | 787,100 | 375 | - | - |
| Ever Conquest Global Limited | <u>Ordinary shares</u> Ever Victory Global Limited | Investments accounted for using the equity method | - | Subsidiary | 123,616,000 | 3,796,226 | 155,892,000 | 4,782,381 | - | - | - | - | 279,508,000 | 8,576,305 |
| Ever Victory Global Limited | <u>Ordinary shares</u> Dynamic Ever Investments Limited | Investments accounted for using the equity method | - | Subsidiary | 181,877,000 | 5,565,831 | 178,700,000 | 5,482,069 | - | - | - | - | 360,577,000 | 11,046,947 |
| Dynamic Ever Investments Limited | <u>Ordinary shares</u> Fujian Gulei Petrochemical Co., Ltd. | Investments accounted for using the equity method | - | Joint venture | (Note 3) | 5,241,747 | (Note 3) | 5,117,787 | - | - | - | - | (Note 3) | 10,338,945 |

Note 1: Carrying amount includes the original acquisition cost, investments gain (loss) on valuation for using equity method, effects of exchange rate and net value changes.

Note 2: The ending balance of beneficiary certificates is at the original investment cost.

Note 3: There are zero shares of the limited company.

USI CORPORATION

(China General Plastics Corporation (CGPC))

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance (Note) | | Acquisition | | Disposal | | | Ending Balance (Note) | | |
|------------------------------------|---|---|--------------|--------------|--------------------------|-----------|------------------|------------|------------------|------------|-----------------|-------------------------|------------------|-----------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| China General Plastics Corporation | <u>Beneficiary certificates</u> Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 6,249,509 | \$ 84,000 | 31,986,466 | \$ 431,300 | 34,533,802 | \$ 465,565 | \$ 465,300 | \$ 265 | 3,702,173 | \$ 50,000 |
| | Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 27,217,007 | 401,500 | 24,073,735 | 355,114 | 355,000 | 114 | 3,143,272 | 46,500 |
| | FSITC Taiwan Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 9,518,158 | 144,000 | 21,470,093 | 327,500 | 28,761,864 | 438,447 | 437,500 | 947 | 2,226,387 | 34,000 |
| | Capital Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 2,431,581 | 39,000 | 16,355,138 | 263,000 | 18,786,719 | 302,200 | 302,000 | 200 | - | - |
| | Fubon Chi-Hsiang Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 1,378,417 | 21,500 | 31,756,270 | 496,000 | 33,134,687 | 517,628 | 517,500 | 128 | - | - |
| Taiwan VCM Corporation | <u>Beneficiary certificates</u> Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 23,728,131 | 350,000 | 11,534,691 | 170,049 | 170,000 | 49 | 12,193,440 | 180,000 |
| | Hua Nan Kirin Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 4,200,022 | 50,000 | 45,256,139 | 540,000 | 45,273,426 | 540,105 | 540,000 | 105 | 4,182,735 | 50,000 |
| | Yuanta Wan Tai Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 29,154,730 | 440,000 | 25,848,420 | 390,104 | 390,000 | 104 | 3,306,310 | 50,000 |
| | UPAMC James Bond Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 1,805,815 | 30,000 | 27,027,086 | 450,000 | 26,435,164 | 440,112 | 440,000 | 112 | 2,397,737 | 40,000 |
| | Yuanta De-Bao Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 25,052,723 | 300,000 | 25,052,723 | 300,131 | 300,000 | 131 | - | - |
| | Shin Kong Chi Shin Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 19,429,019 | 300,000 | 19,429,019 | 300,066 | 300,000 | 66 | - | - |
| CGPC Polymer Corporation | <u>Beneficiary certificates</u> Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 28,460,472 | 419,500 | 25,104,581 | 370,263 | 370,000 | 263 | 3,355,891 | 49,500 |

Note: The amount as of December 31, 2018 was calculated at the original investment cost.

USI CORPORATION
(Taita Chemical Company, Ltd.)

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance (Note) | | Acquisition | | Disposal | | | Ending Balance (Note) | | |
|------------------------------|---|---|--------------|--------------|--------------------------|--------|------------------|------------|------------------|------------|-----------------|-------------------------|------------------|--------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| Taita Chemical Company, Ltd. | Beneficiary certificates Yuanta De-Bao Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | \$ - | 27,822,544 | \$ 333,000 | 27,822,544 | \$ 333,038 | \$ 333,000 | \$ 38 | - | \$ - |

Note: The amount as of December 31, 2018 was calculated at the original investment cost.

USI CORPORATION
(Asia Polymer Corporation)

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|--------------------------|--|---|--------------|------------------------|-------------------|--------------|------------------|--------------|------------------|---------|-----------------|-------------------------|------------------|--------------------------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| Asia Polymer Corporation | <u>Ordinary shares</u> Ever Conquest Global Limited. | Investment accounted for using the equity method | - | Equity-method investee | 46,270,000 | \$ 1,420,944 | 56,970,000 | \$ 1,747,780 | - | \$ - | \$ - | \$ - | 103,240,000 | \$ 3,167,773 (Note 1) |
| | <u>Beneficiary certificates</u> Jih Sun Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | 3,534,072 | 52,028 | 20,867,472 | 308,000 | 17,236,006 | 254,543 | 254,028 | 515 | 7,165,538 | 106,003 (Note 2) |

Note 1: The ending balance includes the original investment amount, the share of profit (loss) of investees and other related adjustments.

Note 2: The ending balance includes the original investment amount of \$106,000 thousand and adjustments for fair value changes of \$3 thousand.

USI CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|----------------------------------|----------------------------------|---------------------------------------|---------------------|--------------|------------|--|---------------------------|---------------------------|-------------------------------------|------------|------|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| USI Corporation | USI Far East (HK) Co., Ltd. | Subsidiary | Sale | \$ (217,193) | (1.85) | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | \$ 12,488 | 0.80 | |
| | Forever Young | Subsidiary | Sale | (101,141) | (0.86) | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | 10,796 | 0.69 | |
| | USI Trading (Shanghai) Co., Ltd. | Subsidiary | Sale | (134,774) | (1.15) | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | 28,604 | 1.83 | |
| | Asia Polymer Corporation | Investee of UPIIC under equity method | Purchase | 670,909 | 6.90 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | (158,522) | (16.66) | |
| USI Far East (HK) Co., Ltd. | USI Corporation | Parent company | Purchase | 217,193 | 2.24 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | (12,488) | (1.31) | |
| Forever Young | USI Corporation | Parent company | Purchase | 101,104 | 1.04 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | (10,796) | (1.13) | |
| USI Trading (Shanghai) Co., Ltd. | USI Corporation | Parent company | Purchase | 134,774 | 1.39 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | (28,604) | (3.01) | |
| APC Polymer Corporation | USI Corporation | Parent company | Sale | (670,909) | (5.70) | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | 158,522 | 10.12 | |

USI CORPORATION
(Acme Electronics Corporation)

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction (Note) | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|--|-------------------------------------|------------|------------|---------------|-----------------------------|---------------------------|-------------------------------------|------------|------|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| Acme Electronics Corporation | Acme Electronics (Guang-Zhou) Co., Ltd. | Subsidiary of Golden Amber Enterprises Limited | Purchase (includes processing fees) | \$ 467,034 | 51 | 55 days | No significant difference | No significant difference | \$ (210,028) | 67 | |
| Acme Electronics (Guang-Zhou) Co., Ltd. | Acme Electronics Corporation | Subsidiary of Golden Amber Enterprises Limited | Sale (includes processing fees) | (467,034) | 46 | 55 days | No significant difference | No significant difference | 210,028 | 55 | |
| Acme Electronics Corporation | Acme Electronics (Kunshan) Co., Ltd. | Subsidiary of ACME Electronics (Cayman) Corp. | Sale | (208,832) | 18 | 55 days | No significant difference | No significant difference | 18,211 | 7 | |
| Acme Electronics (Kunshan) Co., Ltd. | Acme Electronics Corporation | Subsidiary of ACME Electronics (Cayman) Corp. | Purchase | 208,832 | 72 | 55 days | No significant difference | No significant difference | (18,211) | 91 | |
| Acme Electronics Corporation | Acme Electronics (Guang-Zhou) Co., Ltd. | Subsidiary of Golden Amber Enterprises Limited | Sale | (129,124) | 11 | 55 days | No significant difference | No significant difference | 31,750 | 12 | |
| Acme Electronics (Guang-Zhou) Co., Ltd. | Acme Electronics Corporation | Subsidiary of Golden Amber Enterprises Limited | Purchase | 129,124 | 27 | 55 days | No significant difference | No significant difference | (31,750) | 83 | |
| Acme Electronics (Kunshan) Co., Ltd. | Acme Electronics Corporation | Subsidiary of ACME Electronics (Cayman) Corp. | Sale | (100,550) | 13 | 55 days | No significant difference | No significant difference | 31,301 | 16 | |
| Acme Electronics Corporation | Acme Electronics (Kunshan) Co., Ltd. | Subsidiary of ACME Electronics (Cayman) Corp. | Purchase | 100,550 | 35 | 55 days | No significant difference | No significant difference | (31,301) | 10 | |

Note: The transaction terms and prices between Acme Electronics Corporation, Acme Electronics (Guang-Zhou) Co., Ltd. and Acme Electronics (Kunshan) Co., Ltd. have no significant difference from abnormal transactions.

USI CORPORATION
(Swanson Plastics Corporation)

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | | Note |
|--|--|---------------------------------------|---------------------|------------|---------------|--|---------------------------|---------------------------|---|-------------|---------------|------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | | % of Total | |
| Swanson Plastics (Singapore) Private Limited | Swanson Plastics (Malaysia) Sdn., Bhd. | Subsidiary | Purchase | \$ 319,709 | 92 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties | \$ (23,495) | 90 | |
| Forever Young Company Limited | USI Corporation | Ultimate parent company | Purchase | 100,359 | 7 | Payments within 75 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties | (8,723) | 5 | |
| | Swanson Plastics (Kunshan) Co., Ltd. | Have the same ultimate parent company | Sale | (410,331) | 28 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties | 223,530 | 45 | |
| Forever Yong Company Limited | Swanson Plastics (Malaysia) Sdn., Bhd. | Have the same ultimate parent company | Purchase | 284,123 | 20 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties | (21,907) | 14 | |
| | Swanson Plastics (Malaysia) Sdn., Bhd. | Have the same ultimate parent company | Sale | (495,515) | 33 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties | 26,058 | 5 | |
| | PT. Swanson Plastics Indonesia | Have the same ultimate parent company | Sale | (183,460) | 12 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties | 28,002 | 6 | |
| Swanson Plastics (Kunshan) Co., Ltd. | Forever Young Company Limited | Have the same ultimate parent company | Purchase | 410,331 | 37 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties | (223,530) | 73 | |
| Swanson Plastics (Malaysia) Sdn., Bhd. | Forever Yong Company Limited | Have the same ultimate parent company | Sale | (284,123) | 22 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties | 21,907 | 18 | |
| | Forever Yong Company Limited | Have the same ultimate parent company | Purchase | 495,515 | 45 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties | (26,058) | 27 | |
| | Swanson Plastics (Singapore) Private Limited | Parent company | Sale | (319,709) | 25 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties | 23,495 | 20 | |

(Continued)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | | Note |
|---|---|---|---------------------|--------------|---------------|--|------------------------------|------------------------------|---|-----------|---------------|------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | | % of Total | |
| Swanson Plastics (Kunshan) Co., Ltd. | ASK-Swanson (Kunshan) Co., Ltd. | Have the same ultimate parent company | Sale | \$ (102,185) | 8 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | Accounts receivable - related parties | \$ 18,348 | 6 | |
| ASK-Swanson (Kunshan) Co., Ltd. | Swanson Plastics (Kunshan) Co., Ltd. | Have the same ultimate parent company | Purchase | 102,185 | 40 | Payments within 60 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties | (26,058) | 31 | |
| PT.Swanson Plastics Indonesia | Forever Young Company Limited | Have the same ultimate parent company | Purchase | 183,460 | 72 | Payments within 90 days after purchasing on credit | No significant difference | No significant difference | Accounts payable - related parties | (28,002) | 59 | |

(Concluded)

USI CORPORATION
(China General Plastics Corporation)

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer/Seller | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Trade Receivables (Payables) | | | Note |
|------------------------------------|------------------------------------|-------------------|---------------------|---------------|------------|---------------|---------------------------|---------------------------|--|--------------|------------|------|
| | | | Purchase/Sale | Amount (Note) | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | | % of Total | |
| China General Plastics Corporation | Taiwan VCM Corporation | Subsidiary | Purchase | \$ 4,230,003 | 72 | 45 days | No significant difference | No significant difference | Accounts payable-related parties | \$ (774,140) | (77) | |
| | CGPC America Corporation | Subsidiary | Sale | (374,307) | (5) | 90 days | No significant difference | No significant difference | Accounts receivable - related parties | 101,245 | 9 | |
| Taiwan VCM Corporation | China General Plastics Corporation | Parent company | Sale | (4,230,003) | (43) | 45 days | No significant difference | No significant difference | Accounts receivable - related parties | 774,140 | 45 | |
| | CGPC Polymer Corporation | Fellow subsidiary | Sale | (4,410,087) | (45) | 45 days | No significant difference | No significant difference | Accounts receivable - related parties | 778,034 | 45 | |
| CGPC Polymer Corporation | Taiwan VCM Corporation | Fellow subsidiary | Purchase | 4,410,087 | 96 | 45 days | No significant difference | No significant difference | Accounts payable-related parties | (778,034) | (97) | |
| CGPC America Corporation | China General Plastics Corporation | Parent company | Purchase | 374,307 | 83 | 90 days | No significant difference | No significant difference | Accounts payable-related parties | (101,245) | (97) | |

USI CORPORATION
(Taita Chemical Company, Limited)

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---------------------------------|--------------------------------------|-----------------------|---------------------|--|------------|---------------|---------------------------|---------------------------|---|------------|------|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | % of Total | |
| Taita Chemical Company, Limited | Taita Chemical (Zhongshan) Co., Ltd. | Sub-subsidiary | Sales | \$ (1,603,160) (US\$ (53,509) thousand) | (10.73) | 30 days | No significant difference | No significant difference | Accounts receivable - related parties \$ - | - | - |
| | Taita Chemical (Tianjin) Co., Ltd. | Sub-subsidiary | Sales | (201,301) (US\$ (6,662) thousand) | (1.35) | 30 days | No significant difference | No significant difference | Accounts receivable - related parties 122,547 (US\$ 3,990 thousand) | 7.22 | - |
| | USI Trading (Shanghai) Co., Ltd. | Fellow sub-subsidiary | Sale | (104,456) (US\$ (2,433) thousand) (RMB (6,963) thousand) | (0.70) | 90 days | No significant difference | No significant difference | Accounts receivable - related parties 31,162 (RMB 6,963 thousand) | 1.83 | - |

USI CORPORATION
(Asia Polymer Corporation)

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note | |
|----------------------------------|-----------------|-------------------------|---------------------|--------------|------------|---------------|---------------------------|---------------------------|--|------------|--------|--|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Financial Statement Account and Ending Balance | % of Total | | |
| Asia Polymer Corporation | USI Corporation | Ultimate parent company | Sale | \$ (670,909) | (10.52) | 60 days | No significant difference | No significant difference | Accounts receivable - related parties | \$ 162,209 | 18.44 | |
| USI Trading (Shanghai) Co., Ltd. | USI Corporation | Ultimate parent company | Sale | (619) | (0.01) | 60 days | No significant difference | No significant difference | Accounts receivable - related parties | - | - | |
| Asia Polymer Corporation | USI Corporation | Ultimate parent company | Purchase | 131,257 | 2.72 | 30 days | No significant difference | No significant difference | Accounts payable-related parties | (18,496) | (5.42) | |
| USI Trading (Shanghai) Co., Ltd. | USI Corporation | Ultimate parent company | Purchase | 135,188 | 2.80 | 30 days | No significant difference | No significant difference | Accounts payable-related parties | (28,604) | (8.38) | |

USI CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2018

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

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss (Note 1) | |
|-----------------|--|--|------------------------------------|---------------|---------|---------------|--|--|--|
| | | | | | Amount | Actions Taken | | | |
| USI Corporation | Asia Polymer Corporation Taiwan VCM Corporation | Subsidiary of the Company Subsidiary of the Company | Other receivables -related parties | \$ 146,325 | - | \$ - | - | \$ 146,325 | |
| | | | Other receivables -related parties | 171,372 | - | - | - | 171,372 | |

Note 1: The assessment does not need to recognize allowance for impairment loss.

Note 2: The subsequent period is from January 1, 2019 to March 8, 2019.

USI CORPORATION
(Acme Electronics Corporation)

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss (Note 1) |
|---|---------------------------------|--|--|---------------|---------|---------------|--|--|
| | | | | | Amount | Actions Taken | | |
| Acme Electronics Corporation | ACME Electronics (Cayman) Corp. | Subsidiary of ACME | Other receivables - related parties \$ 186,504 | - | \$ - | - | \$ 58,641 | \$ - |
| Acme Electronics (Guang-Zhou) Co., Ltd. | Acme Electronics Corporation | Subsidiary of Golden Amber Enterprises Limited | Accounts receivable - related parties 210,028 | 2.54 | - | - | 84,067 | - |

Note 1: The assessment does not need to recognize an allowance for impairment loss.

Note 2: The subsequent period is from January 1, 2019 to March 5, 2019.

USI CORPORATION
(Swanson Plastics Corporation)

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Ending Balance (Note 4) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 3) | Allowance for Impairment Loss (Note 1) |
|--|---------------------------------------|---------------------------------------|--|---------------|---------|---------------|--|--|
| | | | | | Amount | Actions Taken | | |
| Forever Young Company Limited | Swanson Plastics (India) Private Ltd. | Have the same ultimate parent company | Accounts receivable - related parties \$ 181,510 (US\$ 5,909,480) | - | \$ - | - | \$ 6,787 (US\$ 220,959) | \$ - |
| | Swanson Plastics (Kunshan) Co., Ltd. | Have the same ultimate parent company | Accounts receivable - related parties 223,530 (US\$ 7,277,552) | - | - | - | 29,308 (US\$ 954,201) | - |
| Swanson Plastics (Singapore) Private Limited | Swanson Plastics (India) Private Ltd. | Subsidiary | Accounts receivables - related parties 109,266 (US\$ 3,557,416) | - | - | - | - | - |

Note 1: The assessment does not need to recognize an allowance for impairment loss.

Note 2: Forever Young Company Limited purchased raw materials for associates.

Note 3: The subsequent period is from January 1, 2019 to February 28, 2019.

USI CORPORATION
(China General Plastics Corporation)

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance (Note 3) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss |
|------------------------------------|------------------------------------|-------------------|--|------------------|---------|---------------|--|-------------------------------------|
| | | | | | Amount | Actions Taken | | |
| China General Plastics Corporation | CGPC America Corporation | Subsidiary | Accounts receivable from related parties <u>\$ 101,245</u> | 3.41 | \$ - | - | \$ 63,311 | Note 1 |
| Taiwan VCM Corporation | China General Plastics Corporation | Parent company | Accounts receivable from related parties <u>\$ 774,140</u> | 5.70 | - | - | 774,140 | Note 1 |
| | CGPC Polymer Corporation | Fellow subsidiary | Accounts receivable from related parties <u>\$ 778,034</u> | 5.87 | - | - | 778,034 | Note 1 |

Note 1: There is no allowance for impairment loss after an impairment assessment.

Note 2: The subsequent period is from January 1, 2019 to February 27, 2019.

USI CORPORATION
(Taita Chemical Company, Limited)

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance (Note 4) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 3) | Allowance for Impairment Loss (Note 4) |
|---------------------------------------|------------------------------------|-------------------|---|---------------|---------|---------------|--|--|
| | | | | | Amount | Actions Taken | | |
| Taita Chemical Company, Limited | Taita Chemical (Tianjin) Co., Ltd. | Sub-subsi-dary | Accounts receivable \$ 122,547 (US\$ 3,990 thousand) (Note 1) | - | \$ - | - | \$ - | \$ - |
| | Taita Chemical (Tianjin) Co., Ltd. | Sub-subsi-dary | Other receivables 173,988 (US\$ 5,665 thousand) (Note 1) | - | - | - | - | - |
| Taita Chemical (Zhong shan) Co., Ltd. | Taita Chemical (Tianjin) Co., Ltd. | Fellow subsidiary | Other receivables 279,905 (RMB 62,544 thousand) (Note 2) | - | - | - | - | - |

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

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

Note 3: The amount received in the subsequent period means the collection made up to March 6, 2019.

USI CORPORATION
 (Asia Polymer Corporation (APC))

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance (Note 1) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss (Note 1) |
|--------------------------|-----------------|----------------|---|---------------|---------|---------------|--|--|
| | | | | | Amount | Actions Taken | | |
| Asia Polymer Corporation | USI Corporation | Parent company | Trade receivables from related parties \$ 162,209 | 5.13 | \$ - | - | \$ 162,209 | \$ - |
| | USI Corporation | Parent company | Other receivables from related parties 190 | - | - | - | 190 | - |

Note 1: There is no allowance for impairment loss after an impairment assessment.

Note 2: The subsequent period is from January 1, 2019 to March 6, 2019.

USI CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|--------------------------------------|--|--|--|---------------------------------------|--------------------------------------|-------------------------|--------|---------------------------------------|--------------------------------------|----------------------------|------------------------|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| USI Corporation | USIFE Investment Co., Ltd. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Investment (focus on “product, transportation, storage, building, bank, securities investment and trading industry”) | \$ 550,000 | \$ 550,000 | 87,250,800 | 100.00 | \$ 690,217 | \$ (31,847) | \$ (31,847) | Subsidiary |
| | Swanlake Traders Ltd. | Citco Building, Wickhamo Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | Trading and investment Business | 728,439 | 728,439 | 30,000,000 | 100.00 | 1,349,147 | 44,643 | 44,643 | Subsidiary |
| | USI Far East (HK) Co., Ltd. | 6/F., Caltex House, 258 Hennessy Road, Hong Kong | Trading and investment Business | 63,482 | 63,482 | 159,999 | 100.00 | 132,245 | (1,182) | (1,182) | Subsidiary |
| | Union Polymer Int’l Investment Corp. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Investment (focus on “product and service industry”) | 3,490,255 | 3,490,255 | 521,440,500 | 100.00 | 5,464,646 | 468,242 | 456,812 | Subsidiary |
| | Taiwan United Venture Capital Corp. | 10F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Venture capital (focus on “high technology industry”) | 471,800 | 471,800 | 32,900,000 | 70.00 | 183,773 | (4,921) | (3,445) | Subsidiary |
| | Chong Loong Trading Co., Ltd. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Engaging in import and export trade | 28,323 | 28,323 | 3,758,195 | 99.93 | 44,013 | 11,454 | 10,567 | Subsidiary |
| | Swanson Plastics Corp. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of stretch film, embossed film and industrial-use multi-layer wrap | 171,210 | 171,210 | 62,616,299 | 40.58 | 997,613 | 68,441 | 27,772 | Subsidiary |
| | Acme Electronics Corp. | 8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of manganese-zinc soft ferrite powder | 221,513 | 221,513 | 49,250,733 | 27.00 | 361,415 | 56,187 | 15,169 | Subsidiary |
| | INOMA Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Engaging in optical products and fireproof materials | 250,354 | 250,354 | 9,126,786 | 93.18 | 44,282 | (29,122) | (27,136) | Subsidiary |
| | USI Management Consulting Corp. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Providing management services | 1,000 | 1,000 | 671,400 | 100.00 | (1,310) | 1,258 | 1,258 | Subsidiary (Note 1) |
| | Cypress Epoch Limited | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investment Business | 150,540 | 150,540 | 5,000,000 | 100.00 | 129,688 | 4,710 | 4,710 | Subsidiary |
| | Thintec Materials Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Reinforced plastic products manufacturing | 36,250 | 36,250 | 1,825,000 | 30.42 | 4,415 | (10,525) | (3,201) | Subsidiary |
| | Ever Conquest Global Limited | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investment Business | 5,442,335 | 2,407,735 | 176,268,000 | 63.06 | 5,408,533 | 8,889 | 5,506 | Subsidiary |
| | USI Optronics Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Manufacture and marketing of sapphire crystal | 330,000 | 330,000 | 33,000,000 | 50.85 | 157,537 | (165,012) | (83,902) | Subsidiary |
| Ever Conquest Global Limited | Ever Victory Global Limited | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investment Business | 8,585,088 (US\$ 279,508 thousand) | 3,796,865 (US\$ 123,616 thousand) | 279,508,000 | 77.47 | 8,576,305 (US\$ 279,222 thousand) | 15,203 (US\$ 533 thousand) | | Subsidiary |
| Ever Victory Global Limited | Dynamic Ever Investments Limited | Room 1902, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong | Investment Business | 11,075,123 (US\$ 360,577 thousand) | 5,586,352 (US\$ 181,877 thousand) | 360,577,000 | 100.00 | 11,046,947 (US\$ 359,660 thousand) | 15,774 (US\$ 552 thousand) | | Sub-subsubsidiary |
| Union Polymer Int’l Investment Corp. | Taita Chemical Company, Limited | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of polystyrene, acrylonitrile, butadiene, ABS resin, SAN resin, glasswool insulation products and plastic materials | 1,749,212 | 1,749,212 | 120,159,750 | 36.37 | 1,676,969 | 207,972 | | Sub-subsubsidiary |
| | Asia Polymer Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of low-density polyethylene, medium-density polyethylene, ethylene vinyl acetate and importing and marketing of linear low-density polyethylene and high-density polyethylene | 1,965,437 | 1,965,437 | 179,330,846 | 32.35 | 3,606,302 | 286,826 | | Sub-subsubsidiary |
| | China General Plastics Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of plastic cloths, plastic skins, plastic tubes, plastic pellets, plastic powder and other related products | 1,320,045 | 1,320,045 | 122,632,069 | 24.20 | 2,156,276 | 1,276,156 | | Sub-subsubsidiary |
| USIFE Investment Co., Ltd. | Acme Electronics Corp. | 8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of manganese-zinc soft ferrite powder | 155,632 | 155,632 | 16,424,242 | 9.00 | 135,113 | 56,187 | | Subsidiary |
| | Swanson Technologies Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production, marketing and development of EVA packaging film and other value added plastic products | 30,000 | 30,000 | 3,000,000 | 15.00 | (11,869) | (16,486) | | Sub-subsubsidiary |
| | Taiwan United Venture Management Corp. | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Business management consulting | 8,000 | 8,000 | 800,000 | 100.00 | 15,206 | 2,441 | | Sub-subsubsidiary |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|-------------------------------------|---------------------------------|---|---|----------------------------|-------------------------|-------------------------|--------|-------------------------|-----------------------------------|-------------------------|--------------|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| Taiwan United Venture Capital Corp. | Thintec Materials Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Reinforced plastic products manufacturing | \$ 21,465 | \$ 21,465 | 900,000 | 15.00 | \$ 2,177 | \$ (10,525) | \$ - | Sub-subsiary |
| Chong Loong Trading Co., Ltd. | Forum Pacific Trading Ltd. | British Virgin Islands | Engaging in import and export trade | (US\$ 6,757 thousand) | (US\$ 6,757 thousand) | 220,000 | 100.00 | 31,445 | (US\$ (3,354) thousand) | | Sub-subsiary |
| Swanlake Traders Ltd. | ACME Electronics (Cayman) Corp. | Ugland House P.O. Box 309 George Town, Grand Cayman, Cayman Islands | Reinvestment Business | (US\$ 108,656 thousand) | (US\$ 108,656 thousand) | 5,609,231 | 11.23 | (US\$ 144,211 thousand) | (US\$ 255,187 thousand) | (US\$ 8,561 thousand) | Sub-subsiary |

Note 1: The Company gained control over USI Management Consulting Corp. and recognized the investment gain (loss) using the equity method, but it made a reclassification to other non-current liabilities if there was an accounting credit.

Note 2: The Company invested additional capital in the amount of US\$98,922 thousand (approximately \$3,034,601 thousand) and US\$36,643 thousand (approximately \$1,113,427 thousand) in Ever Conquest Global Limited in August 2018.

Note 3: Information on investments in mainland China is provided in Table 8.

(Concluded)

USI CORPORATION
(Acme Electronics Corporation)

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount (Note 1) | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|--------------------------------------|--------------------------------------|---|---|--|--------------------------------------|-------------------------|--------|----------------------|---|---|------|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| Acme Electronics Corporation | ACME Electronics (Cayman) Corp. | Ugland House P.O. Box 309 George Town, Grand Cayman, Cayman Islands | Investment Business | \$ 605,182 (US\$ 18,336 thousand) | \$ 605,182 (US\$ 18,336 thousand) | 25,621,692 | 51.27 | \$ 656,125 | \$ 164,621 (US\$ 5,626 thousand) | \$ 82,698 (US\$ 2,828 thousand) | |
| | Golden Amber Enterprises Limited | CITCO Building, Wickhams Cay Road Town, Tortola, British Virgin Islands | Investment Business | 638,676 (US\$ 19,800 thousand) | 638,676 (US\$ 19,800 thousand) | 19,800,000 | 100.00 | 812,301 | 35,197 | 35,197 | |
| | ACME Electronics (BVI) Corp. | CITCO Building, Wickhams Cay P.O. Box 662, Road Town, Tortola, British Virgin Islands | Investment Business | 23,923 (US\$ 730 thousand) | 23,923 (US\$ 730 thousand) | 730,000 | 100.00 | 490 | (65) (US\$ 2 thousand) | (65) (US\$ 2 thousand) | |
| | USI Optronics Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production and marketing of sapphire monocrystals | 646,200 | 646,200 | 22,064,224 | 34.00 | 105,331 | (165,012) | (56,098) | |
| ACME Electronics (Cayman) Corp. | ACME Components (Malaysia) Sdn. Bhd. | Plot 15, Jalan Industri 6 Kawasan Perindustrian Jelapang II (ZPB) Jelapang 30020 Ipoh, Perak, Malaysia. | Investment Business | US\$ 11,891 thousand | US\$ 11,891 thousand | 42,600,000 | 100.00 | US\$ 19,626 thousand | US\$ 1,131 thousand (MYR 4,755 thousand) | US\$ 1,131 thousand (MYR 4,755 thousand) | |
| ACME Components (Malaysia) Sdn. Bhd. | ACME Ferrite Products Sdn. Bhd. | Plot 15, Jalan Industri 6 Kawasan Perindustrian Jelapang II (ZPB) Jelapang 30020 Ipoh, Perak, Malaysia. | Production and marketing of soft ferrite core | MYR 37,964 thousand | MYR 5,500 thousand | 9,120,000 | 100.00 | MYR 83,014 thousand | MYR 4,842 thousand | MYR 4,842 thousand | |

Note 1: The amount is calculated according to the original investment cost.

Note 2: Information on investments in mainland China is provided in Table 8-1.

USI CORPORATION
 (Swanson Plastics Corporation)

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) (Note 4) | Note |
|--|--|---|--|----------------------------|----------------------------|-------------------------|-----|---------------------------------|-----------------------------------|----------------------------------|--------------|
| | | | | December 31, 2018 (Note 2) | December 31, 2017 (Note 2) | Number of Shares | % | Carrying Amount (Notes 2 and 4) | | | |
| Swanson Plastics Corporation | Swanson Plastics (Singapore) Private Limited | 2 Venture Drive Vision Exchange #12-10 Singapore 608526 | Production and marketing of plastic products | \$ 808,506 | \$ 808,506 | 36,863 | 100 | \$ 1,865,174 | \$ (27,964) | \$ (27,964) | Note 3 |
| | Forever Young Company Limited | Skelton Building Main Street P.O. Box 3136 Road Town, Tortola British Virgin Islands | Import, export and agency services | 1,297 | 1,297 | 50 | 100 | 61,799 | (57,118) | (57,100) | |
| | Swanson International Ltd. | Ugland House, P.O. Box 309 George Town, Grand Cayman, Cayman Islands, British West Indies | Investment Business | 454,134 | 454,134 | 14,541 | 100 | 1,385,103 | 67,737 | 67,737 | Note 3 |
| | Curtana Company Ltd. | Flatb 6/F Caltex House 258 Hennessy Road Wanchai, Hong Kong | Investment Business | 4,850 | 4,850 | 1,600 | 100 | 6,658 | 8,204 | 8,204 | Note 3 |
| | Swanson Technologies Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Production, sales and development of EVA packaging film and other value added plastic products | 140,000 | 140,000 | 14,000 | 70 | (55,391) | (16,486) | (11,540) | |
| | PT. Swanson Plastics Indonesia | Ngoro Industrial Park Blok D2-3 Ds. Lolawang Kec. Ngoro Kab. Mojokerto | Production and marketing of plastic products | 7,979 | 5,486 | 261 | 1 | 6,612 | (14,224) | (142) | Note 1 |
| Swanson Plastics (Singapore) Private Limited | Swanson Plastics (Malaysia) Sdn. Bhd. | Plot 505, Tingkat Perusahaan 4A, Kawasan Perusahaan Perai, Zon Perdagangan Bebas, 13600 Perai, Seberang Perai, Malaysia | Production and marketing of plastic products | 202,516 US\$ 6,593,398 | 202,516 US\$ 6,593,398 | 20,000 | 100 | 612,770 US\$ 19,950,179 | 124,897 RM 16,667,119 | - | |
| | Swanson Plastics (India) Private Ltd. | PLOT No. 2, GDDIDC. Honda, Bhuipal Sattari-403 506, Goa-India | Production and marketing of plastic products | 229,160 US\$ 7,460,850 | 106,300 US\$ 3,460,850 | 42,970 | 100 | 91,830 US\$ 2,989,759 | (88,672) INR(201,524,992) | - | |
| | PT. Swanson Plastics Indonesia | Ngoro Industrial Park Blok D2-3 Ds. Lolawang Kec. Ngoro Kab. Mojokerto | Production and marketing of plastic products | 793,677 US\$ 25,840,033 | 547,341 US\$ 17,820,000 | 25,840 | 99 | 654,607 US\$ 21,312,284 | (14,224) IDR (6,694,851,719) | - | Note 1 |
| Swanson International Ltd. | A.S. Holdings (UK) Limited | United Kingdom | Investment Business | 217,895 US\$ 7,094,082 | 217,895 US\$ 7,094,082 | - | 100 | 513,719 US\$ 16,725,332 | 5,144 US\$ 170,622 | - | Note 1 and 3 |

Note 1: There are zero shares of the limited company.

Note 2: The original investment amount and carrying amount are translated at the spot exchange rate of December 31, 2018.

Note 3: Information on investments in mainland China is provided in Table 8-2.

USI CORPORATION
(China General Plastics Corporation)

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Nature of Activities | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of Investee | Share of Profit (Loss) | Note |
|------------------------------------|---|--|---|----------------------------|-------------------|-------------------------|--------|-----------------|-------------------------------|------------------------|--|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| China General Plastics Corporation | Taiwan VCM Corporation | No. 1, Gongye 1st Rd., Linyuan Dist., Kaohsiung City 832, Taiwan (R.O.C.) | Manufacture and marketing of vinyl chloride monomer | \$ 2,930,995 | \$ 2,930,994 | 206,008,832 | 87.22 | \$ 2,919,181 | \$ 625,587 | \$ 535,972 | Subsidiary |
| | CGPC Polymer Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Manufacture and marketing of PVC resin | 800,000 | 800,000 | 78,859,281 | 100.00 | 1,103,222 | 257,674 | 257,674 | Subsidiary |
| | CGPC (BVI) Holding Co., Ltd. | Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | Reinvestment | 1,073,906 | 1,073,906 | 16,308,258 | 100.00 | 353,757 | 8,843 | 8,843 | Subsidiary |
| | China General Terminal & Distribution Corporation | No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.) | Warehousing of petrochemical raw materials | 41,106 | 41,106 | 18,667,465 | 33.33 | 228,250 | (75,720) | (25,241) | Investment accounted for using the equity method |
| | CGPC America Corporation | 1181 California Ave., Suite 235 Corona, CA 92881 U.S. A. | Marketing of PVC second - and third-time processed products | 648,931 | 648,931 | 100 | 100.00 | 203,543 | (11,119) | (11,119) | Subsidiary |
| | Krystal Star International Corporation | Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | Marketing of PVC second - and third-time processed products | 283,502 | 283,502 | 5,780,000 | 100.00 | 76,490 | 1,646 | 1,646 | Subsidiary |
| | Acme Electronics Corporation | 8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Manufacture and marketing of manganese-zinc soft ferrite powder | 33,995 | 33,995 | 3,176,019 | 1.74 | 24,296 | 56,187 | 978 | Investment accounted for using the equity method |
| | Thintec Materials Corporation | 12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.) | Manufacture and marketing of reinforced plastic products | 15,000 | 15,000 | 600,000 | 10.00 | 1,452 | (10,525) | (1,052) | Investment accounted for using the equity method |

Note: Information on investments in mainland China is provided in Table 8-3.

USI CORPORATION
(Taita Chemical Company, Limited)

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|---------------------------------|---|------------------------|--|--|--|-------------------------|--------|--|------------------------------------|------------------------------------|--|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| Taita Chemical Company, Limited | Taita (BVI) Holding Co., Ltd. | British Virgin Islands | Reinvestment Business | \$ 1,896,283 (US\$ 61,738 thousand) | \$ 1,896,283 (US\$ 61,738 thousand) | 61,738,000 | 100.00 | \$ 1,440,314 (US\$ 46,852 thousand) | \$ 55,742 (US\$ 1,959 thousand) | \$ 55,742 (US\$ 1,959 thousand) | Subsidiary |
| | China General Plastics Corporation | Taiwan | Manufacture and marketing of PVC plastic cloth and three-time processed products | 65,365 | 65,365 | 10,043,760 | 1.98 | 165,982 | 1,276,156 | 25,293 | Investment accounted for using the equity method |
| | China General Terminal & Distribution Corporation | Taiwan | Warehousing and transportation of petro chemical raw materials | 41,082 | 41,082 | 18,667,463 | 33.33 | 228,250 | (75,720) | (25,240) | Investment accounted for using the equity method |
| | Acme Electronics Corporation | Taiwan | Manufacture and marketing of manganese-zinc and ferrite core | 44,771 | 44,771 | 4,445,019 | 2.44 | 34,003 | 56,187 | 1,369 | Investment accounted for using the equity method |
| | Thintec Materials Corporation | Taiwan | Manufacture and marketing of reinforced plastic products | 15,000 | 15,000 | 600,000 | 10.00 | 1,452 | (10,525) | (1,052) | Investment accounted for using the equity method |
| Taita (BVI) Holding Co., Ltd. | ACME Electronics (Cayman) Corporation | British Cayman Islands | Reinvestment Business | 52,217 (US\$ 1,700 thousand) | 52,217 (US\$ 1,700 thousand) | 2,695,619 | 5.39 | 69,303 (US\$ 2,256 thousand) | 164,621 (US\$ 5,626 thousand) | | Investment accounted for using the equity method |

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

Note 2: Information on investments in mainland China is provided in Table 8-4.

USI CORPORATION
 (Asia Polymer Corporation)

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|-----------------------------|---|------------------------|---|---------------------------------|---------------------------------|-------------------------|--------|-----------------|-----------------------------------|-------------------------|--|
| | | | | December 31, 2018 | December 31, 2017 | Number of Shares | % | Carrying Amount | | | |
| Asia Polymer Corporation | APC (BVI) Holding Co., Ltd. | British Virgin Islands | Reinvestment Business | \$ 423,093 (US\$ 13,774,806) | \$ 423,093 (US\$ 13,774,806) | 11,342,594 | 100.00 | \$ 477,505 | \$ 31,477 | \$ 31,477 | Subsidiary |
| | APC Investment Corporation | Taipei, Taiwan | Investment Business | 200,000 | 200,000 | 20,000,000 | 100.00 | 97,433 | (4,199) | (4,199) | Subsidiary |
| | USI International Corp. | British Virgin Islands | Reinvestment Business | 86,002 (US\$ 2,800,000) | 86,002 (US\$ 2,800,000) | 2,800,000 | 70.00 | 130,090 | 7,086 | 4,960 | Subsidiary |
| | China General Plastics Corporation | Taipei, Taiwan | Manufacture and marketing of PVC plastic cloth and three-time processed products | 247,412 | 247,412 | 40,891,494 | 8.07 | 675,767 | 1,276,156 | 102,976 | Investment accounted for using the equity method |
| | China General Terminal & Distribution Corporation | Taipei, Taiwan | Warehousing and transportation of petro chemical raw materials | 41,082 | 41,082 | 18,667,464 | 33.33 | 228,250 | (75,720) | (25,240) | Investment accounted for using the equity method |
| | Swanson Plastics Corporation | Taipei, Taiwan | Manufacture and marketing of stretch film, diaper film, embossed film, heavy-duty sacks | 75,242 | 75,242 | 12,266,779 | 7.95 | 196,411 | 76,311 | 5,441 | Investment accounted for using the equity method |
| | Acme Electronics Corporation | Taipei, Taiwan | Manufacture and marketing of manganese-zinc and ferrite core | 61,348 | 61,348 | 6,056,623 | 3.32 | 46,332 | 56,187 | 1,865 | Investment accounted for using the equity method |
| | Taiwan United Venture Capital Corp. | Taipei, Taiwan | Investment in high technology businesses | 52,791 | 52,791 | 3,913,533 | 8.33 | 21,860 | (4,921) | (410) | Investment accounted for using the equity method |
| | Thintec Materials Corporation | Taipei, Taiwan | Manufacture and marketing of reinforced plastic products | 36,250 | 36,250 | 1,825,000 | 30.42 | 4,415 | (10,525) | (3,201) | Investment accounted for using the equity method |
| | USI Optronics Corporation | Taipei, Taiwan | Manufacture and marketing of sapphire products | 59,725 | 59,725 | 5,972,464 | 9.20 | 28,512 | (165,012) | (15,185) | Investment accounted for using the equity method |
| APC (BVI) Holding Co., Ltd. | Ever Conquest Global Ltd. | British Virgin Islands | Reinvestment Business | 3,171,017 (US\$ 103,240,000) | 1,421,183 (US\$ 46,270,000) | 103,240,000 | 36.94 | 3,167,773 | 8,889 | 3,384 | Investment accounted for using the equity method |
| | ACME Electronics (Cayman) Corp. | British Cayman Islands | Reinvestment Business | 161,097 (US\$ 5,244,903) | 161,097 (US\$ 5,244,903) | 8,316,450 | 16.64 | 213,812 | 164,621 | - | Investment accounted for using the equity method |
| APC Investment Corporation | USI International Corp. | British Virgin Islands | Reinvestment Business | 36,858 (US\$ 1,200,000) | 36,858 (US\$ 1,200,000) | 1,200,000 | 30.00 | 55,753 | 7,086 | - | Investment accounted for using the equity method |
| | Acme Electronics Corporation | Taipei, Taiwan | Manufacture and marketing of manganese-zinc and ferrite core | 14,889 | 14,889 | 1,884,548 | 1.03 | 14,416 | 56,187 | - | Investment accounted for using the equity method |
| | Swanson Technologies Corporation | Taipei, Taiwan | Manufacture and marketing of EVA film | 30,000 | 30,000 | 3,000,000 | 15.00 | (11,869) | (16,486) | - | Investment accounted for using the equity method |

Note: Information on investments in mainland China is provided in Table 8-5.

USI CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 6 and 7) | Carrying Amount as of December 31, 2018 (Notes 6 and 7) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|--|--|-----------------------------------|----------------------|---|--------------------------------|--------|---|-----------------------------------|--|--|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Acme Electronics (Kunshan) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | \$ 943,718 (US\$ 30,725,000) | Note 1 | \$ 86,540 (US\$ 2,817,528) | \$ - | \$ - | \$ 86,540 (US\$ 2,817,528) | \$ 150,563 (US\$ 5,163,095) | 11.23 | \$ 16,901 (US\$ 579,562) | \$ 94,931 (US\$ 3,090,710) | \$ - |
| Usig (Shanghai) Co., Ltd. | Importing and distributing various chemical raw materials and products | 153,575 (US\$ 5,000,000) | Note 2 | 153,575 (US\$ 5,000,000) | - | - | 153,575 (US\$ 5,000,000) | 4,710 (US\$ 157,357) | 100.00 | 4,710 (US\$ 157,357) | 129,688 (US\$ 4,222,313) | - |
| Fujian Gulei Petrochemical Co., Ltd. ("Gulei") | Manufacture of crude oil and petroleum products | 20,629,343 (RMB 4,609,600,000) | Note 3 | 2,216,814 (US\$ 72,173,674) | 2,816,313 (US\$ 91,691,773) | - | 5,033,127 (US\$ 163,865,447) | 64,542 (US\$ 2,181,422) | 24.43 | 13,592 (US\$ 459,531) | 5,051,389 (US\$ 164,460,018) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$5,533,015 (US\$180,140,475) | \$8,169,253 (US\$265,969,510) (Note 5) | \$ - (Note 4) |

Note 1: The Company reinvested in China-based companies via Swanlake Traders Ltd. (100%) by wiring transfer funds to other areas.

Note 2: The Company reinvested in the China area via the Cypress Epoch Limited (100%).

Note 3: The Company reinvested in 50% of the outstanding shares of Gulei at first via Ever Conquest Global Limited (63.06%), then via Ever Victory Global Limited (77.47%), and finally via Dynamic Ever Investments Limited (100%).

Note 4: As the Company has obtained the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10320406700 on March 25, 2014, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note 5: As included in the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10500116380 on September 1, 2016 and No. 10500234240 on December 29, 2016, the Company was able to wire transfer US\$248,025 thousands to Gulei.

Note 6: Except for Gulei, whose financial statements are audited by KPMG and adjusted according to the TIFRS, the financial statements of ACME Electronics (Kunshan) and USIG (Shanghai) are calculated by the CPA of the ROC parent company.

USI CORPORATION

(Acme Electronics Corporation (ACME))

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2018

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

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 5) | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 5) | Net Income (Loss) of the Investee (Note 6) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 4, 6 and 8) | Carrying Amount as of December 31, 2018 (Notes 7) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|---|---|----------------------|----------------------|--|------------------|--------|--|--|--|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Acme Electronics (Kunshan) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | US\$ 30,725 thousand | Note 2 | \$ 374,188 (US\$ 11,144 thousand) | \$ - | \$ - | \$ 374,188 (US\$ 11,144 thousand) | \$ 150,563 (RMB 31,235 thousand) | 51.27 | \$ 77,194 (RMB 16,014 thousand) | \$ 433,622 (RMB 96,892 thousand) | \$ - |
| Acme Electronics (Guang-Zhou) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | US\$ 19,200 thousand | Note 2 | 619,676 (US\$ 19,200 thousand) | - | - | 619,676 (US\$ 19,200 thousand) | 37,575 (RMB 8,148 thousand) | 100.00 | 37,575 (RMB 8,148 thousand) | 839,736 (RMB 187,638 thousand) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$932,016 (US\$30,344 thousand) (Note 7) | \$1,125,183 (US\$36,633 thousand) (Notes 3 and 7) | \$ - (Note 2) |

Note 1: ACME reinvested in the China area via another investment area.

Note 2: According to the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA No. 09704604680 on August 29, 2008, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note 3: ACME Electronics (Kunshan) transferred earnings to ordinary shares, and ACME increased the amount of US\$6,289 thousand at its ownership percentage.

Note 4: ACME recognized the investment gain (loss), according to Certified Public Accountants and auditing financial report accepted in the ROC.

Note 5: The amount is calculated using the exchange rate on the original investment date.

Note 6: The amount is calculated using the average exchange rate from January 1, 2018 to December 31, 2018.

Note 7: The amount is calculated using the spot exchange rate of December 31, 2018.

USI CORPORATION
 (Swanson Plastics Corporation (SPC))

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 2) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 5) | Carrying Amount as of December 31, 2018 (Note 5) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|---|--|--------------------------------|---|--|------------------|------------|--|--------------------------------------|--|------------------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Swanson Plastics (Nantong) Co., Ltd. (Note 3) | Production and sale of heavy bags, garbage bags, diapers and so on | \$ 122,860 (US\$ 4,000,000) | 1. Indirect investment Swanson Plastics (Nantong) Corp. (95.5%) via Curtana (HK) Company Ltd. 2. Indirect investment Swanson Plastics (Nantong) Corp. (4.5%) via Curtana (HK) Company Ltd. | \$ 113,369 | \$ - | \$ 113,369 | \$ - | \$ 37,166 (US\$ 8,150,539) | - | \$ 37,166 (Note 1) | \$ - (Note 1) | \$ 6,091 (US\$ 198,309) |
| Swanson Plastics (Kunshan) Co., Ltd. | Production, sales and development of multi-functional film, optical film and so on | 408,202 (US\$ 13,290,000) | Indirect investment it via Swanson (BVI) International Ltd. | 223,930 | - | - | 223,930 | 61,316 US\$ 2,033,739 | 100 | 61,316 US\$ 2,033,739 | 966,725 US\$ 31,474,027 | - |
| ASK-Swanson (Kunshan) Co., Ltd. | Management of production and sales of PE release film and other release products | 279,507 (US\$ 9,100,000) | Indirect investment A.S. Holdings (UK) Limited via Swanson International Ltd. | 193,447 | - | - | 193,447 | 5,144 US\$ 170,622 | 100 | 5,144 US\$ 170,622 | 522,899 US\$ 17,024,224 | - |
| Swanson Plastics (Tianjin) Co., Ltd. | Production, sales and development of multi-functional film, optical film and so on | 328,651 (US\$ 10,700,000) | Indirect investment it via Swanson (Singapore) Private Ltd. | 170,754 | - | - | 170,754 | (62,825) (US\$ 2,083,807) | 100 | (62,825) (US\$ 2,083,807) | 190,009 US\$ 6,186,183 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$588,131 | \$1,007,014 (US\$32,785,753) | \$ - (Note 4) |

Note 1: The amount is the total amount between Curtana Company Ltd. and Swanson Plastics Corporation.

Note 2: Paid in capital and upper limit on the amount investment stipulated by Industrial Development Bureau, MOEA is calculated using the spot exchange rate on December 31, 2018.

Note 3: SPC disposed of SPC (Nantong) as agreed in the meeting of the board of directors held in April 2016, and sold its all shares by NT\$129,077 thousand on December 21, 2018. As of December 31, 2018, the SPC completed the process of the disposed and recognized gain of disposal NT\$116,576 thousand.

Note 4: According to the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10620415720, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable, and the effective period is the year-end from 2017 to 2020.

USI CORPORATION

(China General Plastics Corporation (CGPC))

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

| Investee Company | Nature of Activities | Paid-in Capital (Note 1) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 1) | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 1) | Net Income (Loss) of Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 5) | Carrying Amount as of December 31, 2018 (Notes 1) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|--|--|---|--|--|------------------|--------|--|------------------------------------|--|---------------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | | |
| Continental General Plastics (Zhong Shan) Co., Ltd. (Note 4) | Manufacture and marketing of PVC leather and third-time processed products | \$ 614,300 (US\$ 20,000 thousand) | Investment through CGPC (BVI) Holding Co., Ltd. | \$ 614,300 (US\$ 20,000 thousand) | \$ - | \$ - | \$ 614,300 (US\$ 20,000 thousand) | \$ 7,455 (US\$ 247 thousand) | 100.00 | \$ 7,455 (US\$ 247 thousand) | \$ 264,486 (US\$ 8,611 thousand) | \$ - |
| CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4) | Manufacture and marketing of PVC leather and third-time processed products | 46,073 (US\$ 1,500 thousand) | Investment through CGPC (BVI) Holding Co., Ltd. | 46,073 (US\$ 1,500 thousand) | - | - | 46,073 (US\$ 1,500 thousand) | 12 (US\$ - thousand) | 100.00 | 12 (US\$ - thousand) | 13,932 (US\$ 454 thousand) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Notes 1 and 3) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2) |
|--|---|--|
| \$831,824 (US\$27,082 thousand) | \$1,053,371 (US\$34,295 thousand) | \$ - |

Note 1: The amount is calculated using the spot exchange rate as on December 31, 2018.

Note 2: As the CGPC has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10620424930 on September 22, 2017, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note 3: QuanZhou Continental General Plastics Co., Ltd. ("CGPC (QZ)") and Union (Zhong Shan) Co., Ltd. ("Union (ZS)") completed dissolution procedures, and CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)") retrieved the residual assets. The shares of Continental General Plastics (SanHe) Co., Ltd. were fully sold, and CGPC (BVI) retrieved the residual assets. However, the amount of capital has not been wired back to Taiwan. The accumulated amount includes the investment amount of CGPC (QZ) of \$21,009 thousand (US\$684 thousand), the investment amount of Union (ZS) of \$27,582 thousand (US\$898 thousand) and the investment amount of Continental General Plastics (SanHe) Co., Ltd. of \$122,860 thousand (US\$4,000 thousand).

Note 4: The board of directors of CGPC passed a resolution to dissolve CGPC (ZS) and CGPC (CP) in October 24, 2011. As of December 31, 2018, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2018 is based on the financial statements audited by the parent company's R.O.C.-based CPA.

USI CORPORATION
(Taita Chemical Company, Limited)

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of the Investee (Note 5) | % Ownership of Direct or Indirect Investment | Investment Gain (Note 5) | Carrying Amount as of December 31, 2018 (Note 5) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|--|---|--|---|---|------------------|--------|---|--|--|-------------------------------------|--|---|
| | | | | | Outflow | Inflow | | | | | | |
| Taita Chemical (Zhong shan) Co., Ltd. ("TAITA (ZS)") | Production and marketing of polystyrene derivatives | \$ 1,420,569 (US\$ 46,250 thousand) (Note 1) | Investment through a holding company registered in a third region | \$ 1,320,745 (US\$ 43,000 thousand) | \$ - | \$ - | \$ 1,320,745 (US\$ 43,000 thousand) | \$ 216,260 (US\$ 7,219 thousand) | 100.00 | \$ 216,260 (US\$ 7,219 thousand) | \$ 2,095,315 (US\$ 68,218 thousand) | \$ - |
| Taita Chemical (Tianjin) Co., Ltd. ("TAITA (TJ)") | Producing and marketing of polystyrene derivatives | 840,055 (US\$ 27,350 thousand) (Note 2) | Investment through a holding company registered in a third region | 798,590 (US\$ 26,000 thousand) | - | - | 798,590 (US\$ 26,000 thousand) | (144,178) US\$ 4,729 thousand) | 100.00 | (144,178) (US\$ 4,729 thousand) | 42,749 (US\$ 1,392 thousand) | - |
| ACME Electronics (Kunshan) Co., Ltd. ("ACME (KS)") | Manufacturing and marketing of manganese-zinc soft ferrite core | 943,718 (US\$ 30,725 thousand) | Investment through a holding company registered in a third region | 41,589 (US\$ 1,354 thousand) | - | - | 41,589 (US\$ 1,354 thousand) | 150,562 (US\$ 5,163 thousand) | 5.39 | 8,115 (US\$ 278 thousand) | 45,621 (US\$ 1,485 thousand) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$2,160,924 (US\$ 70,354 thousand) | \$2,328,729 (US\$ 75,817 thousand) (Note 3) | \$2,395,174 (Note 4) |

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

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

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

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

Note 5: The basis for investment income (loss) recognition is from the financial statement audited and attested by R.O.C. parent company's CPA.

USI CORPORATION
(Asia Polymer Corporation)

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 3) | Method and Medium of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of Investee (Note 2) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2018 (Note 3) | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|--------------------------------------|---|-----------------------------------|--|---|--------------------------------|--------|---|--|--|---------------------------------------|---|--|
| | | | | | Outflow | Inflow | | | | | | |
| ACME Electronics (Kunshan) Co., Ltd. | Manufacture and marketing of manganese-zinc soft ferrite core | \$ 943,718 (US\$ 30,725,000) | b. ACME Electronics (Cayman) Corp. | \$ 128,308 (US\$ 4,177,369) | \$ - | \$ - | \$ 128,308 (US\$ 4,177,369) | (2) 150,562 | 16.64 | \$ 25,057 | \$ 140,748 | \$ - |
| USI Trading (Shanghai) Co., Ltd. | Management of chemical products, equipment, and plastic products; wholesale of electronic materials, commission agency services and related supporting import and export services | 76,788 (US\$ 2,500,000) | b. APC (BVI) Holding Co., Ltd. | 93,238 (US\$ 3,035,601) | - | - | 93,238 (US\$ 3,035,601) | (2) 1,982 | 100.00 | 1,982 | 99,982 | - |
| Fujian Gulei Petrochemical Co., Ltd. | Manufacture of crude oil and petroleum products | 20,629,343 (RMB 4,609,600,000) | b. Dynamic Ever Investments Limited | 1,326,145 (US\$ 43,175,806) | 1,622,390 (US\$ 52,820,780) | - | 2,948,535 (US\$ 95,996,586) | (1) 64,542 | 14.31 | 8,167 | 2,958,581 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$3,318,132 (US\$108,029,692) (Note 4) | \$4,956,836 (US\$161,381,608) | \$ - (Note 5) |

Note 1: Investments are divided into three categories as follows:

- a. Direct investment: 1.
- b. Investments through a holding company registered in a third region: 2.
- c. Others: 3.

Note 2: For the column of investment gain (loss):

- a. If there is no investment gain (loss) during the preparation, it should be noted.
- b. If the basis for the recognition of investment gain (loss) is classified into the following three type, it should be noted as follows:
 - 1) Financial statements audited by international accounting firms which have a cooperation relationship with an accounting firm in the Republic of China.
 - 2) Financial statements audited by the parent company's CPA.
 - 3) Others.

Note 3: The amount is calculated using the exchange rate as at December 31, 2018.

Note 4: The accumulated outward remittance includes the investments in Wafer Works Epitaxial Corp., Wafer Works (Shanghai) Corp., Shanghai JingJi Electronic Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., Jinzhou Youhua Silicon Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., Qinghai Chenguang New Energy Co., Ltd., USI Trading (Shanghai) Co., Ltd. ("USIT"), and Fujian Gulei Petroleum Company.

- a. APC invested in Wafer Works Epitaxial Corp. and Wafer Works (Shanghai) Corp. through Silicon Technology Investment (Cayman) Corp.
- b. APC invested in Solar Technology Investment (Cayman) Corp. and Risheng Investment Limited through Solargiga Energy Holdings Limited, which indirectly invested in Solar Energy Silicon Materials Co., Ltd. and then in Shanghai JingJi Electronic Materials Co., Ltd. Risheng Investment Limited indirectly invested in Jinzhou Yangguang Energy Co., Ltd., Jinzhou Youhua Silicon Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., and Qinghai Chenguang New Energy Co., Ltd.

Note 5: As APC has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10520427730 on November 11, 2016, the upper limit on investments in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

VI. Any Financial Difficulties Experienced by the Company and Its Affiliated Companies during the Most Recent Year up to the Publication Date of this Annual Report, as well as the Impact of the Aforesaid Difficulties on the Financial Position of the Company Shall be Listed

Chapter 7 Review and Analysis of Financial Position and Financial Performance and Risk Issues - Consolidated Information

I. Financial Position

Major reasons for material changes in assets, liabilities and shareholders' equity, as well as related effects in the most recent two fiscal years, and response measures in the future if such effects are significant.

Unit: NT\$ thousands

| Item | Year | End of 2018 | End of 2017 | Difference | |
|---|------|--------------|--------------|-------------|------|
| | | | | Amount | % |
| Current assets | | \$30,099,382 | \$30,484,428 | \$(385,046) | (1) |
| Long-term investments | | 13,172,558 | 8,092,507 | 5,080,051 | 63 |
| Property, plant and equipment | | 23,825,239 | 23,758,495 | 66,744 | 0 |
| Intangible assets | | 302,403 | 362,375 | (59,972) | (17) |
| Other assets | | 1,591,456 | 1,696,046 | (104,590) | (6) |
| Total assets | | 68,991,038 | 64,393,851 | 4,597,187 | 7 |
| Current liabilities | | 14,651,784 | 12,863,294 | 1,788,490 | 14 |
| Non-current liabilities | | 17,884,545 | 16,722,138 | 1,162,407 | 7 |
| Total liabilities | | 32,536,329 | 29,585,432 | 2,950,897 | 10 |
| Share capital | | 11,887,635 | 11,654,544 | 233,091 | 2 |
| Retained earnings | | 6,814,829 | 6,738,561 | 76,268 | 1 |
| Equity attributable to shareholders of the parent company | | 18,187,153 | 18,124,407 | 62,746 | 0 |
| Non-controlling Interests | | 18,267,556 | 16,684,012 | 1,583,544 | 9 |
| Total equity | | 36,454,709 | 34,808,419 | 1,646,290 | 5 |

(I) Major reasons for material changes

Increase in long-term investments: An increase in the investment on Fujian Gulei Petrochemical Co., Ltd. by the Company's subsidiary in 2018.

(II) Effects

The Joint Venture is accounted for using the equity method.

(III) Future response plan

Not applicable.

II. Financial Performance

Major reasons for material changes in revenue, operating income and net profit before taxes in the most recent two fiscal years are estimated sales volume and its basis, as well as possible effects on the Company's financial operations and response measures in the future

Unit: NT\$ thousands

| Item \ Year | 2018 | 2017 | Increase (decrease) | |
|---|--------------|--------------|---------------------|-------|
| | | | Amount | (%) |
| Operating revenue | \$60,892,513 | \$58,133,943 | \$2,758,570 | 5 |
| Operating costs | (55,097,773) | (51,007,011) | 4,090,762 | 8 |
| Gross profit | 5,794,740 | 7,126,932 | (1,332,192) | (19) |
| Operating expenses | (3,861,941) | (3,749,265) | 112,676 | 3 |
| Operating income | 1,932,799 | 3,377,667 | (1,444,868) | (43) |
| Total non-operating income and expenses | 589,628 | 110,603 | 479,025 | 433 |
| Net profit before taxes | 2,522,427 | 3,488,270 | (965,843) | (28) |
| Income tax expenses | (654,078) | (776,220) | (122,142) | (16) |
| Net income from continuing operations | 1,868,349 | 2,712,050 | (843,701) | (31) |
| Gain (loss) from discontinued operations | 7,467 | (2,197) | 9,664 | (440) |
| Net profit for the year | 1,875,816 | 2,709,853 | (834,037) | (31) |
| Other comprehensive income (net amount after taxes) | (60,577) | (370,554) | 309,977 | 84 |
| Total comprehensive income for the year | 1,815,239 | 2,339,299 | (524,060) | (22) |

(I) Major reasons for material changes

1. The decrease in operating income, net profit before taxes, net income from continuing operations, net profit for the year and total comprehensive income for the year was mainly due to the lower selling price increase as compared to the rising cost of raw materials, that resulted in the decrease in profitability.
2. The increase in total non-operating income and expenses was mainly due to the profit from disposal of land use rights and increased profit of subsidiaries.
3. The increase in gain from discontinued operations was due to the increase in other income from discontinued operations.
4. The increase in other comprehensive income (net amount after taxes) was due to the decrease in loss on exchange of the financial statements of foreign operations.

(II) Expected sales volume and its basis

The Company forecasts the target of PE/EVA sales volume in 2019 to be approximately 390,000 tons; the Vinyl series and its downstream processed products have a sales target of approximately 540,000 tons; the ABS/PS sales target is about 450,000 tons; the sales target of glass wool products is about 10,000 tons; the sales volume target of curved printing products is about 120,000 jigs; ferrite magnet powder and ferrite core sales target of about 10,000 tons. In principle, the production and sales balance and the niche products are the priority sales goals.

(III) Possible effects on the Company's financial operations in the future

No material effect.

(IV) Future response plan

Not applicable.

III. Cash flow

Analysis of changes in cash flow and improvement plans for liquidity shortage in the most recent fiscal year, and cash liquidity analysis in the coming fiscal year

(I) Analysis and explanation of changes in cash flow in the most recent fiscal year

Unit: NT\$ thousands

| Beginning cash balance | Annual net cash flow from operating activities | Other cash outflows throughout the year | Ending cash balance | Remedial measures for cash inadequacy | |
|------------------------|--|---|---------------------|---------------------------------------|-----------------|
| | | | | Investment projects | Financing plans |
| 8,473,862 | 2,219,826 | 2,570,384 | 8,123,304 | - | - |

1. Operating activities:

Net cash inflows decreased by NT\$2,219,826,000 compared to the previous year, mainly due to the lower increase in selling price as compared to the increase in raw material costs.

2. Investing activities:

Net cash outflows was NT\$6,440,326,000 which was mainly due to the increase in long-term equity investment accounted for using the equity method.

3. Financing activities:

Net cash inflows amounted to NT\$ 3,991,831,000, mainly due to the increase in short-term loans.

- (II) Improvement plans for liquidity shortage
There is no liquidity shortage situation.
- (III) Cash flow analysis for the coming fiscal year
Beginning cash balance: NT\$8,123,304,000
Annual cash inflow: NT\$5,057,474,000
Annual cash outflow: NT\$ 5,012,748,000
Ending cash balance (shortage): NT\$ 8,168,030,000

IV. Material Expenditure and Its Impact on the Company's Financial Operations in the Most Recent Fiscal Year

A scheduled of estimated expenses has been prepared for the Company's capital expenditure for the construction of CBC production plant. These expenses will first be paid using the Company's own funds, while the Company will also assess the cost of raising capital in the capital market and the cost of borrowing from financial institutions.

V. Investment Policies, Profit/loss Analysis and Improvement Plans in the Most Recent Fiscal Year, as well as Investment Plans for the Coming Fiscal Year

- (I) Investments whose amounts exceed five (5) percent of paid-in capital at the end of 2018:

| Item \ Description | Amount (NT\$ thousands) | Policy | Main reason for profit or loss | Improvement plan | Other investment plans in the future |
|--------------------------------------|-------------------------|----------------------------|---|------------------|--------------------------------------|
| CTCI Corporation | 1,317,648 | Investment diversification | Steady growth in overall performance, and hence continuously profitable | None | — |
| Fujian Gulei Petrochemical Co., Ltd. | 10,338,945 | Petrochemical Investments | Construction in progress | None | — |

- (II) Investments whose estimated amounts exceed five (5) percent of paid-in capital in the coming fiscal year

- The Company will indirectly invest in the Gulei Park in Zhangzhou, Fujian Province, China, with APC to produce petrochemical-related products, downstream deep-processing equipment and supporting public facilities. The investment amount will not exceed NT\$8 billion and NT\$6 billion, respectively. After being approved by the relevant competent authority, funds are invested year by year

according to the progress.

2. To ensure adequate supply of ethylene raw materials, the Company expects that ethylene storage tanks will be built within 10% of NT\$906 million.
3. In order to ensure adequate supply of ethylene raw materials, APC expected that ethylene storage tanks and ethylene underground pipelines will be built at NT\$1.02 billion.
4. To ensure stable supply of main raw materials, namely ethylene and dichloroethane, as well as the production and sales scheduling of vinyl chloride, Taiwan VCM Corporation expects to build storage tanks for ethylene, vinyl chloride, dichloroethane and underground pipelines for ethylene at NT\$2.44 billion.

VI. Risk Analysis and Evaluation

The Company has enhanced its risk management operations, and designated specific executive and responsible units to assess specific matters or risks. Moreover, the Company has also established a monitoring mechanism, where the organizational structure is as follows:

| Major risk evaluation item | Executive and responsible unit | Supervision unit |
|---|--|------------------|
| 1. Impacts of interest rates, exchange rate fluctuation and inflation on the Company's profit and loss, as well as future response measures: | Finance Division | Audit Office |
| 2. Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees and derivatives trading, main reasons for profits or losses generated, and future response measures to be undertaken | | |
| 3. Future R&D projects and estimated R&D expenditure: | Research and Development Division | |
| 4. Impacts of changes in local and overseas policies and laws on the Company's financial operations, and related response measures | All relevant units | |
| 5. Impacts of changes in technology and industry on the Company's financial operations, and related response measures | Sales and Marketing Division/Information System Division | |
| 6. Impacts of changes in corporate image on the Company's risk management, and related response measures | Human Resource Division | |
| 7. Expected benefits and possible risks of mergers and acquisitions, and related response measures | Finance Division | |
| 8. Expected benefits and possible risks resulted from expansion of factory buildings, and related response measures | Various plants | |
| 9. Risks caused by concentration of purchases and sales, and related response measures | Procurement and Logistics Division | |

| Major risk evaluation item | Executive and responsible unit | Supervision unit |
|--|--|------------------|
| | Sales and Marketing Division | |
| 10. Effects and risks resulted from major equity transfer or replacement of directors, supervisors, or shareholders holding more than ten (10) percent of the Company's shares, and related response measures | Finance Division | |
| 11. Effects and risks related to any changes in management control in the Company, and related response measures | Board of Directors | |
| 12. For any litigious or non-litigious matters, the Company and its directors, supervisors, general managers, person with actual responsibility in the Company, and major shareholders holding more than 10 percent of the Company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that has been finalized or has remained pending, the report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as of the publication date of this annual report. | Legal Division | |
| 13. Information security risk management, other important risks and corresponding measures. | Finance Division/Trust Department/Sales and Marketing Division/Information System Division | |

(I) Impacts of interest rates, exchange rate fluctuation and inflation on the Company's profit and loss, as well as future response measures:

1. Executive and responsible unit: Finance Division
2. Impact on the Company's profit and loss:

| Item | 2018 (NT\$ thousands; %) |
|---|--------------------------|
| Net interest income (expense) | (72,731) |
| Net currency exchange gain (loss) | (8,899) |
| Ratio of net interest income (expense) to net revenue | (0.12%) |
| Ratio of net interest income (expense) to net profit before taxes | (2.88%) |
| Ratio of net currency exchange gain (loss) to net revenue | (0.01%) |
| Ratio of net currency exchange gain (loss) to net amount ratio of income before taxes | (3.53%) |

3. Interest rate: The carrying amount of the Company's financial assets and financial liabilities that are exposed to interest rate risk on the balance sheet date are as follows:

| | As of December 31, 2018 (NT\$ thousands) |
|-------------------------------------|---|
| Interest rate risks with fair value | |
| – Financial assets | 5,347,257 |
| – Financial liabilities | 12,766,926 |
| Interest rate risks with cash flow | |
| – Financial assets | 3,422,707 |
| – Financial liabilities | 10,609,940 |

An increase or decrease of 0.5% in market interest rates is used as a reasonable risk assessment for reporting changes in interest rates to the Company's senior management team. With all other variables remaining unchanged, an increase or decrease of 0.5% in market interest rates will lead to a decrease or increase of NT\$ 35,936,000 in the Company's net profit before taxes in 2018.

The Company's current strategy is to use excess funds to diversify investments in monetary fund beneficiary certificates, real estate investment trusts (REITs) and stocks with better dividend yield, which is not only able to reduce the risk of interest rate fluctuations, but can also contribute to the Company's profits.

4. Exchange rates: The Company engages in sales and purchase transactions denominated in foreign currencies, thereby exposing the Company to changes in exchange rates. In order to avoid the decrease in the value of foreign currency assets and fluctuations of future cash flows due to exchange rate changes, the Company avoids exposure to such risks through forward exchange contracts to reduce the impact of such risks. The use of forward foreign exchange contracts is governed by the policies adopted by the Board of Directors of the Company. Internal auditors shall continuously review the compliance with the policies and the risk exposure limits. The Company has not engaged in speculative activities related to derivative instruments. The sensitivity analysis for foreign currency exchange risk is mainly calculated based on foreign currency monetary projects as at the end of the reporting period (mainly the US dollar project). When the functional currency of the Company is appreciated/depreciated by 3% against US Dollar, the Company's net profit before taxes for 2018 would decreased/increased by NT\$ 86,895,000.
5. Inflation: No significant impact on the Company.

5.1 The inflation of some countries (including Taiwan) has not

experienced significant inflation and inflation is moderate.

5.2 The prime cost of the Company is the cost of raw materials; the price of the product fluctuates in the same direction as the cost of raw materials.

(II) Policies to engage in high-risk and high-leverage investments, provision of loans to others, making guarantees and endorsements, as well as derivative trading, major reasons for profits and losses, as well as future response measures:

1. Executive and responsible unit: Finance Division
2. High-risk, highly leveraged investments and provision of loans to other parties:

The Company's "Procedures for Acquisition and Disposal of Assets" stipulate that it shall not engage in high-risk and highly leveraged investments. The Company has also established the "Procedures for Loaning of Funds to Others."

3. Endorsements/guarantees: Endorsements/guarantees are handled in accordance with the Company's "Procedures for Endorsements/Guarantees," and no loss has incurred since the implementation of the Procedures.
4. Derivatives trading: The Company engages in trading of derivative products, and is responsible for the purpose of hedging. Trading instruments are primarily selected with the aim of avoiding risks resulted from businesses managed by the Company. For counterparties, the Company selects financial institutions with better conditions to engage in hedging transactions based on business needs, so as to avoid credit risks.
 - 4.1 Hedging transactions: Forward exchange contracts are used for avoiding changes in exchange rates that have not occurred or are yet to occur. The Company will not intervene in speculative operations whatsoever.

(III) Future R&D projects and estimated R&D expenditure:

1. Executive and responsible unit: Research and Development Division
2. The plans are as follows:

Unit: NT\$ thousands

| Research and development project | Current progress | R&D expenditure that requires investment | Estimated time for the completion of mass production | Major factors that influence the success of R&D in the future |
|---|------------------|--|--|---|
| Development of new optical-grade applied materials | 90% | 50,000 | 2019 | High barrier for the development of formulas and mass production technology for different application needs |
| Development of production technology for coating-grade EVA with low crystallization point/ High speed coating | — | 22,020 | 2019 Quarter 4 | Cultivation of R&D talents, inheritance of technology, sufficient market intelligence and addition of necessary equipment |
| 30L PVC synthesis test | 5% | 6,500 | Before the end of 2019 | Equipment, formulas and process conditions |
| Low-membrane rapidly gelatinized PVC powder | 10% | 1,000 | Before the end of 2019 | Equipment, formulas and process conditions |
| Development of medical grade TPE leather | 10% | 700 | Before the end of 2019 | Equipment, formulas and process conditions |
| TPE leather series for automotive upholstery | 50% | 600 | Before the end of 2019 | Equipment, formulas and process conditions |
| TPE leather series for American furniture | 40% | 600 | Before the end of 2019 | Raw material formulas and process conditions |
| PVC water-based scratch resistant soft leather development for vehicle | 60% | 500 | Before the end of 2019 | Raw material formulas and process conditions |
| TPE foam rubber series for sporting appliance | 30% | 500 | Before the end of 2019 | Equipment, formulas and process conditions |
| Soft rubber multi-printing transferring film | 50% | 500 | Before the end of 2019 | Equipment, formulas and process conditions |
| PVC soft rubber for imitation cloth furniture | 50% | 300 | Before the end of 2019 | Raw material formulas and process conditions |
| Medical grade plastic pellet | 50% | 250 | Before the end of 2019 | Equipment, formulas and process conditions |
| Development of TPE leather for baby stroller supplies | 70% | 200 | Before the middle of 2019 | Raw material formulas and process conditions |
| Development of the third-generation stain-resistant PVC rubber | 90% | 200 | Before the end of 2019 | Raw material formulas and process conditions |
| Development of PU casting | 90% | 200 | Before the | Raw material formulas |

| Research and development project | Current progress | R&D expenditure that requires investment | Estimated time for the completion of mass production | Major factors that influence the success of R&D in the future |
|--|------------------|--|--|--|
| stain-resistant PVC leather | | | end of 2019 | and process conditions |
| Vacuum embossed stain-proof soft rubber | 70% | 200 | Before the end of 2019 | Raw material formulas and process conditions |
| Development of TPE leather for high pressure exhaust pipe | 70% | 150 | Before the end of 2019 | Raw material formulas and process conditions |
| Fire-retardant plastic pellets for Grade 2 building materials | 70% | 80 | Before the end of 2019 | Raw material formulas and process conditions |
| Development of high-strength heat-resistant deformation material acrylonitrile-butadiene-styrene (ABS) copolymer | 70% | 309 | 2019 | Processing hardware equipment, raw material procurement costs and market demand overall arrangement |
| High flow and low cost development of acrylonitrile-butadiene-styrene (ABS) copolymer | 90% | 309 | 2019 | ABS processing hardware equipment investment and equipment production line scheduling |
| Development of the heat aging stability acrylonitrile-butadiene-styrene (ABS) copolymer | 75% | 369 | 2019 | Formula design and raw material costs |
| Development of non-absorbent antistatic polystyrene (EPS) | 70% | 420 | 2019 | Integration between formula design and formulas based on customer needs, process stability and cost of raw materials |
| Development of low molding cycle expanded polystyrene (EPS) | 90% | 200 | 2019 | Integration between formula design and formulas based on customer needs, process stability, as well as methods for customizing specifications and eliminating different grades |
| The concentration improvement for EPS polymerization reaction particle diameter | 70% | 500 | 2019 | Integration between formula design and formulas based on customer needs, process stability |
| EPS preservability improvement | 80% | 500 | 2019 | Formula design and raw material costs |
| Development of high-strength expanded polystyrene (EPS) products | 50% | 500 | 2020 | Integration between formula design and formulas based on |

| Research and development project | Current progress | R&D expenditure that requires investment | Estimated time for the completion of mass production | Major factors that influence the success of R&D in the future |
|--|---------------------------------------|--|--|--|
| | | | | customer needs, process stability and cost of raw materials |
| Development of materials for light guide plate polystyrene (GPPS) | 60% | 400 | 2019 | Collaborative partner, formula development and process compatibility |
| Equipment rectification project for enhancing NOVA GPPS production capacity | 50% | 1,000 | 2021 | Process change design, formula design, quality yield, investment cost |
| Development of covered glass wool | 20% | 20 | 2020 | Sales and marketing |
| Patent application and development for porter board | 20% | 20 | 2020 | Sales and marketing |
| RTI-certified acrylonitrile-butadiene-styrene (ABS) polymer materials | 70% | 2,000 | 2019 | The obtainment of reference sample and comparative analysis target, RTI > 80°C aim at demand for high-end home electrical appliances |
| Water material application-certified acrylonitrile-butadiene-styrene (ABS) polymer materials | 50% | 500 | 2019 | Compliance with the water material NSF specifications in the US within the limits of production process optimization |
| Development of new molding technology | Product testing and validation stages | 5,000 | December, 2019 | Growth in sales of motor vehicles |
| SiC Powder | Pilot validation | 20,000 | December, 2019 | Demand for power semiconductor devices |
| SiC Ceramic Powder | Sample delivery and testing | 90,000 | December, 2021 | Semiconductor equipment requirements |

(IV) Impacts of changes in local and overseas policies and laws on the Company's financial operations, and related response measures:

1. Executive and responsible unit: All relevant units
2. Impact on financial operations:
 - (1) Please refer to Chapter 5 of this Annual Report: "Information Regarding Environmental Protection Expenditure" under

Operations Overview. In response to the European Union's Restriction of Hazardous Substances Directive (RoHS).

- (2) Continuous evaluation on the impacts of adoption of the approval system on the basis of bulletin since 2017 (There is no restriction on which version to be adopted, it can be adopted as long as it is recognized after being evaluated according to the sequence of the published bulletin regarding updates). If IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement," and complements other criteria such as IFRS 7 "Financial Instruments: Disclosures." IFRS 16 "Leases" will replace the current applicable IAS 17 "Leases" and the related interpretations guidelines.
 - (3) The impact of the continuous evaluation of the "Procedures for the Use of Uniform Invoices," the "Bill of Tax Haven Economy" and the "Levy Regulations of the Use and Taxation on the Inward Remittance of Overseas Funds."
 - (4) Continue to assess the impact of changes in electricity prices on the Company.
3. Response measures: The Company has established the Legal Division to assess legal risks and formulate countermeasures, review important contracts in advance and provide legal advance to handle legal affairs where necessary. In addition, the Accounting Division assesses the changes in accounting and tax-related laws and regulations, and evaluates such the effects of such changes on the Company's financial operations and formulates related response measures. Besides, discussions are held with CPAs to make prior planning for related changes.
- (V) Impacts of changes in technology and industry on the Company's financial operations, and related response measures:
1. Executive and responsible unit: Sales and Marketing Division and Information System Division
 2. Introduce BI systems to provide the entire Company with key metrics and management report definitions, integrate the Company's operations and target management reports, so as to enable top management to obtain relevant information at any time to improve the overall management efficiency of the Company.
 3. Introduce action signing, optimize UI interface, become compatible with various mobile devices, automatically adjust page rendering for smoother instant operation, improve audit efficiency, make processing faster.
 4. Introduce secure trading platform, allowing customers and suppliers to log in to this platform to query and download relevant transaction

documents, to avoid face-changing fraud where the message was intercepted and the transaction file was tampered with; improve the safety of the Company's external transactions and reduce the possibility of fraudulent customers and suppliers with low-security protection.

5. In addition to the introduction of the aforementioned systems, the Company will dedicate to AI mass data analysis and industrialization 4.0, so as to provide the Company with decision reference for production, quality control, sales, and strengthen competitiveness.
 6. Promote social engineering exercises to enhance employees' awareness of information security, with the purpose of maintaining information security and protecting information from external intrusion.
 7. Cooperate with the Ministry of Finance to promote the uniform invoice electronic policy; among them, the current electronic computer invoice for the food industry is dated December 31, 2018. The subsidiary of the Company, CGPC applied to the Ministry of Finance in March 2018 with the assistance of the information unit. In August 2018, the introduction of the ERP new e-invoice system began, and it was launched online on January 1, 2019.
 8. Please refer to "(II) Industry Overview," under "I. Business Content" of "Chapter 5 Operations Overview."
- (VI) Impacts of changes in corporate image on the Company's risk management, and related response measures
1. Executive and responsible unit: Human Resource Division
 2. The Company has always adhered to upright and down-to-earth management, sound financial operations and good product quality, and has garnered positive reviews from the industry. In the event of a crisis, the Company not only will submit report according to its organization system, but can also obtain help from external organizations to help overcome the crisis.
- (VII) Expected benefits and possible risks of mergers and acquisitions, and related response measures
1. Executive and responsible unit: Finance Division
 2. There was no merger and acquisition implemented by the Company in the most recent fiscal year up to the publication date of this annual report.
- (VIII) Expected benefits and possible risks to expand the plants and the countermeasures:

In order to ensure the stable supply of ethylene and dichloroethane which are the main raw materials of the Company, and the production and sales

scheduling of vinyl chloride, we will maintain stable production and deepen relationships with existing customers. The Company planned to invest in the construction of storage tanks for ethylene, vinyl chloride, dichloroethane and underground pipelines for ethylene.

- (IX) Risks caused by concentration of purchases and sales, and related response measures
1. Executive and responsible units: Procurement and Logistics Division, Sales and Marketing Division
 2. The Company has always paid attention to the judgment of market information on petrochemical plastics and the enhancement of operational and strategic planning for sales and procurement so as to achieve profit maximization, so that it can reduce risks caused by concentration of purchases and sales to a minimum.
- (X) Impacts and risks resulted from major equity transfer or replacement of directors, supervisors, or shareholders holding more than ten (10) percent of the Company's shares, and related response measures
1. Executive and responsible unit: Finance Division
 2. After the equity transfer of Shing Lee Enterprise (Hong Kong) Limited) and Wholegainer Company Limited (a Hong Kong company) was approved according to law, Wholegainer Company Limited became the second largest shareholder of the Company. Wholegainer Company Limited continues to perform its corporate social responsibility, promote its core values, and has no impact on the Company's operations.
- (XI) Effects and risks related to any changes in management control in the Company, and related response measures:
1. Executive and responsible unit: Board of Directors
 2. There have been no changes in management control at the Company in the most recent fiscal year up to the publication date of this annual report.
- (XII) For any litigious or non-litigious matters, the Company and its directors, supervisors, general managers, person with actual responsibility in the Company, and major shareholders holding more than 10 percent of the company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that has been finalized or has remained pending, the report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as of the publication date of this annual report:
1. Executive and responsible unit: Legal division
 2. Significant litigious, non-litigious or administrative disputes that

have been decided or are still pending in the most recent fiscal year up to the publication date of this annual report:

- (1) The Company: None.
- (2) Directors, supervisors, general managers, person with actual responsibility in the Company, and major shareholders holding more than 10 percent of the Company's shares: None.
- (3) Subsidiaries:

With regard to the gas explosions on July 31, 2014, where the Company's subsidiary, China General Terminal & Distribution Corporation (CGTD), was contracted by LCY Chemical Corp. (LCY) to transport petrochemical through the propene pipelines, the first-instance judgment of the criminal part of the gas explosion case was pronounced on May 11, 2018. The three employees of CGTD were each sentenced to 4 years and 6 months in prison. CGTD has assisted the employees to appeal.

CGTD reached an agreement with Kaohsiung City Government on February 12, 2015 and pledged a term deposit NT\$226,983 thousand (including interests) to the Government as a guarantee for losses caused by the gas explosions. The Kaohsiung City Government has also filed civil litigation against LCY Chemical Company, CGTD, and CPC Corporation, Taiwan. In addition, Taiwan Power Company applied to the court to execute provisional attachments on the properties of CGTD on August 27 and November 26, 2015, respectively. Taiwan Water Corporation applied to the court to execute provisional attachments on the properties of CGTD on February 3 and March 2, 2017, respectively. As of April 30, 2018, the property value impounded against China Shipping Corporation amounted to NT\$ 139,997,000.

For the deceased, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement on July 17, 2015 agreeing to negotiate the compensation first with the 32 deceased's successors and persons entitled to the claims (hereinafter, "family of the deceased"). Each family was entitled to NT\$12 million and the total compensation was NT\$384 million. The settlement fund was first paid by LCY Chemical Company, on the other hand, LCY Chemical Company negotiated and signed a contract with the family members of the three parties and the victims of the gas explosion incident.

For victims suffering from serious injuries, CGTD, LCY Chemical Company and Kaohsiung City Government signed a tripartite agreement on October 25, 2017, agreeing to negotiate

compensation for 65 seriously injured victims. The settlement fund will be paid by CGTD and Kaohsiung City Government first; on the other hand, CGTD and the three parties and the serious victims of the gas explosion incident negotiated and settled matters, and signed a settlement agreement with 64 of them.

As of the end of the annual report, the injured, the victim or their family members of the Kaohsiung gas explosion incident filed a civil (including a criminal incidental civil litigation) to LCY Chemical Company, CGTD and CPC Corporation, Taiwan for compensation; CGTD has settled the claim for the original claim amount of NT\$23,919,000 based on considerations such as reducing litigation costs, the settlement compensation amount is NT\$3,899,000. The balance that is still in the process of litigation and the claim amounts of the deceased and seriously injured victims under the preceding paragraph were approximately NT\$3,879,657,000. Some of the above civil cases (request for the compensation indemnity of the above of NT\$1,177,192,000) was proposed for the first instance. The first trial decision was proposed since June 22, 2018. In most cases, the ratio of fault liability of Kaohsiung City Government, LCY Chemical Company and CGTD were 4:3:3, CGTD and LCY Chemical Company and other defendants should compensate approximately NT\$383,831,000 (of which NT\$6,194,000 was judged by the court that should be responsible by CGTD), According to the proportion of negligence liability determined in the judgment of the first instance, the obligation amount of the burden of CGTD is estimated to be NT\$188,818,000; in civil cases that have been pronounced but not settled, CGTD has filed an appeal and has successively conducted the second-instance procedure. In addition to the settlement of the above-mentioned victims and seriously injured people, CGTD estimated that the amount of its own liability for the first-instance judgment should be NT\$136,375,000, and it has been estimated to be accounted for. For the remaining civil cases that have yet been pronounced, the actual amount of indemnity required by CGTD will not be confirmed until undertaking the responsibility for the judgment in the civil litigation is determined in the future.

(XIII) Other significant risks and response measures:

1. Recovery risk of accounts receivable
 - (1) Executive and responsible unit: Trust Department
 - (2) Conduct usual transactions through advance receipts or letter of credit (L/C), provide credit to customers based on their credit limits and risks after performing credit assessment, and purchase accounts receivable insurances involving mainland customers whose risks are beyond its control to reduce risks to a manageable level.
2. Continue to pay attention to the impact of issues related to global climate change, the enactment of regulations associated with greenhouse gas reduction methods and future carbon emissions or carbon rights on the operations of the Company. In addition to continue to promote efforts related to energy conservation and carbon reduction, the Company also participates in the promotion of voluntary reduction of industrial greenhouse gases as initiated by the Industrial Development Bureau. The identification of climate change risks, the corresponding measures and relevant issues for the current year are as follows:

| Identification of climate change risks | Corresponding measures | Relevant achievements |
|--|---|--|
| <p>The impacts of climate change are mostly large and complex, which impact the finance, supply chain and policy. In addition to the stay in line with the national policies to reduce and mitigate climate change, the Company has taken proactive actions to respond to various facets of the risk management.</p> | <p>The Company's affiliated companies have established energy-saving and carbon reduction team to achieve consistency through resource integration, exchange of experiences, and work together to promote practical and effective carbon reduction plans. The results of implementation are reviewed by quarterly reviews. The Company prepares a budget every year to carry out various improvement plans in response to the impact of climate change, such as various rainwater recovery projects, insulation paint construction, continuous wastewater monitoring and recovery system engineering, boiler fuel replacement for natural gas projects.</p> | <p>The Company established the rainstorm interception system in 2011 at Kaohsiung Factory, and set up flood detention ponds in 2014 to reduce the risk of flooding of products or equipment and the risk of production line downtime. The rainwater is filtered and used to provide a cooling tower. The amount of water recovered in 2018 is about 18,776 metric tons. The air-cooled condenser is recovered and directed to the boiler for reuse. The amount of water recovered in 2018 is approximately 47,520 metric tons. The water-saving plant is located in the water recycling device and is used for the treatment of water storage equipment. The water recycling is about 27,720 metric tons in 2018. The water recycling system was processed for water recycling system processing to reduce</p> |

| Identification of climate change risks | Corresponding measures | Relevant achievements |
|--|------------------------|--|
| | | water consumption. The water consumption of the water recycling plant in 2018 was approximately 52,800 tons. |

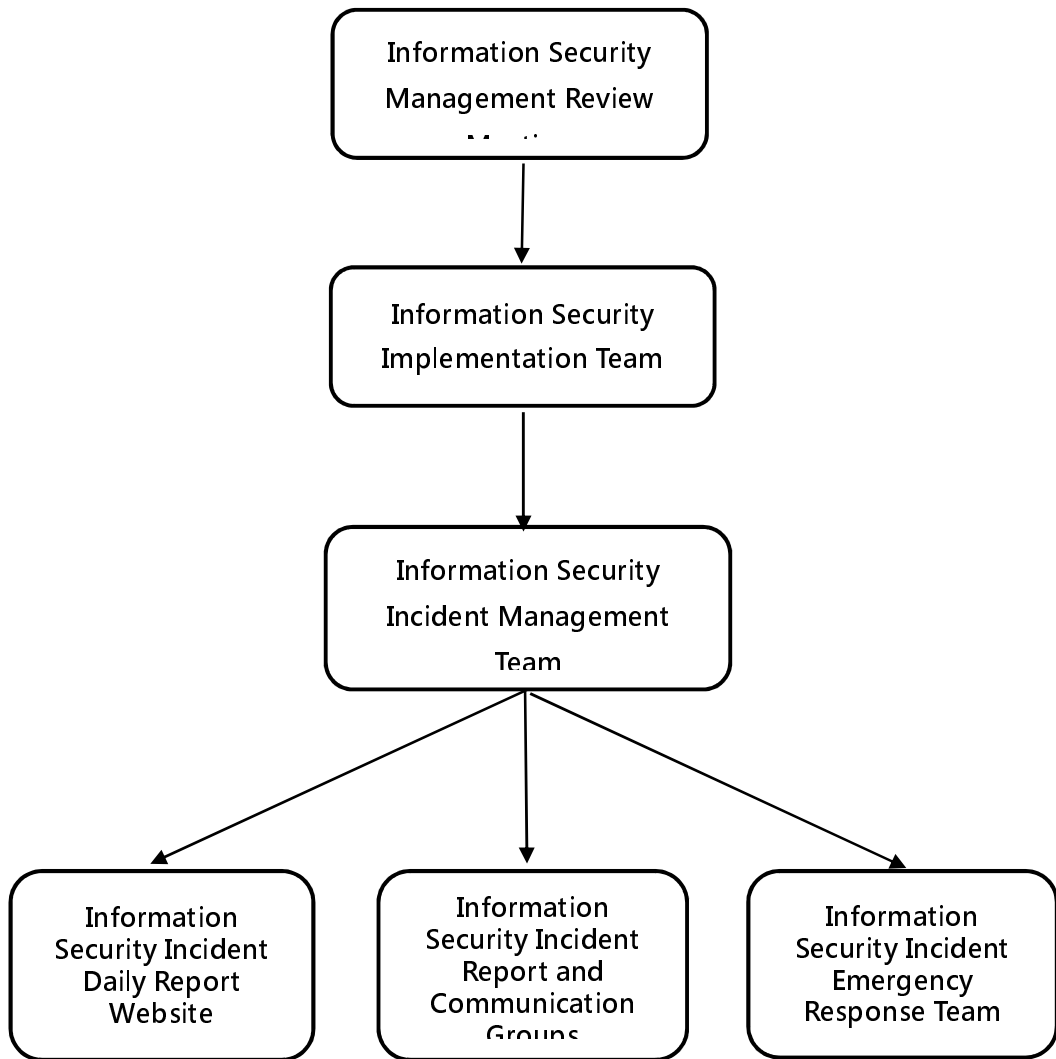
3. The Company has established an information security risk management framework and established information security policies and specific management methods as described below:

(1) Information security risk management framework

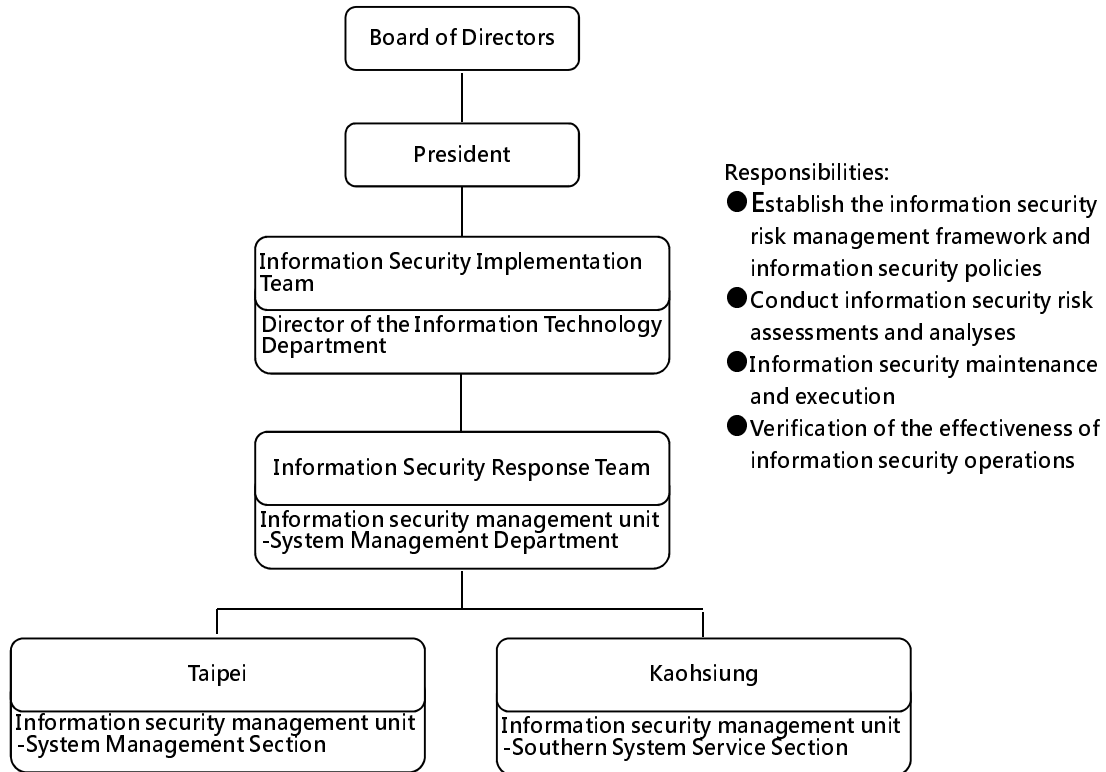
Information security management system:

To enhance information security management, the Company introduced ISO 27001 in 2014 and adopted related regulations based on ISO 27001 to improve the overall information security of the entire Group. We convene the "Information Security Management Review Meeting" each year to determine the six major input items for the management of the information security system (review of the implementation status of proposals in previous management reviews, changes in related internal and external topics regarding the information security management system, feedback on the performance of information security measures, feedback from parties of concern, risk assessment results and the status of risk mitigation plans, and opportunities for continuous improvement) and discuss and determine the two major output items for the management review of the information security management system (including related decisions on opportunities for continuous improvement and the necessity of any changes to the information security management system) to determine whether the objectives of the information security management system have been achieved. We established the "Information Security Implementation Team" in accordance with the regulations defined in the "Information Security Implementation Organization Regulations" in the Company's internal standard operating procedures to supervise the implementation status of information security management of the Group and clarify the roles and duties of various organizations. The Team convenes one regular meeting each year and meetings can be organized immediately in the event of material information security incidents of the Group. The Director of the Information Technology Department serves as the convener of the Team and takes charge of the meetings of the Information Security Implementation Team as well as

decisions and arbitration of opinions in the meetings. The supervisors of units under the jurisdiction of the Information Technology Department are members of the Team. In the event of a material information security incident, the Director of the Information Technology Department shall report to the General Manager or heads of related departments.



Operations of the Information Security Implementation Team:



The Information Technology Department established related policies, plans, governance, supervision, and execution methods in accordance with ISO 27001 regulations to ensure the Group's information security protection capabilities and strengthen employees' information security awareness.

(2) Specific management measures for information security management:

- The Company's audit units perform regular internal audits and we appointed British Standards Institution (BSI), a renowned international certification company, for the ISO 27001 certification each year. After obtaining the ISO 27001 certificate from BSI in July 2014, we have passed BSI information security system reviews for four consecutive years. In addition to reviewing the information security risk assessment management framework, we also provide assistance and prevention measures for internal and external issues and conduct information security risk assessments and analyses.

- To enhance information security management and prevent hacking or information leaks, IT personnel attend four hours of information security training each year. We also appointed professional external information security consulting companies to conduct information security audits and provide suitable protection of information in accordance with related regulations for information protection.
- We appoint professional external information security consulting companies to conduct social engineering drills at least twice each year to effectively raise employees' information security awareness, ensure data security, and prevent intrusions and unauthorized alteration.
- We appoint professional external information security consulting companies to conduct vulnerability assessments each year to identify potential risks for system corrections or propose remedial measures.
- To implement the protection of personal information, we began redacting personal information in various information application systems and imposing access restrictions since 2017 to provide appropriate protection. We have also applied related measures in response to requirements in the General Data Protection Regulation (GDPR) of the European Union.
- We established secure transaction platforms and introduced Secure Sockets Layer (SSL) to allow customers and suppliers to log into the platform to query and download related transaction documents to prevent mail interception and business email compromise frauds derived from altered transaction documents. We improved the companies' security in external transactions and reduced the possibility of frauds against customers and suppliers who have low information security protection. We converted the connection method of the Company's official website from http to https to improve the security of the general public's access to our official website.

(3) Establishment of the information security policy

The establishment of the information security policy takes into account three major factors including information security governance, compliance of related regulations, and applications of technologies and tools:

| Information Security Policy | | |
|-----------------------------|--------------------------|------------------------|
| Information | 1. Ensure the continuous | 1. Organize management |

| Information Security Policy | | |
|--|---|---|
| security governance | <p>and robust operations of the information security management system.</p> <ol style="list-style-type: none"> 2. Ensure the confidentiality, integrity, and availability of information and operations. 3. Risk management and prevention. 4. Optimize the management system. 5. Establish a network framework the meets the highest information security standards and verify the reliability of network transmissions. | <p>review meetings for the information security management system (ISMS) to verify whether the objectives of the information security management system have been achieved.</p> <ol style="list-style-type: none"> 2. Improve employees information security awareness and strengthen information security training to ensure that data is sufficiently protected from external intrusion, alteration, and leaks. 3. Conduct information security risk assessments and analyses on internal and external topics. 4. Review the design of the basic information security framework. |
| Compliance of related regulations | <ol style="list-style-type: none"> 1. Regularly review the updates and amendments of regulations. 2. Establish information operation mechanisms that are appropriate for the location, timing, and operations. | <p>Regularly review and establish internal operation procedures and regulations to meet related domestic and foreign information security regulations.</p> |
| Applications of technologies and tools | <ol style="list-style-type: none"> 1. Collection of internal Group data and external data. 2. Make full use of data analyses. 3. Predict potential | <p>The Company establishes internal firewalls and network traffic monitoring; screen packages with information security concerns; analyze potential threats; prevent</p> |

| Information Security Policy | |
|-------------------------------|--|
| information security threats. | illegal intrusions, and prevent the direct exposure of internal network information. |

The Company evaluates the amount of insurance policies and the selection of insurance companies (.e.g. quotations, insurance underwriting conditions, and status of insurance approval and providing compensation for claims) for the information security insurance based on analyses of crisis management, loss of business revenue, additional fees, third-party liabilities, and fines and penalties. The Company is currently carefully assessing suitable information security insurance policies

4. As of the publication date of this annual report, there has been no other risk issue in the Company.

VII. Other Important Matters:

(I) Key performance indicators of USI

1. Disaster-free working hours: The production environment at Renwu plant, with a strong emphasis on occupational safety, health and environmental protection, won the Excellence Award in the “Selection of Excellent Units and Employees Promoting Occupational Safety and Health” conducted by the Ministry of Labor. As of December 31, 2018, the production environment of Renwu Plant, with a strong emphasis on occupational safety, health and environmental protection, has accumulated 1,338,718 hours in terms of injury-free working hours in total.
2. Equipment operating rate: The equipment operating rate in 2018 was 83.48%.

(II) Key performance indicators of Asia Polymer Corporation (APC)

1. Injury-free working hours: As of December 31, 2018, the high-temperature and high-pressure production environment at Linyuan plant, with a strong emphasis on occupational safety, health and environmental protection, has accumulated 3,478,590 hours in terms of injury-free working hours in total.
2. Equipment operating rate: Apart from production shutdown due to equipment maintenance and power outage in coordination with Tai Power Company, production at the plant remains normal for the rest of the time. The equipment operating rate in 2018 was 96.80%.

(III) Key performance indicators of CGPC

1. Production rate: Compared to the annual target, the production rate for raw materials was 103%, while the production rate for processed products was 94.4%.
2. Yield rate: Compared to the annual target, the yield rate for raw materials was 100.5%, while the yield rate for processed products was 99.8%.
3. Customer objections: The percentage of losses due to customer objections (excluding quantity discount) was 0.46% (which is the proportion of loss due to customer objections to revenue), which was within a manageable range for the Company.
4. Employee proposal: 461 proposals were submitted, where these proposals were estimated to bring in a total savings of NT\$ 9.77 million.
5. Workplace accidents: Frequency of injury (number of persons injured per million hours): 2.65
Injury severity rate (total number of days of losses due to disability and injury per million hours): 60
Workplace accident incidence rate is still within a manageable range for the Company.

(IV) Key performance indicators for TTC

1. Disaster-free working hours: As of December 31, 2018, the cumulative number of injury-free working hours at Cianjhen Plant was 1,586,058 hours; Linyuan Plant 39,150 hours; Toufen Plant 250,720 hours; Zhongshan Plant 761,000 hours; and Tianjin Plant 159,578 hours.
2. Equipment operating rate: In 2018, the equipment operating rate for ABS was 83%; SAN 89%; GPS 94.9%; EPS 79.2%; Glasswool 94.8%; Cubic 19%; Zhongshan Plant 84.8%; and Tianjin Plant 24.6%.

(V) Key performance indicators of ACME Electronics Corporation

1. Inventory turnover rate (times): 2.21 in 2018.
2. Property, plant and equipment turnover rate (times): 1.63 in 2018.

(VI) Pollution prevention:

1. The Company's subsidiary, Taiwan VCM Corporation rented part of the land occupied by the China Petrochemical Development Corporation's Cianjhen Plant from January 1, 1970 to December 31, 1989 to set up its plant and manufacture VCM. In October 2006, the area was deemed a groundwater pollution control site. After remediating the area using the "Physics+Chemistry+Biology" engineering method developed by INOMA Corporation, the groundwater pollution concentration level of the site decreased to

less than the groundwater pollution control standard. Based on the findings of re-inspections by the Environmental Protection Bureau of the Kaohsiung City Government on January 11, 2016, it was announced on April 11, 2016 that the area had its status as a groundwater pollution control site terminated and was removed from the delineation of the groundwater pollution control region.

2. In 2010, part of the land occupied by the Company's Toufen Plant was listed as a groundwater pollution control site and included in the groundwater pollution control region by environment unit. Therefore, the Company introduced and implemented the "Physics+Chemistry+Biology" engineering method developed by Taiwan VCM Corporation to carry out remediation and improvement of the area. After the field samples collected were verified by environmental protection agencies, it was found that various data have complied with the government's control standards. The site was removed as a groundwater pollution control site by the Environmental Protection Administration on February 24, 2017 and the Environmental Protection Bureau of the Miaoli County Government on March 21, 2017.

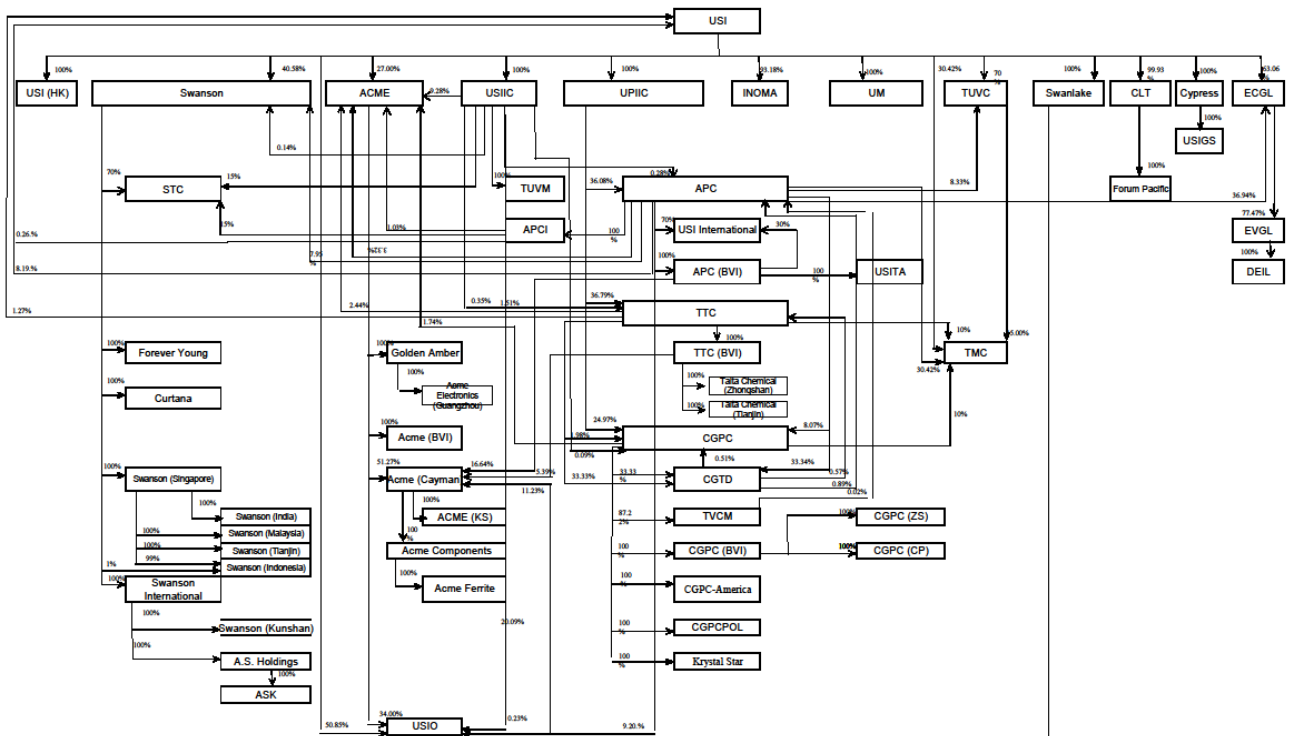
Chapter 8 Special Notes

I. Information Regarding Affiliated Companies

(I) Consolidated Business Report of Affiliated Companies

- The organizational chart for affiliated companies (as of December 31, 2018) is shown in the following. In addition, the shareholding structures of affiliated companies are also detailed in the following section, whereas the financial statements, including both the consolidated financial statements and related notes, in the most recent four fiscal years, are also included in the consolidated financial statements of its subsidiaries.

USI Corporation
Related Business Organization Chart (2018.12.31)



2. Basic Information of Various Affiliated Companies

As of December 31, 2018

Unit: Amount in NT\$ thousands, unless otherwise stated

| Company Name | Date of Incorporation | Address | Paid-in Capital | Main Business or Production Items |
|--|-----------------------|---|------------------------------|---|
| Swanson Plastics Corp. | July 3, 1986 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 1,543,119 | Production and sales of embossed films, stretch films, heavy bags, and industrial multi-layer packaging films |
| Forever Young Company Limited | March 3, 1993 | Skelton Building, Main Street, P.O. Box 3136, Road Town, Tortola, British Virgin Islands | 1,536 (USD50,000) | Trading and agency businesses |
| Curtana Company Limited | October 19, 1979 | Flatb 6/F Caltex House 258 Hennessy Road Wanchai, Hong Kong | 6,274 (HKD1,599,999) | Investments |
| Swanson Plastics (Singapore) Pte. Ltd. | July 23, 1997 | 16 Pandan Road Singapore 60926 | 808,067 (USD 26,308,543) | Production and sales of plastic products |
| Acme Electronics Corporation | September 5, 1991 | 8th Floor, No. 39, Jihu Road, Neihu District, Taipei City | 1,824,307 | 1. Manufacture and sales of soft ferrite powder, cores, and other related electromagnetic components and raw materials 2. Design, manufacture, processing, and sales of production equipment for the products mentioned above 3. Import and export of the products mentioned above, and other businesses excluding those subject to individual approval |
| Acme Electronics Corporation - Guanyin Plant | October 7, 1993 | No. 2, Guojian 2nd Rd., Guanyin Dist., Taoyuan City 328 | | |
| Golden Amber Enterprises Ltd. | March 26, 1998 | Citco Building, Wickhams Cay, PO Box 662, Road Town, Tortola, BVI | 638,676 (USD19,800,000) | Corporate investments |
| USIFE Investment Co., Ltd. | May 22, 1989 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 872,508 | Investments in production, transportation, warehousing, construction, banking, securities companies, and trading companies |
| Taiwan United Venture Management Corporation | January 7, 1998 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 8,000 | Corporate management consulting |
| Union Polymer Int'l Investment Corp. | October 9, 1996 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 5,214,405 | Investments in various production and service businesses |
| Swanlake Traders Ltd. | September 21, 1995 | Citco Building Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | 744,844 (USD24,250,184.6) | Engage in various trading and investment businesses |
| Acme Components (Malaysia) Sdn. Bhd. | September 6, 1990 | Plot 15, Jalan Industri 6 Kawasan Perindustrian Jelapang II (ZPB) Jelapang 30020 Ipoh, Perak, Malaysia. | 302,971 (RM42,600,000) | Corporate investments |
| Acme Ferrite Products Sdn. Bhd. | September 21, 1990 | Plot 15, Jalan Industri 6 Kawasan Perindustrian Jelapang II (ZPB) Jelapang 30020 Ipoh, Perak, Malaysia. | 270,001 (RM37,964,129.2) | Manufacture and sales of soft ferrite powder |

| Company Name | Date of Incorporation | Address | Paid-in Capital | Main Business or Production Items |
|---|-----------------------|--|-------------------------------|---|
| Chong Loong Trading Co., Ltd. | June 22, 1960 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 37,608 | Import and export business (excluding those subject to individual approval), sales agent, and distribution of products from domestic and overseas manufacturers, (excluding derivatives), commodity wholesaling and retail sales, management, and investments related to the businesses mentioned above |
| Forum Pacific Trading Ltd. | February 28, 1995 | Citco Building., Wickhamos Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | 6,757 (USD220,000) | Import and export business, sales agent and distribution of products from domestic and overseas manufacturers, commodity wholesaling and retail sales |
| Taiwan United Venture Capital Corp. | April 10, 1995 | 10th Floor, No. 39, Jihu Road, Neihu District, Taipei City | 470,000 | Engage in venture capital investments in invested businesses Planning, consulting, engagement and management services to invested businesses Corporate business, management and consulting services to other venture capital businesses Other related businesses approved by the government |
| USI Far East (HK) Co., Ltd. | December 8, 1999 | Flatb 6/F Caltex House 258 Hennessy Road Wanchai, Hong Kong | 62,736 (HKD16,000,000) | Engage in various trading businesses |
| Taita Chemical Company, Ltd. | April 6, 1960 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 3,276,518 | Production and sales of ABS, PS, glass wool insulation products and Cubic printing |
| Taita Chemical Company, Ltd. - Linyuan Plant | August, 1979 | No.5, Gongye 1st Road, Linyuan Industrial Park, Kaohsiung City | | Production and sales of ABS |
| Taita Chemical Company, Ltd. - Cianjhen Plant | April 6, 1960 | No. 3, Jianji Road, Cianjhen Plant, Kaohsiung City | | Production and sales of PS |
| Taita Chemical Company, Ltd. - Toufen Plant | March, 1992 | No. 571, Minzu Road, Toufen Township, Miaoli County | | Production and sales of glass wool products |
| Taita (BVI) Holding Co., Ltd. | April 10, 1997 | Citco Building Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | 1,896,283 (USD61,738,000) | Investment holding company |
| Taita Chemical (Zhongshan) Co., Ltd. | March 24, 1999 | YenJiang East 2nd Road, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan City, Guangdong Province, China | 1,420,569 (US\$46,250,000) | Production and sales of expanded polystyrene (EPS) derivatives |
| Asia Polymer Corporation | January 25, 1977 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 5,543,827 | Manufacture and sales of medium- and low-density polyethylene and ethylene vinyl acetate copolymer resins |
| Asia Polymer Corporation - Linyuan Plant | March, 1979 | No. 3, Gongye 1st Road, Linyuan Industrial Park, Kaohsiung City | | |
| APC (BVI) Holding | April 10, 1997 | Citco Building, Wickham Cay, P.O. | 348,388 | Reinvestment business |

| Company Name | Date of Incorporation | Address | Paid-in Capital | Main Business or Production Items |
|--|-----------------------|--|-------------------------|--|
| Co., Ltd. | | Box 662, Road Town, Tortola, British Virgin Islands | (USD11,342,594) | |
| China General Plastics Corporation | April 29, 1964 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 5,067,596 | Production and sales of PVC raw materials and processed products |
| China General Plastics Corporation - Toufen Plant | February, 1964 | No. 571, Minzu Road, Toufen Township, Miaoli County | | |
| Taiwan VCM Corporation | January 21, 1970 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 2,362,005 | Production and sales of vinyl chloride monomer |
| Taiwan VCM Corporation - Linyuan Plant | November 30, 1992 | No. 1, Gongye 1st Road, Linyuan Industrial Park, Kaohsiung City | | |
| China General Terminal & Distribution Co., Ltd. | February 25, 1989 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 560,024 | Petrochemical materials storage and transportation operations |
| Swanson Plastics (Malaysia) Sdn. Bhd. | April 10, 1989 | Plot 505, Tingkat Perusahaan 4A, Kawasan Perusahaan, Zon Perdagangan Bebas, 13600 Prai, Penang Malaysia | 142,240 (RM20,000,000) | Manufacture and sales of plastic products |
| CGPC America Corporation | June 21, 1988 | 11310 Harrel Street Mira Loma CA 91752 | 615,836 (USD20,050,000) | Production and sales of secondary and tertiary processed products |
| CGPC (BVI) Holding Co., Ltd. | April 10, 1987 | Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | 500,908 (USD16,308,258) | Investment holding company |
| Krystal Star International Corporation | March 23, 1998 | Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands | 177,533 (USD5,780,000) | Production and sales of secondary and tertiary processed products |
| Continental General Plastics (Zhongshan) Co., Ltd. | December 2, 1997 | YenJiang East 2nd Road, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan City, Guangdong Province, China | 614,300 (USD20,000,000) | Manufacture and sales of secondary and tertiary processed PVC products |
| Acme Electronics (Cayman) Corp. | June 28, 2000 | Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies | 153,484 (USD4,997,052) | Corporate investments |
| Acme Electronics (Kunshan) Co., Ltd. | July 27, 2000 | No. 533, Huangpujiang North Road, Kunshan City, Jiangsu Province, China | 943,718 (USD30,725,000) | Production and sales of soft ferrite cores |
| USI Management Consulting Corp. | March 16, 2001 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 6,714 | Corporate management consulting |
| Swanson International Limited | March 29, 2001 | Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, | 446,633 (USD14,541,205) | Trading and agency businesses |

| Company Name | Date of Incorporation | Address | Paid-in Capital | Main Business or Production Items |
|--|-----------------------|--|-----------------------------|---|
| | | British West Indies | | |
| Swanson Plastics (Kunshan) Co., Ltd. | October 8, 2001 | No. 289, Qingyang North Road, Kunshan City, Jiangsu Province, China | 408,202 (USD13,290,000) | Production, sale and development of multifunctional membranes and photolysis membranes |
| Acme Electronics (BVI) Corp. | March 18, 2003 | Citco Building, Wickhams Cay, PO Box 662, Road Town, Tortola, BVI | 22,422 (USD730,000) | Corporate investments |
| USI International Corporation | September 20, 2002 | TrustNet Chambers, P.O.Box3444, Road Town, Tortola, British Virgin Island. | 122,860 (USD4,000,000) | Investment business |
| Taita Chemical (Tianjin) Co., Ltd. | November 27, 2003 | No. 8, Hengshan Road, Chemical Industry Park, Development Zone, Tianjin City, China | 840,055 (USD27,350,000) | Production and sales of expanded polystyrene (EPS) derivatives |
| Acme Electronics (Guangzhou) Co., Ltd. | November 24, 2004 | No. 2, Fuqian East Road, East District Industrial Zone, Zengcheng City, Guangdong Province, China | 589,728 (USD19,200,000) | Manufacture and sales of soft ferrite cores |
| A.S. Holdings (UK) Limited | February 2, 2004 | 7/10 Chandos Street Cavendish Square London W1G 9DQ | 122,744 (UK3,156,993) | Investments |
| USI Trading (Shanghai) Co., Ltd. | March 13, 2006 | Room 6A, No. 1358, Yan'an West Road, Shanghai City | 76,788 (USD2,500,000) | Engage in wholesaling, commission agency, import and export and related supporting businesses for products including petrochemical products and related equipment, rubber products and electronic materials |
| Swanson (Kunshan) Co., Ltd. | February 17, 2004 | No. 289, Qingyang North Road, Kunshan City, Jiangsu Province, China | 279,507 (USD9,100,000) | Production and sales of PE release film and other release products |
| Thintec Materials Corporation | December 21, 2006 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 60,000 | Manufacture of reinforced plastic products |
| CGPC Consumer Products Corporation | February 13, 2007 | YenJiang East 2nd Road, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan City, Guangdong Province, China | 46,073 (USD1,500,000) | Engage in the manufacture and production of tertiary processed PVC products |
| APC Investment Corporation | December 20, 2007 | 10th Floor, No. 39, Jihu Road, Neihu District, Taipei City | 200,000 | Investment business |
| CGPC Polymer Corporation | May 19, 2009 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 788,593 | Manufacture and sales of PVC powder |
| Swanson Technologies Corporation | October 12, 2009 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 200,000 | Production, sale, and development of EVA packaging films and other high value-added plastic products |
| USI Optronics Corporation | October 7, 2010 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 649,017 | Manufacture and sales of sapphire ingots and other related crystals |
| Swanson Plastics (India) Private | March 8, 2011 | PLOT No.2, GDDIDC. Honda, Bhuipal Sattari-403 506, Goa-India | 188,765 (INR429,695,000) | Manufacture and sales of plastic products |

| Company Name | Date of Incorporation | Address | Paid-in Capital | Main Business or Production Items |
|--------------------------------------|-----------------------|--|--------------------------------|---|
| Limited | | | | |
| Swanson Plastics (Tianjin) Co., Ltd. | May 2, 2012 | Shuangtang High-grade Metal Product Industrial Park. Jinghai County, Tianjin City, China | 328,651 (USD10,700,000) | Manufacture and sales of plastic products |
| Cypress Epoch Limited | November 20, 2013 | P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | 153,575 (USD5,000,000) | Engage in the investment business |
| PT Swanson Plastics Indonesia | December 27, 2013 | Ngoro Industrial Park Blok D2-3 Ds. Lolawang Kec. Ngoro Kab. Mojokerto | 552,870 (USD18,000,000) | Manufacture and sales of plastic products |
| USIG (Shanghai) Co., Ltd. | March 13, 2014 | Block A, 6th Floor, Yinglong Building, No. 1358, Yan'an West Road, Shanghai, Postcode: | 153,575 (USD5,000,000) | Engage in import and distribution of various types of chemical raw materials and products |
| Ever Conquest Global Limited | May 21, 2014 | P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | 8,585,088 (USD279,508,000) | Engage in the investment business |
| INOMA Corporation | April 17, 2014 | 12th Floor, No. 37, Jihu Road, Neihu District, Taipei City | 97,950 | Engage in optical products and fire protection materials businesses |
| Ever Victory Global Limited | May 21, 2013 | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | 11,081,266 (USD360,777,000) | Engage in the investment business |
| Dynamic Ever Investments Limited | September 3, 2013 | Flat/Room 1902, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong | 11,075,123 (USD360,577,000) | Engage in the investment business |

3. Information of shareholders with corporate governance power while working in the Company: None.

4. Businesses engaged by affiliated companies and their relationships:

| Industry | Company name | Business relationship with other affiliated companies |
|---|------------------------------------|---|
| Petrochemical industry | Asia Polymer Corporation | Purchase of goods, ethylene transfer, and dispense |
| | Taiwan VCM Corporation | Ethylene transfer and dispense |
| | Taita Chemical Company, Ltd. | Purchase of goods |
| Manufacture and sales of plastic products | China General Plastics Corporation | Sales of goods |
| | Swanson Plastics Corp. | Purchase and sales of goods |
| | Swanson Technologies Corporation | Sales of goods |
| Trading | Forever Young Co., Ltd. | Sales of goods |
| | USI Far East (HK) Co., Ltd. | Sales of goods |
| | USI Trading (Shanghai) Co., Ltd. | Sales of goods |
| | Chong Loong Trading Co., Ltd. | Purchase of goods |

5. Information regarding the directors, supervisors and general managers of affiliated companies

December 31, 2018

Unit: Shares

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|----------------------|--|--|---|
| USI Corporation | Chairman | Quintin Wu (Representative of Shing Lee Enterprise (Hong Kong) Limited) | 113,122/0.01 | 173,776,546/14.62 |
| | Director | Yu Ching-Shou (Representative of Shing Lee Enterprise (Hong Kong) Limited) | 0/0 | |
| | Director | Wang Ke-Shun (Representative of Shing Lee Enterprise (Hong Kong) Limited) | 35,704/0 | |
| | Director | Kao Che-I (Representative of Shing Lee Enterprise (Hong Kong) Limited) | 0/0 | |
| | Director | Huang Kuang-Che (Representative of Shing Lee Enterprise (Hong Kong) Limited) | 157,185/0.01 | |
| | Director | Chang Chi-Chung (Representative of Shing Lee Enterprise (Hong Kong) Limited) | 0/0 | |
| | Independent Director | Chen Chung | 0/0 | |
| | Independent Director | Tsai Li-Hsing | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|--|------------------------------------|---|--|---|
| | Independent Director | Hai Ying-Chun | 0/0 | - |
| | General Manager | Wang Ke-Shun | 35,704/0 | - |
| Swanson Plastics Corp. | Chairman | Quintin Wu (Representative of USI Corporation) | 146,884/0.10 | 62,616,299/40.58 |
| | Vice Chairman | Wu Tung-Yang (Representative of USI Corporation) | 0/0 | |
| | Director | Li Kuo-Hung (Representative of USI Corporation) | 0/0 | |
| | Director | Liu Chen-Tu (Representative of USI Corporation) | 0/0 | |
| | Director | Liu Han-Tai (Representative of USI Corporation) | 0/0 | |
| | Director | Wu Pei-Chi (Representative of USI Corporation) | 0/0 | |
| | Director | Wang Chao-An (Representative of USI Corporation) | 276,265/0.18 | |
| | Supervisor | Chiang Hui-Chung | 0/0 | |
| | Supervisor | Huang Ya-I | 44,262/0.03 | |
| | General Manager | Wang Chao-An | 276,265/0.18 | |
| Forever Young Co., Ltd. | Director | Quintin Wu | 0/0 | - |
| | Director | Wu Tung-Yang | 0/0 | - |
| | Director | Wang Chao-An | 0/0 | - |
| | Director | Tang Hai-Hao | 0/0 | - |
| | Director | Liu Chen-Tu | 0/0 | - |
| Curtana Company Limited | Director | Quintin Wu | 0/0 | - |
| | Director | Wang Chao-An | 0/0 | - |
| | Director | Tang Hai-Hao | 0/0 | - |
| Swanson Plastics (Singapore) Pte. Ltd. | Director | Quintin Wu | 0/0 | - |
| | Director | Wu Tung-Yang | 0/0 | - |
| | Director and General Manager | Tang Hai-Hao | 0/0 | - |
| | Director | Lin Sai-Chin | 0/0 | - |
| | Director | Wang Chao-An | 0/0 | - |
| Acme Electronics Corporation | Chairman | Quintin Wu (Representative of USI Corporation) | 956,284/0.52 | 49,250,733/27.00 |
| | Director | Chuang Yu-Tsang (Representative of USI Corporation) | 366,513/0.20 | |
| | Director | Hsu Shan-Ko (Representative of USI Corporation) | 78,695/0.04 | |
| | Director | Cheng Hui-Ming (Representative of USI Corporation) | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|------------------------------------|---|--|---|
| | Director | Wu Hsien-Tsung (Representative of USI Corporation) | 83,462/0.05 | |
| | Director | Huang Chun-Hui (Representative of USI Corporation) | 0/0 | |
| | Independent Director | Chang Yen-Hui | 0/0 | |
| | Independent Director | Chen Piao-Chun | 0/0 | |
| | Independent Director | Chang Li-Chiu | 0/0 | |
| | General Manager | Wu Hsien-Tsung | 83,462/0.05 | |
| Golden Amber Enterprises Ltd. | Director and General Manager | Chuang Yu-Tsang | 0/0 | 19,800,000/100 |
| | Director | Quintin Wu | 0/0 | |
| | Director | Wu Hsien-Tsung | 0/0 | |
| USIFE Investment Co., Ltd. | Chairman | Quintin Wu (Representative of USI Corporation) | 0/0 | 87,250,800/100 |
| | Director | Chang Chi-Chung (Representative of USI Corporation) | 0/0 | |
| | Director | Huang Ya-I (Representative of USI Corporation) | 0/0 | |
| | Supervisor | Liu Chen-Tu (Representative of USI Corporation) | 0/0 | |
| | General Manager | Huang Ya-I | 0/0 | |
| Taiwan United Venture Management Corporation | Chairman | Quintin Wu (Representative of USIFE Investment Co., Ltd.) | 0/0 | 800,000/100 |
| | Director | Liu Chen-Tu (Representative of USIFE Investment Co., Ltd.) | 0/0 | |
| | Director | Huang Ya-I (Representative of USIFE Investment Co., Ltd.) | 0/0 | |
| | Supervisor | Huang Hui-Chen (Representative of USIFE Investment Co., Ltd.) | 0/0 | |
| | General Manager | Huang Ya-I | 0/0 | |
| Union Polymer Int'l Investment Corp. | Chairman | Quintin Wu (Representative of USI Corporation) | 0/0 | 521,440,500/100 |
| | Director | Yu Ching-Shou (Representative of USI Corporation) | 0/0 | |
| | Director | Wang Ke-Shun (Representative of USI Corporation) | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|--------------------------------------|------------------------|---|---|---|
| | Director | Liu Chen-Tu (Representative of USI Corporation) | 0/0 | |
| | Supervisor | Huang Hui-Chen (Representative of USI Corporation) | 0/0 | |
| | General Manager | Quintin Wu | 0/0 | |
| Swanlake Traders Ltd. | Director | Quintin Wu | 0/0 | - |
| | Director | Wang Ke-Shun | 0/0 | - |
| | Director | Liu Chen-Tu | 0/0 | - |
| Acme Components (Malaysia) Sdn. Bhd. | Chairman | Ho Sew Kong | 0/0 | 42,600,000/100 |
| | Director | Quintin Wu | 0/0 | |
| | Director and President | Wu Hsien-Tsung | 0/0 | |
| Acme Ferrite Products Sdn. Bhd. | Chairman | Ho Sew Kong | 0/0 | 9,120,000/100 |
| | Director | Quintin Wu | 0/0 | |
| | Director and President | Wu Hsien-Tsung | 0/0 | |
| Chong Loong Trading Co., Ltd. | Chairman | Quintin Wu (Representative of USI Corporation) | 0/0 | 3,758,195/99.93 |
| | Director | Wang Ke-Shun (Representative of USI Corporation) | 0/0 | |
| | Director | Liu Chen-Tu (Representative of USI Corporation) | 0/0 | |
| | Director | Wu Pei-Chi (Representative of USI Corporation) | 0/0 | |
| | Supervisor | Huang Hui-Chen | 0/0 | |
| | General Manager | Wang Ke-Shun | 0/0 | |
| Forum Pacific Trading Ltd. | Director | Quintin Wu | 0/0 | - |
| | Director | Yu Ching-Shou | 0/0 | - |
| | Director | Lin Han-Fu | 0/0 | - |
| | Director | Liu Chen-Tu | 0/0 | - |
| | Director | Wang Ke-Shun | 0/0 | - |
| Taiwan United Venture Capital Corp. | Chairman | Quintin Wu (Representative of USI Corporation) | 0/0 | 32,900,000/70 |
| | Director | Chang Chi-Chung (Representative of USI Corporation) | 0/0 | |
| | Director | Wang Ke-Shun (Representative of USI Corporation) | 0/0 | |
| | Director | Liu Chen-Tu (Representative of USI Corporation) | 0/0 | |
| | Director | Huang Ya-I (Representative of USI Corporation) | 0/0 | |
| | Supervisor | Huang Hui-Chen (Representative of Asia Polymer Corporation) | 0/0 | 3,913,533/8.33 |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|--|------------------------------------|--|--|---|
| | General Manager | Huang Ya-I | 0/0 | - |
| USI Far East (HK) Co., Ltd. | Director | Quintin Wu | 1/0 | - |
| | Director | Wang Ke-Shun | 0/0 | - |
| Taita Chemical Company, Ltd. | Chairman | Quintin Wu (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | 120,535,750/36.79 |
| | Director | Wu Pei-Chi (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Director | Ying Pao-Luo (Representative of Union Polymer Int'l Investment Corp.) | 26,448/0.01 | |
| | Director | Liu Han-Tai (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Director | Liu Chen-Tu (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Director | Ko I-Shao (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | 29,951,137/9.14 |
| | Independent Director | Ma Yi-Kung | 0/0 | - |
| | Independent Director | Tien-Wen Chen | 0/0 | - |
| | Independent Director | Juan Chi-Ying | 0/0 | - |
| | General Manager | Wu Pei-Chi | 0/0 | - |
| Taita (BVI) Holding Co., Ltd. | Director | Quintin Wu | 0/0 | - |
| | Director | Ko I-Shao | 0/0 | - |
| | Director | Wu Pei-Chi | 0/0 | - |
| | Director | Liu Chen-Tu | 0/0 | - |
| Taita Chemical (Zhongshan) Co., Ltd. | Chairman | Wu Pei-Chi (Appointed by APC (BVI) Holding Co., Ltd.) | 0/0 | Capital contribution: USD46,250,000/100 |
| | Director | Chang Te-Wei (Appointed by Taita (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Liu Chen-Tu (Appointed by Taita (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Kan Lin (Appointed by Taita (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director and General Manager | Yen Tai-Ming (Appointed by Taita (BVI) Holding Co., Ltd.) | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|----------------------|--|--|---|
| | Supervisor | Huang Ya-I (Appointed by Taita (BVI) Holding Co., Ltd.) | 0/0 | |
| Asia Polymer Corporation | Chairman | Quintin Wu (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | 200,042,785/36.08 |
| | Director | Ko I-Shao (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | 20,932,787/3.78 |
| | Director | Huang Kuang-Che (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | 200,042,785/36.08 |
| | Director | Li Kuo-Hung (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Director | Liu Han-Tai (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Director | Liu Chen-Tu (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Independent Director | Chen Ta-Hsiung | 0/0 | |
| | Independent Director | Shen Shang-Hung | 0/0 | |
| | Independent Director | Cheng Tun-Chien | 0/0 | |
| | General Manager | Li Kuo-Hung | 0/0 | |
| APC (BVI) Holding Co., Ltd. | Director | Quintin Wu | 0/0 | |
| | Director | Li Kuo-Hung | 0/0 | |
| | Director | Ko I-Shao | 0/0 | |
| | Director | Liu Chen-Tu | 0/0 | |
| China General Plastics Corporation | Chairman | Quintin Wu (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | 126,529,947/24.97 |
| | Director | Chang Chi-Chung (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Director | Lin Han-Fu (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Director | Ying Pao-Luo (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Director | Liu Han-Tai (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|--|-------------------------|---|--|---|
| | Director | Liu Chen-Tu (Representative of Union Polymer Int'l Investment Corp.) | 0/0 | |
| | Independent Director | Li Tsu-Te | 0/0 | - |
| | Independent Director | Cheng Ying-Pin | 0/0 | - |
| | Independent Director | Li Liang-Hsien | 0/0 | - |
| | General Manager | Lin Han-Fu | 0/0 | - |
| Taiwan VCM Corporation | Chairman | Lin Han-Fu (Representative of China General Plastics Corporation) | 0/0 | 206,008,832/87.22 |
| | Director | Quintin Wu (Representative of China General Plastics Corporation) | 0/0 | |
| | Director | Wang Ping-I (Representative of China General Plastics Corporation) | 0/0 | |
| | Director | Li Kuo-Hung (Representative of China General Plastics Corporation) | 0/0 | |
| | Director | Liu Han-Tai (Representative of China General Plastics Corporation) | 0/0 | |
| | Director | Chen Chin-Yuan (Representative of Ocean Plastics Co. Ltd.) | 0/0 | 29,431,419/12.46 |
| | Director | Hu Chi-Hung (Representative of China General Plastics Corporation) | 0/0 | 206,008,832/87.22 |
| | Supervisor | Huang Kuang-Che | 0/0 | - |
| | Supervisor | Huang Ya-I | 0/0 | - |
| | General Manager | Lin Han-Fu | 0/0 | - |
| China General Terminal & Distribution Corporation | Chairman | Chang Hung-Chiang (Representative of China General Plastics Corporation) | 0/0 | 18,667,465/33.33 |
| | Director | Chen Yao-Sheng (Representative of China General Plastics Corporation) | 0/0 | |
| | Director | Lin Han-Fu (Representative of China General Plastics Corporation) | 0/0 | |
| | Director | Li Kuo-Hung (Representative of Asia Polymer Corporation) | 0/0 | 18,667,464/33.33 |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|------------------------------------|---|--|---|
| | Director | Ying Pao-Luo (Representative of Asia Polymer Corporation) | 0/0 | 18,667,463/33.33 |
| | Director | Ko I-Shao (Representative of Asia Polymer Corporation) | 0/0 | |
| | Director | Liu Chen-Tu (Representative of Asia Polymer Corporation) | 0/0 | |
| | Supervisor | Liu Han-Tai (Representative of Taita Chemical Company, Ltd.) | 0/0 | |
| | Supervisor | Wu Sheng-Chuan (Representative of Taita Chemical Company, Ltd.) | 0/0 | |
| Swanson Plastics (Malaysia) Sdn. Bhd. | Director | Quintin Wu | 0/0 | - |
| | Director | Ho Sew Kong | 0/0 | - |
| | Director | Wang Chao-An | 0/0 | - |
| | Director | Wu Tung-Yang | 0/0 | - |
| | Director and General Manager | Tang Hai-Hao | 0/0 | - |
| CGPC America Corporation | Director | Quintin Wu | 0/0 | - |
| | Director | Lin Han-Fu | 0/0 | - |
| | Director and General Manager | Hu Chi-Hung | 0/0 | - |
| CGPC (BVI) Holding Co., Ltd. | Director | Quintin Wu | 0/0 | - |
| | Director | Lin Han-Fu | 0/0 | - |
| | Director | Hu Chi-Hung | 0/0 | - |
| | Director | Liu Chen-Tu | 0/0 | - |
| Krystal Star International Corporation | Director | Quintin Wu | 0/0 | - |
| | Director | Hu Chi-Hung | 0/0 | - |
| | Director | Lin Han-Fu | 0/0 | - |
| Continental General Plastics (Zhongshan) Co., Ltd. (Closed) | Chairman and General Manager | Lin Han-Fu (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | Capital contribution USD20,000,000/100 |
| | Director | Liu Han-Tai (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Liu Chen-Tu (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Hu Chi-Hung (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Huang Yung-Hui (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Supervisor | Huang Ya-I (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|------------------------------------|--|--|---|
| Acme Electronics (Cayman) Corp. | Chairman | Quintin Wu | 0/0 | 25,621,692/51.27 |
| | Director | Wu Hsien-Tsung | 0/0 | |
| Acme Electronics (Kunshan) Co., Ltd. | Chairman and General Manager | Wu Hsien-Tsung (Appointed by Acme Electronics (Cayman) Corporation) | 0/0 | Capital contribution USD30,725,000/100 |
| | Director | Quintin Wu (Appointed by Acme Electronics (Cayman) Corporation) | 0/0 | |
| | Director | Chang Chi-Chung (Appointed by Acme Electronics (Cayman) Corporation) | 0/0 | |
| | Director | Liu Chen-Tu (Appointed by Acme Electronics (Cayman) Corporation) | 0/0 | |
| | Director | Chuang Yu-Tsang (Appointed by Acme Electronics (Cayman) Corporation) | 0/0 | |
| | Supervisor | Huang Hui-Chen (Appointed by Acme Electronics (Cayman) Corporation) | 0/0 | |
| USI Management Consulting Corp. | Chairman | Quintin Wu (Representative of USI Corporation) | 0/0 | 671,400/100 |
| | Director | Wang Ke-Shun (Representative of USI Corporation) | 0/0 | |
| | Director | Liu Chen-Tu (Representative of USI Corporation) | 0/0 | |
| | Supervisor | Huang Ya-I (Representative of USI Corporation) | 0/0 | |
| | General Manager | Quintin Wu | 0/0 | - |
| Swanson International Limited | Director | Quintin Wu | 0/0 | - |
| | Director | Wang Chao-An | 0/0 | - |
| | Director | Tang Hai-Hao | 0/0 | - |
| Swanson Plastics (Kunshan) Co., Ltd. | Chairman | Wang Chao-An (Appointed by Swanson International Limited) | 0/0 | Capital contribution USD13,290,000/100 |
| | Director and General Manager | Tang Hai-Hao (Appointed by Swanson International Limited) | 0/0 | |
| | Director | Quintin Wu (Appointed by Swanson International Limited) | 0/0 | |
| | Supervisor | Wu Tung-Yang (Appointed by Swanson International Limited) | 0/0 | |
| ACME Electronics (BVI) Corporation | Director | Quintin Wu | 0/0 | 730,000/100 |
| | Director | Chuang Yu-Tsang | 0/0 | |
| | Director and General Manager | Wu Hsien-Tsung | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|------------------------------------|--|--|---|
| USI International Corporation | Director | Quintin Wu | 0/0 | - |
| | Director | Li Kuo-Hung | 0/0 | - |
| | Director | Liu Chen-Tu | 0/0 | - |
| | Director | Huang Ya-I | 0/0 | - |
| Taita Chemical (Tianjin) Co., Ltd. | Chairman | Wu Pei-Chi (Appointed by APC (BVI) Holding Co., Ltd.) | 0/0 | Capital contribution: USD27,350,000/100 |
| | Director | Kan Lin (Appointed by Taita (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Huang Yung-Hui (Appointed by Taita (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director and General Manager | Yen Tai-Ming (Appointed by Taita (BVI) Holding Co., Ltd.) | 0/0 | |
| Acme Electronics (Guangzhou) Co., Ltd. | Chairman and General Manager | Wu Hsien-Tsung (Appointed by Golden Amber Enterprises Ltd.) | 0/0 | Capital contribution USD13,290,000/100 |
| | Director | Chuang Yu-Tsang (Appointed by Golden Amber Enterprises Ltd.) | 0/0 | |
| | Director | Quintin Wu (Appointed by Golden Amber Enterprises Ltd.) | 0/0 | |
| | Supervisor | Huang Ya-I (Appointed by Golden Amber Enterprises Ltd.) | 0/0 | |
| A.S. Holdings (UK) Limited | Director | Quintin Wu | 0/0 | - |
| | Director | Wu Tung-Yang | 0/0 | - |
| | Director | Wang Chao-An | 0/0 | - |
| USI Trading (Shanghai) Co., Ltd. | Chairman and General Manager | Li Kuo-Hung (Appointed by APC (BVI) Holding Co., Ltd.) | 0/0 | Capital contribution USD2,500,000/100 |
| | Vice Chairman | Wu Chiao-Feng (Appointed by APC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Wang Ke-Shun (Appointed by APC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Wu Ming-Tsung (Appointed by APC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Supervisor | Huang Yung-Hui (Appointed by APC (BVI) Holding Co., Ltd.) | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|------------------------------|--|---|---|
| Swanson (Kunshan) Co., Ltd. | Chairman | Wang Chao-An (Appointed by A.S. Holdings (UK) Limited(| 0/0 | Capital contribution USD9,100,000/100 |
| | Director and General Manager | Tang Hai-Hao (Appointed by A.S. Holdings (UK) Limited(| 0/0 | |
| | Director | Quintin Wu (Appointed by A.S. Holdings (UK) Limited(| 0/0 | |
| | Supervisor | Wu Tung-Yang(Appointed by A.S. Holdings (UK) Limited(| 0/0 | |
| CGPC Consumer Products Corporation (Closed) | Chairman and General Manager | Lin Han-Fu (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | Capital contribution: USD1,500,000/100 |
| | Director | Liu Chen-Tu (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Hu Chi-Hung (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Chen Wan-Ta (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Director | Huang Yung-Hui (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| | Supervisor | Huang Hui-Chen (Appointed by CGPC (BVI) Holding Co., Ltd.) | 0/0 | |
| Thintec Materials Corporation | Chairman | Quintin Wu (Representative of USI Corporation) | 0/0 | 1,825,000/30.42 |
| | Director | Chang Chi-Chung (Representative of USI Corporation) | 0/0 | |
| | Director | Liu Han-Tai (Representative of USI Corporation) | 0/0 | |
| | Director | Chiang Hui-Chung (Representative of USI Corporation) | 0/0 | |
| | Director | Wu Pei-Chi (Representative of USI Corporation) | 0/0 | |
| | Supervisor | Huang Ya-I (Representative of Taiwan United Venture Capital Corp.) | 0/0 | 900,000/15.00 |
| APC Investment Corporation | Chairman | Quintin Wu (Representative of Asia Polymer Corporation) | 0/0 | 20,000,000/100 |
| | Director | Li Kuo-Hung (Representative of Asia Polymer Corporation) | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|-----------------|--|--|---|
| | Director | Huang Ya-I (Representative of Asia Polymer Corporation) | 0/0 | |
| | Supervisor | Liu Chen-Tu (Representative of Asia Polymer Corporation) | 0/0 | |
| | General Manager | Huang Ya-I | 0/0 | |
| CGPC Polymer Corporation | Chairman | Quintin Wu (Representative of China General Plastics Corporation) | 0/0 | 78,859,281/100.00 |
| | Director | Lin Han-Fu (Representative of China General Plastics Corporation) | 0/0 | |
| | Director | Hu Chi-Hung (Representative of China General Plastics Corporation) | 0/0 | |
| | Supervisor | Huang Ya-I (Representative of China General Plastics Corporation) | 0/0 | |
| | General Manager | Lin Han-Fu | 0/0 | |
| Swanson Technologies Corporation | Chairman | Quintin Wu (Representative of Swanson Plastics Corp.) | 0/0 | 14,000,000/70.00 |
| | Director | Wang Ke-Shun (Representative of USIFE Investment Co., Ltd.) | 0/0 | 3,000,000/15.00 |
| | Director | Li Kuo-Hung (Representative of APC Investment Corporation) | 0/0 | 3,000,000/15.00 |
| | Director | Wu Tung-Yang (Representative of Swanson Plastics Corp.) | 0/0 | 14,000,000/70.00 |
| | Director | Wang Chao-An (Representative of Swanson Plastics Corp.) | 0/0 | |
| | Supervisor | Huang Ya-I | 0/0 | - |
| | General Manager | Wang Chao-An | 0/0 | - |
| USI Optronics Corporation | Chairman | Quintin Wu (Representative of Acme Electronics Corporation) | 61,745/0.10 | 22,064,224/34.00 |
| | Vice Chairman | Wu Tung-Yang (Representative of Acme Electronics Corporation) | 0/0 | |
| | Director | Chuang Yu-Tsang (Representative of Acme Electronics Corporation) | 48,061/0.07 | |
| | Director | Chang Chi-Chung (Representative of Acme Electronics Corporation) | 0/0 | |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|------------------------------------|--|--|---|
| | Director | Li Kuo-Hung (Representative of Acme Electronics Corporation) | 0/0 | 165,279/0.25 |
| | Director | Huang Chun-Hui (Representative of Acme Electronics Corporation) | 480,415/0.74 | |
| | Director | Wu Hsien-Tsung (Representative of Acme Electronics Corporation) | 8,042/0.01 | |
| | Director | Liu Chen-Tu (Representative of Acme Electronics Corporation) | 0/0 | |
| | Supervisor | Huang Ya-I (Representative of USIFE Investment Co., Ltd.) | 6,408/0.01 | |
| | Supervisor | Chiang Hui-Chung (Representative of USIFE Investment Co., Ltd.) | 0/0 | |
| | Supervisor | Wu Pei-Chi (Representative of USIFE Investment Co., Ltd.) | 0/0 | |
| | General Manager | Huang Chun-Hui | 480,415/0.74 | |
| Swanson Plastics (India) Private Limited | Director | Quintin Wu | 0/0 | - |
| | Director | Wang Chao-An | 0/0 | - |
| | Director and General Manager | Tang Hai-Hao | 0/0 | - |
| | Director | Wang Shu-Lin | 0/0 | - |
| Swanson Plastics (Tianjin) Co., Ltd. | Chairman | Wang Chao-An (Appointed by Swanson Plastics (Singapore) Pte.Ltd) | 0/0 | Capital contribution USD10,700,000/100 |
| | Director and General Manager | Wang Chao-An (Appointed by Swanson Plastics (Singapore) Pte.Ltd) | 0/0 | |
| | Director | Quintin Wu (Appointed by Swanson Plastics (Singapore) Pte.Ltd) | 0/0 | |
| | Supervisor | Wu Tung-Yang (Appointed by Swanson Plastics (Singapore) Pte.Ltd) | 0/0 | |
| Cypress Epoch Limited Cypress Epoch Limited | Director | Quintin Wu | 0/0 | - |
| | Director | Chang Chi-Chung | 0/0 | - |
| | Director | Wang Ke-Shun | 0/0 | - |
| PT Swanson Plastics Indonesia (PT. Swanson Plastics Indonesia) | Director | Quintin Wu | 0/0 | - |
| | Director | Wang Chao-An | 0/0 | - |
| | Director | Tang Hai-Hao | 0/0 | - |
| | Supervisor | Lin Sai-Chin | 0/0 | - |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|------------------------------------|--|--|---|
| Ever Conquest Global Limited | Director | Quintin Wu | 0/0 | - |
| | Director | Chang Chi-Chung | 0/0 | - |
| | Director | Li Kuo-Hung | 0/0 | - |
| USIG (Shanghai) Co., Ltd. | Chairman and General Manager | Wang Ke-Shun | 0/0 | - |
| | Director | Quintin Wu | 0/0 | - |
| | Director | Chang Chi-Chung | 0/0 | - |
| | Supervisor | Liu Chen-Tu | 0/0 | - |
| | Supervisor | Huang Ya-I | 0/0 | - |
| INOMA Corporation | Chairman | Chou Chun-Hsiung (Representative of USI Corporation) | 0/0 | 9,126,786/93.18 |
| | Director | Quintin Wu (Representative of USI Corporation) | 0/0 | |
| | Director | Kao Che-I (Representative of USI Corporation) | 0/0 | |
| | Director | Liu Han-Tai (Representative of USI Corporation) | 0/0 | |
| | Director | Wang Ke-Shun (Representative of USI Corporation) | 0/0 | |
| | Director | Wu Pei-Chi (Representative of USI Corporation) | 0/0 | |
| | Director | Chen Pu-Lun (Representative of USI Corporation) | 116,583/1.19 | |
| | Supervisor | Chiang Hui-Chung | 0/0 | |
| | General Manager | Chen Pu-Lun | 116,583/1.19 | |
| Ever Victory Global Limited | Director | Quintin Wu | 0/0 | - |
| | Director | Hsieh Jung-Hui | 0/0 | - |
| | Director | Chang Chi-Chung | 0/0 | - |
| | Director | Li Kuo-Hung | 0/0 | - |
| | Director | Liu Han-Tai | 0/0 | - |
| | Director | Liu Chen-Tu | 0/0 | - |
| | Director | Wang Ke-Shun | 0/0 | - |
| | Director | Wu Pei-Chi | 0/0 | - |
| | Director | Yang Yu-Chieh | 0/0 | - |
| | Director | Li Lun-Chia | 0/0 | - |
| | Director | Matthew Miao | 0/0 | - |
| Dynamic Ever Investments, Ltd. | Director | Quintin Wu | 0/0 | - |
| | Director | Hsieh Jung-Hui | 0/0 | - |
| | Director | Chang Chi-Chung | 0/0 | - |
| | Director | Li Kuo-Hung | 0/0 | - |
| | Director | Liu Han-Tai | 0/0 | - |
| | Director | Liu Chen-Tu | 0/0 | - |
| | Director | Wang Ke-Shun | 0/0 | - |
| | Director | Wu Pei-Chi | 0/0 | - |

| Company name Responsible department | Title | Name or representative | Number of shares held by the person / Shareholding percentage | Number of shares held by juristic persons represented / Shareholding percentage |
|---|----------|------------------------|--|---|
| | Director | Yang Yu-Chieh | 0/0 | - |
| | Director | Li Lun-Chia | 0/0 | - |
| | Director | Matthew Miao | 0/0 | - |

6. Overview of the operations of affiliates

December 31, 2018

Unit: NT\$ thousands

| Affiliated company code | Company name | Paid-in capital | Total assets | Total liabilities | Net value | Revenue | Net operating profit | Current profit and loss (after taxes) | Earnings per share (NT\$) (after taxes) |
|-------------------------|--|-----------------|--------------|-------------------|-----------|------------|----------------------|---------------------------------------|---|
| 13040001 | Swanson Plastics Corp. | 1,543,119 | 4,298,193 | 1,825,895 | 2,472,298 | 1,046,204 | (9,944) | 76,311 | 0.49 |
| 13040002 | Forever Young Company Limited | 1,536 | 623,622 | 561,788 | 61,834 | 34,737 | (38,543) | (57,118) | (1,142.36) |
| 13040003 | Curtana Company Ltd. | 6,274 | 5,476 | 29 | 5,447 | 0 | (33) | (33) | (0.02) |
| 13040006 | Swanson Plastics (Singapore) Pte Ltd. | 808,067 | 1,912,116 | 31,206 | 1,880,910 | 375,590 | 256,271 | 253,912 | 17.74 |
| 13040007 | Acme Electronics Corporation | 1,824,307 | 2,909,327 | 1,513,781 | 1,395,546 | 1,174,530 | (26,924) | 56,187 | 0.31 |
| 13040008 | Golden Amber Enterprises Ltd. | 638,676 | 839,876 | 22,172 | 817,704 | 0 | (825) | 35,197 | 1.78 |
| 13040009 | USIFE Investment Co., Ltd. | 872,508 | 715,562 | 23,802 | 691,760 | 0 | (8,782) | (31,847) | (0.37) |
| 13040010 | Taiwan United Venture Management Corporation | 8,000 | 20,889 | 5,683 | 15,206 | 0 | (6,723) | 2,441 | 3.05 |
| 13040012 | Union Polymer Int'l Investment Corp. | 5,214,405 | 7,803,523 | 1,886,132 | 5,917,391 | 0 | 0 | 468,242 | 0.90 |
| 13040017 | Swanlake Traders Ltd. | 744,844 | 1,362,966 | 172 | 1,362,794 | 0 | (1,739) | 44,621 | 1.84 |
| 13040018 | Acme Components (Malaysia) Sdn. Bhd. | 302,971 | 602,967 | 139 | 602,828 | 0 | (138) | 34,194 | 0.80 |
| 13040019 | Acme Ferrite Products Sdn. Bhd. | 270,001 | 656,072 | 65,675 | 590,397 | 465,313 | 31,554 | 34,817 | 3.82 |
| 13040023 | Chong Loong Trading Co., Ltd. | 37,608 | 158,002 | 113,079 | 44,923 | 467,621 | 10,480 | 11,454 | 3.05 |
| 13040024 | Forum Pacific Trading Ltd. | 6,757 | 34,127 | 1,011 | 33,116 | 0 | (2,207) | (1,683) | (2.49) |
| 13040026 | Taiwan United Venture Capital Corp. | 470,000 | 262,713 | 180 | 262,533 | 0 | (6,245) | (4,921) | (0.10) |
| 13040027 | USI Far East (HK) Co., Ltd. | 62,736 | 147,697 | 15,452 | 132,245 | 250,849 | (2,401) | (1,192) | (0.75) |
| 13040028 | Taita Chemical Company, Ltd. | 3,276,518 | 7,408,959 | 3,417,002 | 3,991,957 | 14,943,406 | 87,929 | 207,973 | 0.63 |
| 13040029 | Taita (BVI) Holding Co., Ltd. | 1,896,283 | 2,216,473 | 776,159 | 1,440,314 | 0 | (5,843) | 55,742 | 0.90 |
| 13040031 | Taita Chemical (Zhongshan) Co., Ltd. | 1,420,569 | 2,454,067 | 358,752 | 2,095,315 | 7,164,655 | 295,794 | 216,260 | - |
| 13040032 | Asia Polymer Corporation | 5,543,827 | 15,514,579 | 5,910,143 | 9,604,436 | 6,099,879 | 65,096 | 286,826 | 0.52 |
| 13040033 | APC (BVI) Holding Co., Ltd. | 348,388 | 477,505 | 0 | 477,505 | 0 | (99) | 31,477 | 2.78 |
| 13040034 | China General Plastics Corporation | 5,067,595 | 11,017,514 | 2,642,874 | 8,374,640 | 8,248,176 | 570,055 | 1,276,156 | 2.52 |
| 13040035 | Taiwan VCM Corporation | 2,362,005 | 4,792,218 | 1,377,599 | 3,414,619 | 9,741,358 | 704,955 | 625,587 | 2.65 |
| 13040036 | China General Terminal & Distribution Corporation | 560,024 | 909,762 | 225,011 | 684,751 | 228,638 | 30,758 | (75,720) | (1.35) |
| 13040037 | Swanson Plastics (Malaysia) Sdn. Bhd. | 142,240 | 748,089 | 160,814 | 587,275 | 1,239,915 | 146,646 | 119,960 | 59.98 |
| 13040038 | CGPC America Corporation | 615,836 | 362,603 | 115,280 | 247,323 | 578,033 | (10,408) | (11,119) | (111,189.07) |
| 13040040 | CGPC (BVI) Holding Co., Ltd. | 500,908 | 353,757 | 0 | 353,757 | 0 | (92) | 8,842 | 0.54 |
| 13040041 | Krystal Star International Corporation | 177,533 | 76,612 | 122 | 76,490 | 0 | (87) | 1,645 | 0.28 |
| 13040045 | Continental General Plastics (Zhongshan) Co., Ltd. | 614,300 | 284,092 | 19,606 | 264,486 | 0 | (3,496) | 7,455 | - |

| Affiliated company code | Company name | Paid-in capital | Total assets | Total liabilities | Net value | Revenue | Net operating profit | Current profit and loss (after taxes) | Earnings per share (NT\$) (after taxes) |
|-------------------------|--|-----------------|--------------|-------------------|------------|-----------|----------------------|---------------------------------------|---|
| 13040052 | Acme Electronics (Cayman) Corp. | 153,484 | 1,471,708 | 186,990 | 1,284,718 | 0 | (15,823) | 164,621 | 3.29 |
| 13040053 | Acme Electronics (Kunshan) Co., Ltd. | 943,718 | 1,097,801 | 252,099 | 845,702 | 799,396 | (133,699) | 150,563 | - |
| 13040054 | USI Management Consulting Corp. | 6,714 | 51,084 | 52,394 | (1,310) | 0 | 1,390 | 1,258 | 1.87 |
| 13040055 | Swanson International Ltd. | 446,633 | 1,480,473 | 95,370 | 1,385,103 | 0 | 0 | 67,737 | 4.66 |
| 13040056 | Swanson Plastics (Kunshan) Co., Ltd. | 408,202 | 1,319,305 | 352,584 | 966,721 | 1,291,043 | 91,238 | 61,315 | - |
| 13040057 | Acme Electronics (BVI) Corp. | 22,422 | 490 | 0 | 490 | 0 | (65) | (65) | (0.09) |
| 13040059 | USI International Corporation | 122,860 | 192,033 | 6,190 | 185,843 | 0 | (2,452) | 7,086 | 0.58 |
| 13040062 | Taita Chemical (Tianjin) Co., Ltd. | 840,055 | 807,833 | 765,084 | 42,749 | 1,387,338 | (100,481) | (144,178) | - |
| 13040064 | Acme Electronics (Guangzhou) Co., Ltd. | 589,728 | 979,215 | 139,479 | 839,736 | 1,015,483 | 29,272 | 37,575 | - |
| 13040065 | A.S. Holding (UK) Ltd | 122,744 | 167,473 | 10,228 | 157,245 | 0 | 0 | (88,812) | (5.37) |
| 13040066 | USI Trading (Shanghai) Co., Ltd. | 76,788 | 186,364 | 86,382 | 99,982 | 363,700 | 8,271 | 1,982 | - |
| 13040067 | Swanson (Kunshan) Co., Ltd. | 279,507 | 557,900 | 35,003 | 522,897 | 286,772 | 4,730 | 0 | - |
| 13040069 | Thintec Materials Corporation | 60,000 | 14,588 | 72 | 14,516 | 0 | (10,743) | (10,525) | (1.75) |
| 13040070 | CGPC Consumer Products Corporation | 46,073 | 14,132 | 200 | 13,932 | 0 | 0 | 12 | - |
| 13040072 | APC Investment Corporation | 200,000 | 109,530 | 12,097 | 97,433 | 0 | (392) | (4,199) | (0.21) |
| 13040073 | CGPC Polymer Corporation | 788,593 | 3,045,651 | 1,942,429 | 1,103,222 | 5,658,689 | 316,364 | 257,674 | 3.27 |
| 13040074 | Swanson Technologies Corporation | 200,000 | 17,535 | 96,665 | (79,130) | 0 | (15,928) | 5,144 | 0.00 |
| 13040075 | USI Optronics Corporation | 649,017 | 317,387 | 7,555 | 309,832 | 6,843 | (165,015) | (165,012) | (2.54) |
| 13040076 | Swanson Plastics (India) Private Ltd. | 188,765 | 399,959 | 308,294 | 91,665 | 209,128 | (84,251) | (16,486) | (0.82) |
| 13040078 | Swanson Plastics (Tianjin) Co., Ltd. | 328,651 | 382,312 | 192,304 | 190,008 | 51,782 | (55,966) | (62,825) | - |
| 13040079 | Cypress Epoch Limited | 153,575 | 129,688 | 0 | 129,688 | 0 | 0 | 4,805 | 0.31 |
| 13040081 | PT. Swanson Plastics Indonesia | 552,870 | 707,274 | 52,619 | 654,655 | 296,842 | (14,729) | (14,729) | 0.00 |
| 13040082 | USIG (Shanghai) Co., Ltd. | 153,575 | 183,061 | 53,373 | 129,688 | 36,104 | 6,242 | 4,710 | - |
| 13040083 | Ever Conquest Global Limited | 8,585,088 | 8,533,371 | 0 | 8,533,371 | 0 | 0 | 20,785 | 0.02 |
| 13040084 | INOMA Corporation | 97,950 | 50,764 | 3,241 | 47,523 | 5,326 | (33,220) | (29,123) | (2.97) |
| 13040085 | Ever Victory Global Limited | 11,081,266 | 11,049,211 | 430 | 11,048,781 | 0 | (580) | 15,203 | 0.01 |
| 13040086 | Dynamic Ever Investments | 11,075,123 | 11,058,895 | 11,948 | 11,046,947 | 0 | (42,483) | 15,774 | 0.01 |

Note: If the affiliate company is a foreign company, all the relevant figures shall be expressed in New Taiwan Dollar (NT\$) based on the exchange rates on the date of this annual report.

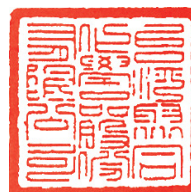
(II) Consolidated Financial Statements of Affiliated Companies

Statement of Declaration

For year 2018 (from January 1 to December 31, 2018), affiliated businesses of the Company that shall be included in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were the same as the companies that shall be included into the consolidated financial statement of the parent company and its subsidiaries in accordance with the International Financial Reporting Standards No. 10 (IFRS 10). All information to be disclosed in the consolidated financial statements of affiliated companies have already been disclosed in the consolidated financial statement of the parent company and its subsidiaries. Hence, the consolidated financial statements of affiliated companies were, therefore, not generated separately.

Which is thereof declared

Company name: USI Corporation



Representative: Quintin Wu



M a r c h 8 , 2 0 1 9

II. Private Placement of Securities in the Most Recent Fiscal Year up to the Publication Date of this Annual Report: None.

III. Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Fiscal Year up to the Publication Date of this Annual Report:

As of April 30, 2018 Unit: NT\$; shares; %

| Subsidiary name (Note 1) Title (Note 1) | Paid-in capital | Source of capital | Shareholding percentage of the Company | Date of acquisition or disposal | Number and amount of shares acquired | Number and amount of shares disposed | Gain and loss on investment | Number and amount of shares as of the publication date of this annual report | Pledge status | Amount of endorsements and guarantees provided to subsidiaries by the Company | Loans provided to subsidiaries by the Company |
|--|-------------------|-------------------|--|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------|--|---------------|---|---|
| Asia Polymer Corporation | NT\$5,543,827,000 | Own funds | Comprehensive shareholding percentage 37.28% | Not applicable | - | - | - | 101,355,673 shares NT\$1,221,336,000 | None | None | None |
| Taita Chemical Company, Ltd. | NT\$3,276,518,000 | Own funds | Comprehensive shareholding percentage 37.71% | Not applicable | - | - | - | 15,109,901 shares NT\$182,074,000 | None | None | None |

Note 1: List each subsidiary separately.

IV. Other Necessary Supplementary Notes to Be Included: None

V. Any Event which has a Material Impact on Shareholders' Rights and Interests or the Company's Securities as Prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, that Have Occurred in the Most Recent Fiscal Year up to the Publication Date of this Annual Report Shall be Indicated Individually: None.

USI Corporation 

Chairman of the Board: Quintin Wu

