

Stock Code
1312



國喬石油化學股份有限公司
GRAND PACIFIC PETROCHEMICAL CORPORATION

ANNUAL REPORT 2019

Enquiry Website: <http://mops.twse.com.tw>
Company Website: <http://www.gppc.com.tw>

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— Policy of Quality of Grand Pacific —

All work together
to do as what we say
If you are dissatisfied
we would not succeed

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One Report to Shareholders

I. 2019 Business Report:

(I) Implementation Results of Operating Plan

The shrinking profitability of styrene in 2019 put an end to the good run over prior years. The sentiment from the fourth quarter of 2018 continued into the first quarter of 2019, with demand weakened in the downstream due to the trade war between China and the U.S. Some inventory was adjusted to achieve the balance in production and distribution. The demand gradually picked up in the second quarter, pushing up the spread and thus the profits. At this juncture, the average selling price was at the highest point throughout the year. The typical strengthening of demand and prices in the fourth quarter in China post the holiday in the first week of October did not happen. Meanwhile, the expectation for the new capacity Zhejiang Petroleum & Chemical and Hengli Petrochemical scheduled to come online after the Chinese New Year in 2020 squeezes the spread between SM (styrene monomer) and raw materials of the fourth quarter and thus the profit margin. The softening of demand and prices eroded the profitability of styrene and even resulted in losses. This has adverse effects of the annual profit.

In terms of styrene, we conducted scheduled turnaround for our Styrene Plant II only in the first quarter, 2019. Thanks to such efforts, our overall outputs increased by around 20,000 M.T., boosting the overall output up to nearly 364,000 M.T. Our overall shipment volume including the part within the Company's own use hit 369,000 M.T., increasing by 25,000 M.T. compared with the preceding year.

The softening of the trade war between China and the U.S. in the first half of 2019 and the China government's subsidy to the purchase of home appliances are positives to the ABS (acrylonitrile butadiene styrene) and PS (polystyrene) markets. As a result, profitability returned. The US-China trade war heated up in the third quarter, with the U.S. proposing to increase the tariff on home appliances and automobile components from China to 25%. This had significant and adverse influence on the ABS demand. Although the rising crude oil, identification reductions/exemptions and administrative levies on manufacturers in China mitigated the downward pressure on the economy, the buyers were conservative and focusing on inventory control. The declining prices narrowed the spread and the market was gloomy in the fourth quarter. The lack of clarity in the trade negotiation between China and the U.S. promoted customers to take a wait-and-see attitude and focus on the base demand for low-priced products. This suppressed topline and profitability.

The consolidated revenues of Grand Pacific Group for the year of 2019 were NT\$20,470 million, a decrease of \$4,270 million from 2018; consolidated net income before tax was \$2,740 million, a decrease of \$1,320 million from 2018; consolidated net income after tax was \$2,180 million and consolidated net income after tax attributable to owners of the Company was \$2,070 million.

The entity revenue of the Company was \$16,200 million, representing 79.1% of consolidated revenue. The 2019 entity operating status is summarized as follows:

Main products between two years are compared as follows: The Company's 2019 annual production volumes of SM was 365,490 tons, an increase of 6.1% from 344,540 tons in

2018; sale volume was 322,931 tons, an increase of 7.5% from 300,435 tons in 2018; Sale amount of SM was \$9,767,995 thousand, a decrease of 16.7% from \$11,726,280 thousand in 2018. Annual production volume of ABS was 89,492 tons, a decrease of 1.4% from 90,718 tons in 2018; sale volume was 90,933 tons, a decrease of 0.4% from 91,254 tons in 2018; the sale amount of ABS was \$4,309,782 thousand, a decrease of 19.3% from \$5,337,138 thousand in 2018. Annual production volume of Nylon was 14,805 tons, a decrease of 40.1% from 24,725 tons in 2018; sale volume was 15,077 tons, a decrease of 38.9% from 24,675 tons in 2018; the sale amount of Nylon was \$1,539,118 thousand, a decrease of 42.6% from \$2,682,897 thousand in 2018.

In total, the Company's net revenue for the year of 2019 was \$16,229,085 thousand, a decrease of 20.1% from \$20,305,094 thousand for the year of 2018; the net operating profit for the year of 2019 was \$1,040,045 thousand, a decrease of 54.8% from \$2,299,040 thousand of net operating profit for the year of 2018; the net gain on re-investment for the year of 2019 was \$1,358,076 thousand, an increase of 9.6% from \$1,239,183 thousand of net gain on investment for the year of 2018. The net income after tax for the year of 2019 was \$2,070,125 thousand.

(II) R&D Status

Styrene represents the Company's core niche, with tentacles extending upward the crystal engineering plastic nylon 66, and laid downward to the optimization of ABS quality. These represent as the very orientations of our efforts in the year.

This year, the Company will continue with the following tasks:

1. We spared no effort to optimize agglomerated PBL large particle latex to improve ABS dyeing with wholehearted effort to develop high temperature nylon engineering plastic toward the three major targets including notably energy saving and waste reduction.
2. With PBL (polybutadiene latex) rubber agglomerated large particle latex, we further improved the quality of ABS products with better dyeing, electroplating grades, tube levels, flame retardant grades, high impact strength and rigidity for use in vehicle battery materials.
3. We tried hard to expand the market of nylon industrial yarn and develop derived high-temperature nylon, develop engineering plastics such as super tough nylon, heat-resistant super tough nylon, soft, water transparent grade and blended with PPO to create high performance, high quality, high price nylon 66 plastic products.
4. We are committed to the long-term diversification strategy, with investments in the fully integrated polypropylene (PP) facilities in Quanzhou, China with new capacities in propane dehydrogenation (PDH) and polypropylene (PP). The purpose is to extend our footprint from SM to propylene related products.

II. Business Plan Summary for 2019:

(I) Business Strategy

1. To maintain continuous existence: implement sustainable development.

2. To be successful: Strengthen crisis awareness and hold ground in survival niche.
3. To obtain stability: Implement annual maintenance and rectification projects and maintain steady sales profits.
4. To be pragmatic: Use our capabilities to extend and secure our existing competitive position and pursue the growth of our business.
5. To refine: Enhance the added value of all individuals and teams.

(II) Expected Sales Volume and Basis for Projections

1. Styrene Monomer(SM)

It was expected that Zhejiang Petroleum and Hengli Petrochemical-Dalian in Mainland China would complete their test runs, respectively, at the end of 2020, and officially launch after the 2020 Chinese New Year. Unfortunately, with the outbreak of COVID-19 during the Chinese New Year, compounded by the epidemic preventive measures of city lockdowns in Mainland China that affected workers and traffic, the production resumption after Chinese New year is nearly completely stopped. Due to the drastic decline of downstream demand, SM inventory in eastern China has hit record highs over and over, which is forcing Asian producers to lower their output in response. In 2020, the third Styrene plant is scheduled for annual maintenance between February and March, and the annual output is estimated to be close to 352,000 tons.

The crucial points for the overall Styrene market in 2020 are still the global economy under the impact of an epidemic and the evolution of Chinese market. In the first half of the year, the supply decreased due to year-end holidays in Northeast Asia/U.S. and Europe, but this was also the worst period of the epidemic. In the beginning of the year, the city lockdown effect, that started in China, was expanded to major markets, such as Europe and U. S., along with the spread of the epidemic. The downstream end products of styrene, especially the home appliance industry, were significantly impacted. This, in turn, affected the already fragile market psychology, which made the pricing extremely pessimistic and then oil prices dropped sharply. The degree of price collapse is comparable to that of the 2008 global financial crisis. In the second half of the year, after the post-holiday production returns to normal output, the impact of COVID-19 on China and the Global economy is the focus of our attention for the entire year.

2. Acrylonitrile - Butadiene-Styrene copolymer resin (ABS)

In the first half of 2020, market demand decreased due to the Lunar New Year and COVID-19 epidemic, which may affect operating performance. It is expected that the epidemic will be under control by the third quarter, and downstream customers' production resumption will increase demand, and this will also be amidst the traditional peak season for petrochemical products. The third quarter is expected to be better than the first half of the year, and profits will rebound. In addition, there is not much new production capacity expected for ABS in 2020, and as demand growth slows down, the supply and demand will show a relatively weak balance. However,

with the expected downward trend for oil prices and upstream raw materials, market prices are relatively weak. ABS is expected to usher in an industry development opportunity brought on by the abundant raw materials supply and relatively low raw materials costs, and so profits are expected to rise again. In 2020, the sales of ABS will hold and consume the full output of 93,810 tons. Although faced with the challenges of the COVID-19 epidemic on economic demands and operational variables, the Company shall rationalize inventory, optimize production and sales, and use high-value strategies to carefully and continuously implement product differentiation, expand niche markets, and create profits.

3. Hydrogen (H₂)

In 2019, the sales volume of hydrogen was 10.66 million cubic meters, exceeding the annual target of 9.44 million cubic meters by about 1.22 million cubic meters, an annual increase of 11.27%.

Although a steady increase in use by pipeline customers is expected in 2020, the sales target is still estimated at 9.48 million cubic meters.

4. Steam and Electricity

In 2019, total steam production and sales were 2,075,095 metric tons and 173,627 metric tons respectively; electricity generation was 321,154,200 kWh, of which, 152,740,800 kWh were sold to Taiwan Power Company.

An annual maintenance shutdown is scheduled for March 2020. Annual planned production and sales of steam are 2,001,233 metric tons and 156,635 metric tons, respectively; electricity generation is 304,584,000 kWh, of which, 139,364,302 kWh is sold to Taipower.

5. Nylon66 (PA66)

The shortage of nylon 66 in the fourth quarter of 2018 continued in to the first quarter of 2019, and the price remained steadily at the high-end. However, due to the excessive price increase, most customers in the second quarter assumed a wait-and-see attitude, resulting in a decline of downstream consumption volume, causing the price to drop somewhat. Due to the poor automobile market in mainland China, which affected domestic customers' demand for nylon 66, the demand in the third quarter was weak. In the fourth quarter, market demand gradually stabilized, and the sales volume increased, but the attitude remained conservative.

As for the 2020 outlook, since nylon 66 was in a low base period in 2019, the general consensus is that the demand and the price will gradually stabilize this year. In addition, downstream demand will grow steadily to help maintain the balance between supply and demand. As for the future growth direction, the Company will continue to aggressively develop new application markets and specifications, such as: industrial yarns slice, textile grade products and special grades of nylon 66 composite engineering plastics, so as to increase the diversity of products, and to increase the high added value products within the overall nylon 66 business. The Company will seek innovation with stability, thus creating greater profits.

III. Future company development strategies:

Our Company will continue to solidify and to strengthen the competitiveness of the existing core business, by focusing on our base markets: SM, ABS, Hydrogen and Nylon 66. The Company will implement cost, efficiency, and quality optimization programs, and strive to expand niche sales channels, thus creating profits based on the continuous pursuits of steady growth in both quality and quantity. In addition, the Company is preparing and constructing future business projects in the three-carbons industrial chain, including propane dehydrogenation and polypropylene production, in Quangang Chemical Industrial Park, Quanzhou City, Fujian Province. Furthermore, the Company is taking the lead by vigorously deploying research and development at the R&D center, of high-performance nylon fibers, engineering plastics and other high-value products, so as to lay the foundations for the company's newly diversified market potential.

IV. External competition environment, regulatory environment and overall business environment impact:

In preparing and responding to the severe internal and external challenges currently presented, the Company will continue to fulfill the promise of achieving every targeted benefit. Meanwhile, in order to meet the high standards requirements of industrial safety and environmental protection in the aspects of safe production, energy saving and carbon reduction, the Company has continuously compiled relevant capital expenditures in the past two decades in order to introduce advanced improvements, such as the best controllable technology available, and to establish environmentally friendly production methods as the fundamental elements of our Company's operation at all times. Thereby, the Company may actively demonstrate its sacred mission of being a good corporate citizen. Looking forward to its future, with the gradual improvement of various hardware and software construction projects and the continued hard work of the enterprise team, the Company shall meet shareholders' expectations, and continue to create higher-levels of new businesses with corporate synergy.

At last, we wish all shareholders,
good health and good luck!

Responsible person: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief accountant: Ling Chu Chen

Two. Company Profiles

I. Date of incorporation: September 25, 1963

Address of Head Office: No. 4, Hsing Kung Rd., Dashe District, Kaohsiung City

Tel: (07)351-3911

Address of Taipei Office: 10F, No.1, Sec. 4, Nanjing E. Rd., Taipei City

Tel: (02)8770-4567

II. Evolution history of the Company:

- 2020 QuanZhou Grand Pacific Chemical Co., Ltd. was established mainly to produce Propylene by Propane Dehydrogenation, Polypropylene and Hydrogen in Fujian Province.
- 2018 ZhangZhou Chi Mei Chemical, a joint venture with Chi Mei Corp., was established mainly to produce ABS. GPPC owns a 30.4% share of the joint venture.
- 2016 The 2nd Nylon 66 production line was added to meet the demand for engineering plastics and industrial filament application.
- 2014 Nylon 66 Products received UL High temperature RTI certificate.
- 2013 Audit Committee, replacing the supervisor's function, is set up to strengthen corporate governance.
- 2012 Nylon Division was established in January and the production started in July.
ABS capacity expansion was completed, increasing the annual output.
Subsidiary GPPC Chemical Corp. and BC Chemical Corp. were merged, with GPPC Chemical Corp. being the surviving company.
- 2011 Two seats of independent directors were added to strengthen corporate governance.
Compensation Committee was established.
- 2010 A cogeneration plant was completed and started operation in May.
Zhenjiang GPPC Chemical Co., Ltd. and Zhenjiang Chi Mei Co., were officially merged on July 1st.
GPPC's styrene monomer plant No. 3 completed the debottlenecking expansion construction in December, and the SM capacity was increased.
- 2009 Grand Pacific Chemical (Thailand) Co., Ltd. was approved by Thailand's Ministry of Commerce to dissolve in August.
A successful trial run was conducted for steam production facilities in cogeneration plant in October.
- 2008 Germany SAP information system was successfully introduced.
Subsidiary, Zhenjiang merger agreement was signed with Chi Mei company in April, while GPPC owned 30.4% shareholding of the surviving company.
Specialty Chemicals Business Division was set up in August.
- 2007 Promoting three-in-one ISO system integration with ISO 9001: 2000 and ISO 14001: 2004 certificates transferred to SGS Taiwan for certification.
Zhenjiang GPPC Chemical Co., Ltd. expanded its SAN/ABS capacity.
A cogeneration plant started construction.
- 2006 BC Chemical transformed the original GPS production line into SAN. GPPC

- expanded its ABS capacity. Adding new grade of ABS product to meet customer's needs.
- 2005 GPPC was awarded ASUS "Green Environment Management System" certificate.
- 2004 Delta Petrochemical's styrene monomer plant No. 1, being the first in Taiwan was dismantled. The plant's thirty-year service was culminated with a grand ceremony by GPPC acknowledging its long term contribution.
- 2003 GPPC was awarded SONY "Green Partner" certificate and OHSAS 18001 registration by SGS.
- 2002 Zhenjiang GPPC Chemical Co., Ltd. expanded its SAN/ABS capacity.
- 2001 GPPC was awarded ISO 9001:2000 registration by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs, R.O.C.
- 2000 BC Chemical expanded its HIPS capacity.
Zhenjiang GPPC Chemical Co., Ltd. expanded its SAN/ABS capacity.
- 1999 GPPC's styrene monomer plant No. 3 was completed.
- 1997 GPPC was awarded both ISO 9002 and ISO 14001 certificates by the Bureau of Commodity Inspection and Quarantine, Ministry of Economic Affairs, R.O.C.
GPPC pursued a diversified investment strategy.
- 1996 GPPC subsidiary, Zhenjiang GPPC Chemical Co., Ltd., was founded in Jiangsu Province, China.
Grand Pacific Chemical (Thailand) Co., Ltd. expanded its ABS capacity.
- 1995 GPPC acquired Delta Gas Products, a high purity hydrogen producer.
- 1994 ABS/SAN capacity was expanded.
The production process for SM plant No. 2 was streamlined.
- 1992 ABS/SAN capacity was expanded.
GPPC invested in CITC Enterprise in Malaysia, a pre-colored plastic compounder.
- 1991 GPPC acquired BC Chemical, a high-impact and general purpose polystyrene producer.
GPPC invested in Grand Pacific Chemical (Thailand) Co., Ltd. and acquired a Thai ABS plant.
- 1990 GPPC acquired GPPC Chemical, a high-impact polystyrene (HIPS) producer.
- 1988 GPPC was listed on the Taiwan Stock Exchange.
- 1987 ABS/SAN plant was expanded to increase capacity.
- 1984 Following a corporate reorganization, Delta Petrochemical became Grand Pacific Petrochemical Corp.
The company's first ABS/SAN plant was completed. The plant marked the first step in Grand Pacific's product diversification and vertical integration strategy.
- 1981 Delta Petrochemical's styrene monomer plant No. 2 was completed.
- 1974 Delta Petrochemical's styrene monomer plant No. 1, being the first in Taiwan, was completed and started production.
- 1973 Grand Pacific Petrochemical Corporation (GPPC) was founded under the name of Delta Petrochemical Corporation.

In the most recent year and as of the publication date of the Annual Report:

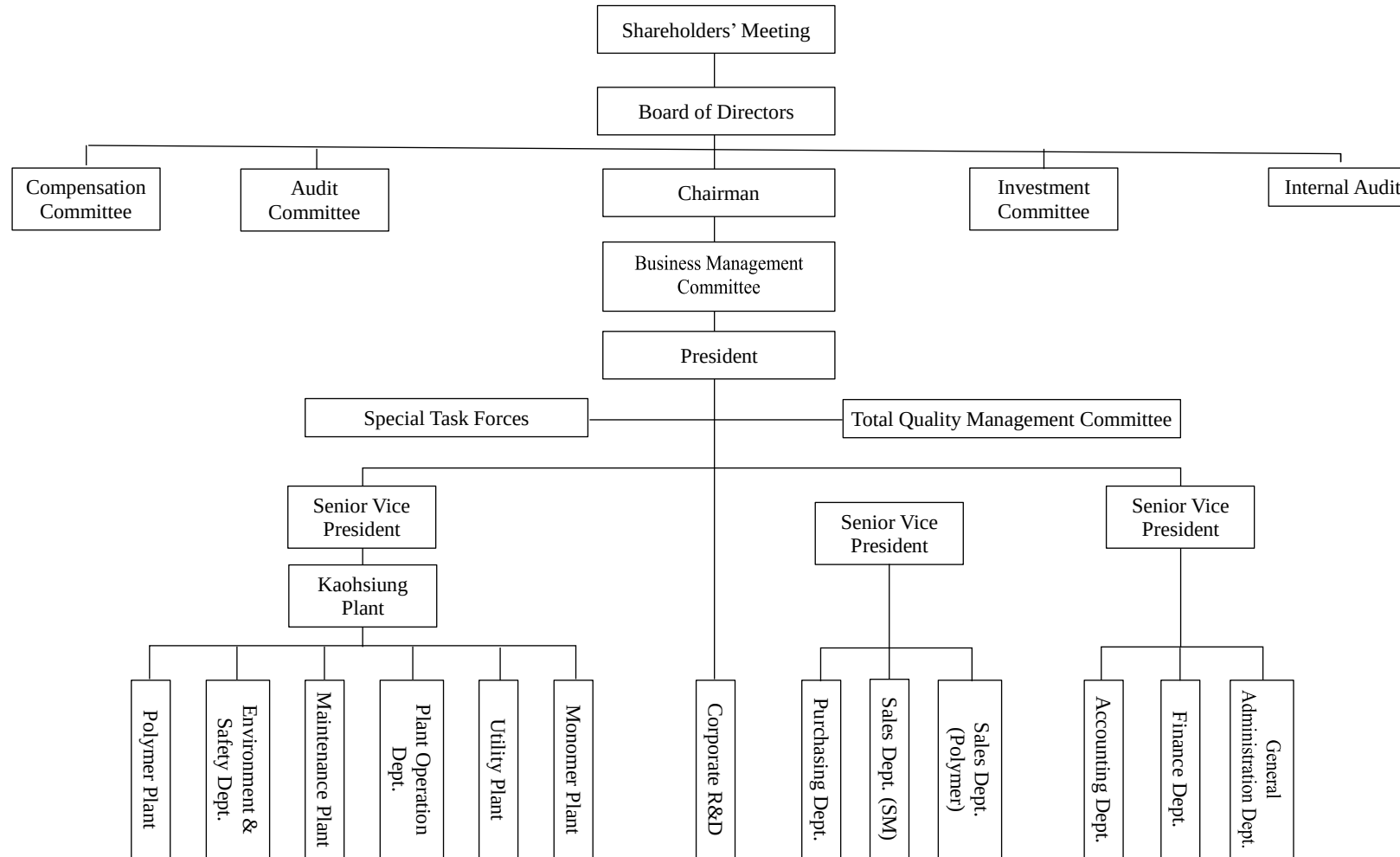
- (1) Fact of merger/acquisition (M&A): N/A.
- (2) Reorganization in the wake of reinvestment in an affiliated enterprise: N/A.
- (3) Significant shift, change of directors and supervisors or key shareholders with shareholding in excess of 10%: N/A.
- (4) Change in operating right, operating manner or significant changes in contents of business operation: N/A.
- (5) Other significant events likely to affect shareholders' equity and the impact upon the Company: N/A.

Three. Report on Corporate Governance

I. Organization System

(I) Organization chart

Organization chart of Grand Pacific Petrochemical Corporation



(II) Business operations of major departments

Departments	Contents of duties
General Administration Dept.	1. Track performance evaluation on business policies and business plans 2. Map out the human resources related policies, including notably selection of talents, putting talents into optimal use, cultivation of talents and retaining talents. 3. Work out plans for utilization of human resources and implementation thereof. 4. Maintain and assure sound and harmonious ties between employees and the Company. 5. Take charge of external public relations, internal communications and coordination.
Internal Audit	Take charge of audit affairs
Accounting Dept.	1. Map out, verify and compile annual budgets. 2. Take charge of calculation of the Company's production costs, accounting affairs and prepared for final account settlement. 3. Provide managerial reports and statements.
Sales Dept.(SM)	1. Contact and negotiate for procurement of bulk petrochemical materials and coals. 2. Determine and implement the Company's marketing strategy in petrochemical products and steam and electricity. 3. Provide information linked up with petrochemical industry and help assess investment plans.
Sales Dept.(Polymer)	1. Take charge of formulation and execution, marketing evaluation and development of domestic and foreign marketing strategies for plastic products (ABS / PS / nylon). 2. Take charge of distributors' establishment, coordination and contact affairs. 3. Execute administrative affairs for sales of a variety of products of the Company and procurement of bulk materials. 4. Provide market updates, coordinate with research & development and products.
Purchasing Dept.	1. Take charge of procurement of chemicals and equipment from sources at home and abroad. 2. Take charge of execution of contracts for project outsourcing and procurement affairs. 3. Take charge of inventory control and procurement points of chemicals. 4. Map out information system.
Finance Dept.	1. Take charge of the Company's financial planning, asset management and utilization of funds. 2. Take charge of the Company, equity affairs, general affairs as well as a variety of administrative affairs. 3. Take charge of the Company's financial risk management, financial & wealth management and investment strategies.
Corporate R&D	1. Focus on research & development of core products and technology & know-how. 2. Upgrade the quality of core products and improve the production manufacturing process. 3. Take charge of quality improvement, technical upgrade and general research programs. 4. Assure success in production of industrial silk grade nylon and development of special grade nylon; 5. Orient to energy saving & carbon reduction, high valued products and green and optimized manufacturing process. 6. Assure excluding implementation of manufacturing process improvement, effective implementation exactly in accordance with the specified procedures. 7. Carry out evaluation of a variety of investment abroad.
General manager office	Take overall charge of all business affairs of Kaohsiung Plant.
Monomer Plant	Assure successful accomplishment of high quality, low cost production in annual production target of styrene and hydrogen.
Polymer Plant	Assure successful accomplishment of high quality, low cost production in annual production target of annual production target of plastic products.
Plant Operation Dept.	1. Take charge of storage, transportation, personnel and general affairs 2. Serve as a handy bridge to assure sound communications between Kaohsiung Plant employees and the Company. 3. Assure harmonious ties between the Company and the Union.

Departments	Contents of duties
Maintenance Plant	1. Take charge of maintenance & repair services for equipment & facilities for entire Plant. 2. Take charge of additional construction and construction modification. 3. Take charge of power systems of Kaohsiung Plant. 4. Maintenance and on-site inspection for underground pipelines outside the plant
Environment & Safety Dept.	1. Oversee all units concerned in labor safety & health management to assure safety & health oriented working environments. 2. Take charge of exhaust water disposal, control and prevention of air, noise pollution to assure compliance with requirement by laws. 3. Take charge of laboratory testing and quality control affairs.
Utility Plant.	1. Supply common fluids, including steam, water, air, nitrogen, and bottom oil for the entire Plant. 2. Operate steam power plants to generate electricity. 3. Supply fire prevention oriented water system for the entire Plant.

II. Information on Directors, Presidents, Senior Vice Presidents, Vice Presidents and Managers of Each Department and Branch

(I) Information on Directors (1)

April 14, 2020

Title	Nationality or venues of registration	Name	Sex	Date when elected or to the position	Term	Date of on Board for the First Time (yy/mm/dd)	Shareholding When on Board		Shareholding for the Time Being		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications/ Experience	Concurrent Positions in this Group and Other Companies	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor			Remark (Note 8)
							Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation	
Chairman	Republic of China	Jing Kwan Investment Co., Ltd. Representative: Pin Cheng Yang	Male	June 27, 2017	June 27, 2017 ~ June 26, 2020	June 24, 2011	20,380,000 0	2.25% 0	20,280,000 0	2.24% 0	0 0	0 0	0 0	0 0	Master, Institute of Chemical Engineering, National Cheng Kung University	Note 1	Nil	Nil	Nil	Nil
Independent Director	Republic of China	Kuang Hsun Shih	Male	June 27, 2017	June 27, 2017 ~ June 26, 2020	June 15, 2012	0	0	0	0	0	0	0	0	Ph.D. in Finance, Nova Southeastern University, Florida, the U.S.	Note 2	Nil	Nil	Nil	Nil
Independent Director	Republic of China	Sung Tung Chen	Male	June 27, 2017	June 27, 2017 ~ June 26, 2020	June 15, 2012	0	0	0	0	0	0	0	0	College of Law, National Chengchi University (Legal Division)	Note 3	Nil	Nil	Nil	Nil
Independent Director	Republic of China	Wen Tzong Chen	Male	June 27, 2017	June 27, 2017 ~ June 26, 2020	June 25, 2014	0	0	0	0	0	0	0	0	MBA, Rider University, the U.S. Master, Institute of Law, Soochow University	Note 4	Nil	Nil	Nil	Nil
Director	Republic of China	Lai Fu Investment Co., Ltd. Representative: Chen Ching Ting	Male	June 27, 2017	June 27, 2017 ~ June 26, 2020	June 24, 2011	100,000 0	0.01% 0	100,000 0	0.01% 0	0 0	0 0	0 0	0 0	Department of Law, Fu Jen Catholic University	Note 5	Nil	Nil	Nil	Nil
Director	Republic of China	Lai Fu Investment Co., Ltd. Representative: Chia Hsiung Tseng	Male	June 27, 2017	June 27, 2017 ~ June 26, 2020	June 24, 2011	100,000 0	0.01% 0	100,000 0	0.01% 0	0 0	0 0	0 0	0 0	Master, Chemical Engineering, National Taiwan University	Note 6	Nil	Nil	Nil	Nil
Director	Republic of China	Chung Kwan Investment Co., Ltd. Representative: Hsi Hui Huang	Male	June 27, 2017	June 27, 2017 ~ June 26, 2020	June 27, 2005	28,262,722 0	3.12% 0	28,262,722 0	3.12% 0	0 0	0 0	0 0	0 0	Department of Accounting, Feng Chia University	Note 7	Nil	Nil	Nil	Nil

- Note 1: Chairman, GPPC Chemical Corporation; Director, Land & Sea Capital Corp.; Director, GPPC Investment Corp.; Director, Note 6: Goldenpacific Equities Ltd.; Director, Videoland Inc.; Director, Zhenjiang Chimei Chemical Co., Ltd.; Director, KK Enterprise Co., Ltd.
- Note 2: President of CTBC Business School; Independent director, Senao Networks, Inc.; Independent director, Samebest Co., Ltd.; Independent director, PCL Technologies, Inc.
- Note 3: Attorney at Law, Cheng Tai Law Offices; Independent director, Hua Nan Financial Holdings Co., Ltd.; Compensation Committee member, Hua Nan Financial Holdings Co., Ltd; Audit Committee member, Hua Nan Financial Holdings Co., Ltd
- Note 4: Director, Test Rite International Co., Ltd.; Independent director, Advancetec Enterprise Co., Ltd.; Independent director, Hiyes International Co., Ltd.
- Note 5: Senior Lawyer, T.Y.T. Law Offices; Practical Teacher in level equivalent to Current Assistant Professor, Department of Law, Fu Jen Catholic University; Independent director, Allied Industrial Corp., Ltd.
- Note 7: Chairman, He Xin Venture Investment Enterprise Co., Ltd.; Chairman, GPPC Investment Corp.; Chairman, Goldenpacific Equities Ltd.; Chairman, GPPC Hospitality And Leisure Inc.; Director, Land & Sea Capital Corp.; Director, Videoland Inc.; Director, KK Enterprise Co., Ltd.; Supervisor, GPPC Chemical Corporation, Senior Vice President, Videoland Inc.
- Note 8: Where the Company's Chairman and President or a ranking staff member of the equivalent level (the higher manager) were in a same person, as spouse or blood relatives within the first degree of kinship to each other, the Company should explain the reasons why, rationality, necessity and countermeasures (e.g., an increase in the seat(s) of independent director(s) while one half majority of directors do not concurrently serve as an employee or manager) and such relevant information.

Major shareholders of juristic person shareholders

April 14, 2020

Name of juristic person shareholder (Note 1)	Key shareholders of the juristic person shareholder (Note 2)	Shareholding ratio (%)
Lai Fu Investment Co., Ltd.	Han Chung Pan	100.00
Jing Kwan Investment Co., Ltd.	Yu Ming Investment Co., Ltd.	96.62
	Chun Tai Wu	3.35
	Yi Ying Huang	0.03
Chung Kwan Investment Co., Ltd.	Kuan He Development Co., Ltd.	99.03
	Jui Hui Lin	0.25
	Wen Lung Yen	0.25
	Wen Tzu Yen	0.175
	Wen Hsi Yen	0.175
	Ming Chi Tsai	0.075
	Hsueh E Chang	0.05

Note 1: Where the directors and supervisors are representatives of juristic person shareholders, please enter the name/title of the juristic person shareholder.

Note 2: Fill up the names of key shareholders of the juristic person shareholders (among the top ten in terms of shareholding ratios) and shareholding ratio thereof. Where the key shareholder is a juristic person, please fill up Table II below.

Note 3: Where a juristic person shareholder is not in an organization as a company, the aforementioned name of shareholder and the shareholding ratio would just be the name of the investor or donor and the investment or donation ratio thereof. Nil.

Key Shareholders Where the Key Shareholders Are Juristic Persons

April 14, 2020

Names of juristic persons	Key shareholders of the juristic person shareholder	Shareholding ratio (%)
Yu Ming Investment Co., Ltd.	Wei Hung Investment Co., Ltd.	100.00
Kuan He Development Co., Ltd.	Jui Hui Lin	25.01
	Chin Li Investment Co., Ltd.	24.93
	Chuan Wei Investment Co., Ltd.	24.93
	Chung Chun Investment Co., Ltd.	19.93
	Chung Cheng Investment Co., Ltd.	5.00
	Wen Lung Yen	0.09
	Wen Hsi Yen	0.03
	Wen Tzu Yen	0.03
	Ming Chi Tsai	0.03
	Wen Hui Yen	0.03
	Ya Ju Wu	0.00001

Note 1: Where the key shareholder in Table I above is a juristic person, please enter the name of that juristic person.

Note 2: Fill up the names of key shareholders of the juristic person shareholders (among the top ten in terms of shareholding ratios) and shareholding ratios thereof.

Note 3: Where a juristic person shareholder is not in an organization as a company, the aforementioned name of shareholder and the shareholding ratio would just be the name of the investor or donor and the investment or donation ratio thereof. Nil.

Information on Directors (2)

April 14, 2020

Name (Note 1)	Terms	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Information (Note 2)												Number of the Other Public Companies in Which the Concerned Director Acts Concurrently as an Independent Director
		An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman: Pin Cheng Yang Representative of Jing Kwan Investment Co., Ltd.	No	No	Yes	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Independent director: Kuang Hsun Shih	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Independent director: Sung Tung Chen	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent director: Wen Tzong Chen	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Director: Chen Ching Ting Representative of Lai Fu Investment Co., Ltd.	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	1
Director: Chia Hsiung Tseng Representative of Lai Fu Investment Co., Ltd.	No	No	Yes			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Director: Hsi Hui Huang Representative of Chung Kwan Investment Co., Ltd.	No	No	Yes			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0

Note 1: The number of boxes is subject to adjustment as the actual requirements may justify.

Note 2: Where the directors and supervisors have served in such condition meeting any event that falls within a situation among those enumerated below within two (2) years before being appointed, please mark “✓” on the codes so represented below:

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves)
- (3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
- (4) Not a spouse, relative within the second-degree relatives, or lineal relative within the third degree by blood, of any of the managers specified under (1) or (2) (3).
- (5) Not as a director, supervisor or a director of a corporate shareholder who directly holds more than 5% of the Company's total issued shares, the top five shareholders or representative designated to serve as a director, supervisor or a director or an employee of a corporate shareholder in accordance with Paragraphs 1 or 2 under Article 27 of the Company Act (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and ordinances concerned prevalent in the home country).
- (6) The directors and supervisors or employees of another company not under control by a same person as the Company's directors with one half majority of the shares (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and ordinances concerned prevalent in the home country).
- (7) Not as a director (trustee), supervisor (supervising officer) or employee of another company or institution as the same person or the spouse thereof of the Company's Chairman, President or person of equivalent position (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and ordinances concerned prevalent in the home country).
- (8) Not as a director (trustee), supervisor (supervising officer), manager or a shareholder holding more than 5% of the shares of a specific company or institution in financial or business transaction with the Company (This, nevertheless, does not apply to a specific company or institution which holds more than 20%, less than 50% of the aggregate total

outstanding shares of the Company, and where the company and its parent company, subsidiary or a subsidiary with the same parent company where the independent directors perform multiple duties concurrently among themselves according to the Act or the laws prevalent locally.)

- (9) Not as the enterprise proprietor, partner, director (trustee), supervisor (supervisory officer), manager and the spouse thereof of the professionals, sole proprietors, partners, companies or institutions rendering auditing, commercial, legal, financial, accounting and such relevant services to the Company or affiliated enterprises thereof with remuneration obtained over the past two years not beyond NT\$500,000. This, nevertheless, does not apply to a member of the Open Acquisition Committee, Compensation Committee or Special Merger/Acquisition (M&A) Committee in accordance with Securities and Exchange Act, Business Mergers and Acquisitions Act and relevant laws.
- (10) Not in a relationship as spouse or a relative within the second degree of kinship with any other directors.
- (11) Not been a person or any conditions defined in Article 30 of the Company Act.
- (12) Not under Article 27 of the Company Act with government, juristic person or the representative thereof successfully elected.

(II) Information on President, Senior Vice Presidents, Vice Presidents and the Mangers of Each Department and Branch

April 14, 2020

Position Title (Note 1)	Nationality	name	Sex	Date of on Board (mm/yy/dd)	Shareholding		Shareholding of the Spouse and Underage Children		Shareholding Held in the Name of a Third Party		Main Experience/ Educational Background (Note 2)	Concurrent Positions in Other Companies at present	Other Managers that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Person			Remark (Note 3)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation	
Chairman	Republic of China	Pin Cheng Yang	M	04/15/2018	0	0	0	0	0	0	Master, Institute of Chemical Engineering, National Cheng Kung University	1. Chairman, GPPC Chemical Corporation 2. Director, Land & Sea Capital Corp. 3. Director, GPPC Investment Corp. 4. Director, Goldenpacific Equities Ltd. 5. Director, Videoland Inc. 6. Director, Zhenjiang Chimei Chemical Co., Ltd. 7. Director, KK Enterprise Co., Ltd.	Nil	Nil	Nil	
President	Republic of China	Chia Hsiung Tseng	M	05/01/2019	0	0	0	0	0	0	Master, Chemical Engineering, National Taiwan University	1. Director, GPPC Chemical Corporation 2. Director, Zhangzhou Chimei Chemical Co., Ltd.	Nil	Nil	Nil	
Senior Vice President	Republic of China	Hsi Hui Huang	M	04/16/2003	0	0	0	0	0	0	Department of Accounting, Feng Chia University	1. Chairman, He Xin Venture Investment Enterprise Co., Ltd. 2. Chairman, GPPC Investment Corp. 3. Chairman, Goldenpacific Equities Ltd. 4. Director, Land & Sea Capital Corp. 5. Director, Videoland Inc. 6. Director, KK Enterprise Co., Ltd. 7. Supervisor, GPPC Chemical Corporation 8. Senior Vice President, Videoland Inc.	Nil	Nil	Nil	
Senior Vice President	Republic of China	Chen Ming Chou	M	03/01/2011	0	0	0	0	0	0	Master, Chemical Engineering, National Taiwan University	1. Director, GPPC Investment Corp. 2. Director, Zhenjiang Chimei Chemical Co., Ltd. 3. Director, Goldenpacific Equities Ltd.	Nil	Nil	Nil	
General Manager	Republic of China	Jen Chieh Liang	M	03/01/2011	0	0	0	0	0	0	Master, Department of Mechatronics Engineering, National Kaohsiung University of Science and Technology	1. Director, GPPC Chemical Corporation 2. President, GPPC Chemical Corporation	Nil	Nil	Nil	
Vice President	Republic of China	Fu Hua Tsao	M	02/01/2017	0	0	0	0	0	0	Bachelor, Chemical Engineering, Tamking University	Nil	Nil	Nil	Nil	
Vice President	Republic of	Wen Hui	M	02/01/2019	0	0	0	0	0	0	Master, Department of Safety,	Director, Zhangzhou Chimei Chemical	Nil	Nil	Nil	

	China	Lin									Health and Environmental Engineering, National Kaohsiung University of Science and Technology	Co., Ltd.				
Vice President	Republic of China	Ching Fu Chen	M	02/01/2019	0	0	0	0	0	0	Bachelor, Department of Accounting, Soochow University	1. Supervisor, GPPC Investment Corp. 2. Director, Videoland Inc. 3. Supervisor, GPPC Hospitality And Leisure Inc. 4. Supervisor, Zhangzhou Chimei Chemical Co., Ltd.	Nil	Nil	Nil	
Director (Retired)	Republic of China	Shih Hsin Wei	M	08/01/2012~03/27/2019	0	0	0	0	0	0	Chemical Engineering, Tunghai University	Nil	Nil	Nil	Nil	
Director	Republic of China	Chih Jung Wu	M	07/01/2013	0	0	0	0	0	0	Dept. of Commercial Documentation, Tamsui Institute of Business Administration	Nil	Nil	Nil	Nil	
Director	Republic of China	Hung Min Hsueh	M	07/01/2017	0	0	0	0	0	0	Master, Graduate Institute of Environmental Engineering, National Cheng Kung University	Nil	Nil	Nil	Nil	
Director	Republic of China	Tsung Ming Chang	M	05/11/2018	0	0	0	0	0	0	Master, Institute of Chemical Engineering, National Cheng Kung University	Nil	Nil	Nil	Nil	
Director	Republic of China	An Teng Lee	M	03/28/2005	0	0	0	0	0	0	Master, Department of Logistics Management, National Kaohsiung University of Science and Technology	Nil	Nil	Nil	Nil	
Director	Republic of China	Ling Chu Chen	F	01/01/2009	0	0	0	0	0	0	Bachelor, Accounting Section, Dept. of Commerce, Providence University	Director, GPPC Hospitality And Leisure Inc.	Nil	Nil	Nil	
Director	Republic of China	Chun Yi Lin	M	02/20/2016	60,000	0	0	0	0	0	Bachelor, Shipbuilding & Aviation Machinery Dept., National Cheng Kung University	Nil	Nil	Nil	Nil	
Director (Auditor-General)	Republic of China	Hui Ping Chen	F	07/01/2019	0	0	0	0	0	0	Bachelor, Dept. of Accounting, Providence University	Nil	Nil	Nil	Nil	
Director	Republic of China	Mei You Shen	F	07/01/2019	0	0	0	0	0	0	Master of Business Administration (MBA), Goldey-Beacom College USA	Director, GPPC Hospitality And Leisure Inc.	Nil	Nil	Nil	
Deputy of Director	Republic of China	Chih Ho Huang	M	05/11/2018	0	0	0	0	0	0	Master, Department of Materials Science and Engineering, I-SHOU University	Nil	Nil	Nil	Nil	

Note 1: Should include all information of all executives as President, Senior Vice President, Vice President, managers of all departments, branches, as well as those in the position ranks equivalent to President, Senior Vice President or Vice President, which should be disclosed in full, disregarding the position titles.

Note 2: In terms of the hands-on experiences linked up with the aforementioned position titles, in case of employment in the attesting CPA Firm or affiliated enterprise thereof during the aforementioned period, should expressly remark the position titles and duties in charge

Note 3: Where the President or the equivalent position title (highest manager) is the same person as the chairman, or as the spouse to each other or blood relatives within the first degree of kinship, should disclose the reason why, rationality, necessity and countermeasures (e.g., a measure to increase the seat(s) of independent director(s), or a way with one half majority of the directors not serving concurrently as an employee) and such information.

III. Remuneration to Directors (Including Independent Directors), President and Senior Vice President in the Latest Year

(1-1) Remuneration to general directors and independent directors (with individual disclosure of the names and means for remuneration):

Title	Name	Remuneration to Directors								Ratio (%) of the Aggregate Amount of A, B, C and D to the Net Income After Tax (Note 10)		Remuneration Received by Concurrent Employees								Ratio (%) of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 10)		Whether Receiving Remuneration from any Investees or parent company other Than the Subsidiaries of the Company (Note 11)
		Compensation (A) (Note 2)		Pension (B)		Remuneration to Directors (C) (Note 3)		Fees for Performance of Business (D) (Note 4)				Wages, Bonus and Special Disbursement, etc. (E) (Note 5)		Pension (F)		Compensation to employee (G) (Note 6)						
		This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements	
Cash Bonus	Share Bonus															Cash Bonus	Share Bonus					
Chairman	Jing Kwan Investment Co., Ltd. Representative: Pin Cheng Yang	15,077,700	15,413,700	1,854,000	1,854,000	0	0	925,887	1,009,887	0.8626%	0.8829%	0	0	0	0	0	0	0	0	0.8626%	0.8829%	0
Director	Lai Fu Investment Co., Ltd. Representative: Chia Hsiung Tseng	0	0	0	0	0	0	0	0	0.0000%	0.0000%	8,114,297	8,210,297	874,000	874,000	344,704	0	344,704	0	0.4508%	0.4555%	0
Director	Chung Kwan Investment Co., Ltd.. Representative: Hsi Hui Huang	0	0	0	0	0	0	0	0	0.0000%	0.0000%	5,586,707	8,898,707	531,204	569,204	196,974	0	365,974	0	0.3050%	0.4750%	120,000
Director	Lai Fu Investment Co., Ltd. Representative: Chen Ching Ting	20,000	20,000	0	0	0	0	120,000	120,000	0.0068%	0.0068%	0	0	0	0	0	0	0	0	0.0068%	0.0068%	0
Director	Chung Kwan Investment Co., Ltd.	0	0	0	0	9,944,827	10,090,929	0	0	0.4804%	0.4875%	0	0	0	0	0	0	0	0	0.4804%	0.4875%	0

Director	Lai Fu Investment Co., Ltd.	0	0	0	0	19,889,654	19,889,654	0	0	0.9608%	0.9608%	0	0	0	0	0	0	0	0	0.9608%	0.9608%	0
Director	Jing Kwan Investment Co., Ltd.	0	0	0	0	19,889,656	19,889,656	0	0	0.9608%	0.9608%	0	0	0	0	0	0	0	0	0.9608%	0.9608%	0
1. Please elaborate on the remuneration policy, system, standards and structure for independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: Independent directors will be paid with remuneration according to the Company's "standards/criteria for directors and committee members' fees and remuneration payment" to grant a fixed amount of remuneration, not to participate in the allocation of director remuneration with the Company's profits according to Article 29 of the Articles of Incorporation so that the remuneration should be reasonable. 2. Except those facts disclosed through the aforementioned Table, the remuneration received by the Company's directors for services rendered to all companies as shown in the financial statements (e.g., where serving as a consultant, without the capacity as an employee) in the most recent year: Nil																						

(1-2) Remuneration to directors (including independent directors)(Summarizing the coordination scale and the methods to disclose names):

Title	Name	Remuneration to Directors								Ratio (%) of the Aggregate Amount of A, B, C and D to the Net Income After Tax (Note 10)		Remuneration Received by Concurrent Employees								Ratio (%) of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 10)		Whether Receiving Remuneration from any Investees or parent company other Than the Subsidiaries of the Company (Note 11)
		Compensation (A) (Note 2)		Pension (B)		Remuneration to Directors (C) (Note 3)		Fees for Performance of Business (D) (Note 4)				Wages, Bonus and Special Disbursement, etc. (E) (Note 5)		Pension (F)		Compensation to employee (G) (Note 6)						
		This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company	All Companies Specified in the Financial Statements (Note 7)	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements	
Cash Bonus	Share Bonus															Cash Bonus	Share Bonus					
Independent Director	Kuang Hsun Shih	4,260,000	4,260,000	0	0	0	0	630,000	630,000	0.2362%	0.2362%	0	0	0	0	0	0	0	0	0.2362%	0.2362%	0
Independent Director	Sung Tung Chen																					
Independent Director	Wen Tzong Chen																					
1. Please elaborate on the remuneration policy, system, standards and structure for independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: Independent directors will be paid with remuneration according to the Company’s “standards/criteria for directors and committee members’ fees and remuneration payment” to grant a fixed amount of remuneration, not to participate in the allocation of director remuneration with the Company's profits according to Article 29 of the Articles of Incorporation so that the remuneration should be reasonable. 2. Except those facts disclosed through the aforementioned Table, the remuneration received by the Company's directors for services rendered to all companies as shown in the financial statements (e.g., where serving as a consultant, without the capacity as an employee) in the most recent year: Nil																						

* Please remunerate the relevant information of directors (general directors other than an independent director) and independent directors, respectively.

Remuneration Scale Table

Scale of the Remuneration Paid to this Company's Directors	Name of Directors			
	Aggregate Amount of A, B, C and D		Aggregate Amount of A, B, C, D, E, F and G	
	This Company (Note 8)	All Companies Specified in the Financial Statements (Note 9) H	This Company (Note 8)	Parent Company and all reinvested companies (Note 9) I
Below \$1,000,000	Chia Hsiung Tseng, Hsi Hui Huang, Chen Ching Ting	Chia Hsiung Tseng, Hsi Hui Huang, Chen Ching Ting	Chen Ching Ting	Chen Ching Ting
\$1,000,000 (inclusive) ~ \$2,000,000 (exclusive)	Kuang Hsun Shih, Sung Tung Chen, Wen Tzong Chen	Kuang Hsun Shih, Sung Tung Chen, Wen Tzong Chen	Kuang Hsun Shih, Sung Tung Chen, Wen Tzong Chen	Kuang Hsun Shih, Sung Tung Chen, Wen Tzong Chen
\$2,000,000 (inclusive) ~ \$3,500,000 (exclusive)				
\$3,500,000 (inclusive) ~ \$5,000,000 (exclusive)				
\$5,000,000 (inclusive) ~ \$10,000,000 (exclusive)	Chung Kwan Investment Co., Ltd.		Chia Hsiung Tseng, Hsi Hui Huang, Chung Kwan Investment Co., Ltd.	Chia Hsiung Tseng, Hsi Hui Huang
\$10,000,000 (inclusive) ~ \$15,000,000 (exclusive)		Chung Kwan Investment Co., Ltd.		Chung Kwan Investment Co., Ltd.
\$15,000,000 (inclusive) ~ \$30,000,000 (exclusive)	Pin Cheng Yang, Jing Kwan Investment Co., Ltd., Lai Fu Investment Co., Ltd.	Pin Cheng Yang, Jing Kwan Investment Co., Ltd., Lai Fu Investment Co., Ltd.	Pin Cheng Yang, Jing Kwan Investment Co., Ltd., Lai Fu Investment Co., Ltd.	Pin Cheng Yang, Jing Kwan Investment Co., Ltd., Lai Fu Investment Co., Ltd.
\$30,000,000 (inclusive) ~ \$50,000,000 (exclusive)				
\$50,000,000 (inclusive) ~ \$100,000,000 (exclusive)				
Above \$100,000,000				
Total	10	10	10	10

Note 1: The names of directors should be enumerated separately (juristic person shareholders should have the names and representatives of juristic person shareholders enumerated respectively) and the general directors and independent directors should be enumerated separately and the amount of each payment should be disclosed in a summary manner. In the event that a director concurrently serves as the President or Senior Vice President, this table and the following table (3-1), or the following tables (3-2-1) and (3-2-2) should be filled in as well.

Note 2: Referring to the remuneration of directors in the most recent year (including directors' salary, post bonus, severance payment, various bonuses, incentives and the like).

Note 3: Enter the amount of directors' remuneration resolved by the board of directors in the most recent year.

Note 4: Referring to the directors' related business execution expenses in the most recent year (including traffic allowance, special disbursement, various allowances, dormitory allowance, car allocation and the like). In case of provision of housing, cars and other transportation or exclusive personal expenses, should disclose the

nature and cost of assets so provided, actual or fair market-based rents, fuel costs and other payments. In case of a chauffeur was provided, please note that the relevant remuneration paid for the driver which, nevertheless, should not be included in the remuneration.

Note 5: Referring to all such received by the directors concurrent serving as employees (including those concurrently as President, Senior Vice President, other managers and employees), including salary, post bonus, severance payment, various bonuses, incentives, traffic allowances, special disbursement, various allowances, dormitory allowance, provision of objects in kind such as cars, and the like. When providing expenditures for houses, cars and other transportation exclusive for specific individuals, the nature and cost of the assets provided, the actual or fair market rent, fuel and other payments should be disclosed. If there is a chauffeur provided, please note that the Company pays the relevant compensation of the chauffeur which is, nevertheless, not counted into the remuneration. In addition, the salary expenses recognized according to IFRS 2 "share-based payment", including obtaining employee stock option certificates, limiting employee rights, new shares and participation in cash capital increase subscription shares, and the like, should also be included in the remuneration.

Note 6: Referring to the event where employees who have served concurrently as directors (including President, Senior Vice President, other managers and employees) in the most recent year to obtain employee remuneration (including stocks and cash) where the Company should disclose the amount of employee remuneration distributed by the board of directors in the most recent year. In the event that the amount could not be estimated, the proposed distribution amount for this year could be calculated according to the proportion of the actual distribution amount last year, and then fill up Table 1~3.

Note 7: The aggregate total of remuneration paid to the directors of the company by all companies (including the Company) in the consolidated financial statement should be disclosed in full.

Note 8: In the aggregate total of remuneration paid by the Company toward each and every director, the Company shall disclose names of directors in the attribute scale.

Note 9: In the aggregate total of remuneration paid by all companies (including the Company) toward each and every director of the Company in the merger, consolidated financial statement, the Company shall disclose names of directors in the attribute scale.

Note 10: The term "net profit after tax" as set forth herein denotes the net profit after tax in the entities or individual financial statements of the most recent year.

Note 11:

- a. This Box should be filled up with the amount(s) of relevant remuneration (s) received by the Company's directors from sources as an investee or parent company other than a subsidiary (Fill up "N/A" if none).
- b. Where a director of the Company is paid with relevant remuneration from sources as an investee or parent company other than a subsidiary, the Company should consolidate relevant remuneration from sources as an investee or parent company other than a subsidiary into the box of remuneration scale table and change the title of that box into "parent company and all investees".
- c. The term "remuneration" as set forth herein denotes the remuneration, pay received by a director of the Company who serves as the director, supervisor or manager while serving as an investee or parent company other than a subsidiary (in such post e.g., employee, director and supervisor) and as the fee for execution of business operation.

* Where the contents disclosed under this Table differ from the concept of income under Income Tax Act. This Table, therefore, only functions for disclosure of information instead of taxation.

(2-1) Remuneration payable to the supervisors (Individual disclosure of names and method for remuneration): N/A.

(2-2) Remuneration payable to the supervisors (Method to disclose the summarized coordinative scale. names and method of disclosure): N/A.

(3-1) Remuneration payable to the President and Senior Vice President (Individual disclosure of names and method for remuneration): N/A.

(3-2-1) Remuneration payable to the President and Senior Vice President (Method to disclose the summarized coordinative scale. names and method of disclosure)

Position Title	Name	Wages (A) (Note 2)		Pension (B)		Bonus and Special Disbursement, etc. (C) (Note 3)		Compensation for Employee (D) (Note 4)				Ratio (%) of the Aggregate Amount of A, B, C and D to the Net Income After Tax (Note 8)		Whether Receiving Remuneration from any Investees or Parent Company Other Than the Subsidiaries of the Company (Note 9)
		This Company	All Companies Specified in the Financial Statements (Note 5)	This Company	All Companies Specified in the Financial Statements (Note 5)	This Company	All Companies Specified in the Financial Statements (Note 5)	This Company		All Companies Specified in the Financial Statements (Note 5)		This Company	All Companies Specified in the Financial Statements (Note 5)	
								Cash Bonus	Share Bonus	Cash Bonus	Share Bonus			
President	Chia Hsiung Tseng	7,011,188	9,439,188	2,102,608	2,140,608	12,766,381	13,842,381	787,895	0	956,895	0	1.0950%	1.2743%	0
Senior Vice President	Hsi Hui Huang													
Senior Vice President	Chen Ming Chou													

* Regardless of position title, all positions equivalent to President, Senior Vice President (for example: President, Chief Executive Officer, Director... etc.) which should be disclosed in full.

Remuneration Scale Table

Scale of the Remuneration Paid to Each Respective President and Senior Vice President of this Company	Name of President and Senior Vice President	
	This Company (Note 6)	Parent Company and all reinvested companies (Note 7) E
Below \$1,000,000		
\$1,000,000 (inclusive)~\$2,000,000 (exclusive)		
\$2,000,000 (inclusive)~\$3,500,000 (exclusive)		
\$3,500,000 (inclusive)~\$5,000,000 (exclusive)		
\$5,000,000 (inclusive) ~ \$10,000,000 (exclusive)	Chia Hsiung Tseng, Hsi Hui Huang, Chen Ming Chou	Chia Hsiung Tseng, Hsi Hui Huang, Chen Ming Chou
\$10,000,000 (inclusive) ~ \$15,000,000 (exclusive)		
\$15,000,000 (inclusive) ~ \$30,000,000 (exclusive)		
\$30,000,000 (inclusive) ~ \$50,000,000 (exclusive)		
\$50,000,000 (inclusive) ~ \$100,000,000 (exclusive)		
Above \$100,000,000		
Total	3	3

Note 1: The names of President and Senior Vice President should be enumerated separately, and the amount of each payment should be disclosed in a summary manner. If the director concurrently serves as President or Senior Vice President, please fill out this Table and the aforementioned table (1-1), or (1-2-1) and (1-2-2).

Note 2: Should be filled up with the salaries, job bonuses and severance pay for President and Senior Vice President in the most recent year.

Note 3: Should be filled up with a variety of bonuses, incentive payments, traffic allowance, special disbursement, various allowances, dormitory allowance, car allocation and other objects in kind and other remuneration amounts for President and Senior Vice President in the most recent year. In case of provisions of housing allowance, car allowance and other transportation or exclusive personal expenses, the Company should disclose the nature and cost of the assets provided, the actual or fair market rent, fuel and other payments. Where a chauffeur is provided, please note that the Company pays the relevant compensation of the chauffeur which is, nevertheless, not included the remuneration. In addition, the salary expenses recognized according to IFRS 2 "share-based payment" include employee stock option certificates obtained, limitation upon employee from equity, new shares and participating subscription in capital increase through cash injection which should also be included in the remuneration as well.

Note 4: To be filled in with the amount of employee compensation (including stocks and cash) to be allocated to such employees as the President and Senior Vice President as approved by the board of directors in the most recent year. In the event that it is impossible to estimate, the proposed distribution amount for this year shall be calculated according to the proportion of the actual distribution amount of the preceding year and should additionally fill up Table 1~3.

Note 5: The total amount of remuneration paid to the President and Senior Vice President of the Company by all companies (including the Company) in the Consolidated Financial Statement should be disclosed.

Note 6: For the aggregate total remunerations payable to each of the President and the Senior Vice President, the names of the President and Senior Vice President shall be disclosed in the attribution scales.

Note 7: For the aggregate total remunerations payable to each of the President and the Senior Vice President of all companies (including the Company) in the Consolidated

Financial Statement, the names of the President and Senior Vice President shall be disclosed in the attribution scales.

Note 8: Net profit after tax referring to net profit after tax in the most recent individual or respective financial statements of the most recent year.

Note 9:

- This Box should be fixed up with the relevant amounts received by the Company's President and Senior Vice President from the investees or parent company other than the subsidiaries (If none, please fill up "N/A")
- Where the Company's President and Senior Vice President received remuneration from the investees or parent company other than the subsidiaries, the remunerations received by each of the President and the Senior Vice President from the investees or parent company other than the subsidiaries, shall be consolidated into Box E of the remuneration scale table and the title of that Box should be changed into "Parent company and all investees"
- The term "remuneration" as set forth herein denotes the remunerations, pays received by the Company's President and Senior Vice President where they serve with the investees other than subsidiaries or parent company in the capacities of directors and supervisors or managers (including remuneration payable to employees, directors and supervisors) and expenses for business execution.

* Where the contents disclosed under this Table differ from the concept of income under Income Tax Act. This Table, therefore, only functions for disclosure of information instead of taxation.

(I) Names of the managers allocated with bonus to employees and the facts in allocation:

April 14, 2020

	Position Title (Note 1)	Name (Note 1)	Share Bonus	Cash Bonus	Total	Ratio of the Aggregate Amount to the Net Income After Tax (%)
Manager	President	Chia Hsiung Tseng	0	1,353,823	1,353,823	0.0654%
	Senior Vice President	Hsi Hui Huang				
	Senior Vice President	Chen Ming Chou				
	General Manager	Jen Chieh Liang				
	Vice President	Fu Hua Tsao				
	Vice President	Wen Hui Lin				
	Vice President, Finance Dept.	Ching Fu Chen				
	Director, Accounting Dept.	Ling Chu Chen				

Note 1: The Company should disclose individual names, position titles where, nevertheless, the allocation of profit could be disclosed by means of summarization.

Note 2: Should be filled up with the amount of the remuneration to employees as resolved by the Board of Directors in the most recent year (including stock and cash). If the amount could not be estimated, fill up the amount proposed to be filled up *pro rata* to the amount substantially allocated in the preceding year as the amount proposed for allocation in the current year. The net profit after tax refers to the net profit after tax of the most recent year. Where the Company has adopted International Financial Reporting Standards (IFRS), the net profit after tax should refer to the net profit after tax shown through the individual financial statement or respective financial statement in the most recent year.

Note 3: The term “managers” applies to the scope as enumerated below as per Decree Tai-Tsai-Zheng-III-Zi 0920001301 dated March 27, 2003:

- (1) President and staff of the equivalent level.
- (2) Senior Vice President and staff of the equivalent level.
- (3) Vice President and staff of the equivalent level.
- (4) Head of Finance Dept.
- (5) Head of Accounting Department
- (6) Other staff authorized with the powers to take charge of business affairs and as authorized signatories.

Note 4: Where the Director, President and Senior Vice President receives remuneration to employees (including stocks and cash), the Company shall fill up this Table other than Table 1~2.

(II) The respective comparison and explanation for analyses of the percentages of the aggregate total compensations paid to the Company’s directors and supervisors, President and Senior Vice Presidents of this Company to the net profit after taxes over the past two years in the Company and all companies covered in the consolidated financial statements and explain the policies, criteria, portfolio of remuneration payment, procedures to fix remuneration, business performance and interrelationship to the future risks:

1. Analyses into the ratios in the past two years

Position Title	Percentage of the aggregate total remuneration to the net profit after tax in 2018		Percentage of the aggregate total remuneration to the net profit after tax in 2019		Descriptions
	This Company	All Companies Specified in the Consolidated Statements	This Company	All Companies Specified in the Consolidated Statements	
Director	4.01%	4.12%	4.26%	4.46%	Here at the Company, the remuneration to directors and supervisors and remuneration to employees have been duly granted exactly in accordance with the Articles of Incorporation
Supervisor	N/A	N/A	N/A	N/A	
President and Senior Vice President	0.90%	1.00%	1.10%	1.27%	

2. The interrelationship among the remuneration payment policies, standards/criteria and portfolio, the procedures to fix the remunerations, business performance and future risks.

In an attempt to conserve expenses, the Company’s managers and directors do receive traffic allowances. Regarding compensation to directors, as expressly provided for in Article 27 of the Company’s Articles of Incorporation, the remuneration to directors and supervisors shall be paid disregarding whether the Company operates at a profit at the amount resolved by the Compensation Committee with reference to the rates prevalent in the firms in the horizontal trade. The remuneration payable to the President and Senior Vice President are proposed by the Compensation Committee based on the personal performance and contribution to the overall business operation of the entire Company to the board of directors for final resolution. Accordingly, the remuneration to directors and supervisors do not directly

impact upon the future business risks.

IV. Overview on Performance of corporate governance:

(I) Performance of Board of Directors

- (1) In the most recent year (2019), the Board of Directors of this Company convened a total of 9 (A) meetings where the directors showed attendance in the following status:

Position Title	Name	Times of Actual Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A) (Note 2)	Remarks
Chairman	Pin Cheng Yang	9	0	100	Name of juristic person director, as the representative of the juristic person director: Jing Kwan Investment Co., Ltd. June 27, 2017 in the renewed appointment
Independent Director	Kuang Hsun Shih	8	1	89	June 27, 2017 in the renewed appointment
Independent Director	Sung Tung Chen	9	0	100	June 27, 2017 in the renewed appointment
Independent Director	Wen Tzong Chen	9	0	100	June 27, 2017 in the renewed appointment
Director	Chen Ching Ting	5	4	56	Name of juristic person director, as the representative of the juristic person director: Lai Fu Investment Co., Ltd. June 27, 2017 in the renewed appointment
Director	Chia Hsiung Tseng	9	0	100	Name of juristic person director, as the representative of the juristic person director: Lai Fu Investment Co., Ltd. April 15, 2018 in the new appointment
Director	Hsi Hui Huang	9	0	100	Name of juristic person director, as the representative of the juristic person director: Chung Kwan Investment Co., Ltd. June 27, 2017 in the renewed appointment

Other entries as required:

- I. Where the operations by the Board of Directors meet any one among those circumstances enumerated below, the date, term, contents of the agenda, opinions of all independent directors and the handling of the independent directors' opinions shall be expressly remarked:
- (I) Issues to be enumerated under Article 14-3 of the Securities and Exchange Act: Nil
 - (II) Issues other than the aforementioned ones where the independent directors voice objection or reserved opinions as backed up with records or written declarations in the minutes of the Board of Directors meeting: Nil.
- II. Performance of withdrawal from conflict involvement (recusal) by a director in a motion involving their interests where, please state the name of director, contents of the motion, cause of avoidance from presence (recuse) and facts in participation in the voting process:
- (I) On 2019/03/21 amidst the 12th board meeting of Session 12 in discussion items (11) upon the lifting of prohibition of business strife upon directors. Director Chia Hsiung Tseng who concurrently acted the position of the President duly withdrew from conflict involvement (recusal) as the motion involved his personal interests. The motion was duly resolved by all other present directors.
 - (II) On 2019/03/21 amidst the 12th board meeting of Session 12 in discussion items (12) upon the lifting of prohibition of business strife upon managers. Director Chia Hsiung Tseng who concurrently acted the position of the President duly withdrew from conflict involvement (recusal) as the motion involved his

	personal interests. The motion was duly resolved by all other present directors.
(III)	On 2019/08/08 amidst the 16 th board meeting of Session 12 in discussion items (1) upon allocation of remuneration to directors, managers as staff of Year 2018, Chairman Pin Cheng Yang, Director Chia Hsiung Tseng concurrently serving as the President, Director Hsi Hui Huang concurrently serving as the Senior Vice President, withdrew from conflict involvement (recusal) as the motion involved their personal interests. The motion was duly resolved by all other present directors.
III.	The TWSC/GTSM listed companies should disclose information on the evaluation cycle and period of the Board's self (or peers) evaluation, the scope, method and content of the evaluation, and fill out the attached Table II (2) Board Evaluation Implementation.
IV.	The objectives of strengthening the functions of the Board of Directors in the current year and the most recent year (e.g., the establishment of an Audit Committee, the improvement of information transparency, and the like) and the assessment of implementation.: - Continued training and education programs for directors: On a regular basis, the Company duly arranges directors into Continued training and education programs through outsourcees. - Improvement of information transparency: The Company faithfully upholds the transparency of its operations and pays supreme attention to the rights and interests of shareholders. After each Board meeting, it immediately publishes important resolutions of the Board of Directors.
Note 1:	Where the directors and supervisors are juristic persons, the Company should disclose the names of such juristic person shareholders and names of representatives thereof.
Note 2:	(1) In case of directors and supervisors who had quit the posts before closure of a fiscal year, the Company should remark the date(s) of severance, the substantial participation (guest participating) rate (%), to be duly calculated based on the number of board meetings during the period and the number of time(s) of participation (guest participating). (2) In case of reelection of directors and supervisors before closure of a fiscal year, the Company should fill in both the new and former directors and supervisors and should expressly remark on the Box of Remarks as newly elected ones, former ones or reelected ones and the date of reelection. The actual participation (guest participation) rates (%) shall be counted based on the actual number of Board meetings and number of substantial participation (guest participation).

(2) Implementation of the Board of Directors Evaluation:

Evaluation interval (Note 1)	Period of evaluation (Note 2)	Scope of evaluation (Note 3)	Method of evaluation (Note 4)	Contents of evaluation (Note 5)
On an annual basis	Jan. 1, 2019 ~ Dec. 31, 2019	Evaluation of performance by the board of directors, individual directors and functional committee	Self-evaluation inside the board of directors and self-evaluation by directors themselves	The performance evaluation of the Board of Directors includes five aspects of the Company's participation in the Company's operations, the quality of the Board's decisions, the composition and structure of the Board, the selection of directors and continuous training and internal control. The result of the comprehensive evaluation proves excellent. The performance evaluation of individual director members includes the Company's objectives and tasks, the directors' responsibilities, the degree of participation in the Company's operations, internal relationship management and communication, the director's professional and Continued training and education programs, and internal control. The results of the comprehensive evaluation indicate excellent in performance. The performance evaluation of the Audit Committee and Compensation Committee include five aspects of the Company's participation in the business operation, the Functional Committee's responsibilities, the quality of the Functional Committee's decision-making, the composition of the Functional Committee and the selection of members, and internal control. The result of the comprehensive evaluation indicates excellent in performance.

Note 1: Should fill in the interval in implementation of the Board of Directors evaluation, e.g., on an annual basis.

Note 2: Should fill in the period covered within the Board of Directors evaluation, i.e., evaluation during January 1, 2019~December 31, 2019.

Note 3: The scope covered within the evaluation includes evaluation of the Board of Directors, the individual Board members and the functional committee(s).

Note 4: The methods of evaluation include internal self-evaluation of the Board of Directors, self-evaluation of directors, peer evaluation, appointment of external professional institutions, experts or other appropriate methods for performance evaluation

Note 5: Pursuant to the scope of evaluation, the contents of evaluation shall include the minimum of the following:

- (1) Performance evaluation for the Board of Directors: The contents of evaluation shall include the level of participation in the Company's business operation, quality of policymaking process by the Board of Directors, composition and structure of the Board of Directors, election and continued training and education programs for directors, internal control and the like.
- (2) Performance evaluation for the individual members of the Board of Directors: contents of evaluation shall include the minimum domination of the Company's targets and duties, the level of participation in the Company's business operation, management and communications in internal relationship, profession and Continued training and education programs of directors, internal control and the like.
- (3) Performance evaluation for the functional committee(s): contents of evaluation shall include the minimum the level of participation in the Company's business operation, awareness of the responsibilities and powers of the functional committees, composition of the functional committees, election of the Committee members, internal control and the like.

(II) Performance of Audit Committee

In the most recent year (2019), the Audit Committee of this Company convened a total of 8 (A) meetings where the independent directors showed attendance in the following status:

Position Title	Name	Times of Actual Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A) (Note)	Remarks
Convener	Wen Tzong Chen	8	0	100	
Independent Director	Kuang Hsun Shih	7	1	88	
Independent Director	Sung Tung Chen	8	0	100	

Other entries as required:

I. Where the operations by the Audit Committee meet any one among those circumstances enumerated below, the date, term, contents of the agenda, result of decision resolved in Audit Committee and the handling of the Audit Committee' opinions shall be expressly remarked:

(I) Matters as set forth under Article 14-5 of Securities and Exchange Act: Nil

(II) Issues other than the aforementioned one, not duly passed in the Audit Committee, the key motions resolved in the Board of Directors through two-thirds majority of all directors: Nil.

Audit Committee	Contents of the motions and the subsequent measures	Issues enumerate under Securities and Exchange Act §14-5	Not duly passed in the Audit Committee, the key motions resolved in the Board of Directors through two-thirds majority of all directors.
The 10 th of Session 2 01/23/2019	1. Decision duly resolved to appoint Crowe Horwath International to conduct audit & verification of the Company's Financial Statement 2019 and evaluation of independence. Result of resolution by the Audit Committee (01/23/2019): Unanimously resolved by all members of the Audit Committee Management by the Company toward the opinions of the Audit Committee: Unanimously resolved by all directors.	V	Nil
The 11 th of Session 2 03/21/2019	1. Approval with a pass of the Company's individual financial statement and consolidated financial statement, 2018 2. Approval with a pass of the Company's Declaration in Internal Control System 2018 3. Approval with a pass of the Company's "Procedures for the Acquisition or Disposal of Assets" 4. Approval with a pass of the amendment to the Company's "Handling Procedures for Loaning of Funds" 5. Approval with a pass of amendment to the Company's "Procedures for Endorsements/Guarantees" 6. Approval with a pass of the Company's capital increase into "Land & Sea Capital Corp." with further investment in Zhangzhou Chimei Chemical Co., Ltd. into the joint venture to build ABS, with part of the capital fund coming from allocation of earnings of Zhenjiang Chimei Chemical Co., Ltd. instead. Result of resolution by the Audit Committee (03/21/2019): Unanimously resolved by all members of the Audit Committee Management by the Company toward the opinions of the Audit Committee: Unanimously resolved by all directors.	V V V V V V	Nil Nil Nil Nil Nil Nil
The 12 th of Session 2 04/25/2019	1. Approval with a pass of the Company's allocation of earnings 2018 2. Approval with a pass of the Company's direct investment into Mainland China. Result of resolution by the Audit Committee (04/25/2019): Unanimously resolved by all members of the Audit Committee Management by the Company toward the opinions of the Audit Committee: Unanimously resolved by all directors.	V V	Nil Nil
The 13 th of Session 2 05/09/2019	1. Approval with a pass of the Company's financial statement of the first quarter, 2019. Result of resolution by the Audit Committee (05/09/2019): Unanimously resolved by all members of the Audit Committee Management by the Company toward the opinions of the Audit Committee: Unanimously resolved by all directors.	V	Nil
The 14 th of Session 2 08/08/2019	1. Approval with a pass of the Company's financial statement of the second quarter, 2019. Result of resolution by the Audit Committee (08/08/2019): Unanimously resolved by all members of the Audit Committee Management by the Company toward the opinions of the Audit Committee: Unanimously resolved by all directors.	V	Nil
The 15 th of Session 2 09/06/2019	1. Approval with a pass of the Company's investment into domestic hotels. Result of resolution by the Audit Committee (09/06/2019): Unanimously resolved by all members of the Audit Committee Management by the Company toward the opinions of the Audit Committee: Unanimously resolved by all directors.	V	Nil
The 16 th of Session 2 11/07/2019	1. Approval with a pass of the Company's financial statement of the third quarter, 2019. 2. Approval with a pass of the Company's conversion of the earnings into capital increase in the Company's indirect investee of Zhenjiang Chimei Chemical Co., Ltd. 3. Approval with a pass of the Company's capital increase into "Land & Sea Capital Corp." with further investment in Zhangzhou Chimei Chemical Co., Ltd. into the joint venture to build PC/PETG, with part of the capital fund coming from allocation of earnings of Zhenjiang Chimei Chemical Co., Ltd. instead.	V V V	Nil Nil Nil

	Result of resolution by the Audit Committee (11/07/2019): Unanimously resolved by all members of the Audit Committee		
	Management by the Company toward the opinions of the Audit Committee: Unanimously resolved by all directors.		
The 17 th of Session 2 12/10/2019	1. Approval with a pass of the Company's capital increase into "Zhangzhou Chimei Chemical Co., Ltd." via "Land & Sea Capital Corp."	V	Nil
	2. Decision duly resolved to appoint Crowe Horwath International to conduct audit & verification of the Company's Financial Statement 2020 and evaluation of independence.	V	Nil
	Result of resolution by the Audit Committee (12/10/2019): Unanimously resolved by all members of the Audit Committee		
	Management by the Company toward the opinions of the Audit Committee: Unanimously resolved by all directors.		

II. Avoidance from presence (recuse) by independent directors from involvement in interests, with the name(s) of the independent director(s), contents of the motion(s), cause of avoidance from presence (recuse) and facts of participation voting process: Nil

III. Performance by independent directors with internal audit head and Certified Public Accountant(s) (including communications with them all regarding the Company's financial conditions, business performance, the method and outcome thereof):

- Where at the Company, the internal audit head, independent directors and Audit Committee members meet on a quarterly basis at least and would report to the Audit Committee members immediately in case of an extraordinary event. As of the publication date of the Annual Report, there had been no such special situation. The communication by and between the Audit Committee and the internal audit head have been in an excellent performance.

Date	Key points of communications	Proposals by Independent Directors
01/23/2019	Descriptions on one fault found during the audit conducted in Q4 2018, along with the tracking report thereof.	No opinion was expressed in the present meeting
03/21/2019	1. Report on the self-evaluation result upon the internal control system 2018. 2. Performance evaluation on the effectiveness of internal control system 2018. In accordance with the results of self-evaluation and the internal audit, the evaluation into the overall internal control system was conducted to work out Declaration in Internal Control System and submit it into the Audit Committee. 3. Descriptions on the audit conducted and one fault found during the audit conducted in January February 2019.	No opinion was expressed in the present meeting
04/25/2019	Descriptions on implementation of audit conducted in Q1 2019, along with the tracking report thereof.	No opinion was expressed in the present meeting
06/28/2019	Report on audit conducted in April and May 2019	No opinion was expressed in the present meeting
08/08/2019	Descriptions on the audit conducted in Q2 2019, three faults found during the audit process, along with the tracking report thereof.	No opinion was expressed in the present meeting
11/07/2019	1. Descriptions on the audit conducted in Q3 2019, three faults found during the audit process, along with the tracking report thereof. 2. Report on audit plan for 2020.	No opinion was expressed in the present meeting
12/10/2019	Report on audit conducted in October and November 2019 along with the tracking report of the fault found.	No opinion was expressed in the present meeting

- The independent directors and certified public accountants meet on an annual basis at least. As of the publication date of the Annual Report, the aforementioned matters had been virtually nonexistent. The communication by and between the Audit Committee and the certifying CPA have been in an excellent performance.

Date	Key points of communications	Proposals by Independent Directors
03/21/2019	The CPAs rendered communications report aiming at the Company's key issues in 2018, notably Materiality in financial statement, key audit items, summary of overall audit results, audit opinions, internal control audit results, IFRS 9 financial assets classification and measurement, impairment recognition, IFRS 15 revenue recognition of client contracts and the impact of applicability to IFRS16 lease in 2019 upon Grand Pacific and its subsidiaries toward the independent directors and Audit Committee members.	No opinion was expressed in the present meeting

Notes:

- * In case an independent director resigned before the end of the fiscal year, the resignation date should be indicated in the remarks box. The actual participation rate (%) should be calculated based on the number of Audit Committee meetings and the actual number of participants during his or her tenure.
- * In case reelection of independent director(s) before the end of the fiscal year, both the former and newly reelected independent directors should be entered, and it is required to expressly remark on the Box of Remarks as newly elected ones, former ones or reelected ones and the date of reelection. The actual participation rate (%) should be calculated based on the number of Audit Committee meetings and the actual number of participants during his or her tenure.

Facts of Continued training and education programs by directors:

Position titles	Names	Date of program	Unit in charge	Titles of the program courses	Number of training hours	Was the Program consistent with requirements?
Chairman	Pin Cheng	12/17/2019	Taiwan Corporate	Economic Sanctions and Export Control	3	Yes

	Yang		Governance Association	Laws and China-US Trade War		
Chairman	Pin Cheng Yang	8/06/2019	Taiwan Academy of Banking and Finance	Liability risk of business operators with false financial reports	3	Yes
Director	Chen Ching Ting	11/27/2019	Taiwan Corporate Governance Association	The 15th International Forum on Corporate Governance	6	Yes
Director	Sung Tung Chen	8/02/2019	Taiwan Corporate Governance Association	Implement corporate governance up to a higher level, talk about the roles and responsibilities of corporate governance executives	3	Yes
Director	Sung Tung Chen	10/01/2019	Taiwan Academy of Banking and Finance	Information Security Strategic Thinking and Practice Layout	3	Yes
Director	Kuang Hsun Shih	11/05/2019	Securities and Futures Institute	Practice Seminar on the directors and supervisors as well as corporate governance executive	3	Yes
Director	Kuang Hsun Shih	11/01/2019	Taiwan Corporate Governance Association	Strategies for coping with high assets under worldwide tax recovery	3	Yes
Director	Wen Tzong Chen	4/16/2019	Taiwan Corporate Governance Association	Topics on anti-tax avoidance laws and the Taiwan version of the corporate social responsibility (CSR) are coming! From the perspective of corporate governance, the impact and response of foreign companies.	3	Yes
Director	Wen Tzong Chen	8/28/2019	Taiwan Academy of Banking and Finance	Corporate governance and business sustainability	3	Yes
Director	Hsi Hui Huang	9/20/2019	Taiwan Corporate Governance Association	A view toward the impact of economic substantive law and global anti-tax avoidance on corporate governance from the perspective of directors and supervisors	3	Yes
Director	Hsi Hui Huang	11/19/2019	Taiwan Stock Exchange	A view toward the impact of economic substantive law and global anti-tax avoidance on corporate governance from the perspective of directors and supervisors	3	Yes

Continued training and education programs by managers:

Position titles	Names	Date of program	Unit in charge	Titles of the program courses	Number of training hours
President	Chia Hsiung Tseng	9/17/2019	Taiwan Corporate Governance Association	The very countermeasures in response to the rapidly changing environment of technology amidst the directors' lead of the Company	3
President	Chia Hsiung Tseng	10/01/2019	Taiwan Corporate Governance Association	The responsibility and risk management by the Board of Directors amidst the up-to-date corporate governance blueprints	2
President	Chia Hsiung Tseng	11/28/2019	Human Resources Section, Grand Pacific Petrochemical Corporation	Symposium on the Best-Practice Principles on Good Faith Management	2
Treasurer	Ching Fu Chen	01/11/2019	KGI Securities Co., Ltd.	Seminar on service affairs in 2019	3
Treasurer	Ching Fu Chen	01/23/2019	CTBC Bank Co., Ltd. Brokerage Dept.	Explanation session of Stock Act in 2019	3
Treasurer	Ching Fu Chen	11/28/2019	Human Resources Section, Grand Pacific Petrochemical Corporation	Symposium on the Best-Practice Principles on Good Faith Management	2
Accounting Head	Ling Chu Chen	2/13/2019	Accounting Research and Development Foundation	A view upon the Influence and correspondence of the amendment of the Company Act on Enterprise Legal Liability from the perspective of economic crime	4
Accounting Head	Ling Chu Chen	7/17/2019	Accounting Research and Development Foundation	IFRS16 "lease" effective and practical issues and analyses on the up-to-date laws	4
Accounting Head	Ling Chu Chen	11/13/2019	Accounting Research and Development Foundation	Impact of a variety of employee award systems upon corporate financial & taxation affairs and the practical utilization thereof	4

- (III) The performance of corporate governance and the status on discrepancy and reasons in relation to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

The performance of corporate governance and the status on discrepancy and reasons in relation to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Items	Facts of performance			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Descriptions in summary	
I. Does the Company specify and disclose the corporate governance best practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”?	V		The Company has set up the corporate governance best practice principles.	Compliant
II. Corporate Equity Structure and Shareholders’ Equity				
(I) Does the Company specify internal operation procedures to dispose recommendations, doubts, disputes and lawsuit matters of shareholders, and implement in accordance with such procedures?	V		The Company has designated Spokesperson and Deputy Spokesperson. Our shareholder service unit has dedicated personnel receiving suggestions or handling disputes from shareholders.	Compliant
(II) Does the Company master the major shareholders in actual control of the company and the name list of the final controllers of such major shareholders?	V		We keep track by using the list of shareholders maintained by a shareholder service agent.	Compliant
(III) Does the Company establish and execute the risk control and firewall mechanism with the affiliates?	V		We adhere to relevant laws and regulations and disclose information accordingly in our dealing with affiliates. All our member companies have set up internal control systems and internal audit guidelines and follow these	Compliant

Evaluation Items	Facts of performance			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Descriptions in summary	
(IV) Does the Company establish internal specifications to prohibit the internal parties of the company from trading securities by taking advantage of the non-opened information in market?	V		frameworks in practice. We have also established monitoring rules on our subsidiaries and implemented these rules accordingly. The Company has set up internal control systems such as the Code of Conduct and the Preventive Measures Against Insider Trading. The purpose is to ensure our personnel not to use company assets or information or take advantage of their jobs for persona gains. If any of our directors, supervisors, managers, or employees has acquired inside and material information, they should avoid trading the Company's shares or other marketable securities of equity nature within a certain period of time, pursuant to Article 157-1 of the Securities and Exchange Act.	Compliant
III. Organization and Functions of Board of Directors				
(I) Does the Board of Directors prepare diversified guidelines in response to the organization of members and actualize the execution?	V		The Company's directors come from legal and chemical backgrounds.	Compliant
(II) Does the Company, besides establishing Compensation Committee and Audit Committee in accordance with laws, also voluntarily establish other committees with similar functions?	V		The Company has set up Investment Review Committee.	Compliant
(III) Does the Company establish performance rules and evaluation methods of the Board of Directors, and periodically engages in	V		The Company has set of the Criteria Regarding Performance Assessment of Board Directors.	Compliant

Evaluation Items	Facts of performance			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Descriptions in summary	
performance evaluation every year? Besides, does the Company submit the outcome of performance evaluation to the board of directors to be used as the handy reference in salary remuneration of respective directors and their salaries? (IV) Does the Company periodically evaluate the independence of the certified public accountant?	V		The Company's Accounting Department assesses the independence of external auditors once a year. The Assessment Form for Independence of External Auditors is designed according to Article 47 of the Certified Public Accountant Act and No. 10 Gazette for Professional Ethics for Certified Public Accountant of the Republic of China. Meanwhile, Statement of Auditor Independence is obtained. All the findings were submitted to the second Audit Committee's 17th meeting and the 12th Board's 19th meeting on December 10, 2019. The Company's Accounting Department determined that CPA Ying Chia Hsiao and CPA Wu Chang Wang of Crowe Horwath International meet the independence criteria set by the Company. Statement of Auditor Independence consists of the following elements: 1. Statement from the external auditors regarding their independence; 2. No direct or material financial interest between the external auditors and the client; 3. No improper interest between the external auditors	Compliant

Evaluation Items	Facts of performance			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Descriptions in summary	
			and the client; 4. The audit service team practicing in an honest, fair and independent manner; 5. No reviewing or auditing of the financial statements issued by the organization the external auditor worked for within the past two years; 6. No use of the external auditor's name by any other party; 7. No member of the accounting firm or the audit service team owning the client's shares; 8. No borrowing/lending relationship between external auditors and the client, except normal dealings in the financial industry; 9. No common investments or gains sharing between external auditors and the client; 10. No commissioning of regular work by the client and regular compensations to external auditors; 11. No involvement of external auditors in the management function and decision-making for the client; 12. No side job taken by external auditors that may compromise their independence; 13. No spousal, direct relative by blood or by marriage, or relative by blood within four degrees of relationship between external auditors and the client; 14. No receiving of commissions by external auditors related to businesses; 15. No tenure by external auditors for more than seven	

Evaluation Items	Facts of performance			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Descriptions in summary	
			consecutive years (returning only possible after two years of internal rotation within the accounting firm)	
IV. Have Exchange-listed and/or OTC-listed companies been equipped with eligible and appropriate corporate governance personnel, and designated corporate governance executives responsible for corporate governance-related affairs (including but not limited to providing directors, supervisors with the information needed to perform business, assisting directors, supervisors in complying with laws to handle matters related to meetings of the board of directors and shareholders' meetings in accordance with the law, with production of minutes of board of directors meetings and shareholders' meetings)?	V		The Administration Section of Finance Department is responsible for the planning and logistics of board meetings and shareholder meetings. Such planning and logistics include meeting dates, discussion materials, agenda production and distribution. Other administrative issues such as company registration change are also handled by the Administration Section.	Compliant
V. Does the Company establish communication channel of the stakeholders (including but not limited, shareholders, employees, customers and suppliers, etc.), and establish an exclusive zone of the stakeholders in the company's website, and properly respond the important issues of corporate social responsibility concerned by the stakeholders?	V		There is an exclusive zone of the stakeholders at our official website. Dedicated personnel respond to handle questions about specific issues.	Compliant
VI. Does the Company appoint a professional stock affair handling agency to process the	V		The Company has assigned KGI Securities to provide registrar services.	Compliant

Evaluation Items	Facts of performance			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Descriptions in summary	
affairs of general meeting?				
VII. Information Opening				
(I) Does the Company set up a website to disclose the financial business and the corporate governance information?	V		Company website at http://www.gppc.com.tw	Compliant
(II) Does the Company adopt other information disclosure methods (such as setting up an English website, designating dedicated personnel to be in charge of the corporate information collection and disclosure, actualizing the spokesperson system, the juristic person conference process placement in the company's website, etc.)?	V		The Company adheres to regulations governing information disclosure by providing information to shareholders via Market Observation Post System regarding financials, business, insider holdings and corporate governance. The Company's website also discloses information collected by dedicated personnel according to nature of information.	Compliant
(III) Did the Company announce and declare its annual financial statements within two months after the end of the fiscal year, and announce and declare the financial statements of the first, second and third quarters and operating performance of each month ahead of schedule as required?		V	The Company has one spokesperson and one deputy spokesperson. The Company announces and declares the annual financial statements within three months after the end of the fiscal years.	N/A
VIII. Does the Company have other available important information helpful to understand the corporate governance and performance status (including but not limited to employee interests, employee concern, investor relationship, supplier relationship, rights of stakeholders, advanced study status of directors and supervisors, execution	V		(I) Our employee benefit and care efforts are as follows: 1. We arrange annual health checks for employees in major hospitals. We also have nurses at factory sites. 2. We emphasis training and education of employees. In addition to professional training, we offer long-term English lessons to develop language capabilities of our employees.	Compliant

Evaluation Items	Facts of performance			Status on discrepancy and reasons in relation to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Descriptions in summary	
status of risk management policy and risk measurement standard, execution status of client policy, the status of purchasing liability insurance of the company for its directors and supervisors, etc.)?			(II) The Company adopts a spokesperson system, and we also have a deputy spokesperson. Investors can fully communicate with the spokesperson or deputy spokesperson via phone or email. (III) The Company has purchased liability insurance for directors. (IV) The advanced study status of directors and supervisors, execution status of risk management policy and risk measurement standard, execution status of client policy are all disclosed in annual reports. Please refer to relevant details contained in annual reports available on our website.	
IX. Please explain the performance in improvement of the Company's corporate governance in response to the evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the most recent year, and the proposed preferential measures of improvement for those which call for further improvement. The evaluation of the independence of external auditors is detailed in the 2018 annual report. The assessment result of corporate governance in 2019 is not yet released as of the publication date of the Annual Report. Meanwhile, the Company continues to enhance information transparency by amending the disclosure of shareholder structures and management team on our website. We are also deploying English webpages on our site to provide information to investors.				

Note: Brief explanations required whether Yes or No is ticked for the facts of performance.

(IV) Composition, responsibilities and powers of Compensation Committee and the facts of performance:

(1) Information on Compensation Committee members:

Position (Note 1)	Term Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Information (Note 2)										Number of Other Public Companies Concurrently Serving as a Member of Compensation Committee	Remarks
		An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Kuang Hsun Shih	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Wen Tzong Chen	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Sung Tung Chen	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: For the position, it will be filled up as director, independent director or others.

Note 2: Please tick with ✓ mark in the boxes below where the Compensation Committee members prove to have met with the conditions enumerated below in two years before being appointed and during their tenure of office

- (1) Not an employee of the company or any of its affiliated enterprises.
- (2) Not a director or supervisor of the company or any of its affiliates. (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves)
- (3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
- (4) Not a spouse, relative within the second-degree relatives, or lineal relative within the third degree by blood, of any of the managers specified under (1) or (2) (3).
- (5) Not as a director, supervisor or a director of a corporate shareholder who directly holds more than 5% of the Company's total issued shares, the top five shareholders or representative designated to serve as a director, supervisor or a director or an employee of a corporate shareholder in accordance with Paragraphs 1 or 2 under Article 27 of the Company Act (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and ordinances concerned prevalent in the home country).
- (6) The directors and supervisors or employees of another company not under control by a same person as the Company's directors with one half majority of the shares (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and ordinances concerned prevalent in the home country).
- (7) Not as a director (trustee), supervisor (supervising officer) or employee of another company or institution as the same person or the spouse thereof of the Company's Chairman, President or person of equivalent position (This, nevertheless, does not apply to cases where the person is an independent director of the Company, its parent company or any subsidiary or a subsidiary with same parent company where the independent directors perform multiple duties concurrently among themselves in accordance with the Act or the laws and ordinances concerned prevalent in the home country).
- (8) Not as a director (trustee), supervisor (supervising officer), manager or a shareholder holding more than 5% of the shares of a specific company or institution in financial or business transaction with the Company (This, nevertheless, does not apply to a specific company or institution which holds more than 20%, less than 50% of the aggregate total outstanding shares of the Company, and where the company and its parent company, subsidiary or a subsidiary with the same parent company where the independent directors perform multiple duties concurrently among themselves according to the Act or the laws prevalent locally.)
- (9) Not as the enterprise proprietor, partner, director (trustee), supervisor (supervisory officer), manager and the spouse thereof of the professionals, sole proprietors, partners, companies or institutions rendering auditing, commercial, legal, financial, accounting and such relevant services to the Company or affiliated enterprises thereof with remuneration obtained over the past two years not beyond NT\$500,000. This, nevertheless, does not apply to a member of the Open Acquisition Committee, Compensation Committee or Special Merger/Acquisition (M&A) Committee in accordance with Securities and Exchange Act, Business Mergers and Acquisitions Act and relevant laws.
- (10) Not been a person or any conditions defined in Article 30 of the Company Act.

(2) Responsibilities and powers of Compensation Committee:

The Committee shall exercises due diligence as a *bona fide* administrator to faithfully fulfill the responsibilities and powers below and submit the proposal to the Board of Directors into discussion:

1. Reassess the present organization and offer proposal for amendment.
2. Enact and reassess on a regular basis the performance targets by the Board of Directors and the managers, their salary remuneration system standards/criteria and structures.
3. Reassess on a regular basis the accomplishment of the performance targets by the Company's directors and managers and fix the contents and amounts of their individual salary remuneration.

(3) Information of the performance by the Compensation Committee:

1. **The Company's Compensation Committee has a total of 3 Committee members.**
2. **Tenure of office of Compensation Committee members of the current session: June 27, 2017~June 26, 2020. Within the most recent year (2019), the Compensation Committee convened 5 meetings (A). The qualifications and attendance facts of the Compensation Committee members are enumerated below:**

Position Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual Attendance Ratio (%) (B/A) (Note)	Remarks
Convener	Kuang Hsun Shih	5	0	100%	
Commission member	Wen Tzong Chen	5	0	100%	
Commission member	Sung Tung Chen	5	0	100%	

Other matters to be noted in the meeting minutes:

- I. If the Board of Directors refuses to accept of modify suggestions of the Compensation Committee, the meeting date, session, agenda content, results resolved by the Board of Directors, and the Company's treatment of opinion of the Compensation Committee should be clearly stated (for example, if the Board of Directors approved a compensation structure that is better than that suggested by the Compensation Committee, the circumstance of discrepancy and reason should be clearly stated): Nil

Compensation Committee	Contents of motions and the subsequent measures
The 7th of Session 3 1/23/2019	1. Approval with a pass of working plans 2019
	2. Approval with a pass of allocation of year-end bonus to managers in 2018
	3. Approval with a pass of promotions for Manager Ching Fu Chen, Manager Wen Hui Lin.
	Opinions voiced by Committee members : N/A.
	Acts taken by the Company in response to the Committee members' opinions: N/A.
	Result of decision resolved: Unanimously resolved by all directors in full.
The 8th of Session 3 3/21/2019	1. Approval with a pass of allocation of remuneration to employees and directors, 2018
	2. Approval with a pass of special incentive awards to managers 2018
	Opinions voiced by Committee members : N/A.
	Acts taken by the Company in response to the Committee members' opinions: N/A.
	Result of decision resolved: Unanimously resolved by all directors in full.
The 9th of Session 3	1. Approval with a pass of promotion of managers
	Opinions voiced by Committee members : N/A.

4/25/2019	Acts taken by the Company in response to the Committee members' opinions: N/A. Result of decision resolved: Unanimously resolved by all directors in full.
The 10th of Session 3 8/8/2019	1. Approval with a pass of partial amendment to the Organizational Rules of the Compensation Committee. 2. Approval with a pass of Regulations Governing Evaluation of Performance by Board of Directors 3. Approval with a pass of allocation of remuneration to employees (including managers) and directors, 2018. 4. Approval with a pass of salary raise for the Chairman 2019 5. Approval with a pass of salary raise for managers 2019 6. Approval with a pass of salary raise for subsidiary Land & Sea Capital Corp. Chairman Opinions voiced by Committee members : N/A. Acts taken by the Company in response to the Committee members' opinions: N/A. Result of decision resolved: Unanimously resolved by all directors in full.
The 11th of Session 3 11/7/2019	1. Approval with a pass of partial amendment to the Regulations Governing Retirement of Managers Opinions voiced by Committee members : N/A. Acts taken by the Company in response to the Committee members' opinions: N/A. Result of decision resolved: Unanimously resolved by all directors in full.
The 12th of Session 3 1/16/2020	1. Approval with a pass of work plans 2020 2. Approval with a pass of year-end bonus to managers 2019 Opinions voiced by Committee members : N/A. Acts taken by the Company in response to the Committee members' opinions: N/A. Result of decision resolved: Unanimously resolved by all directors in full.
The 13th of Session 3 3/19/2020	1. Approval with a pass of allocation of remuneration to employees and directors, 2019 Opinions voiced by Committee members : N/A. Acts taken by the Company in response to the Committee members' opinions: N/A. Result of decision resolved: Unanimously resolved by all directors in full.
II. If the members have opposite opinion or reservations against the resolution of the Compensation committee and the opinion or reservations have been recorded or documented, the meeting date, session, agenda content, the opinion of all members of the Compensation Committee, and the treatment of the members' opinion should be clearly stated: Nil	

Remarks:

- (1) In case of resignation by Compensation Committee member(s) before end of a fiscal year, the Company should remark in the Remark Box date of resignation, actual participation rate (%) and the number of time(s) of the meeting(s) convened by the Compensation Committee and attended by the quitting Committee member(s) for calculation.
- (2) In case of reelection of Compensation Committee members before end of a fiscal year, the Company should enumerate names of the former Committee members and newly elected Committee members and further indicate in the Remark Box as former ones, newly elected ones, actual participation rate (%) and the number of time(s) of the meeting(s) convened by the Compensation Committee and attended by the quitting Committee member(s) for calculation.

(V) Fulfilment of corporate social responsibility

Evaluation Items	Facts of performance (Note 1)			The discrepancy of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description in Summary (Note 2)	
I. Does the Company conduct environmental, social and governance risk assessments according to the principle of materiality, and formulate relevant risk management policies or strategies accordingly? (Note 3)	V		Please refer to Section 3, Chapter 1 of CSR Report regarding major issues and materiality assessments.	No discrepancy
II. Does the Company implement a full-time (part-time) sector to promote corporate social responsibility, and for the Board of Directors to authorize the senior management to take action and report the disposition status to the Board of Directors?	V		The Company has set up a corporate social responsibility department. Please refer to Page 8 of the CSR Report.	No discrepancy
III. Environmental Issues				
(I) Does the Company establish a proper environmental management system in response to its industry characteristics?	V		(I) The Company has obtained the ISO14001 certification in environment management systems.	No discrepancy
(II) Does the Company endeavor to upgrade the utilization efficiency of various resources, and use the regenerated material with a low impact on environmental load?	V		(II) Please refer to Section 2, Chapter 3 of CSR Report.	No discrepancy
(III) Does the Company assess existing and potential risks and opportunities associated with climate change and adopt the corresponding responses and measures?	V		(III) Please refer to Section 2, Chapter 3 of CSR Report.	No discrepancy
(IV) Does the Company calculate the GHG emissions, water consumption and total wastes during the past two years, and formulate policies to achieve energy efficiency, reduction of carbon emissions, GHS emissions, water consumption or manage wastes?	V		(IV) Please refer to Section 2, Chapter 3 of CSR Report.	No discrepancy

IV.	Maintenance of Community Public Welfare				
(I)	Does the company establish related management policies and procedures in accordance with related laws and international covenants on human right?	V		(I) Please refer to Section 1, Chapter 4 of CSR Report.	No discrepancy
(II)	Does the Company formulates and implemented an employee welfare scheme (including wages, holidays and other benefits) and reflected appropriately the business performance onto employee remunerations?	V		(II) Please refer to Section 2, Chapter 4 of CSR Report.	No discrepancy
(III)	Does the company provide employees with a safe and healthy working environment, and implement safety and health education to employees on a periodical basis?	V		(III) Please refer to Section 2, Chapter 4 of CSR Report.	No discrepancy
(IV)	Does the Company establish effective career competency development and training plans for employees?	V		(IV) Please refer to Section 2, Chapter 4 of CSR Report.	No discrepancy
(V)	Does the Company observe the relevant laws, regulations and international standards regarding the health, safety, customer privacy, marketing and labeling of products/services, and has formulated relevant policies and complaint procedures to protect the right of consumers?	V		(V) Please refer to Section 3, Chapter 4 of CSR Report.	No discrepancy
(VI)	Does the Company set up supplier management policies by requesting suppliers to adhere to relevant standards in environmental protection, occupational health & safety or labor & human rights and reporting their implementations accordingly?	V		(V) Please refer to Section 3, Chapter 4 of CSR Report.	No discrepancy
V.	Does the Company refer to internationally acceptable standards or guidelines for the compilation of CSR reports to disclose non-financial information? Are these reports confirmed or endorsed by third-party evaluation organizations?	V		The Company adopts the GRI (Global Reporting Initiative) standards in its compilation of CSR Reports by listing out core items and disclosing our strategy, philosophy, measures, and performance in corporate social responsibility. We aim to provide reliable and open information to the public. The report is compliant with AA1000 standard.	Not certified by a third party
			V	Our CSR report is not certified by a third-party	

evaluation organization.

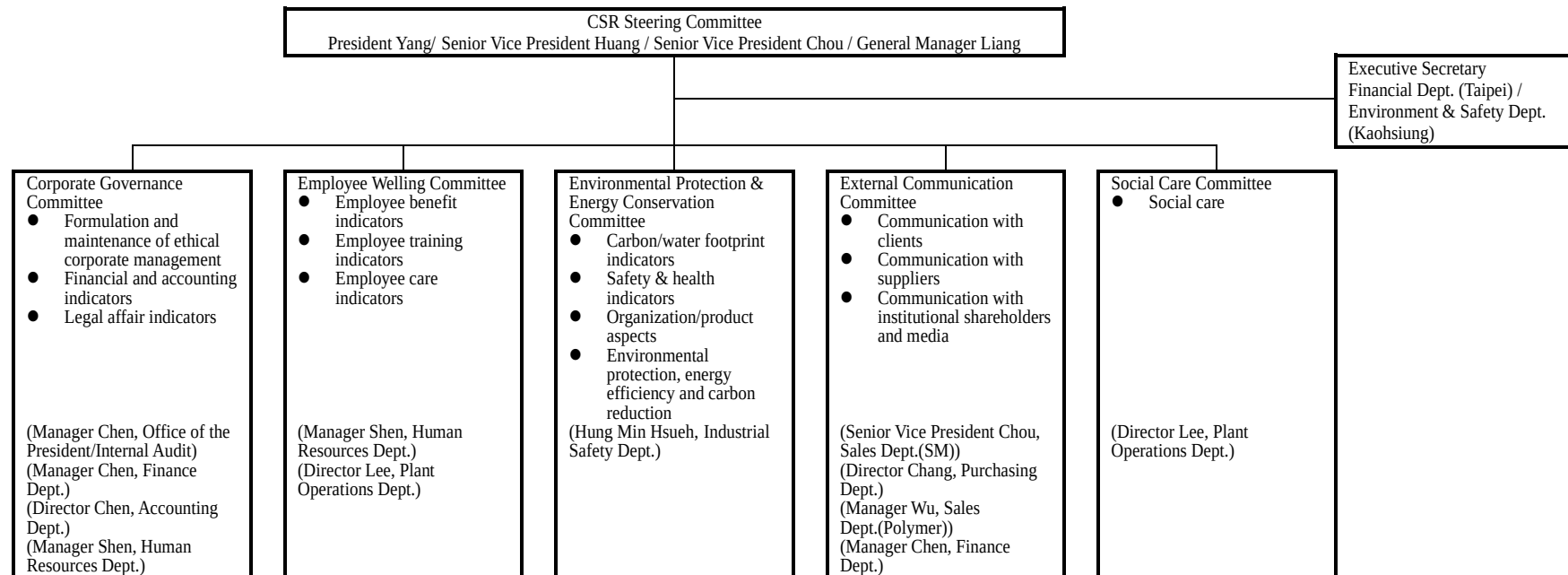
VI. In case a company establishes its own Corporate Social Responsibility Code in accordance with “Corporate Social Responsibility Best Practice Principles for TWSC/GTSM Listed Companies”, please describe its operation and the deviation from the established Best Practice Principles:
The Company’s website contains a section decided to corporate social responsibility with information regarding our CSR initiatives (<https://www.gppc.com.tw/gppc/reponsibility.asp>). We released our 2018 CSR report on June 30, 2019. The Company adopts the GRI (Global Reporting Initiative) standards in its compilation of CSR Reports by listing out G4 core items. We upload our CSR report on our official website and Market Observation Post System, so that our stakeholders can browse and download.

VII. Other important information facilitating to understand the operation status of corporate social responsibility:

(I) Composition, responsibility and functioning of CSR Steering Committee

The Company established CSR Steering Committee in April 2011, with responsibility and operations as follows:

1. Committee members



2. Responsibility

- (1) Environmental Protection & Energy Conservation Committee (Environment & Safety Dept./Utility Plant)
- Advocate of Greenhouse Gas Management System
 - Administering of drills without advanced notices

- Management of energy efficiency and carbon reduction
- (2) Social Care Committee (Plant Operation Dept.)
 - Organization of charity events
 - Sponsorship of environmental and social campaigns
 - Assistance in employment for the mentally/physically disabled and support for the disadvantaged groups
 - Promotion of barrier free facilities
- (3) Employee Welling Committee
 - Employee care
- (4) Corporate Governance Committee
 - Corporate governance
- (5) External Communication Committee
 - Communication with internal/external stakeholders

3. Operations

The first meeting in 2019

- (1) Date: January 17, 2019
- (2) Attending members: Chairman Pin Cheng Yang, President Chia Hsiung Tseng, Senior Vice President Chen Ming Chou, Senior Vice President Hsi Hui Huang, Jen Chieh Liang General Manager, Vice President Ching Fu Chen, Director Hung Min Hsueh, Director An Teng Lee.
- (3) Reported item: report on promotion of CSR initiatives in 2019

The second meeting in 2019

- (1) Date: April 18, 2019
- (2) Attending members: Chairman Pin Cheng Yang, President Chia Hsiung Tseng, Senior Vice President Chen Ming Chou, Senior Vice President Hsi Hui Huang, Jen Chieh Liang General Manager, Vice President Ching Fu Chen, Director Hung Min Hsueh, Director An Teng Lee.
- (3) Reported item: status of 2019 CSR report preparation

(II) Environmental protection, health, and safety

1 Environmental policy

Since inception, the Company has been sparing no efforts in the establishment of strong partnerships with suppliers and customers. We endeavor to create a good work environment for employees and play our part as a corporate in environmental protection, so that all the living creatures and our future generations can enjoy a quality environment on our green planet. The Company adheres to laws and regulations concerning energy efficiency and waste reduction and implements the ISO14001 Environmental Management System. Our commitments are as follows:

- (1) Compliance with environmental protection laws/regulations; support of greenness and environmental protection
- (2) Top priority on pollution preventions; reduction in processing & treatment cost
- (3) Good use of limited resources; recycling of wastes
- (4) Encouraging employee involvement; environmental protection in day-to-day activities

(5) Efforts in ongoing improvement; pursuit of sustainable business

We hope to grow with all our suppliers and customers and assume the responsibility in protecting our environment.

2 Safety and health policy

To protect the life, health, and safety of employees of the Company and its contractors, we strive to eliminate and prevent hazards and diseases. We continue to improve operational environments and facilities, install equipment compliant with laws and engineering standards, enhance training & education for employees, set up safety requirements and a monitoring process on contractors, establish a robust and functioning health & safety system and procedures. The purpose is to better the health and safety standards and foster a good culture for health and safety throughout the Company.

To improve the work environment and protect the safety of employees, the Company has successfully introduced the OHSAS18000 (Occupational Health and Safety Assessment Series) by continued investment in the enhancement of the work environment and fire-safety equipment and management. We provide personal protective equipment (PPE) such as goggles, ear plugs or earmuffs, safety belts and fall arrest harnesses to employees. We also host regular training and education on safety to ensure safe and smooth operations and production.

3 Membership in the following environment, safety and health organizations or associations:

The Industrial Health and Safety Association of the R.O.C. (IHSA)

Labor Safety & Health Promotion Association

Ren Da Industrial Park Service Center

Taiwan Responsible Care Association (TRCA)

Taiwan Safety Council

Taiwan Institute of Chemical Engineers

Chinese Industrial Machinery Association

4 **Guidelines in environmental, safety and health management**

Good use of resources, prevention of pollutions, constant improvement

Committed to sustainability in development, Grand Pacific Petrochemical Corporation has been sparing no efforts in the improvement of processing of wastewater, waste air, noise, waste solids and tackling environmental pollutions such as underground water contamination pollution. As stated in our environmental policy (guidelines for wastewater and waste management), we strive for good use of resources, prevention of pollutions and constant improvement. In addition to ongoing deployment of environmental protection facilities, we have been promoting the verification of carbon dioxide emissions. We also endeavor to reduce industrial wastes (emissions and energy management). In addition, we have been driving the ISO-14064-1 Greenhouse Gas Validation and Verification. The steam/electricity co-generation system coming online in 2011 adopted the BACT (best available control technology) and facilities at that time, to reduce the pollutions from production and transport. Meanwhile, we continue to improve operational experience and competences to protect the environment.

Deployment of Environmental Management System and Acquisition of Certifications

In 1997, Grand Pacific Petrochemical Corporation's Kaohsiung Plant received the ISO 14001 certification from the Bureau of Standards, Metrology, and Inspection. We continue to operate in the principle of P.D.C.A. In 2007, we integrated the three ISO systems and it is still working. In addition to ISO

14001 for Environmental Management System, Grand Pacific Petrochemical Corporation's Kaohsiung Plant also obtained certifications such as ISO 9000, ISO 45001, SONY Green Partner and ASUS Green Environmental Management System. We continue our work in good use of resources, prevention of pollutions and constant improvement in environmental management. It is our long-term goal to work with the government's policy by producing petrochemical products that are environmental-friendly, low in pollutions and high in value added.

Training in environmental management

Environmental protection is a complex and diversified task, and it involves interactions in many aspects. For onsite and environmental professionals, the only way to enhance work efficiency is via ongoing training, education, and knowledge acquisition. Over recent years, Grand Pacific Petrochemical Corporation has been organizing relevant training programs in environmental protection. In 2018, a total of 13 people enrolled in the on-the-job training and environmental protection education.

(III) Energy efficiency schemes and greenhouse gas management

We continue to monitor energy efficiency and efficacy via energy review procedures by targeting at the energy-intensive facilities.

Based on the existing energy baselines, we set up energy efficiency goals and periodically review the effectiveness of our measures. As always, we continue to monitor issues associated with climate change and energy efficiency.

(Energy Management Guidelines)

GHG emissions from our Kaohsiung plants in 2017-2018 as follows:

GHG Emissions

Year	2017	2018
Scope 1 (Unit: ton of carbon dioxide equivalent)	637,046	625,919
Scope 2 (Unit: ton of carbon dioxide equivalent)	0	4,438
Total (Unit: ton of carbon dioxide equivalent)	637,046	630,358

GHG Emission Intensity (based on outputs)

Product	Carbon emissions (kg-CO_{2e}/kg)
Styrene Monomer (SM)	1.494
ABS D-100	1.494

To effectively control GHG emissions, the Kaohsiung Plant has replaced of the heads of inefficient air compressors and old water coolers. Some of the light bulbs were upgraded to high performance bulbs. Circulation pumps were suspended to improve manufacturing processes. These measures were expected to reduce electricity consumption by 1,418.654 Kwh. A total of 9,813.347 Kwh has been saved in 2015~2018, at 1.44% annualized saving ratio.

2018 Energy Efficiency Programs

2018	Measures put in place	Calculation period (months)	Electricity consumption reduced (KWH)
Steam/electricity co-generation system	1. Change of PC-801C air compressors from fixed frequency to variable frequency	1~5	107,859
	2. Replacement of old light bulbs with high-performance products at the northside of the coal yard	1~2	3,650
	3. Replacement of old light bulbs with high-performance products at the westside of the coal yard	2~12	14,053
	4. Replacement of the heads of PC-801B air compressors	2~12	229,859
Polymer Plant	5. Replacement of K-802A/G air compressors	1~6	153,752
	6. Suspension of one P-603 hot water circulation pump after the improvement of FBD manufacturing process in the ABS facilities	1~12	214,762
	7. Replacement of the water coolers and adjustment of operational methods for K-301A/B freezers	7~12	671,130
Monomer Plant	8. Replacement of SM-3 pump motors with IE3 models for higher efficiency	1~5	11,545
	9. Modification of GA-641 blade sizes at SM-2 Plant facilities	1~4	9,306
	10. Suspension of PP-369 pumps for the integration of low-pressure system in the recycling of condensate water at SM-3 Plant	1~5	2,738
		Total	1,418,654

(IV) Water resources recycling management

The drastic change of water resources due to climate change over recent years and the rising frequency of floods and droughts have made stakeholders increasingly concerned about water resource issues. To address the complexity of water resource problems via effective prevention and conservation, the Company has completed water risk factor assessments and responses and has put in place the water resource management and water recycling mechanism accordingly. We recycled a total of 1,691,775 tons of water (39.30%) in 2018, and we expect to recycle 1,691,775 tons of water (39.30%) in 2019. The average water recycling ratio (R2) is 85%.

Item	Reclaimed water (T/D)
A. Recycling of condensate water in the steam machines	2,050
B. Recycling of condensate water in the turbines	1,700
C. Recycling of condensate water in the steam machines at SM-3 Plant	400
D. GT-303 TO GT-302 recycling	200
E. Recycling of water from GT-801 cooler towers to absorption towers	150
F. Recycled water from the ultrapure water recycle system to GT-601	120

G. Recycled water from the pure water recycle system to GT-601 at old facilities	15
Total	4,635

(V) Preventive of soil and groundwater pollutions

To prevent soil and groundwater pollutions, Grand Pacific Petrochemical Corporation has completed a groundwater survey on storage tanks in different processing areas and deployed a monitoring well system for prewarning if necessary. We have also adopted preventive measures on underground pipelines, oil tanks and facilities that may become the source of pollutions to soil and groundwater. For example, we have installed a cathode protection system, replaced the material of oil-water separation tanks with stainless steel, and brought the previous underground pipelines to above the ground to avoid any leakage of organic solutions due to equipment erosion. Meanwhile, we have segmented the responsibility areas for underground pipelines and relevant facilities and organized patrol shifts accordingly.

(VI) Safety and integrity management of underground pipelines

We collaborated with the Industrial Development Bureau for joint inspections after the gas explosion on August 1, 2014 in Kaohsiung. In 2018, we initiated an underground pipeline maintenance & management program by putting in place the following control measures.

Control measure	Details
Short term	Thickness measurement of exposed conduits Frequent monitoring of electricity potential detectors Emergency drills for underground pipelines Establishment of a regional mutual-aid organization and preparation of an emergency plan Creep tests on underground pipelines
Mid term	Pipeline replacement Inspection with smart augers Establishment of an engineering survey mechanism Regular assessment of pipeline risks

(VII) Social services and welfare campaigns

In 2018, to give back to the society, our colleagues voluntarily organized an outreach group. They visited charities and nursery homes over holidays and gave donations, food, and other items. In addition, they ordered moon cakes from charity groups during festive seasons to support these organizations.

As economically disadvantaged children do not have sufficient access to educational resources, Grand Pacific Petrochemical Corporation organizes supporting classes to sponsor children from low-income families to see international art performances. We hope these efforts boost their learning achievements, expand their horizons, and enhance their personality development.

In 2018, we initiated a blood donation campaign, and all our employees were keen to sign up. The outreach group purchased gifts, out of their own pocket, to blood donors, to encourage donations when the blood bank was running low on reserves.

To advocate the importance of environmental maintenance and no fly-tipping or littering, the outreach group organizes a mountain clean-up event and attracted nearly 100 employees and their family members to join. Participants picked up, sorted, and wrapped up trash onsite. This activity was educational to younger generations. It also enhanced the awareness among employees regarding environmental protection in daily life. The purpose is to give back to the society, assist government and private organizations and understand the society's needs. For example, the participation in cultural tours and festivals for agricultural produces and the purchase of fruits in season are the support of the agriculture industry in Taiwan. Meanwhile, Grand Pacific Petrochemical Corporation sponsors the fire-safety equipment and advocacy campaigns for CPR and fire prevention for brigades of Ren Da Industrial Park, Association of Volunteer Firefighters and Family Members in Renwu Precinct, Headquarters of Volunteer Firefighters in Kaohsiung City. We hope to provide director support for firefighting organizations and ensure the safety of communities.

Grand Pacific Petrochemical Corporation also encourages visits from schools as part of science education. For example, over 60 students from Kaohsiung Municipal Chung-Cheng Industrial High School visited us in December 2018. We strive to assist in science education activities.

Being a good neighbor

Our root is in Taiwan and we strive for co-living for community residents. We assist in all community and public campaigns, to promote community developments.

Grand Pacific Petrochemical Corporation provides scholarships to local students, sponsors local folklore festivals, holiday celebrations, cultural activities in proximity of schools, community cultural events and associations, summer-holiday talent classes, hiking trips for neighbors, training camps for volunteers in environmental protection, winter-warmth giving to orphanages, donations to the disadvantaged and senior citizen groups, participation in local sports events and support to health advocacy programs organized by the government.

In 2018, Grand Pacific Petrochemical Corporation and other manufacturers in Dashe Industrial Park made donations under the supervision of Review Committee of Dashe Community Contributions, to subsidize utility bills of residents; scholarships to students; lunches for senior citizens who live alone or on low incomes; books, insurance policies, tuitions, supporting class fees in elementary and junior high schools and English-language learning programs in elementary schools.

In 2018, Grand Pacific Petrochemical Corporation via the Association of Manufacturers in Dashe Industrial Park signed a MoU with Kaohsiung Municipal Renwu Senior High School in industry-academia cooperation by establishing a preparatory program for students pursuing careers in the petrochemical industry of Kaohsiung. This scheme offers scholarships to a fixed number of new students domiciled in Renwu District, Dashe District, Dashu District, Niasong District and Nanzi District each year. Grants will be given to those who study classes in occupational safety and business ethics related to the petrochemical industry. The graduates with good grades will enjoy priority in our recruitment program.

VIII. In case the CSR Report of this company is approved through verification standards of related certification authorizes, it is required to be described: Please refer to the CSR section of our company website at www.gppc.com.tw).

Note 1: Brief explanations required whether Yes or No is ticked for facts of performance.

Note 2: For the companies that publish CSR reports, the description in summary may be provided by referring to or indexing pages in the CSR reports.

Note 3: Materiality refers to significant influence of environmental, social, and corporate governance issues on investors and other stakeholders.

(VI) Facts about the Company's implementation in ethical corporate management and the measures so adopted:

Ethical Corporate Management

Evaluation Items	Facts of performance (Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TWSC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description in Summary	
I. Establishment of policy and measures of ethical management.				
(I) Does the Company establish business ethics code and have it approved by the Board of Directors? Does the Company specify in external documents its policy, practice of operation in good faith in its corporate statutes and bylaws and the commitment from the Board of Directors and senior management to its operation policy?	V		The introduction on our company website articulates our business philosophy: Modesty Leads to Harmony; Honesty Builds Credibility. The Board of Directors on July 4, 2012 passed the Ethical Corporate Management Best Practice Principles to establish an honest corporate culture and a trusting business model.	Compliant
(II) Has the Company put in place an assessment mechanism for the risks associated with dishonest behavior, and regularly analyzed and assessed the operating activities exposed to higher risks of dishonest behavior, and formulated preventive measures accordingly and covering at least the preventive measures specified in the paragraph 2 of Article 7, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		The Ethical Corporate Management Best Practice Principles stipulate that the Company's directors (including independent directors), managers, employees, or the parties with control may not directly or indirectly offer, commit, request or accept any improper gains in the process of conducting commercial activities. This includes (1) bribery taking or receiving; (2) illegal political donations; (3) improper charity donations or sponsorships; (4) giving or taking of unreasonable gifts, entertainment, or other improper benefits. Please refer to the Company's Ethical Corporate Management Best Practice Principles.	Compliant
(III) Does the Company specify a scheme to prevent dishonest behaviors, and expressly describe in operation procedures, conduct guidelines, punitive measures and compliant	V		Same as above	Compliant

Evaluation Items	Facts of performance (Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TWSC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description in Summary	
channels accordingly, in order to properly implement the abovementioned scheme?				
II. Thorough implementation of ethical corporate management				
(I) Does the company evaluate the record of ethics of the transaction parties, and expressly specify clauses dealing with behaviors of ethics in the signed contracts of the transaction parties?	V		The Company's procurement procedures as part of internal control require the assessment of customers and contractors. The contracts also specify the rights and obligations of both parties.	Compliant
(II) Has the Company established a unit under the Board of Directors to promote corporate operation in good faith, and regularly report to the Board of Directors (at least once per year) its execution and oversight of the business ethics policy and prevention of dishonest behavior?	V		The Company's internal auditors regularly inspect compliance status and produces audit reports for the review by the Board of Directors.	Compliant
(III) Does the company stipulate a policy of preventing interest conflict, provide due statement channels, and actualize the execution?	V		The Ethical Corporate Management Best Practice Principles require directors to avoid discussions and voting on behalf of themselves or other directors for the issues reviewed by the Board if the directors or the legal entities they represent are stakeholders, and the conflict of interests may detriment the interest of the Company. They may, however, express opinions and answer questions.	Compliant
(IV) Has the Company established an effective accounting system and an internal control system to implement operation in good faith, designated internal auditors or commissioned external auditors accordingly to formulate audit plans based on the assessment of risks associated with dishonest behavior as the basis for the audit of dishonest behaviors?	V		The Company's accounting system and internal control system are formulated according to relevant laws and regulations stipulated by the government and based on our own practical requirements. Auditors have come up with audit plans and report to the Board of Directors regarding the audit results.	Compliant
(V) Does the company hold internal, external educational	V		The Ethical Corporate Management Best Practice	Compliant

Evaluation Items	Facts of performance (Note 1)			The discrepancy of such implementation from Ethical Corporate Management Best Practice Principles for TWSC/GTSM Listed Companies, and the reason for any such discrepancy
	Yes	No	Description in Summary	
training for ethical corporate management on a periodical basis?			Principles is uploaded on the intranet for employees to access. Regular training & education sessions on business ethics are organized.	
III. Operation Status of Corporate Reporting System of an Offense				
(I) Does the company establish substantial offense reporting and incentive systems, and establish convenient offense reporting channels, and assign proper exclusively responsible personnel to accept the reported subject of an offense?	V		The procedures for whistleblowing and system for penalties and punitive measures specified in the Ethical Corporate Management Best Practice Principles are posted on the intranet.	Compliant
(II) Has the Company established the standard investigational procedures of receiving whistle-blowing reports, subsequent measures after investigations and the confidentiality mechanism?	V		Same as above	Compliant
(III) Does the company take measures to protect an offense reporting party from suffering improper disposition due to an offense report?	V		Same as above	Compliant
IV. Strengthen Information Disclosure Does the company disclose the content of Ethical Corporate Management Best Practice Principles and promotion performance in its website and Market Observation Post Site?	V		The procedures for whistleblowing and system for penalties and punitive measures specified in the Ethical Corporate Management Best Practice Principles are posted on the Company website.	Compliant
V. If the Company has duly enacted Ethical Corporate Management Best Practice Principles in accordance with “Ethical Corporate Management Best Practice Principles for TWSC/GTSM Listed Companies”, please elaborate the discrepancy between the substantial performance and the Ethical Corporate Management Best Practice Principles: N/A				
VI. Other significant information which would help better understand the performance by the Company in Ethical Corporate Management Best Practice Principles: (e.g., the company in reviewing and updating the established Ethical Corporate Management Best Practice Principles, etc.): Nil				

Note 1: Brief explanations required whether Yes or No is ticked for facts of performance.

(VII) If the Company has established Ethical Corporate Management Best Practice Principles and relevant rules, please disclose the method for inquiry: The Company has enacted “Rules Governing Code of Ethical Conduct” and promulgated it into the Company website.

(VIII) Other key information likely to enhance awareness of performance in corporate governance of the Company should be disclosed as well in consolidation:

The Company discloses significant internal information through the operating procedures as enumerated below which are accessible through the Company website or Market Observation Post System (MOPS).

1. The Company's organizer, co-organizer(s) in charge of “significant information”

Contents	Unit in charge	Unit of input
The term “significant information of listed companies” as set forth herein denotes the issues as enumerated below:		
1. The information where the listed company and its person in charge, the parent company or subsidiary's facts with insufficient deposit, being denied service by banks, or other events that result in the loss of creditability, parent company's significant change in equity, or the listed company's share certificates suspended from trading, terminated from listing or restoration to the <i>status quo</i> with public announcement according to the Company's Regulations Governing Business Operation.	Finance Dept.	Finance Dept.
2. The information where the listed company and its person in charge have been in significant impact upon the Company's finance or business operation due to litigious, non-litigious affairs, administrative penalty, provisional seizure (attachment), provisional injunction or compulsory enforcement, or where the Company's chairman or manager violates Securities and Exchange Act, Futures Trading Act, Company Act, Banking Act, Insurance Act, Act Governing Bills Finance Business, Financial Holding Corporation Act, Commercial Accounting Act, or has been prosecuted for having committed corruption, malfeasance, fraud, betrayal, misappropriation.	Finance Dept.	Finance Dept.
3. The information where severe production reduction or total or partial shutdown takes place, the Company's plant or main equipment is leased out, the Company's assets are mortgaged or pledged either in whole or in part with an impact upon the Company's business operation.	General Manager (Kaohsiung) Spokesperson (in assistance)	Finance Dept.
4. The information where an event among those enumerated under Paragraph 1, Article 185 of the Company Act takes place.	Finance Dept.	Finance Dept.
5. The information where the listed company, its parent company, or its subsidiary company undergoes corporate reorganization or bankruptcy procedures, all events that occur during the proceedings, including any claims, petitions subject to any notice or ruling made by a court, or, as ruled by the court in accordance with the relevant laws and regulations to prohibit the transfer of stocks, or including preservation and punishment, or where there is a major change in the aforementioned issue.	Senior Vice President, Finance Dept.	Finance Dept.
6. The information where Chairman, President, legal person directors and supervisors and their representatives, independent directors, natural person (individual) directors and supervisors, members of the functional	Finance Dept.	Finance Dept.

	committee established in accordance with the provisions of the Securities and Exchange Act is (are) appointed (elected) by more than one third or where the first listed company has no independent director with household registration in the Republic of China.		
7.	The information where a verifying CPA is changed not as a result of internal adjustment.	Accounting Dept.	Accounting Dept.
8.	The information where spokesperson, acting spokesperson, important operation supervisor (such as: chief executive officer, chief operating officer, marketing chief and strategy chief, etc.), Treasurer, Accounting Head, corporate governance supervisor, R & D supervisor, internal audit supervisor and other personnel is (are) changed or where the first listed company's litigious, non-litigious agent is changed.	Office of the President	Finance Dept.
9.	The information where the fiscal year is changed, where the boards of directors resolves a change in the accounting information subject to public announcement or declaration to the competent authorities as required under the "Regulations Governing the Preparation of Financial Reports" or where an application to the competent authority for an accounting change is disapproved by the competent authority.	Accounting Dept.	Accounting Dept.
10.	The information where a significant memorandum, strategic alliance or other business cooperation plan or non-inter-competition commitment or key contract is(are) executed, terminated or rescinded, changed for the key content, successfully completed in product development into formal volume production, or where new product, new technology & know-how is developed in progress, leading to a significant effect upon the Company's finance or business operation.	President	Finance Dept.
11.	The information where the board of directors resolves to reduce capital, for merger/acquisition (M&A), demerger, acquisition, share exchange, conversion or transfer, dissolution, capital increase to issue new shares, capital reduction and cash capital increase base date, issuance of corporate bonds, issuance of employee stock certificates, issuance of restricted employee rights oriented new shares, issuance of other negotiable securities, private placement of negotiable securities, changes in denominations per share, participation in the establishment or conversion of financial holding companies or investment holding companies or their subsidiaries, or major changes in aforementioned matters; or where the board of directors meeting or shareholders' meeting oriented to participation in mergers, demerger, acquisitions or transfer of shares is not duly convened as scheduled for any reason or where either party rejects an issue of mergers, demerger, acquisitions or transfer of shares or where board of directors resolves another decision to revoke the decision for merger after having resolved for merger.	Finance Dept.	Finance Dept.
12.	The information for date, time, venue and relevant information of a juristic person explanation meeting where the Company has been invited to participate has not been input into the Market Observation Post System (MOPS) or in other means.	Finance Dept.	Finance Dept.
13.	The information that the board of directors resolves to disclose financial forecast, where the financial forecast proves not applicable, or where the financial forecast has been corrected or updated: Where the integral financial forecast having been made public meets any one among those circumstances enumerated below with the change in discrepancy exceeds 20% with affected amount up to NT\$30 million or 5% of the capital: (1) The discrepancy between the comprehensive profit and/or loss in the self-settlement in the latest promulgation & declaration within one month from closure of a fiscal year and the forecast figure of	Accounting Dept.	Accounting Dept.

comprehensive profit and/or loss in the most recent announcement and declaration to public. (2) The discrepancy between the comprehensive profit and/or loss in the financial statement in the year of announcement and declaration to public and the forecast figures. (3) The discrepancy between the comprehensive profit and/or loss in the financial statement in the year of announcement and declaration to public and the comprehensive profit and/or loss in self-settlement in the announcement and declaration within one month from closure of a fiscal year. In case of a company without denominations or with denomination per share not in NT\$10, the calculation of the previous 5% of the share capital should be replaced by 2.5% of the net worth instead.		
14. The information where the decision resolved by the board of directors regarding distribution or no distribution of dividend, or the decision regarding distribution of dividend resolved by the board of directors has been changed as resolved by the shareholders' meeting, or the cash dividend resolved to be distributed gets the target (base) date for distribution changed after being resolved or the date for cash dividend distribution is resolved after being promulgated or the cash dividend remains not distributed even after the scheduled target (base) date.	Finance Dept.	Finance Dept.
15. The information where the board of directors or shareholders' meeting resolves for investment plan either directly or indirectly up to 20% of the Company's capital or exceeds NT\$1 billion; or where the aforementioned issue is significantly changed. In case of a company without denominations or with denomination per share not in NT\$10, the aforementioned 20% shall be counted with 10% of the net worth instead.	Finance Dept.	Finance Dept.
16. The information where a plan for capital increase through cash injection, a plan to raise corporate bonds has been declared effective, and a private placement plan has been resolved by the board of directors or the shareholders' meeting but was later changed thereafter changed under a decision resolved in the board of directors.	Finance Dept.	Finance Dept.
17. The information where the board of directors resolves the date scheduled for an annual meeting of shareholders or a special shareholders meeting, reasons to convene the meeting and book closure day.	Finance Dept.	Finance Dept.
18. The information of major decision(s) resolved in an annual meeting of shareholders or special shareholders meeting.	Finance Dept.	Finance Dept.
19. The information of occurrence of a fraud in internal control system, extraordinary transaction, draining corporate funds or such significant event, or an event the Company is under search investigation according to law.	Finance Dept.	Finance Dept.
20. The information consistent with the requirements as enumerated below: (1) The information where a listed company or its subsidiary with stocks not issued to public domestically acquires or disposes of assets in the level subject to announcement and declaration to public as required under Articles 31 and 32 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" except an event among any situation among those enumerated below: 1) Where public announcement for merger, demerger, acquisition or inward transfer of shares has been satisfactorily completed in accordance with Subparagraph 11 of this Paragraph.	Finance Dept.	Finance Dept.

2) Where public announcement for acquisition or disposal of private placement has been satisfactorily completed in accordance with Subparagraph 24 of this Paragraph. 3) Where the information of derivative financial instrument transaction has been declared prior to 10th day of every month. 4) The information of acquisition or disposal of open funds in a variety of public offerings or wealth management commodities issued by commercial banks due within three months. (2) Where a listed company engages in derivative financial instruments where the unrealized loss accounts for over 3% of the net worth, that company shall conduct announcement and declaration.		
21. The information where a decision resolved by the board of directors (or shareholders' meeting) permits a manager (or a director) to engage in an act in competition against the Company, where the Company has been aware that a manager has engaged in business of the same category for himself or herself or for another, or that a director has engaged in an act for business within the same scope of the Company's, or the manager or director has invested or engaged in a business in Mainland China for which no permit has been obtained from the board of directors (or shareholders' meeting) or where an aforementioned business affair has been in a significant change.	Finance Dept.	Finance Dept.
22. The information where a listed company is required under Article 25 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" to launch announcement and declaration for endorsement/guarantee.	Finance Dept.	Finance Dept.
23. The information where a listed company is required under Article 22 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" to launch announcement and declaration for fund loaned to others.	Finance Dept.	Finance Dept.
24. The information where a listed company or its subsidiary acquires or disposes of negotiable securities in private placement.	Finance Dept.	Finance Dept.
25. The information where a key buyer or supplier of a listed company that accounts for over 10% of the total sales amount or purchase amount as covered in the individual (respective) financial statement in the most recent fiscal year.	Senior Vice President, Sales Dept.	Finance Dept.
26. The information of a disaster, collective protest, strike, environmental pollution or other major incident that results in one of the following (1) A significant impairment to the Company. (2) A decree issued by the competent authority for Suspension of work, suspension of business, discontinuity from business, revocation or cancellation of pollution-related permits. (3) A single case involving accumulated penalty amounting to over NT\$1 million.	General Manager (Kaohsiung)	Finance Dept.
27. The information where a listed company and its creditor bank convene a meeting where the result of negotiation is ascertained.	Finance Dept.	Finance Dept.
28. The information where a related party or key debtor of a listed company or the joint guarantor thereof is dishonored of negotiable instruments, petitioning for bankruptcy, reorganization or other significant similarity, where a key debtor under endorsement/guarantee by the listed company is insolvent for due negotiable	Finance Dept.	Finance Dept.

	instrument, loan or other liability.		
29.	The information where the contents of the Declaration of Internal Control System in the routine declaration are changed and submitted anew, or where the “Dedicated Review Report of Internal Control System” in the dedicated internal control system audit is obtained from the CPA.	Internal Audit	Internal Audit
30.	The information where the Company failed to launch announcement and declaration for the financial statement within the specified time limit, or the declared financial statement is found to have been erroneous or left out something where the Company is required to prepare anew in accordance with Article 6 of Securities and Exchange Act Enforcement Rules; where for the financial statement under announcement and declaration the CPAs have issued audit report other than an audit report with unqualified (unreserved) opinion or where the CPAs have issued an Audit Report with unqualified (unreserved) opinion or other than amended audit report with unqualified (unreserved) opinion; except an event where according to law, the loss could be amortized year-by-year, or where in the interim financial statement, a non-key subsidiary or an investee in equity method counted the amount of profit and/or loss based on a financial statement not audited or viewed by a CPA for which the certifying CPA issued financial statement with qualified opinion or modified unqualified opinion. In the event that the aforementioned non-key subsidiary is a financial holding subsidiary, nevertheless, the interim financial statement shall be duly audited or reviewed by a CPA according to laws and ordinances concerned.	Accounting Dept.	Accounting Dept.
31.	(This Paragraph is deleted)		
32.	The information where after the stocks were put under centralized depository custody, the stocks under centralized custody were retrieved under execution order by a court or other cause before expiry of the custody period, making the centralized custody inadequate in ratio.	Finance Dept.	Finance Dept.
33.	The information of a change in equity of the Company under Paragraphs 1 and 2 of Article 369~8 of the Company Act where the Company received the notice.	Finance Dept.	Finance Dept.
34.	The information where one of the directors and supervisors received a court ruling for provisional injunction with suspension from the powers or an emergency measure or where a director received a court ruling for provisional injunction with suspension from the powers or an emergency measure, making the board of directors unable to exercise the power.	Finance Dept.	Finance Dept.
35.	The information where the Company is required to launch announcement and declaration in accordance with the “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies”.	Finance Dept.	Finance Dept.
36.	The information in case of any one among those circumstances enumerated below due to capital decrease or a change in the denomination per share: (1) Completion in registration of the capital change. (2) A pass in the anticipated conversion of shares. (3) Where the share conversion was not executed as planned later on. (4) Where upon promulgation of the financial statement, the number of common shares counted based on the promulgated financial statement differs from the number of shares outstanding because of capital decrease or change in the denomination per share where the procedures for listing of the converted new	Finance Dept.	Finance Dept.

(5)	shares has not been completed. Where the listed company has to launch capital decrease and share conversion and where the transferee in the segmentation is not a TWSC/GTSM listed company, such information including the share capital, net worth and net worth per share in the financial statements under own settlement or audited by CPAs of the company being divided and the transferee company in the division on the date preceding the target (base) date for division three business days prior to restoration of transaction, and the earnings per share (EPS) in the most recent term audited by the CPAs.		
37.	The information where the commitment was issued upon application for listing where the commitment could not be fulfilled, and where the supplementary process was not completed within three months from date of occurrence of the fact.	N/A	
38.	The information subject to announcement and declaration to public as required under the “Regulations Governing Public Tender Offers for Securities of Public Companies”.	Finance Dept.	Finance Dept.
39.	The information where a financial holding corporation or a bank, a listed company as a securities firm, futures firm or insurance company defined under Article 2 of the Organizational Rules of Financial Supervisory Commission is revoked by competent authority from business license, or is penalized with a fine in a single incident amounting to over NT\$1 million because of being in contravention of Financial Holding Corporation Act, Banking Act, Act Governing Bills Finance Business, Insurance Act, securities & futures related law except a case where the penalty is in a category of rectification or corrective action to be completed within the specified time limit without impact not significant enough upon the Company's finance or business operation.	N/A	
40.	The information where the transaction is suspended or restored by the Company in accordance with these Procedures through a public announcement.	Finance Dept.	Finance Dept.
41.	The information of the increase/decrease change in the number of companies held by an investment holding corporation.	N/A	
42.	The information where the board of directors or shareholders' meeting resolves a decision to apply for termination from listed trading of negotiable securities, or a significant change in the aforementioned issue.	Finance Dept.	Finance Dept.
43.	The information where the Company launches donation toward a related party or a non-related party in accordance with the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”.	Finance Dept.	Finance Dept.
44.	The information where the members of Audit Committee, Compensation Committee object or voice reserved opinions as backed up with records or documented declaration; where the listed company having set up Audit Committee with a decision resolved by its board of directors not passed in the Audit Committee but resolved by two-thirds majority vote in the board of directors; where the salary amount(s) passed in the board of directors is(are) superior to the rate proposed by the Compensation Committee.	Finance Dept.	Finance Dept.
45.	The information where the number of shares in the capital increases through cash injection waived by all directors and supervisors exceeds one-second of the total subscribable shares as to be subscribed by specific people.	Finance Dept.	Finance Dept.
46.	The information where the shares of a TWSC/GTSM listed subsidiary held by a TWSC/GTSM listed	Finance Dept.	Finance Dept.

	company exceeds 70% of the aggregate total outstanding issued shares of that subsidiary, or 70% of the outstanding issued shares or total share capital of the listed company are held by another TWSC/GTSM listed company.		
47.	The information where a listed company issues negotiable securities beyond the Republic of China on Taiwan where the financial information declared in the overseas listing venue differs and calls for an adjustment because of the inconsistency between the accounting principles prevalent in the two venues; or where the financial statement of the first listed company was not prepared in accordance with the “generally accepted accounting principles” as termed under Article 3 of Regulations Governing the Preparation of Financial Reports by Securities Issuers where the inconsistency of the accounting principles so adopted from that adopted in Taiwan, the difference and the affected amount and the opinions expressed by the certifying CPA on the aforementioned item.	Finance Dept.	Finance Dept.
48.	The information falling under Article 53-25 of the Company's Operating Rules.	Accounting Dept.	Accounting Dept.
49.	The information where the Company forfeits control power over a key subsidiary or a firm under Paragraph 3, Article 7 deemed as a subsidiary, or the ratio of shareholding either directly or indirectly over the aforementioned subsidiary (or invested amount) exceeds 10% in accumulation within three years, or a situation consistent with Paragraph 2, Article 48~3 of the Company's Operating Rules; the part having been promulgated in accordance with this Paragraph is not required to be counted inclusive.	Finance Dept.	Finance Dept.
50.	The information where a key subsidiary or a firm under Paragraph 3, Article 7 deemed as a subsidiary is found under any one among those circumstances enumerated below in the listed transaction in the overseas securities markets: (1) Submittal to apply for listed transaction. (2) Being aware of the result of the current review.	Finance Dept.	Finance Dept.
51.	Other information with significant impact upon the major decisions resolved in the board of directors, or the shareholders' equity of the listed company or prices of securities.	Finance Dept.	Finance Dept.

2. The Company's handling procedures toward significant internal information:

	Taiwan Stock Exchange Corporation (TWEC)/ Securities & Futures Institute	Mass media	Relevant units	Board of Directors	Office of the President	Management data (forms, records)	Relevant information
Proposal	<pre>graph TD MD([Major decision resolved]) --> H[Handling] TDI[Table of descriptions on major information] -- #F0 --> H SI([Significant information]) --> H H -- #F0 --> WNR[Work out news release/ Fill up significant information, Descriptions to public] WNR -- #F02, #F03/ #F04/ #F05 --> NR[News release] NR --> I[Issuance] NR --> CPC[Convening press conference] NR --> KII[Key-in into Internet information system of Taiwan Stock Exchange Corporation TWSE] KII --> D[Declaration] D --> FOP[#F03-2, #F04-2, #F05-2]</pre>						• DOG06 Documentations Regulations • INC02 Regulations of Authorization on Duties
Execution							
Promulgation & declaration							

- (IX) Implementation of internal control system
1. Declaration on internal control system

DECLARATION ON INTERNAL CONTROL SYSTEM OF A LISTED PUBLIC COMPANY
Indicating valid in both design and implementation
(All laws and ordinances concerned adopted in the present Declaration apply to all parts in law compliance)

Grand Pacific Petrochemical Corporation
Declaration of Internal Control System

Date: March 19, 2020

Over the Company's internal control system of Year 2019, based on the results of our self-audit, we'd hereby like to declare enumerated below:

- I. Here at the Company, we confirm full awareness that implementation and maintenance of the internal control system are the inherent responsibility of the Company's Board of Directors and managers. The Company has duly set up such internal control system in an attempt to provide rational assurance of the effectiveness and efficiency of the business operation (including profitability, performance and assurance of the safety of assets), reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations to accomplishment of the compliance targets.
- II. Internal control system is subject to inherent restriction, disregarding how sound it has been designed. Effective internal control system could only provide rational assurance for accomplishment of the three aforementioned targets. Besides, in line with the changes in circumstances and environments, effectiveness of internal control system might change as well. For the Company's internal control system, nevertheless, we have set up sound self-superintendence mechanism. As soon as a defect is identified, the Company would take corrective action forthwith.
- III. Exactly in accordance with the items of judgement for the effectiveness of the internal control system under "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"), we duly judge whether the internal control system is effective in design and implementation. The items adopted for aforementioned "Regulations" for judgement of internal control system are the process for management control. The internal control system is composed of five composition elements: 1. Circumstances of control, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Superintendence. Each and every composing element includes a certain items. For more details regarding the aforementioned items, please refer to contents of the "Regulations".
- IV. Here at the Company, we have adopted the aforementioned items of judgement over internal control system to verify the effectiveness of the design and implementation of the internal control system.
- V. On the grounds of the results of verification in the preceding paragraph, we are confident that the Company's internal control system in design and implementation as of December 31, 2019^{Note 2} (including the superintendence and management over subsidiaries), including the understanding of the results and efficiency of business operation in accomplishment of the targets, reliability, timeliness, transparency of reporting and compliance with applicable rulings, laws and regulations are effective and would reasonably assure accomplishment of the aforementioned targets.
- VI. The Declaration will function as the key element of the Company's Annual Report and Prospectus and will be made public externally. In the event that the aforementioned made public involve misrepresentation, concealment or such unlawful practice, the Company shall get involved in the legal responsibilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This declaration has been approved by the Company's Board of Directors on March 19, 2020. Seven directors were in attendance, there were no objecting opinions, and all directors in attendance hereby

state their agreement to the contents of this declaration.

Grand Pacific Petrochemical Corporation

Chairman: (Signature & Seal)

President: (Signature & Seal)

Note 1: In terms of design and implementation of an internal control system in a listed public company, the significant fault found within a year, if any, shall be expressly enumerated and remarked for the significant fault found in the self-evaluation with a paragraph of descriptions to be added behind Paragraph 4 of the Declaration of Internal Control System, as well as the corrective action having been conducted by the company before the balance sheet date.

Note 2: The date of Declaration is "ending day of the fiscal year".

2. Where a Certified Public Accountant has been delegated to review internal control system in a special project, the Audit Report of the Certified Public Accountant shall be disclosed: Nil.

(X) In the most recent year and as of the publication date of the Annual Report, facts of penalty imposed upon the Company and its internal personnel for their violation of the regulations of the internal control system, the major defects and the corrective actions taken: Nil

(XI) In Year 2019 and as of the publication date of the Annual Report, the Key Resolutions resolved in the annual meeting of shareholders and Board of Directors meeting:

1. In Year 2019 and as of the publication date of the Annual Report, the Key Resolutions resolved in the Board of Directors meeting:

Date when Board meeting was convened	01/23/2019	1. Decision duly resolved to appoint Crowe Horwath International to conduct audit & verification of the Company's Financial Statement 2019 and evaluation of independence. 2. Approval with a pass of the Company's budget for 2019.
Date when Board meeting was convened	03/21/2019	1. Approval with a pass of the Company's allocation of remuneration to employees and directors 2018. 2. Approval with a pass of the Company's Individual Financial Statement and Consolidated Financial Statement 2018 3. Approval with a pass of the Company's Declaration of Internal Control System 2018. 4. Decision resolved by the Company's Board of Directors on the date to convene the 2019 annual meeting of shareholders. 5. Approval with a pass of the Company's acceptance of proposals to the 2019 annual meeting of shareholders. 6. Approval with a pass of the Company's "Procedures for the Acquisition or Disposal of Assets". 7. Approval with a pass of the amendment to the Company's "Handling Procedures for Loaning of Funds". 8. Approval with a pass of amendment to the Company's "Procedures for Endorsements/Guarantees". 9. Approval with a pass of the Company's capital increase into "Land & Sea Capital Corp." with further investment in Zhangzhou Chimei Chemical Co., Ltd. into the joint venture to build ABS, with part of the capital fund coming from allocation of earnings of Zhenjiang Chimei Chemical Co., Ltd. instead. 10. Approval with a pass of lifting of prohibition of business strife from directors. 11. Approval with a pass of lifting of prohibition of business strife from managers
Date when Board meeting was convened	04/25/2019	1. Approval with a pass of the Company's allocation of earnings of 2018 2. Approval with a pass of amendment to the Company's "Articles of Incorporation" 3. Approval with a pass of enactment of the Company's "Standard Operational Procedures of Handling of Requests by Directors" 4. Approval with a pass of the Company's direct investment in Mainland China
Date when Board meeting was convened	05/09/2019	1. The Company's Financial Statement of the First Quarter, 2019 2. Approval with a pass of scheduling the target (base) date and payday of dividend after the dividend allocation is passed in the annual meeting of shareholders as authorized by the Chairman.
Date when Board meeting was convened	06/28/2019	1. Approval with a pass of changes in the Company's organization chart 2. Approval with a pass of enactment of the Company's "Organizational Rules for Investment Review Committee" 3. Approval with a pass of appointment of investment Review Committee members 4. Approval with a pass of enactment of the Company's "Regulations Governing Handling of Reported Cases of Unethical or Unfaithful Behaviors"
Date when Board meeting was convened	08/08/2019	1. Financial Statement of the Company in Second Quarter, 2019. 2. Approval with a pass of the Company's allocation of remunerations to directors, managers and employees 2018 3. Approval with a pass of amendment to the Company's "Organizational Rules of Compensation Committee" 4. Approval with a pass of enactment of the Company's "Regulations Governing Performance Evaluation of Board of Directors" 5. Approval with a pass of enactment of the Company's "Guidelines on Corporate Governance" 6. Approval with a pass of the Company's "Change in Organization Chart"
Date when Board meeting was convened	09/06/2019	1. Approval with a pass of the Company's investment in domestic hotels & catering industry.
Date when Board meeting was convened	11/07/2019	1. Approval with a pass of the Company's financial statement of the third quarter, 2019. 2. Approval with a pass of the Company's internal audit and annual audit plan 2020

		3. Approval with a pass of the Company's conversion of the earnings into capital increase in the Company's indirect investee of Zhenjiang Chimei Chemical Co., Ltd. 4. Approval with a pass of the Company's capital increase into "Land & Sea Capital Corp." with further investment in Zhangzhou Chimei Chemical Co., Ltd. into the joint venture to build PC/PETG, with part of the capital fund coming from allocation of earnings of Zhenjiang Chimei Chemical Co., Ltd. instead.
Date when Board meeting was convened	12/10/2019	1. Approval with a pass of the Company's capital increase into "Zhangzhou Chimei Chemical Co., Ltd." via "Land & Sea Capital Corp." 2. Decision duly resolved to appoint Crowe Horwath International to conduct audit & verification of the Company's Financial Statement 2020 and evaluation of independence. 3. Approval with a pass of the Company's budget for 2020. 4. Approval with a pass of the motion to appropriate NT\$250 million out of the unappropriated retained earnings 2018 to pay off the capital expenditure for 2019 and the working capital for overhaul plans in 2020.
Date when Board meeting was convened	01/16/2020	1. Performance of execution on performance evaluation of Board of Directors and various functional committees in 2019.
Date when Board meeting was convened	03/19/2020	1. Approval with a pass of the Company's allocation of remunerations to employees and directors, 2019. 2. Approval with a pass of the Company's Individual Financial Statement and Consolidated Financial Statement 2019 3. Approval with a pass of the Company's Declaration of Internal Control System 2019. 4. Approval with a pass of amendment to the Company's "Articles of Incorporation" 5. Decision resolved by the Company's Board of Directors on the date to convene 2019 annual meeting of shareholders. 6. Approval with a pass of the Company's acceptance of proposals to the annual meeting of shareholders 2020 and nomination of candidates for directors (including independent directors) 7. Approval with a pass of the Company's election of directors (including independent directors) for Session 13. 8. Approval with a pass of lifting of prohibition of business strife from directors. 9. Approval with a pass of the Company's plan to capital increase into Zhangzhou Chimei Chemical Co., Ltd. via "Land & Sea Capital Corp." 10. Approval with a pass of the Company's conversion of the earnings into capital increase in the Company's indirect investee of Zhenjiang Chimei Chemical Co., Ltd.

2. Contents of major decisions resolved in the 2018 annual meeting of shareholders and the execution thereof:

Item #	Decisions resolved in the annual meeting of shareholders
1	Report on business performance 2018. Performance in execution in 2018, the Company's net operating revenues amounted to NT\$20,305,094 thousand and net profit after tax NT\$2,960,106 thousand.
2	Report by the Audit Committee on audit of final account settlement books of 2018
3	Report on allocation of remunerations to employees and directors, 2018.
4	Acknowledgement of final account settlement books 2018
5	Acknowledgement of allocation of earnings 2018. Performance in execution: 1. For common shares, the cash dividend NT\$0.0 and cash dividend per share NT\$0.0 For preferred shares, the cash dividend NT\$12,000,000 and dividend per share NT\$0.6. 2. The target (base) date for ex-dividend was July 22, 2019 and the dividend was to be paid on August 15, 2019.
6	Approval with a pass of amendment to the Company's "Articles of Incorporation" Performance in execution: For the present issue, the alteration was officially completed with the Ministry of Economic Affairs on June 21, 2019.

- (XII) In the most recent year and as of the publication date of the Annual Report, The main content of different opinions posed by the directors to the Key Resolutions in the Board of Directors meeting, as backed with written records or declaration in writing: Nil
- (XIII) In the most recent year and as of the publication date of the Annual Report, the summary on resignation and discharge of people linked up with the Financial Statements (including the Chairman, President, Accounting Head and Internal Audit Head)

Summary on Resignation and Discharge of People Concerned

April 14, 2020

Position Title	Name	Date to the post	Date of resignation	Causes of severance
Nil				

Note: The Company's relevant personnel refer to the Chairman, President, accounting head, treasurer, internal audit head, and research and development head.

V. Information on Certified Public Accountant fees

- Where payment to certified public accountants, office of the certified public accountants and non-audit fees accounts for over one-fourth, the amounts of audit fees and non-audit fees and the contents of non-audit services shall be expressly disclosed:

Scale of certified public accountant fees related information

Name of CPA Firm	Name of CPA		Duration covered in the audit	Remarks
Crowe Horwath International	Ying Chia Hsiao	Wu Chang Wang	Jan. 1, 2019~Dec. 31, 2019	

Expressed in Thousands of New Taiwan Dollars

Amount scale		Contents of fees	Audit fees	Non-audit fees	Total
1	Below \$2,000,000				
2	\$2,000,000 (inclusive)~\$4,000,000		\$2,950,000	\$120,000	\$3,070,000
3	\$4,000,000 (inclusive)~\$6,000,000				
4	\$6,000,000 (inclusive)~\$8,000,000				
5	\$8,000,000 (inclusive)~\$10,000,000				
6	Above \$10,000,000				

Expressed in Thousands of New Taiwan Dollars

Name of CPA Firm	Name of CPA	Audit fees	Non-audit fees					Period covered within CPA audit	Remarks
			System design	Industrial and Commercial registration	Human resources	Others (Note 2)	Subtotal		
Crowe Horwath International	Ying Chia Hsiao, Wu Chang Wang	2,950,000	0	0	0	120,000	120,000	Jan. 1, 2019 ~ Dec. 31, 2019	External investment financial status statement form verification fee of NT\$100,000, employee salary information checklist NT\$20,000

Note 1: In the event that the Company changed the certified public accountant or CPA firm during the current year, please enumerate the audit period separately, explain the reason for the replacement in the remarks box, and disclose the audit and non-audit fees paid in sequence.

Note 2: Non-audit fee should be enumerated separately according to service items. In case of "other" non-audit fee reaches 25% of the total amount of non-audit fee, the content of the services should be enumerated in the remarks box.

- Where the audit fee paid for the replacement of the CPA firm in the year of replacement is less than that paid in the preceding year, the amount and reason of the audit fee before and after the replacement shall be both disclosed: N/A.
- Where the audit fee decreased by over 15% from that paid in the preceding year, the amount, ratio and reason of the decrease: N/A.

VI. Information of a change (replacement) in the Certified Public Accountants (CPAs): Nil

VII. The Company's Chairman, President, managers in charge of financial affairs and accounting who have served with the CPA firm or its affiliates over the past one year: Nil

VIII. The fact that in the most recent year and as of the publication date of the Annual Report, transfer of shares, pledge or change in equity held by the directors, managers and major shareholders holding over 10% of the aggregate total:

(I) Changes in common share equity

Status of change in equity held by the directors, managers and major shareholders (Common shares)

Title	Name		Year 2019		As of April 14, 2020	
			Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Pin Cheng Yang (Date to employment: 4/15/2018)	Representative of Jing Kwan Investment Co., Ltd.	0	0	0	0
Director	Chen Ching Ting (Date to employment: 6/25/2014)	Representative of Lai Fu Investment Co., Ltd.	0	0	0	0
Director	Chia Hsiung Tseng (Date to employment: 4/15/2018)					
Director	Hsi Hui Huang (Date to employment: 6/25/2014)	Representative of Chung Kwan Investment Co., Ltd.	0	0	0	0
Independent Director	Kuang Hsun Shih (Date to employment: 6/25/2014)		0	0	0	0
Independent Director	Sung Tung Chen (Date to employment: 6/25/2014)		0	0	0	0
Independent Director	Wen Tzong Chen (Date to employment: 6/25/2014)		0	0	0	0
President	Chia Hsiung Tseng (Date to employment: 4/15/2018)		0	0	0	0
Senior Vice President	Hsi Hui Huang (Date to employment: 4/16/2003)		0	0	0	0
Senior Vice President	Chen Ming Chou (Date to employment: 3/1/2011)		0	0	0	0
Vice President	Jen Chieh Liang (Date to employment: 3/1/2011)		0	0	0	0
Vice President	Fu Hua Tsao (Date to employment: 2/1/2017)		0	0	0	0
Vice President	Wen Hui Lin (Date to employment: 2/1/2019)		0	0	0	0
Executive of Finance Dept.	Ching Fu Chen (Date to employment: 1/1/2009)		0	0	0	0
Executive of Accounting Dept.	Ling Chu Chen (Date to employment: 1/1/2009)		0	0	0	0

(II) Changes in equity of preferred shares

Status of change in equity held by the directors, managers and major shareholders (Preferred shares)

Title	Name		Year 2019		As of April 14, 2020	
			Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Pin Cheng Yang (Date to employment: 4/15/2018)	Representative of Jing Kwan Investment Co., Ltd.	0	0	0	0
Director	Chen Ching Ting (Date to employment: 6/25/2014)	Representative of Lai Fu Investment Co., Ltd.	0	0	0	0
Director	Chia Hsiung Tseng (Date to employment: 4/15/2018)					
Director	Hsi Hui Huang (Date to employment: 6/25/2014)	Representative of Chung Kwan Investment Co., Ltd.	0	0	0	0
Independent Director	Kuang Hsun Shih (Date to employment: 6/25/2014)		0	0	0	0
Independent Director	Sung Tung Chen (Date to employment: 6/25/2014)		0	0	0	0
Independent Director	Wen Tzong Chen (Date to employment: 6/25/2014)		0	0	0	0
President	Chia Hsiung Tseng (Date to employment: 4/15/2018)		0	0	0	0
Senior Vice President	Hsi Hui Huang (Date to employment: 4/16/2003)		0	0	0	0
Senior Vice President	Chen Ming Chou (Date to employment: 3/1/2011)		0	0	0	0
Vice President	Wen Hui Lin (Date to employment: 2/1/2019)		0	0	0	0
Vice President	Jen Chieh Liang (Date to employment: 3/1/2011)		0	0	0	0
Vice President	Fu Hua Tsao (Date to employment: 2/1/2017)		0	0	0	0
Vice President	Wen Hui Lin (Date to employment: 2/1/2019)		0	0	0	0
Executive of Finance Dept.	Ching Fu Chen (Date to employment: 1/1/2009)		0	0	0	0
Executive of Accounting Dept.	Ling Chu Chen (Date to employment: 1/1/2009)		0	0	0	0

(III) The information which should be disclosed where the counterparts of share transfer or pledge in equity: Nil

IX. Information of top shareholders ranking among the top ten, as related parties, spouses, blood relatives within the second degree of kinship to each other:

Name (Note 1)	Shares held by principal		Shares held by Spouse & Minor		Total shares held by Nominee Arrangement		Names and Relations of Top 10 Major Shareholders who are Related Party or Spousal Relationship or are within the Second Degree of Kinship (Note 3)		Remarks
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title	Relation	
KGI Securities Co., Ltd. Representative: Tao Yi Hsu	86,888,690	9.38%	0	0	0	0	—	—	
China Life Insurance Co., Ltd. Representative: Yu Ling Kuo	65,386,000	7.06%	0	0	0	0	—	—	
Fubon Life Insurance Co., Ltd. Representative: Ming Hsing Tsai	56,147,000	6.06%	0	0	0	0	—	—	
Chung Kwan Investment Co., Ltd. Representative: Che Cheng Yeh	28,262,722	3.05%	0	0	0	0	—	—	
Jing Kwan Investment Co., Ltd. Representative: Ching Lung Tseng	20,280,000	2.19%	0	0	0	0	—	—	
Norwegian Central Bank investment account commissioned by Citibank Taiwan	18,097,000	1.95%	0	0	0	0	—	—	
Fund Investment Account for Advanced Starlight Advanced Consolidated International Stock Index commissioned by Chase Escrow	14,812,283	1.60%	0	0	0	0	—	—	
Fund Account for Vanguard's Emerging Markets Stock Index commissioned by	11,820,394	1.28%	0	0	0	0	—	—	
Evaluation Fund Special Account for Custody Dimension Emerging Markets commissioned by Citibank Taiwan	10,293,000	1.11%	0	0	0	0	—	—	
Hsing Wen Investment Co., Ltd. Representative: Ching Lung Tseng	9,961,000 0	1.07%	0	0	0	0	—	—	

Note 1: The top ten shareholders shall be enumerated in full. In case of a juristic person shareholder, the name of the juristic person shareholder and the name of its representative should be respectively enumerated.

Note 2: Calculation of the shareholding ratio refers to the shareholding ratio counted for the own name, spouse, minor children and name(s) of others.

Note 3: The shareholders to be enumerated above include juristic person (s), natural persons (individuals) and should be disclosed of the relationship among them based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The number of shares held by the Company, the Company's directors, managers and the businesses under control by the Company either directly or indirectly to the same re-investment business and consolidated shareholding ratio are combined and calculated:

April 14, 2020/expressed in Thousand Shares; %

Reinvested companies (Note)	Investment by this Company		Investment by directors, supervisor, manager and directly or indirectly controlled company		Syndicated investment	
	Number of Shares	Shareholding ratio(%)	Number of Shares	Shareholding ratio(%)	Number of Shares	Shareholding ratio(%)
GPPC Chemical Corporation	54,200	100	0	0	54,200	100
GPPC Investment Corp.	22,032	81.60	4,968	18.4	27,000	100
GPPC Hospitality And Leisure Inc.	4,000	100	0	0	4,000	100
GPPC Development Co., Ltd.	5,000	38.46	3,000	23.08	8,000	61.54
Videoland Inc.	71,093	62.29	0	0	71,093	62.29
KK Enterprise Co., Ltd.	9,918	15.73	21,307	33.79	31,225	49.52
Goldenpacific Equities Ltd.	75	100	0	0	75	100
Land & Sea Capital Corp.	86,319	100	0	0	86,319	100

Note: The Company's long-term investment accounted for using equity method.

Four. Facts of Capital Raising

I. Capital and Shares

(I) Source of Share Capital

Expressed in number of shares, New Taiwan Dollars

Month/Year	Issue price (Dollar)	Authorized capital		Paid-in capital		Remarks		
		Number of shares (Share)	Amount (Dollar)	Number of shares (Share)	Amount (Dollar)	Source of Capital	Paid by property other than cash	Other
Sept. 1973 ┆ Aug. 1996	10 ┆ 10	18,000,000 ┆ 603,840,309	180,000,000 ┆ 6,038,403,090	4,500,000 ┆ 603,840,309	45,000,000 ┆ 6,038,403,090	Initial founding capital NT\$180,000,000 Capital increase through cash injection NT\$940,000,000 Capital decrease 1,007,771,220 shares Capital increase converted with earnings 5,926,174,310 shares	Nil	—
Sept. 1997	10	621,955,519	6,219,555,190	621,955,519	6,219,555,190	Capital increase converted with earnings 181,152,100 shares	Nil	No. (1997)-tai-tsai-cheng (I) 52377
Aug. 1998	10	634,394,629	6,343,946,290	634,394,629	6,343,946,290	Capital increase converted with earnings 124,391,100 shares	Nil	July 8, 1998 No. (1998)-tai-tsai-cheng (I) 59018
Aug. 2000	10	647,082,522	6,470,825,220	647,082,522	6,470,825,220	Capital increase converted with earnings 126,878,930 shares	Nil	July 7, 2000 No. (2000)-tai-tsai-cheng (I) 58945
Aug. 2001	10	659,824,173	6,598,241,730	659,824,173	6,598,241,730	Capital increase converted with earnings 127,416,510 shares	Nil	July 10, 2001 No. (2001)-tai-tsai-cheng (I) 144527
Aug. 2002	10	1,000,000,000	10,000,000,000	659,824,173	6,598,241,730	—	Nil	Aug. 6, 2002 No. Jing-Shou-Shang-Zi 09101319150
Oct. 2007	10	1,000,000,000	10,000,000,000	660,974,964	6,609,749,640	Corporate bond conversion 1,150,791 shares	Nil	Oct. 29, 2007 No. Jing-Shou-Shang-Zi 09601265240
May 2008	10	1,000,000,000	10,000,000,000	732,689,057	7,326,890,570	Corporate bond conversion 71,714,093 shares	Nil	May 7, 2008 No. Jing-Shou-Shang-Zi 09701106620
Sept. 2008	10	1,000,000,000	10,000,000,000	733,482,707	7,334,827,070	Corporate bond conversion 793,650 shares	Nil	Sept. 17, 2008 No. Jing-Shou-Shang-Zi 09701238390
Sept. 2009	10	1,000,000,000	10,000,000,000	813,828,844	8,138,288,440	Corporate bond conversion 80,346,137 shares	Nil	Sept. 28, 2009 No. Jing-Shou-Shang-Zi 09801223320
Dec. 2009	10	1,000,000,000	10,000,000,000	880,670,078	8,806,700,780	Corporate bond conversion 66,841,234 shares	Nil	Dec. 17, 2009 No. Jing-Shou-Shang-Zi 09801287180
Jan. 2010	10	1,000,000,000	10,000,000,000	926,620,328	9,266,203,280	Corporate bond conversion 45,950,250 shares	Nil	Jan. 28, 2010 No. Jing-Shou-Shang-Zi 09901020660

Expressed in Shares

Kind of Share	Authorized capital					Remarks
	Outstanding shares			Unissued shares	Total	
	Listed	Not listed	Total			
Common shares	906,620,328		906,620,328		906,620,328	-
Preferred shares	20,000,000	—	20,000,000	—	20,000,000	-

In case of offering of negotiable securities through summarized declaration system as approved, the Company should disclose information of the approved amount, negotiable securities anticipated to be issued and actually issued: Nil.

(II) Structure of shareholders

1. Common shares

April 14, 2020

Structure of Shareholder Quantity	Government agencies	Financial institutions	Other juristic persons	Foreign institutions and foreigners	Individuals	Total
Number of shareholders	1	5	168	231	80,554	80,959
Shares held	20,000	130,126,573	166,876,454	228,716,323	380,880,978	906,620,328
Shareholding ratio	0.00%	14.35%	18.41%	25.23%	42.01%	100.00%

2. Preferred shares

April 14, 2020

Structure of Shareholder Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	0	1	12	3	1,381	1,397
Shares held	0	482,000	5,173,000	66,334	14,278,666	20,000,000
Shareholding ratio	0.00%	2.41%	25.87%	0.33%	71.39%	100.00%

(III) Facts of disperse of shareholding

Facts of disperse of shareholding

1. Common shares

NT\$10 par value, April 14, 2020

Shareholding grading	Number of shareholders	Number of shares held	Shareholding ratio %
1-999	41,958	5,474,273	0.60%
1,000-5,000	26,785	61,450,263	6.78%
5,001-10,000	5,958	48,660,852	5.37%
10,001-15,000	1,657	21,210,057	2.34%
15,001-20,000	1,425	26,927,884	2.97%
20,001-30,000	1,086	28,475,866	3.14%
30,001-40,000	523	19,161,900	2.11%
40,001-50,000	355	16,850,300	1.86%
50,001-100,000	648	48,151,592	5.31%
100,001-200,000	291	42,582,266	4.70%
200,001-400,000	124	35,576,561	3.92%
400,001-600,000	47	23,445,981	2.59%
600,001-800,000	20	14,235,000	1.57%
800,001-1,000,000	14	12,474,713	1.38%
Above 1,000,001	68	501,942,820	55.36%
Total	80,959	906,620,328	100.00%

2. Preferred shares

NT\$10 par value, April 14, 2020

Shareholding grading	Number of shareholders	Number of shares held	Shareholding ratio %
1-999	11	3,750	0.02%
1,000-5,000	1,138	2,102,917	10.51%
5,001-10,000	100	803,333	4.02%
10,001-15,000	47	614,000	3.07%
15,001-20,000	18	334,000	1.67%
20,001-30,000	23	596,000	2.98%
30,001-40,000	11	378,000	1.89%
40,001-50,000	8	377,000	1.89%
50,001-100,000	19	1,458,000	7.29%
100,001-200,000	6	881,000	4.41%
200,001-400,000	4	983,000	4.92%
400,001-600,000	5	2,396,000	11.98%
600,001-800,000	2	1,320,000	6.60%
800,001-1,000,000	2	1,887,000	9.44%
Above 1,000,001	3	5,866,000	29.33%
Total	1,397	20,000,000	100.00%

(IV) Names of key shareholders: The shareholders holding over 5% in shareholding ratio and ranking among the top ten should be enumerated here.

(Common shares)

April 14, 2020

No.	Name	Number of shares held	Shareholding ratio %
1	KGI Securities Co., Ltd.	86,888,690	9.58%
2	China Life Insurance Co., Ltd.	65,386,000	7.21%
3	Fubon Life Insurance Co., Ltd.	56,147,000	6.19%
4	Chung Kwan Investment Co., Ltd.	28,262,722	3.12%
5	Jing Kwan Investment Co., Ltd.	20,280,000	2.24%
6	Norwegian Central Bank investment account commissioned by Citibank Taiwan	18,097,000	2.00%
7	Fund Investment Account for Advanced Starlight Advanced Consolidated International Stock Index commissioned by Chase Escrow	14,812,283	1.63%
8	Fund Account for Vanguard's Emerging Markets Stock Index commissioned by	11,820,394	1.30%
9	Evaluation Fund Special Account for Custody Dimension Emerging Markets commissioned by Citibank Taiwan	10,293,000	1.14%
10	Hsing Wen Investment Co., Ltd.	9,961,000	1.10%

(Preferred shares)

April 14, 2020

No.	Name	Number of shares held	Shareholding ratio %
1	Jui Hui Lin	2,505,000	12.53%
2	GPPC Chemical Corporation	1,776,000	8.88%
3	Taishin Securities Co., Ltd	1,585,000	7.93%
4	Chuang Chuan Chiu	948,000	4.74%
5	Hungkuang University of Science and Technology	939,000	4.70%
6	Chih Hsin Chiu	670,000	3.35%
7	Ching Chuan Huang	650,000	3.25%
8	Chien Mei Hung	540,000	2.70%
9	Shan Lung Lin	539,000	2.70%
10	The Shanghai Commercial & Savings Bank, Ltd.	482,000	2.41%

(V) Information of market price per share, net value, earnings, and dividends

Expressed in New Taiwan Dollars/Shares

Items \ Year		2018	2019
Market price per share (\$) (Note 1)	Highest	35.15	25.35
	Lowest	19.45	17.60
	Average	28.15	20.72
Net Value per share (\$) (Note 2)	Before distribution	\$24.59	\$26.36
	After distribution	\$24.58	*
Earnings per share	Weighted average shares (thousand shares)	905,338,000 shares	906,373,000 shares
	Earnings per share (Note 3)	\$3.26	\$2.27
Dividends per share	Cash dividends	0	0
	Issuance of bonus shares	0	0
		0	0
	Retained Dividends (Note 4)	0	0
Analysis of Return on Investment	PE ratio (Note 5)	8.63	9.13
	Dividend-Price ratio (Note 6)	0	0
	Cash dividends yield (Note 7)	0	0

* In case of share allocation with earnings or capital reserve, the Company should disclose information of the market prices adjusted retrospectively at the time of allocation and the cash dividend.

Note 1: Should enumerate the highest and lowest market prices of common shares in respective years and should count the average market prices based on the value and volume of successful transactions of the respective years.

Note 2: Please base the number of outstanding issued shares at end of the year and enumerate based on the allocation as resolved in the shareholders' meeting convened in the ensuing year.

Note 3: In case of issuance of bonus shares that calls for retrospective adjustment, the Company should enumerate both pre-adjustment and post-adjustment earnings per share (EPS).

Note 4: Where the equity securities issued in the current year are accrued in the conditions that the outstanding dividend may be accumulated till the year in which the Company makes a profit, the outstanding dividend accumulated till the current year should be respectively disclosed.

Note 5: P/E ratio = Average closing price per share in the current year / earnings per share (EPS) before retrospective adjustment

Note 7: Dividend-Price (P/D) ratio = Average closing price per share in the current year / Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / Average closing price per share in the current year.

(VI) The Company's share dividend policy and fact of implementation of such policy

1. Share dividend policy defined in the Company's Articles of Incorporation:

Article 29: The Company shall set aside 1% of the profit earned by the Company in a year as remuneration to employees and a sum within 2% maximum of the profit earned by the Company in a year as remuneration to directors based on the profit status of the year. Where the Company remains in accumulated loss, nevertheless, such loss shall be made up beforehand.

The term "the profit status of the year" as set forth herein denotes the profit before tax in that year after deduction the sum for allocation of remuneration to employees and remuneration to directors.

From the earnings of the Company in a year as shown through the annual account settlement, after the sum to pay tax and make up previous loss, if any, is set aside, a sum 10% out of the balance shall be set aside as legal reserve. The balance of the Company's earnings after annual final account settlement, after payment of tax, making up loss, setting aside 10% legal reserve, setting aside or reversal of special reserve shall be allocable earnings which, along with the unappropriated retained earnings of the preceding year, shall be the accumulated unappropriated retained earnings wherewith, dividend for Year 1984 Grand Pacific Preferred Shares at 6% per annum shall be set aside. In the event that the annual dividend is not allocated in full, the shortage shall be made with the allocable earnings of the ensuing year preferentially. With the balance of the unappropriated retained earnings, the Board of Directors shall propose the percentages of allocation based on laws and ordinances concerned, dividend policies and status of working capital. Where the dividend is allocated by means of issuance of new shares, it shall call for consent from the shareholders' meeting beforehand. When the dividend is allocated in cash, it calls for approval under a decision to be resolved in the Board of Directors.

In accordance with Paragraph 5, Article 240 of the Company Act, the Board of Directors is authorized with plenipotentiary power to resolve a decision through one half majority vote cast by participating directors who constitute two-thirds or more of the total directorship seat to allocate the dividend, bonus or part of legal reserve and capital reserve either in whole or in part under Paragraph 1, Article 241 of the Company Act in cash and to report to the shareholders' meeting.

The Company currently lies amidst the highly changeable industrial environment is changeable. The life cycle of the Company is amidst stable growth. The Company shall firmly dominate the economic environment to assure sustainable operation. Given the Company's long-term financial planning, future capital needs with efforts to protect the interests of shareholders, the Company shall allocate annual cash dividends are not less than 10% of the total cash and stock dividends of the current year (excluding dividend of Year 1984 Grand Pacific Preferred Shares at 6% per annum).

2. Performance in execution:

The Company's allocation of earnings 2019 (The 2019 earnings distribution proposal is submitted for ratification) as duly resolved in the board of directors on April 28, 2020 is as enumerated below:

- (1) The Company's net income after tax for the year of 2019 was \$2,070,125,401. After accounting for the accumulative investment gains of NT\$45,343,950 with the disposal of equity instrument investments with fair value through other comprehensive incomes and less the remeasurement of confirmed benefit programs at NT\$15,783,410, the unappropriated earnings during the year stood at NT\$2,099,685,941. After the

allocation of NT\$209,968,594 to the statutory surplus reserve, the distributable earnings during the year were NT\$1,889,717,347. Adding this to the unappropriated retained earnings at the beginning of the term of NT\$9,164,901,598 derived the distributable earnings in accumulation at NT\$11,054,618,945.

- (2) Pursuant to Article 29 of the Articles of Incorporation, after preferred dividends for the year of 2019 amounted to \$12,000,000 were distributed first, the distributable earnings are \$11,042,618,945; for common shares, it is proposed that no cash dividend be allocated. After the allocation, balance of the retained earnings came to \$11,042,618,945.

3. Anticipated significant changes in the dividend policy: Nil.

(VII) The impact of the issuance of bonus shares proposed in the current shareholders' meeting upon the Company's business performance and earnings per share (EPS): N/A

(VIII) Compensations to employees, remuneration to directors:

1. The percentage and scope of remunerations payable to employees and directors as set forth under the Articles of Incorporation: Please refer to Page ____ (VI)~1, the dividend policy set forth under the Articles of Incorporation.
2. In terms of the grounds to estimate the remunerations payable to employees and directors in the current term, the accounting handling manner for the discrepancy between number of shares counted for remuneration to employees through allocation of stocks and the amount of substantial allocation:
 - (1) The grounds to estimate the remunerations payable to employees and directors: To be estimated based on the business performance of every quarter.
 - (2) The grounds to estimate the remunerations payable to employees with stocks: Not applicable, as no stocks are to be allocated.
 - (3) The accounting handling manner for the discrepancy between number of shares counted for remuneration to employees through allocation of stocks and the amount of substantial allocation: In case of any discrepancy between the amount actually allocated as resolved in the shareholders' meeting and the estimation, the discrepancy is deemed as a change in the accounting estimate to be recognized as profit and/or loss in the year when it is resolved by the shareholders' meeting.
3. Information of bonus to employees as resolved in the board of directors:
 - (1) Allocation as proposed by the Company's board of directors on 3/19/2020:
 - Remuneration to employees – Allocation in cash in an amount of NT\$24,862,069.
 - Remuneration to directors – Allocation in cash in an amount of NT\$49,724,137.In case of any discrepancy from the amount estimated in the year of recognition, the difference, cause and countermeasures should be expressly enumerated: Not applicable, as no discrepancy existent.
 - (2) The percentage of the stock bonus proposed to be allocated to employees to the aggregate total of the net profit after tax this term and bonus to employees: Not

applicable.

(3) Earnings per share (EPS) after consideration of remuneration to employees and directors: After such consideration, the basic earnings per share (EPS) would be NT\$2.27.

4. The discrepancy between the actual allocation of bonus to employees and remuneration to directors and supervisors in the preceding year (including number, amount of allocation, stock price) and the recognized bonus to employees and remuneration to directors and supervisors, the causes and countermeasures:

The Company's allocation of earnings 2018 was duly resolved in the annual meeting of shareholders convened on June 14, 2019. The facts of allocation as resolved in the board of directors are as enumerated below:

(1) Allocation of remuneration to employees: NT\$37,477,905.

(2) Allocation of remuneration to directors NT\$74,955,811.

No discrepancy between the aforementioned proposed allocation above and the original estimate.

(IX) Facts of the Company's stocks repurchased by the Company: Nil

II. Issuance of corporate bonds: The Company does not issue corporate bonds at the moment.

III. Issuance of preferred shares:

Expressed in New Taiwan Dollars

Date of issuance(handling)			August 1984
Items			
Denomination			10
Price of issue			10
Number of shares			20,000,000 shares
Total amount			\$200,000,000
About rights & obligations	Allocation of dividend and bonus		With earnings shown through annual final account settlement, the sum for preferred shares dividend of 6% shall be first withheld. All other terms are same as common shares.
	Allocation of residual properties		Preferential allocation of the Company's residual properties
	Exercise of voting powers		Same as common shares
	Others		—
Outstanding issued preferred shares	Number retrieved or converted		—
	Balance not retrieved or converted		—
	Clauses for retrieval or conversion		—
Market price per share	2017	Highest	34.50
		Lowest	24.50
		Average	28.09
	2018	Highest	36.90
		Lowest	30.55
		Average	34.49
	2019	Highest	37.30
		Lowest	32.20
		Average	34.52
	In the year as of March 31, 2020	Highest	34.45
		Lowest	28.00
		Average	32.17
Other rights affiliated	Amount converted or subscribed as of the publication date of the Annual Report		0
	Regulations Governing Issuance, Conversion or Subscription		—
Impact of issuance conditions upon shareholders of preferred shares, potential dilution of equity and impact upon shareholders' equity			Nil

IV. Issuance of overseas deposit receipt certificates (DRC): Nil

V. Issuance of employee stock option certificates: Nil

VI. New shares to employees with restricted rights: Nil

VII. Merger/acquisition (M&A) or inward transfer of other firms' new shares: Nil

VIII. Implementation of capital utilization plans: Nil

Five. Business Performance in Brief

I. Contents of business operation

(I) Business Scope

1. Primary Business Content:

- (1) C801020 Petrochemical Manufacturing
- (2) C801100 Synthetic Resin & Plastic Manufacturing
- (3) C802990 Other Chemical Products Manufacturing
- (4) F401010 International Trade
- (5) D101050 Cogeneration
- (6) D401010 Heat Energy Supplying
- (7) G801010 Warehousing and Storage
- (8) H701020 Industrial Factory Buildings Lease Construction and Development
- (9) F501060 Restaurants
- (10) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- (11) J506021 Satellite Broadcasting Television Program Supplier
- (12) J503020 Television Production
- (13) J503030 Broadcasting and Television Program Distribution
- (14) J401010 Motion Picture Production
- (15) J402010 Motion Picture Distribution
- (16) J503010 Broadcasting Production
- (17) J503040 Broadcasting and Television Commercial
- (18) J503050 Video Program Distribution
- (19) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (20) E701020 Channel KU and C of Satellite TV Equipments and Materials Construction
- (21) E701030 Restrained Telecom Radio Frequency Equipments and Materials Construction
- (22) F401010 International Trade
- (23) I103060 Management Consulting Services
- (24) I401010 General Advertising Services
- (25) JB01010 Exhibition Services
- (26) J602010 Agents and Managers for Performing Arts, Entertainers, and Models
- (27) J803020 Athletics Racing

2. Operating proportion of each product:

(1) GPPC Group

Expressed in Thousands of New Taiwan Dollars; %

Major Product	2019 Operating Revenues	Operating Proportion
Petrochemical operating revenues (SM)	8,481,436	41.44%
Plastic operating revenues (ABS, HIPS)	6,108,604	29.85%
Advertising, video and channel	1,910,627	9.33%

operating revenue		
Package materials operating revenues	1,574,696	7.69%
Nylon operating revenues	1,539,118	7.52%
Others (Note)	853,748	4.17%
Total	20,468,229	100%

Note: Others include operating revenues from steam, electricity, copyrights and broadcast; as they account for less than 5% of the business, they are presented in an aggregated number.

(2) The Company (individual financial report)

Expressed in Thousands of New Taiwan Dollars; %

Major Product	2019 Operating Revenues	Operating Proportion
SM	9,767,995	60.19%
ABS	4,309,782	26.56%
H2	146,711	0.90%
Steam and electricity	465,479	2.87%
Nylon	1,539,118	9.48%
Total	16,229,085	100%

3. GPPC Group's current products (services):

- (1) Production and sales of styrene monomer (SM), its related derivatives and by-products (toluene, hydrogen, etc.).
- (2) Production and sales of acrylonitrile-butadiene-styrene copolymer resin (abbreviated as ABS).
- (3) Production and sales of hydrogen (H2).
- (4) Steam and Electricity
- (5) Nylon (PA).
- (6)

Business Item	Business Content	Primary Sales Target	Progress
Advertising Business	Sell satellite channel advertising time operated by Videoland to advertisers or advertising agencies.	Advertising agency→advertisers or advertising agents	The current revenue is among the best of all cable TV channel operators.
Copyright licensing or sublicensing	Use the film and television resources of Videoland to produce various types of	Domestic and foreign TV stations Platform channel	Ongoing licensing

	programs, such as: sports, drama and entertainment, and act as an agent or purchase copyright of other company's programs to license, or sublicense to others for broadcasting or distribution.	dealer Copyright agency Agency Home audio and video product distributor	

4. New products (services) in plans for development

- (1) Expand market of 60P basic powder and SAN commercial-grade products. In response to the development of smart-car level battery slot, the Company is optimizing products used in current uninterruptible power systems and battery slot.
- (2) Develop large particle latex using PBL rubber agglomeration process; optimize ABS quality; develop electroplating, tube and flame resistant grade ABS; and sell these products to domestic and foreign customers.
- (3) Expand the nylon industrial yarn market and optimize the quality, develop high-temperature nylon and composite engineering plastic products: such as heat-resistant super-tough, medium-tough, high temperature, soft, biomass, and fiberglass blended composite plastic.
- (4) Aggressively integrate resources and establish a platform. Repackage each channel and open new opportunities through the concept of brand marketing.
- (5) Study the social and ecological changes associated with the development of new digital technology, so as to deepen brand characteristics and increase interaction opportunities to build audience trust.
- (6) Strengthen parallel and vertical strategic alliances and reinvestment businesses.
- (7) Continue to develop the domestic acceptance of Mainland Chinese programs, since there is close interaction between both sides of the strait, and actively develop cross-strait media cooperation.
- (8) Aggressively expand alliances and cooperate with new media sources to develop markets with cross-industry alliances.
- (9) Develop entertainment resources, and engage high-value audiences.
- (10) Accumulate mainland experience and prepare to seize opportunities for future markets.

(II) Industry Overview:

1. Industry Status and Development

The upstream of the petrochemical industry is crude oil, followed by natural gas and coal. Because crude oil has the attributes of energy, finance and geopolitics, its price volatility is affected by multiple factors. When the price was high in 2008, it rose to more than US\$140 per barrel. Since then there were several fluctuations, and in the beginning of 2016, it fell to US\$30. Although there were a few more fluctuations since 2016, the price is basically showing a gradual increase. Overall, it has returned to a certain level of fixed price by last year. With the slow recovery of the global economy, the petrochemical industry has been able to maintain certain profits in recent years. The spread of the epidemic in the beginning of the year has caused a downturn of the economy, and the

future global economic cycle is expected to enter a more difficult adjustment year.

Coal-derived petrochemical raw materials were vigorously promoted in mainland China during the period of high oil prices, but their development was constrained by factors such as oil price reversion and water resources. Natural gas is another upstream source of raw materials for petrochemical. With the rise and maturity of shale oil and gas resources in the United States, it is one of the few places, other than China, where petrochemical production capacity has increased in recent years.

The company's main products are styrene, ABS and Nylon 66 plastics. The range of their downstream applications covers major petrochemical industries, such as plastics, rubber and fibers. Their further downstream range covers an even broader scope, including electronic appliances, home appliances, automobiles, building materials, textiles and packaging and various other important industries. These all play an important role in supporting economic development.

Styrene is a bulk petrochemical raw material that is widely used. It is in liquid form at ambient temperatures and is convenient to transport. Therefore, the price difference of styrene around the world, except for the short-term factors in various regions, is mainly affected by transportation conditions and tariffs. The major raw materials of styrene are ethylene and benzene, with the proportion of benzene at about 80%. Ethylene is a gas at ambient temperatures and pressure, and the transportation cost is relatively high. Therefore, the site of styrene plant is usually very close to the supply of ethylene materials. Benzene is liquid at ambient temperatures, and its sources are more diverse. In addition to light oil cracking plants and refineries, there are products of other chemical manufacturing methods, or by-products of the steel industry, which are easier to obtain and transport.

In terms of use, the three major uses of styrene are in polystyrene (PS), expanded polystyrene (EPS), and ABS resin. In addition, there are secondary uses, such as: thermoplastic elastomer (TPE), styrene-butadiene rubber (SBR), styrene butadiene latex (SB Latex), unsaturated polyester (UPS), and others. Styrene derivatives are widely used in industries such as home appliances, electronics, construction, toys, automobiles, and such. Therefore, the rise and fall of the styrene industry is extremely sensitive to the economic cycles.

After years of development, there are currently three domestic styrene manufacturers. In the past three years, the annual production and sales volume has remained at about 2 million tons. In addition to the downstream export that is primarily for self-use, there is still import demand for about 300,000 tons every year.

ABS is a downstream product of styrene. In addition to styrene, two raw materials, acrylonitrile and butadiene, are required. The ABS industry differs from styrene in its diversified product specifications, and that its production must be adjusted according to customer needs. Generally, ABS in Asia is mainly used for home appliances and electronic products. As digital information products continue to evolve, the demand for fire resistance, heat resistance and special flow characteristics has also increased. As the economies of emerging countries grow and the national and individual income levels increase, the development of home appliances, electronics and automobiles will continue to increase the demand for ABS.

There are currently four manufacturers of ABS plastics in Taiwan. In the past three years, the annual production and sales volume has remained at about 1.3 million tons. Unlike styrene, over 80% of ABS is exported. Exporting and competing with markets in various countries around Asia has become the norm for the domestic ABS industry. Since the Mainland China's demand for ABS accounts for more than half of the global total

demand, the mainland market has become a must-have for players in the Red Ocean market, which is also a major target area for domestic ABS export. However, due to the US-China trade war, the sales market is accelerating in its migration to other regions, such as Southeast Asia.

In response to government's high-value development policy, the Company pragmatically invested in the construction of a Nylon 66 plant, which is the first and the only manufacturing plant of such products in Taiwan, and it partially eases the import pressure on domestic demands. Nylon 66 is a heat-resistant engineering plastic. In addition to the traditional textile applications, such as clothing and carpets, the demand for its application in high-end products, such as automotive components and electronic appliances, has developed rapidly in recent years, which has also become one of the largest applications of Nylon 66. With the increase in per capita income, the demand for high-end products is increasing day by day. After the Company put the plant into production, Nylon 66 still maintains an annual import volume of about 60,000 tons, which just shows its growth potential.

Due to the rapid economic development of mainland China in recent years, it has become a major market for petrochemical products. Its domestic production capacity of styrene is close to 10 million tons, and its self-sufficiency rate will be greatly increased in the future. Import demand will also be revised downward year after year from a maximum of 3.5 million tons, due to its own production capacity increasing year on year. Its ABS production capacity is close to 4 million tons, and it still requires imports of 2 million tons. In order to protect its own production market, Mainland China imposes high anti-dumping duties on Nylon 66 on major producing countries, including Taiwan, but regardless, it still requires 280,000-ton imports every year.

According to the analysis made by IHS, the demand for styrene in Northeast Asia is 172.3 million metric tons in 2020, and the nameplate capacity is 186.66 million metric tons. It is expected that the production capacity could increase by 14% this year, but the effective operating rate is estimated at only 82%. As a result, the actual supply is estimated to increase by only 5.3%, and 3.41 million metric tons will still need to be imported to cope with the 2.9% increase in demand in the region. The same analysis estimated that global ABS demand for styrene was about 5.36 million metric tons last year, and for this year, it is expected to increase by 3.6%. At the same time, the apparent demand volume for styrene in Taiwan last year (production volume + import volume-export volume) was 1.97 million metric tons, of which the demand volume for ABS was 734,000 metric tons. It was originally expected that the apparent demand volume for styrene in Taiwan this year would be 2.02 million metric tons, of which the demand volume for ABS would be 755,000 metric tons. It was originally estimated that the demand volume for this year will increase in both styrene and ABS, but because the epidemic disrupts global economic growth, this demand is bound to be revised downwards. Its final volume will depend on the extent of the impact of the epidemic.

Recently, the market for Nylon is gradually expanding. In addition to the mainland market, the economic performance of emerging markets, such as Southeast Asia, India and the Middle East, are gradually receiving more attention. Although the total volume is small, the growth rate is considerable. The company's plastic (ABS and Nylon 66) products are also steadily expanding in these emerging regions to mitigate the risks of excessive market concentration.

In February 1962, the education television experimental station began broadcasting, which started Taiwan's television industry. Previously, there were only four wireless TV stations in Taiwan for commercial television: Taiwan Television, China Television, Chinese Television System and Formosa Television (and a non-commercial television

station--Public Television, a total of five TV stations in Taiwan). However, such an oligopoly market produced undesirable conditions: A. Bad TV reception in remote areas; B. Program contents did not meet demassified audience demand; C. Contents were all composite fusion type; thus, the community common antenna and broadcasting system industry (commonly known as the fourth station) came into being. This development also contributed to the rise of program providers. All the cable TV stations were then competing to gain the audience's attention with demassified audience content.

Videoland Inc. is a member of the channel industry, and the rise of the channel (program distribution) industry is closely related to the announcement of the Cable TV Act (August 11, 1993). In the early days, the program providers delivered copied videos to transmission systems for broadcast. Thus, apart from copyright fees, there was no revenue from advertising. Later, with the sharp drop in the lease cost of satellite channels, the program providers moved to satellite transmission to ensure broadcast quality (around the time in 1995). In addition, they utilized the gap between programs to broadcast advertisements; hence, the program providers became channel providers and commercial time slot providers. Advertising became one of the main sources of revenue for channel operators, and some channel operators only used advertising revenue to sustain their programs.

The Satellite Broadcasting Act was promulgated and implemented in February 1999, which opened up the international space for Taiwan's communication industry, and promoted the sound development of satellite broadcasting.

In July 2012, the digitalization of wireless TV was fully implemented, and the analog signal of wireless TV officially became part of history. Cable TV, in turn, was also digitalized, and now produces and broadcasts high-definition digital program contents.

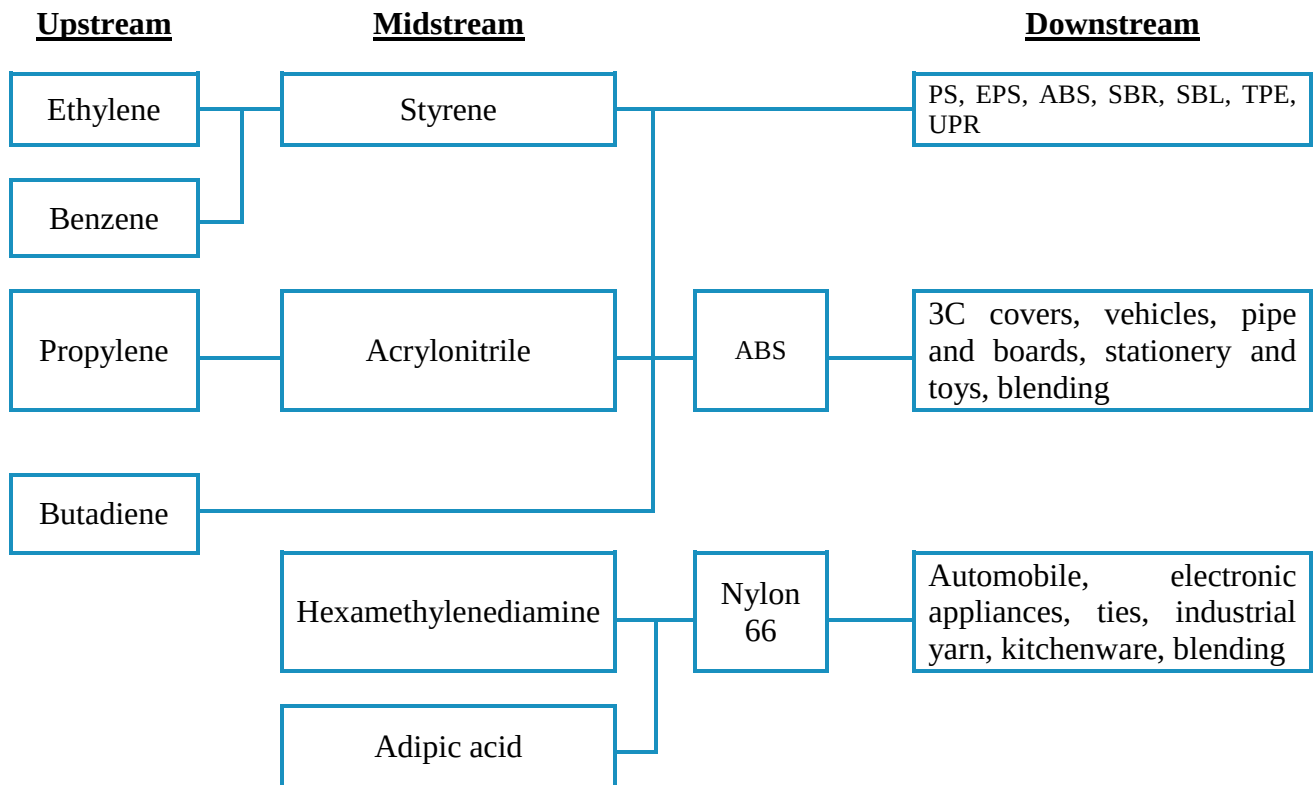
To cope with the trend of digitalization and internet new media, Videoland Fine channel was launched on Chunghwa Telecom's MOD platform on February 20, 2015.

The digitalization of cable TV was fully implemented in 2018, and the cable analog signal officially became part of history.

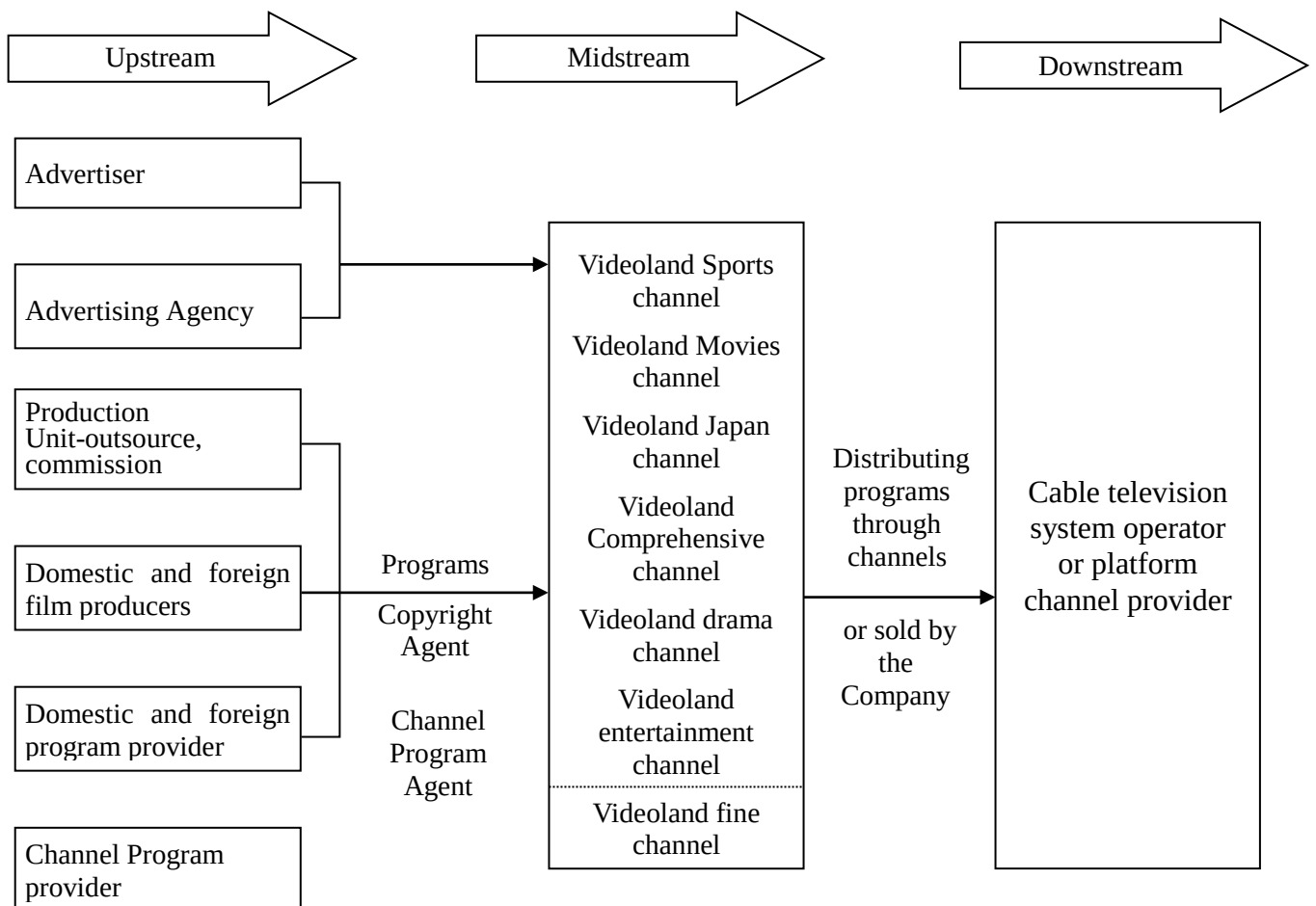
2. The correlation between the upstream, midstream and downstream within the industry

The raw materials for styrene are benzene and ethylene. The source of ethylene is primarily supplied by the CPC Corporation. In recent years, as the production of benzene by the CPC Corporation has decreased year by year, the proportion of benzene imported by the Company has gradually increased. The raw materials for producing ABS, apart from the self-produced styrene, such as butadiene, are also supplied by the CPC Corporation, and Acrylonitrile is supplied by China Petrochemical Development Corporation. The raw materials for Nylon 66, hexamethylenediamine and adipic acid, are not domestically produced, and must be imported from abroad.

The downstream of styrene still requires one or more manufacturing processes to make plastic pellets or rubber, so customers are larger in scale. The downstream of ABS and Nylon 66 is predominantly used in forming or blending business of the industries, hence the customer scale is more diversified.



Videoland Inc. is a cable TV channel operator, which also produces and distributes TV programs. Its industrial structure is as follows:



(III) Technology and R&D Overview:

1. R&D expenses invested in the most recent year, and as of the publication date of the Annual Report

Expressed in Thousands of New Taiwan Dollars; %

Year	R & D expenses	Proportion to revenue %
2019	24,357	0.15%

2. Technologies or products successfully developed in the most recent year, and as of the publication date of the Annual Report.

Year	R&D performance
2019	1. Trial production of Nylon 66 industrial yarn composite and heat-resistant super-tough Nylon 66. 2. Technological development of agglomerated PBL large particle latex, completion of trial production and sampling. 3. Development of battery cell for uninterruptible power system, completion of trial production and mass production. 4. Optimization of customer samples of tube and electroplating grade ABS. 5. Development of Nylon 66 plus glass fiber composite, completion of customer trial and certification. 6. Development of, and trial production of, heat-resistant super-tough Nylon 66 composite.

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

1. Short-term Plan

- (1) High-temperature nylon and nylon industrial yarn, nylon 66 composite and heat-resistant super-tough nylon 66 for trial sale, and subsequent equal emphasis on mass production and quality.
- (2) Develop large particle latex using PBL rubber agglomeration process; improve and adjust ABS product mix and formula; develop PBL small particle size latex technology; reduce production cost.
- (3) Focus on industrial safety and environmental protection, and participate in social welfare activities.
- (4) Coordinate with the market positioning of each channel, expand advertising business revenue, and stabilize revenue growth.
- (5) Strengthen the symbiotic relationship of system channels to ensure stable income from channel licensing.
- (6) Establish the copyright business and expand the niche of program licensing.
- (7) Use existing resources to promote projects, integrate marketing, and significantly increase project revenue.

2. Long-term Plan

- (1) Demonstrate the true function and value of an R&D Center by achieving the establishment of high-value independent technology.
- (2) Accumulate research and development energy, and vigorously participate in cooperation with government, industry and academia on science and technology projects.
- (3) Develop a nylon engineering plastic blending plant to enhance market competitive advantage.
- (4) Draw on international strategic alliances, expand overseas channels and then create cooperation opportunities for program business.
- (5) Increase cross-strait media industry cooperation, increase the production of, and broadcasting of high-quality Mainland Chinese programs, and develop new markets.
- (6) With the arrival of the digital age, future plan shall include entering the web TV market, applying for an IPTV channel license, and expanding brand influence and business revenues.
- (7) Expand the revenue streams of new media on the web, broadcast our own programs on the web platform, and increase advertising revenue.

II. Market and production and sales overview:

(I) Market analysis:

1. Sales (provided) regions of major products (services)

Major Product	Major Market	Distribution Method
Styrene Monomer (SM)	Domestic	Direct sale
Acrylonitrile - Butadiene-Styrene copolymer resin(ABS)	Domestic, Mainland China, Hong Kong, the United States, South Africa, and Southeast Asia.	Direct sale and distribution
Hydrogen (H ₂)	Domestic	Direct sale and distribution
Steam and Electricity	Domestic	Direct sale
Nylon 66	Domestic, Mainland China, Hong Kong, the United States, South Africa, Southeast Asia, and India.	Direct sale

Videoland Inc. is a satellite TV business program supplier approved by the competent authority, and its primary commodity revenues are satellite program video and advertising.

The sales targets of the video business are cable TV operators in Taiwan, Penghu, Kinmen and Matsu areas, and other public broadcasters.

The sales targets of the advertising business are juridical persons of all levels and individuals.

2. Market share, supply and demand status, and growth of future markets:

The company's production capacity of SM and ABS in FY 2020 is 370,000 metric tons and 120,000 metric tons, respectively, accounting for 19% and 6.06% of the total production capacity of Taiwanese producers. Since the upstream expansion of the domestic petrochemical industry has reached saturation under the constraints of existing industrial development policies, and expansion in the midstream and downstream is restricted, in the absence of new production capacity, this market share will only fluctuate slightly.

After decades of development in mainland China, it has become the world's factory, with its huge workforce, and now is gradually entering the world market. Both its production capacity and market appetite have become its main driving sources. Apart from the expansion of production capacity, driven by the rise of shale gas in the United States, due to the low price of raw materials and market competitiveness, the expansion of the general petrochemical industry and market growth, since the beginning of this century, come mainly from Mainland China. Its infrastructure construction, the rapid growth of the real estate and automotive industries, and the previous policy of selling home appliances to the countryside, all triggered a wave of expansion of styrene products. Because of the significant profitability improvements of the styrene industry in recent years, a new round of production capacity increase plans have been sequentially put into production. Over the next two or three years, the self-sufficiency rate of styrene in Mainland China will gradually increase, and the import volume will shrink year after year, within a certain time frame. Unlike previous plans, many of the new rounds of investment plans incorporate upstream materials, which is helpful in increasing the average operating rate of their styrene industry. However, due to the enormous scale of these plans, the completion schedule of each plan is uncertain.

Although the increase in the supply side may squeeze on the space of existing producers to a certain extent, the continuous progress of Mainland China into the world market will help provide sufficient market appetite. The economic growth rate set by China for 2020 is 6.1%, which is bound to be revised downward under the impact of the epidemic. The increase of its per capita income will continue to stimulate the demand growth of packaging materials for home appliances, electronics, automobiles, as well as e-commerce and thermal insulation. Furthermore, its South-bound economic policy will also push the national demand to gradually move from the basic plastics, such as PE, PVC, etc. to the styrene series, such as PS, ABS, EPS, etc. The growth in demand for high-end engineering plastics, such as nylon 66, can also be expected.

Certainly, with the increase of per capita income in various markets, the requirements for increased product quality have gradually grown out of the initial stages of long-lasting and easy-to-use. Health and environmental protection have become universal requirements. In summary, high strength, low-volatility and low-residual monomer, bright coloration, fast and excellent processability are some, if not all, of the development trends of styrene and nylon 66 series products. The company's historical research and development has focused on these trends with constant upgrades and improvements.

In June 2017, the Ministry of Commerce of Mainland China announced an anti-dumping investigation on styrene sold to the mainland by Taiwan, South Korea and the United States. The final result was released in June 2018. The final adjudicated tariff for Taiwan was 3.8%-4.2%; and 6.2%-7.5% and 13.7%-55.7% for Korea and the United States, respectively. Although this measure does not affect the supply and demand at the global level, it has reshaped the direction of trade flows in various regions and the price gaps in corresponding regions.

Affected by the China-U.S. trade war since October 2018, domestic downstream customer demand for ABS/PS/EPS is weak. Customers are successively reducing inventory and then complementing requirements with some imports. This is putting styrene in a difficult market change position. The spot price of styrene is one of the first to take a hit, with a significant downward revision from its previous high.

Since March 2019, when the United States decided to suspend tariffs on China, the pessimistic atmosphere in the styrene market is gradually diminishing. Spreads are widening and profits are increasing. However, since China's annual holiday on October 1, the effect of the news, that two major production capacity facilities are nearing their completion, is brewing, causing the price of styrene to decline significantly and the price gaps of its main raw materials to reduce, which also affects profitability. Since the end of the year, COVID-19 has gradually affected the Chinese market and economy, and this effect is continuing to expand to Asian countries and the world. Both supply and demand have been severely affected. Coupled with the collapse of the OPEC+ crude oil reduction agreement in early March 2020, the price of oil and various bulk raw materials have fluctuated dramatically. We shall pay close attention to the market situation in order to maintain the balance of production and sales.

To date, the total number of satellite channels actually in service on the cable TV market is about 100. Videoland Inc. has a total of 7 self-produced channels, accounting for a market share of 7%.

Currently, the total number of fee-based satellite channels on the cable TV market is about 65. Videoland Inc. has a total of 7 self-produced channels, accounting for a market share of 10.7%.

In terms of video revenue, system operators (cable TV companies) charge video fees every month, and this income is about NT\$500 to 600 per household. Providing program purchases accounts for about 40% (about NT\$240) of the cost. The number of households that can sign a contract nationwide is about 2.9 million for 2019.

Channel operators' potential total video revenue is about $\text{NT\$}240 \times 12 \text{ months} \times 2.9 \text{ million households} = \text{NT\$}8.35 \text{ billion}$.

Videoland Inc.'s video revenue in 2019 is approximately NT\$762.7 million, accounting for approximately 9.13% of the channel operator's total video revenue.

As for the advertising business, based on Nielsen Media Research and MAA's reference on media owners' opinions about the current state of the advertising industry, actual advertising pricing changes, and Gross Rating Point's (GRP) media purchase references, etc., the advertising volume statistics of the five major media and outdoor media in 2019 are as follows:

Ranking	Media	Effective Ad Volume (Million NT\$)	Market Share
1	Cable TV	16,543	54.52%
2	Newspaper	3,065	10.10%
3	Magazine	1,681	5.54%
4	Broadcast TV	2,822	9.30%
5	Radio	1,854	6.11%
6	Outdoor	4,378	14.43%
Grand Total		30,343	100.00%

Videoland Inc.'s total annual advertising revenue in 2019 reached NT\$1.269 billion, accounting for approximately 7.67% of cable TV advertising.

3. Competitive niche, and advantages, disadvantages of development prospects and countermeasures

(1) Competitive Niche

- A. Continuous improvement of various environmental protection schemes and energy saving is conducive to a sustainable business and the operation of the Company and its factories.
- B. Continue to pursue the improvement of production efficiency of each production plant and maintain its competitive advantage.
- C. Increase factory production of crystal plastics, and increase the proportion of the Company's high quality products.

(2) Advantages and disadvantages of development prospects and countermeasures

1. Styrene Monomer(SM)

A. Advantages

- ① Global styrene demand grows steadily.
- ② Taiwan still has import demand.
- ③ Although China imposes SM anti-dumping duties and continues to increase production capacity, it is estimated that some of China's styrene supply will still need to be imported in 2020, to make up for the gap in demand.

B. Disadvantages

- ① The United States and the Middle East use abundant and inexpensive natural gas raw materials, while the local raw material costs are relatively high.
- ② The free trade agreement between Korea/U.S./EU and ASEAN+3 is not conducive to the export of downstream industries.
- ③ After the closure of CPC's Fifth Naphtha Cracker, domestic supply of petrochemical raw materials decreased.
- ④ Environmental regulations are becoming more stringent, and it is not easy to expand production capacity of bulk petrochemical products in Taiwan.
- ⑤ The transportation capacity of petrochemical pipelines in the Kaohsiung area is obviously restricted after the recent gas explosion, which increases the scheduling difficulties for imported petrochemical raw materials.
- ⑥ Taiwan is on the list of SM anti-dumping tariffs imposed by China, which restricts the export of Taiwan's SM to China, and also makes Taiwan a coveted export target for US and Korean manufacturers,

which in turn disrupts domestic prices.

- ⑦ With the successive increases of new production capacity in China, starting with this year, the pressure of its significant reduction in imports can be felt. In addition, the government announced that the 13% value-added business tax can be fully refunded for exports, which may even convert China from being an importer to SM exporter.

C. Countermeasures

- ① To work in concert with the government policy of "quantity overseas, quality domestic", the Company seeks expansion opportunities overseas for the increase in available quantity, while striving to develop value-based products.
- ② Continue to pursue the enhancement and improvement of industrial safety and environmental protection, and increase the production efficiency of each production plant to enhance the overall comprehensive effect of energy saving and waste reduction.
- ③ Expand foreign suppliers, and fill the gap with imported raw materials to maintain production capacity.
- ④ Enable flexible transportation scheduling to ensure smooth operation of styrene plants.
- ⑤ Identify and strive for various expansion opportunities, and expand production scales to reduce costs.
- ⑥ Increase the downstream styrene integration to slow down the impact from anti-dumping tariffs and new production capacity of Mainland China.

2. Acrylonitrile - Butadiene-Styrene copolymer resin (ABS)

Global demand for ABS in recent years has been growing steadily. In particular, the increase in the demand for household appliance and automobile manufacturing in China has led to the continuous increase in global ABS consumption and considerable profit margins. This has led to new production capacity and centralized manufacturers' production and increased supply. 2020 will be a challenging year for ABS, which will be affected by many factors, such as the overall economy, output policy, supply, demand, and cost:

A. Advantages:

- ① It is estimated that the demand for ABS will continue to increase over the next few years, and that the new production capacity is limited, leaving a relatively weak balance.
- ② The supply of self-produced raw materials for SM is sufficient to reduce the risk of raw materials fluctuations.
- ③ The demand for ABS in the field of home appliances may still have some momentum. The Chinese home appliance market and the automotive industry will maintain a steady rhythm for development, and there is possibility of continued production growth.

- ④ Demand for new applications is expanding steadily.

B. Disadvantages:

- ① As the COVID-19 epidemic spread to the world, global economic and trade activities slowed down, leading to a decline in demand, a downturn in the market, and a decline in prices.
- ② Trade friction rises. After the signing of the Regional Comprehensive Economic Partnership (RCEP), trade protectionism batters many industries and tariff barriers hinder market promotion.
- ③ The excessive dependence of AN and BD on the supply of raw materials has increased the impact of raw materials fluctuations on profits.
- ④ The impact of alternative products: For home appliances and toys with low quality requirements, PS, PP, PE are used instead of ABS, to save cost.

C. Countermeasures:

- ① Make efforts to reduce costs, and make full use of production capacity, hoping to reduce the pressure caused by the diluted interest rate spread.
- ② Provide customized product design, and expand product planning in response to customers' demand for high-value products.
- ③ Seek to migrate and disperse markets in Southeast Asia, thus expanding market spread.
- ④ Pay constant attention to the domestic and international environmental situation and the price trends of main raw materials, while adjusting the sales strategy accordingly.

3. Nylon (PA)

A. Advantages:

- ① Stable product quality, positive R&D capabilities, and timely customer services are conducive to enhancing customer confidence in the products.
- ② The applications and demands in the field of engineering plastics are increasing.
- ③ After the expansion of the nylon 66 factory, the production cost is reduced. With the continuous growth of the automotive electronics industry, the application of and demand for engineering plastics will continue to increase.
- ④ We are the only domestic manufacturer. Our delivery speed is fast, and we can promptly meet customer demands.

B. Disadvantages

- ① Prices of main raw materials fluctuate greatly, and are difficult to manage.

- ② China's anti-dumping duties impede market expansion to Mainland China.

C. Countermeasures:

- ① Make efforts to develop specifications for industrial yarn slices, textile grade products and special grade engineering plastics, to create market differentiation and to help move into the field of higher value products.
- ② Make regular customer visits, enable fast and timely customer service capabilities, and make use of enhanced after-sales service systems to improve product added value.
- ③ Expand market presence in India, Southeast Asia, and the Middle East to help avoid excessive market concentration.

(II) Important uses of major products and production process:

1. Important uses of major products

(1) Styrene Monomer (SM)

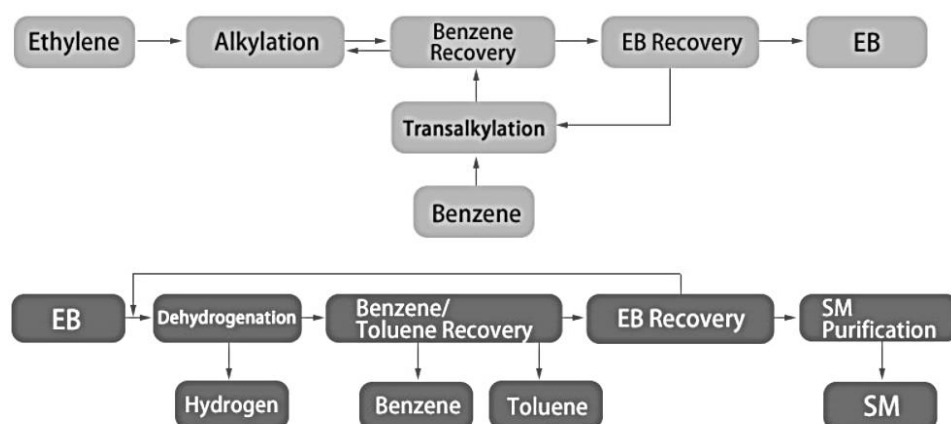
Styrene monomer is extremely versatile. It is frequently used to manufacture various polystyrene resins (PS), acrylonitrile-butadiene-styrene resins (ABS), styrene-butadiene synthetic rubber (SBR), unsaturated polyester resins (UP), and more.

(2) Acrylonitrile - Butadiene-Styrene copolymer resin (ABS)

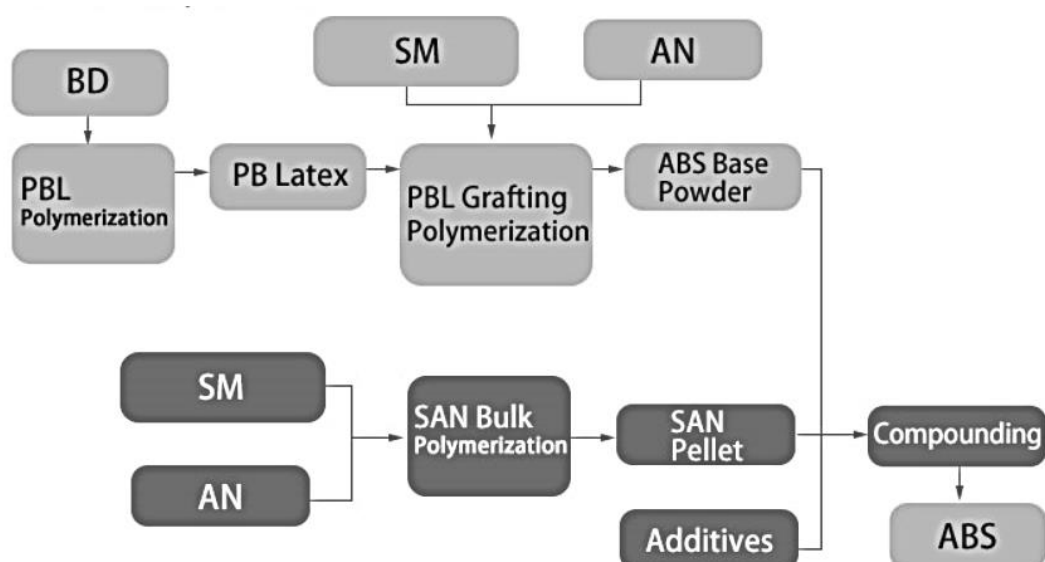
ABS resin is widely used and can be processed into housings for items as large as automobile and motorcycle components, refrigerator linings, TVs, cassette recorders and video recorders, computers, washing machines and others, and it can be for small items such as electric fans, toys, accessories, daily utensils and others as well.

2. Production process of major products

(1) Styrene manufacturing method



(2) ABS plastic manufacturing method



(III) Supply status of main raw materials:

Name of main raw materials	Supplier	Main Source	Supply Status
Benzene	CPC Corporation	Domestic / foreign import	The supply shortage of CPC Corporation is supplemented by imports.
Ethylene	CPC Corporation	Domestic	The shortage is supplemented by CPC Corporation
Acrylonitrile	China Petroleum & Chemical Corporation	Domestic	Stable
Butadiene	CPC Corporation/ Formosa Petrochemical Corporation	Domestic	The shortage is supplemented by CPC Corporation or foreign import.

The following five channels are the sources of the Company's programs:

1. Outside broadcast (OB): In conjunction with domestic or international sports competition, the Company obtains broadcasting rights from organizers, and broadcasts live programs or recorded video programs.
2. Self-made: The Company plans and produces its own programs.
3. Commission: Funded by the company, the programs, or dramas, are commissioned to be planned and produced by other communication companies within the established unit cost.
4. Outsource: The Company purchases TV series and films produced by domestic and foreign film, television and other communication companies.
5. Agent: The Company searches for domestic and foreign production of fine channels, obtains channel distribution rights and the agent rights for advertising.

- (IV) The names of the suppliers who have accounted for more than 10% of the total purchase (sale) amount in the previous year, and the amount and proportion of the purchase (sale) amount, and explanation of the reasons in change of increase or decrease

Major suppliers over the past two years

①. GPPC Group:

Expressed in Thousands of New Taiwan Dollars

Items	2018				Title	2019		
	Title	Amount	Ratio to the net annual input amount [%]	Relationship with the issuer		Amount	Ratio to the net annual input amount [%]	Relationship with the issuer
1	P7901	7,827,560	44.29	Nil	P7901	6,396,936	43.19	Nil
	Others	9,846,941	55.71	—	Others	8,415,269	56.81	—
	Net input amount	17,674,501	100		Net input amount	14,812,205	100	

②. Individual financial statement:

Expressed in Thousands of New Taiwan Dollars

Items	2018				Title	2019		
	Title	Amount	Ratio to the net annual input amount [%]	Relationship with the issuer		Amount	Ratio to the net annual input amount [%]	Relationship with the issuer
1	P7901	7,827,560	51.82	Nil	P7901	6,396,936	52.31	Nil
	Others	7,278,684	48.18	—	Others	5,832,582	47.69	—
	Net input amount	15,106,244	100		Net input amount	12,229,518	100	

Major customers for sales over the past two years

①. GPPC Group:

Expressed in Thousands of New Taiwan Dollars

Items	2018				Title	2019		
	Title	Amount	Ratio to the net annual sales amount [%]	Relationship with the issuer		Amount	Ratio to the net annual sales amount [%]	Relationship with the issuer
1	#4001	4,993,987	20.18	Nil	#4001	4,054,684	19.81	Nil
	Others	19,747,151	79.82	—	Others	16,413,545	80.19	—
	Net input amount	24,741,138	100		Net input amount	20,468,229	100	

②. Individual financial statement:

Expressed in Thousands of New Taiwan Dollars

Items	2018				Title	2019		
	Title	Amount	Ratio to the net annual sales amount [%]	Relationship with the issuer		Amount	Ratio to the net annual sales amount [%]	Relationship with the issuer
1	#4001	4,993,987	24.59	Nil	#4001	4,054,684	24.98	Nil
2	GPPC Chemical Corporation	1,103,107	5.43	Subsidiary	GPPC Chemical Corporation	1,286,974	7.93	Subsidiary
	Others	14,208,000	69.98	—	Others	10,887,427	67.09	—
	Net input amount	20,305,094	100		Net input amount	16,229,085	100	

* Where the names of customers could not be disclosed under the contract terms or where transaction counterparts as individuals and non-related parties, provide codes instead.

(V) The output volume and value in the past two years

①. GPPC Group:

Expressed in Thousand NT Dollars, thousand M.T./SM • ABS, HIPS, steam
 Thousand NT Dollars, thousand M³/H₂
 Thousand NT Dollars, million M²/Packaging materials
 Thousand NT Dollars, million KW/Power

Output volume, value Major products	Year	2019			2018		
		Productivity	Output volume	Output value	Productivity	Output volume	Output value
SM		370	365	9,683,293	370	345	11,459,746
ABS		120	77	3,891,720	120	91	4,586,022
H ₂		16,800	10,663	98,496	16,800	9,595	95,494
Electricity power		257	321	544,840	257	308	500,100
Steam		1,242	1,040	719,611	1,242	1,040	667,250
Nylon		30	12	1,581,640	30	25	2,189,512
HIPS		50	46	1,603,399	50	31	1,330,757
Film amortization & production costs				869,377			894,901
Commission and royalty				320,641			342,614
Satellite channel rent and others				126,115			119,190
Packaging materials			93	1,419,985		101	1,588,674
Total		-	-	20,859,117	-	-	23,774,260

②. Individual financial statement

Expressed in Thousand NT Dollars, thousand M.T./SM • ABS, steam
 Thousand NT Dollars, thousand M³/H₂
 Thousand NT Dollars, million KW/Power

Output volume, value Major products	Year	2019			2018		
		Productivity	Output volume	Output value	Productivity	Output volume	Output value
SM		370	365	9,683,293	370	345	11,459,746
ABS		120	77	3,891,720	120	91	4,586,022
H ₂		16,800	10,663	98,496	16,800	9,595	95,494
Electricity power		257	321	544,840	257	308	500,100
Steam		1,242	1,040	719,611	1,242	1,040	667,250
Nylon		30	12	1,581,640	30	25	2,189,512
Total		-	-	16,519,600	-	-	19,498,124

(VI) The sales volume and value in the past two years

①. GPPC Group:

Expressed in: Thousand NT Dollars, thousand M.T./petrochemical products • plastic products

Expressed in: Thousand NT Dollars, thousand M.T./SM • ABS, HIPS, Nylon, Steam

Thousand NT Dollars, thousand M³/H₂

Thousand NT Dollars, million M²/Packaging materials

Thousand NT Dollars, million KW/Power

Sales volume /value Major products	Year	2019				2018			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
petrochemical products(SM)		274	8,277,358	7	204,078	258	10,141,837	14	481,584
plastic products (ABS, HIPS)		24	1,138,027	114	4,970,577	24	1,356,684	99	5,444,796
Nylon		10	961,376	5	577,742	15	1,506,078	10	1,176,819
H ₂		10,665	146,709	0	0	9,590	131,381	0	0
Electric power		153	297,152	0	0	145	274,651	0	0
Steam		174	168,327	0	0	164	152,745	0	0
Advertising video channel revenues			1,910,627		0		2,024,364		300
Revenues in Packaging materials		47	824,477	48	750,219	47	831,900	54	943,336
Others		-	206,129	-	35,431	-	250,638	-	24,025
Others		-	13,930,182	-	6,538,047	-	16,670,278	-	8,070,860

②.Individual financial statement

Expressed in: Thousand NT Dollars, thousand M.T./SM • ABS, steam

Thousand NT Dollars, thousand M³/H₂

Thousand NT Dollars, million KW/Power

Sales volume /value Major products	Year	2019				2018			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
SM		316	9,563,917	7	204,078	286	11,244,696	14	481,584
ABS		13	669,243	78	3,640,539	13	851,800	78	4,485,338
H ₂		10,665	146,711	0	0	9,590	131,383	0	0
Electricity power		153	297,152	0	0	145	274,651	0	0
Steam		174	168,327	0	0	164	152,745	0	0
Nylon		10	961,376	5	577,742	15	1,506,078	10	1,176,819
Total		-	11,806,726	-	4,422,359	-	14,161,353	-	6,143,741

III. Number of employees, average number of years of service, average age and academic degree credential distribution ratio in the past two years and as of the publication date of the Annual Report:

April 4, 2020

Year		2018	2019	The year as of April 14, 2020
Number of employees	North Area	390	381	376
	Central Area	180	174	169
	South Area	384	384	379
	Overseas	196	188	188
	Total	1150	1127	1112
Average ages		42	43	43
Average service seniority		13	14	14
Academic degree levels	Ph. D.	0.26%	0.27%	0.27%
	Master	6.78%	6.74%	6.74%
	University/college	53.30%	53.86%	53.78%
	Senior high school	33.83%	33.10%	33.18%
	Below senior high school (inclusive)	5.83%	6.03%	6.03%

IV. Information of expenditures for environmental protection

- (I) In the most recent year and as of the publication date of the Annual Report, the Company's losses (including compensation) resulting from pollution to the environment, the total amount of punishment, the Company should reveal its future response measures (including improvement measures) and possible expenditures (including the estimated amount of losses, punishment and compensation that may occur if the response measures are not taken. A reasonable estimate should explain the fact if it cannot be reasonably estimated).

Contents	2019	2020 up to present
Conditions of pollution(categories, extent)	1. Black smoke emitted from the combustion tower 2. The number of combustion tower uses inconsistent with the written plan. 3. Leakage of equipment components 4. Waste cleanup plan inconsistent with the <i>status quo</i>	1. SM2 heating furnace emits black smoke
Compensation target or penalty imposer	Kaohsiung City Environmental Protection Bureau	Kaohsiung City Environmental Protection Bureau
Amount of compensation or fact of penalty	1. NT\$200,000 2. NT\$100,000 3. NT\$200,000 4. NT\$360,000	1. NT\$100,000
Other losses	Nil	Nil

1. Countermeasures

(1) Corrective plans

In terms of the corporate responsibility to the society, other than investment in hardware, the Company spares no effort to improve the discharge of various pollutants and improve safety management facilities (Cf. Industrial safety environmental capital expenditures below for more details) in order to directly minimize environmental pollution and improve production safety. Besides, where a large number of equipment components in our plants are prone to leakage and emission, for our factories, we continually commission qualified inspection companies to conduct factory-wide scanning with FLIR and flame-type ion detector devices to inspect each and every equipment component one by one. Meanwhile, we commissioned SGS to scan and re-test with infrared devices. Where the management of equipment components, we cannot rely solely on outsourcees for inspection, our on-site personnel also continually carry out follow-up testing based on the assigned responsibility from the jurisdiction with the detector devices purchased by the factories. The environmental engineering department conducts random testing to ensure the integrity in the inspection. In terms of pollution reduction of combustion facilities, in our factories we have converted the entire plant steam boilers, heat medium boilers and steam heating furnaces with natural gas as the fuel, and with steams and electric boilers used for the best feasible control technology (BACT) to prevent pollution and to effectively reduce pollutant emissions. In terms of industrial safety environmental management system, in our plants we have introduced the OHSAS18000 occupational safety and health management system. In 2019, we further introduced the ISO-45001 system and the process safety management (PSM) system within a three-year period along with efforts in planning, implementation, audit, improvement and other action cycles to make the management system in full and effective play. At the same time, we promote the evaluation of industrial safety environmental protection performance indicators of various departments to improve execution efficiency. In terms of employee safety protection, in addition to efforts to provide personal protective equipment such as goggles, earplugs and ear muffs as well as vertical fall arresters for employees, we further continuously promote safety observation and encourage the reporting of a false alarm event and continuously provide employees and contractors with safety related educational & training programs. We earnestly expect that the factory process equipment will operate safely and smoothly and successfully achieve production goals.

(2) Major environmental protection capital expenditure expected in the coming years:

Expressed in Thousands of New Taiwan Dollars

2019	
Proposed purchase of pollution prevention equipment or expenditure content	Amount (Thousand NT\$)
Exhaust gas scrubber	400
Dry joints and piping for SM tank trucks	980
VOC improvement project in storage tank and process area	1,950
Replacement of the whole plant monitoring system into new ones	2,950
CF-009 furnace body update	1,800
Infrared thermal imaging gas leak thermometer FLIR	3,850
Total	11,930

Expressed in Thousands of New Taiwan Dollars

2010	
Proposed purchase of pollution prevention equipment or expenditure content	Amount (Thousand NT\$)
Pump single shaft seal in storage area changed to double shaft seal	1,600
Intelligent inspection-Polymer Plant, Utility Plant	2,361
MS-233 equipment update	820
Plant-wide industrial safety environmental information publicity system	350
Replacement / installation of resistance valves for corrosion pipelines under thermal insulation in the whole plant	1,680
PC-101A/B uninstaller update	1,200
Total	8,011

2. The part without countermeasures taken: Nil

V. Labor relations

- (1) Enumerate the Company's employee welfare measures, continuing education, training, retirement system and its implementation status, as well as the agreements between the labor and the management and the efforts to safeguard employees' interests:

1. Fringe benefits for employees

The Company has enacted an "Employee Welfare Insurance" operating procedure book. Other than labor insurance/national health insurance, the Company at the same time acquires group insurance to cover colleagues and their dependents. On an annual basis, the Company also renders annual health checks for employees, organizes year-end gratitude dinners and spring banquets and the like. The Company has set up an Employee Welfare Committee which is responsible for the promotion of annual tourism programs, education subsidies, wedding and funeral subsidies, emergency relief, community activities, food subsidies ... and other welfare benefits.

2. Continued training and education programs for employees

The company has enacted operating procedures, regulating internal training, external training, English proficiency/computer testing, industrial environment license and such relevant educational & training programs. In an attempt to pass on hands-on experiences, improve management and professional knowledge, the Company also encourages colleagues to study for degrees or send them abroad for special training and education programs. At present, the titles of the operation procedures related to employee training and training are as enumerated below:

- (1) Regulations governing educational & training programs
- (2) Educational & training program procedures for Kaohsiung Plant.

Fees and expenditures spent by the Company for educational & training programs in 2019:

- (1) Educational & training programs sponsored by the Company in 2019

Educational & training programs related expenditures approximately NT\$1,750,426

Educational & training programs in 232 courses in total.

Educational & training trainees: 3,493 trainees

Total educational & training programs in 9,265 hours

- (2) Contents covered within the training programs:

Professional on-the-job training programs sponsored by the respective departments

Statutory license(s)/certificate(s) related training programs and professional programs.

Internal training programs with outsourced instructors

Environmental safety & health training programs rendered by outsourced instructors

ISO training programs

Technical training programs under foreign technical consultants.

- (3) Encouragement upon employees into on-the-job continued training and

education programs for better performance evaluation and promotion

License(s)/certificate(s) acquired by financial information transparency in the Company:

Auditors: Two internal auditors

Lan Hou

Hui-Ping Chen

(Cheng)-Zi-9310124

(Cheng)-Zi-9420059

Financial, accounting personnel: Two financial, accounting heads

Ling Chu Chen

Ching Fu Chen

Year 2009-Kuai-Jiao-(Accounting Head) Chu-Zi 3003007

(Year 2010)-Zhuan-Gao-Kuai-Zi 000542

3. Employee behavior or ethical principles

Aiming at the employee behavior and ethics codes, the Company has formulated many relevant methods and regulations to allow employees of all ranks to follow the ethical concepts, rights, obligations and behaviors. The relevant methods are briefly described below:

- (1) Organizational rules: The efforts to enhance work efficiency, strengthen hierarchical responsibility rule oriented management and effectively regulate the rights privileged to employees of all ranks at work.
- (2) Department Handbook and Internal Customer Grievance Measures: The efforts to expressly regulate all departments concerned in their responsibilities and powers along with organizational functions to inter-supervision to assure sound functions of all departments.
- (3) Regulations Governing Educational & Training Programs and Hiring of Employees: The contents and standards of the training programs should be clearly regulated according to the rank, and related to the promotion of performance appraisal. In addition, the Company assists newly hired employees to adapt themselves to the new environment and colleagues and exert their productivity as soon as possible to minimize the turnover rate of new recruits.
- (4) Regulations Governing Staff Attendance: As the grounds to regulate employees in taking vacations and leave with faithful compliance with the rules to set up a complete attendance system and establish good discipline for entire staff.
- (5) Regulations Governing Performance Evaluation and Promotion for Employees: As the grounds to regulate a raise, promotion and incentive awards.
- (6) Employee Working Regulations and Procedures for Proposal into Advancement: As the guiding grounds to regulate employee behaviors or actions, for sound rewarding and punishment amidst the benefits or impairment toward the Company with their behaviors.

- (7) Regulations governing the assignment to serve with affiliates, reimbursement and relocation of employees and relocation expenses and measures for business trips: As the grounds to regulate assignment amidst affiliated enterprises, rotation associations within the Company and trips on business needs.
 - (8) Regulations governing transfer or resignation personnel, issuance of on-off employment certificates: The grounds to regulate the transfer or resignation of employees and the issuance of various certifications to be complied with.
 - (9) Grievance and punishment measures for prevention and control over potential sexual harassment: The very grounds to prevent sexual harassment in the workplace, maintain equality in gender at work and human dignity, and regulate employees' speech and behavior in the workplace.
 - (10) Business Secrets/Personal Information Protection Act: The very grounds to protect the Company's business secrets, business interests and competitiveness, safeguard employees' personal information and avoid disclosure and the impairment incurred thereby.
4. Retirement system and implementation thereof:
 - (1) Toward employees who choose pension system under the Labor Standards Act (Old Pension Mechanism): The Company has set up the Operating Procedures of the "Organizational Regulations of the Labor Retirement Reserve Supervision Committee" to establish the Labor Retirement Reserve Supervision Committee accordingly to take charge of the relevant issues in accordance with or superior to the Labor Standards Act. The Committee holds coordinative meetings about the retirement supervisory issues for sound communications with employees, directors and supervisors of the industrial trade unions on a regular basis. On a monthly basis, the Company appropriates the pension funds according to the specified provisions into the Account Earmarked for Labor Pension Fund in the Bank of Taiwan. The Labor Retirement Reserve Supervision Committee would appropriate funds out of the account to meet the retirement needs.
 - (2) Toward employees who choose pension system under the Labor Pension Act (New Pension Mechanism): The Company appropriates 6% of the wage rate into the Account Earmarked for Labor Pension Fund on a monthly basis.
5. Key accords reached by and between employees and the management:

The Company has set up Industrial Labor Union and Labor-Management Coordination Meetings. The labor-management meetings are convened on a regular basis for sound communications and coordination with employees and directors and supervisors of the Unions.
6. Protective measures to safeguard working environments and safety & security for employees:

The Company faithfully adheres to the spirit of uninterrupted improvement with proactive pursuit of perfection. In addition to continuous investment in hardware to enhance various pollution prevention and fire safety equipment, the Company directly minimizes pollutant emissions and improves production safety & security. In terms of industrial safety and environmental protection management system, here at the Company, OHSAS18000 occupational safety and health management system has been successfully introduced to establish a very sound management system through planning, execution, auditing, improvement and other efforts. In

terms of personal protection to entire staff, goggles, earplugs and earmuffs and vertical fall arresters have been provided to entire staff who, besides, have been provided with sound educational & training programs into sophisticated uses of such safety & security devices. It is expected that in the entire Company, all factory process equipment will be operated safe and sound to successfully accompany the target in production.

- (II) In the most recent year and as of the publication date of the Annual Report, the impairment having been undergone by the Company as a result of labor disputes with disclosure of the amount of impairment so far and anticipated in the future as well as the countermeasures. If such amounts could not be reasonably estimated, the fact that it cannot be reasonably estimated should be explained in full: Where the Company has constantly adhered to sound communications and harmony with employees, all potential problems, minor ones in all cases, have been successfully solved in a harmonious manner. No labor dispute has occurred in recent years. Under harmonious ambience with sound mutual trust, no labor disputes are expected to happen in the in the days and years ahead.

VI. Key agreements

	Parties concerned	Duration of the agreements	Key contents	Restrictive terms
EB-3 Lease agreement for alkylation and transalkylation catalyst	USA, ExxonMobil	01/28/2010	Ethylbenzene manufacturing process lease agreement	—
Benzene	CPC Corporation, Taiwan	01/2020 ~ 12/2020	Agreement	Nor for resale
Ethylene	CPC Corporation, Taiwan	01/2020 ~ 12/2020	Agreement	Nor for resale
Butadiene	CPC Corporation, Taiwan	01/2020 ~ 12/2020	Agreement	Nor for resale

Six. Financial Highlights

I. Condensed balance sheets and consolidated statements of comprehensive income for the last five years, with statements of the names of CPAs and audit opinions

(I) Condensed Balance Sheet-International Financial Reporting Standards (IFRS)

Expressed in Thousands of New Taiwan Dollars

Year Item		Financial information for the past five years				
		2015	2016	2017	2018	2019
Current Assets		6,644,697	7,772,016	9,474,318	10,852,015	11,627,999
Property, plant and equipment		8,282,258	8,259,961	7,778,233	7,427,473	7,240,590
Intangible assets		674,287	674,070	674,070	674,070	674,070
Other assets		7,529,124	8,299,001	10,073,294	10,906,343	11,943,748
Total assets		23,130,366	25,005,048	27,999,915	29,859,901	31,486,407
Current liabilities	Before distribution	2,474,365	2,887,286	3,131,118	2,877,053	2,519,453
	After distribution	3,227,661	3,825,906	4,069,738	2,889,053	*
Non-current liabilities		1,728,330	1,270,543	1,384,733	1,361,874	1,734,877
Total liabilities	Before distribution	4,202,695	4,157,829	4,515,851	4,238,927	4,254,330
	After distribution	4,955,991	5,096,449	5,454,471	4,250,927	*
The Equity contributed to the owners of Parent Company		16,614,692	18,244,524	20,718,147	22,738,990	24,368,668
Capital stock		9,266,203	9,266,203	9,266,203	9,266,203	9,266,203
Capital surplus		115,935	123,604	147,446	180,533	181,698
Retained earnings	Before distribution	6,577,702	8,192,056	10,538,796	12,608,192	14,695,878
	After distribution	5,824,406	7,253,436	9,600,176	12,596,192	*
Other equity		854,456	862,265	887,872	739,639	280,466
Treasury stock		(199,604)	(199,604)	(122,170)	(55,577)	(55,577)
Non-controlled Equity		2,312,979	2,602,695	2,765,917	2,881,984	2,863,409
Total equity	Before distribution	18,927,671	20,847,219	23,484,064	25,620,974	27,232,077
	After distribution	18,174,375	19,908,599	22,545,444	25,608,974	*

* To be finalized after being resolved in the shareholders' meeting

(II) Condensed Statements of Comprehensive Income - International Financial Reporting Standards (IFRS)

Expressed in Thousands of New Taiwan Dollars

Item \ Year	Financial information for the past five years				
	2015	2016	2017	2018	2019
Operating revenues	20,024,959	19,918,739	23,350,965	24,741,138	20,468,229
Gross operating profit	3,041,276	3,424,119	3,793,985	4,055,348	2,639,089
Operating gain/loss	1,825,518	2,167,253	2,483,817	2,738,838	1,370,211
Non-Operating revenues and expenditures	158,948	916,876	1,699,258	1,318,110	1,370,666
Net profit before tax	1,984,466	3,084,129	4,183,075	4,056,948	2,740,877
Net profit for the year of continuing operations	1,652,077	2,578,738	3,447,650	3,150,741	2,176,211
Loss from discontinued operations	0	0	0	0	0
Net profit (Loss) for the year	1,652,077	2,578,738	3,447,650	3,150,741	2,176,211
Other comprehensive income for the year (net after tax)	(164,202)	176,686	84,777	(367,437)	(486,467)
Total amount of comprehensive incomes for the year	1,487,875	2,755,424	3,532,427	2,783,304	1,689,744
Net profit contributed to the owners of Parent Company	1,472,319	2,400,690	3,288,642	2,960,106	2,070,125
Net profit contributed to the non-controlled equity	179,758	178,048	159,008	190,635	106,086
Total amount of comprehensive income contributed to the owners of Parent Company	1,324,895	2,375,459	3,310,967	2,633,570	1,640,513
Total amount of comprehensive income contributed to the non-controlled equity	162,980	379,965	221,460	149,734	49,231
Earnings per share (Note)	\$1.62	\$2.65	\$3.64	\$3.26	\$2.27

Note: The earnings per share (EPS) is counted based on the weighted average number of shares outstanding

(III) Condensed Balance Sheet - Individual Financial Statement (International Financial Reporting Standards (IFRS))

Expressed in Thousands of New Taiwan Dollars

Item \ Year	Financial information for the past five years				
	2015	2016	2017	2018	2019
Current Assets	2,479,712	3,508,893	5,108,128	5,227,246	6,151,330
Property, plant and equipment	7,289,584	7,317,929	6,909,116	6,600,827	6,089,278
Intangible assets	0	0	0	0	0
Other assets	9,739,485	10,435,211	12,118,859	14,070,429	14,925,722
Total assets	19,508,781	21,262,033	24,136,103	25,898,502	27,166,330
Current liabilities	Before distribution	1,424,530	1,954,650	2,363,192	1,705,453
	After distribution	2,177,826	2,893,270	3,301,812	2,127,208
Non-current liabilities		1,469,559	1,062,859	1,044,304	1,092,209
Total liabilities	Before distribution	2,894,089	3,017,509	3,417,956	2,797,662
	After distribution	3,647,385	3,956,129	4,356,576	3,171,512
Capital stock		9,266,203	9,266,203	9,266,203	9,266,203
Capital surplus		115,935	123,604	147,446	180,533
Retained earnings	Before distribution	6,577,702	8,192,056	10,538,796	12,608,192
	After distribution	5,824,406	7,253,436	9,600,176	12,596,192
Other equity		854,456	862,265	887,872	739,639
Treasury stock		(199,604)	(199,604)	(122,170)	(55,577)
Total equity	Before distribution	16,614,692	18,244,524	20,718,147	22,738,990
	After distribution	15,861,396	17,305,904	19,779,527	22,726,990

* To be finalized after being resolved in the shareholders' meeting

(IV) Condensed Statements of Comprehensive Income - Individual Financial Statement
(International Financial Reporting Standards (IFRS))

Expressed in Thousands of New Taiwan Dollars

Item \ Year	Financial information for the past five years				
	2015	2016	2017	2018	2019
Operating revenues	14,918,335	15,108,451	18,931,639	20,305,094	16,229,085
Gross operating profit	1,665,168	2,091,529	2,629,762	2,788,644	1,454,285
Operating gain (loss)	1,334,324	1,710,850	2,165,523	2,299,040	1,040,045
Non-Operating revenues and expenditures	354,213	1,021,202	1,607,803	1,336,317	1,371,575
Net profit before tax	1,688,537	2,732,052	3,773,326	3,635,357	2,411,620
Net profit for the year of continuing operations	1,472,319	2,400,690	3,288,642	2,960,106	2,070,125
Loss from discontinued operations	0	0	0	0	0
Net profit (Loss) for the year	1,472,319	2,400,690	3,288,642	2,960,106	2,070,125
Other comprehensive income for the year (net after tax)	(147,424)	(25,231)	22,325	(326,536)	(429,612)
Total amount of comprehensive incomes for the year	1,324,895	2,375,459	3,310,967	2,633,570	1,640,513
Earnings per share (Note)	\$1.62	\$2.65	\$3.64	\$3.26	\$2.27

Note: The earnings per share (EPS) is counted based on the weighted average number of shares outstanding

(V) Names of CPAs and their audit opinions for the last five years

Year	Name of CPA Firm	CPA	Audit Opinions
2015	Crowe Horwath International	Mei Ling Lin, Wu Chang Wang	An unqualified opinion with modified wording
2016	Crowe Horwath International	Ying Chia Hsiao, Wu Chang Wang	Unqualified opinion
2017	Crowe Horwath International	Ying Chia Hsiao, Wu Chang Wang	Unqualified opinion
2018	Crowe Horwath International	Ying Chia Hsiao, Wu Chang Wang	Unqualified opinion
2019	Crowe Horwath International	Ying Chia Hsiao, Wu Chang Wang	Unqualified opinion

II. Financial Analyses for the last five years

(I) Financial Analyses for the last five years - adopting International Financial Reporting Standards (IFRS)

Analyzed Item		Financial Information for the past five years				
		2015	2016	2017	2018	2019
Capital Structure (%)	Liabilities to assets ratio (%)	18.17	16.63	16.13	14.20	13.51
	Long-term funds to property, plant and equipment ratio (%)	249.40	267.77	319.72	363.28	400.06
Liquidity (%)	Current ratio (%)	268.54	269.18	302.59	377.19	461.53
	Quick Ratio (%)	199.07	210.47	236.61	306.21	393.58
	Interest coverage ratio (times)	10,068.68	66,212.09	290,995.34	221,187.08	45,857.55
Operating ability	Accounts receivable turnover rate (times)	8.68	7.68	7.39	7.87	7.52
	Average days of accounts receivable (days)	42	47	49	46	48
	Inventory turnover rate (times)	9.72	9.98	10.65	10.33	9.76
	Accounts payable turnover rate (times)	10.29	9.70	10.28	11.84	11.15
	Average days of sales (days)	37	36	34	35	37
	Property, plant and equipment turnover rate (times)	2.36	2.41	2.91	3.25	2.79
	Total assets turnover rate (times)	0.84	0.83	0.88	0.86	0.67
Profitability	Return on assets (%)	7.02	10.73	13.01	10.90	7.11
	Return on equity (%)	8.98	12.97	15.55	12.83	8.23
	Net gains before tax to paid-in capital ratio (%)	21.42	33.28	45.14	43.78	29.58
	Net gains ratio (%)	8.25	12.95	14.76	12.73	10.63
	Earnings per share (\$)	1.62	2.65	3.64	3.26	2.27
Cash flow	Cash flow ratio(%)	159.21	113.35	128.09	159.06	121.33
	Cash flow adequacy ratio (%)	158.13	177.09	243.69	250.25	307.98
	Cash reinvestment ratio (%)	11.55	7.46	8.39	9.27	7.28
Leverage	Operating leverage	2.57	2.56	2.14	2.20	2.93
	Financial leverage	1.01	1.00	1.00	1.00	1.00
State the changes in financial ratios over the past two years (2019 & 2018) up to over 20% and the reasons why:						
- The change in the current ratio increased by 22% over the preceding term, due primarily to the fact that the current assets increased by 7% over the preceding term while current liabilities decreased by 12% from the preceding term. - The quick ratio increased by 29% over the preceding term, due primarily to the fact that the quick assets increased by 13% over the preceding term while current liabilities decreased by 12% from the preceding term. - Interest coverage ratio (times) changed, with a decrease by 79% from the preceding term, due primarily to the fact that in the current term, the income tax and net profit before tax decreased by 32% from the preceding term and the interest expense increased by 2.3 times over the preceding term. - The gross asset turnover rate decreased by 22% from the preceding term, due primarily to the fact that in the current term, the sales decreased by 17% from the preceding term and the total average assets increased by 6% over the preceding term. - Return on assets decreased by 35% from the preceding term, due primarily to the fact that in the current term, the profit and/or loss after tax decreased by 31% from the preceding term and the total average assets increased by 6% over the preceding term. - The return on equity decreased by 36% from the preceding term, due primarily to the fact that in the current term, the profit and/or loss after tax decreased by 31% from the preceding term and total average equity increased by 8% over the preceding term. - The ratio of net profit before tax to the paid-in capital decreased by 32% from the preceding term, due primarily to the fact that in the current term, the net profit before tax decreased by 32% from the preceding term. - The earnings per share (EPS) decreased by 30% from the preceding term, due primarily to the fact that in the current term, the proprietor profit and/or loss belonging to the parent company decreased by 30% from the preceding term. - The cash flow ratio decreased by 24% from the preceding term, due primarily to the fact that in the current term, the net cash flow in operating activities decreased by 33% from the preceding term and the current liabilities decreased by 12% from the preceding term. - The cash flow adequacy ratio increased by 23% over the preceding term, due primarily to the fact that in the current term, the net cash flow in operating activities over the past five years increased by 3% over the preceding term and in the current term, the aggregate total of the capital expenditure, inventory increased over the past five years and the total cash dividend						

decreased by 16% from the preceding term.

11. In terms of change, the ratio of reinvestment in cash decreased by 22% from the preceding term, due primarily to the fact that in the current term, the amount of the net cash flow in operating activities deducted with the cash dividend decreased by 17% from the preceding term. Besides, in the current term, the aggregate total of real property plants, equipment in gross amount, long-term investment, other non-current assets and operating capital increased by 6% from the preceding term.
12. The operating leverage changed, with an increase of 33% over the preceding term, due primarily to the fact that in the current term, the net operating revenue deducted with the variable operating costs and expenses decreased by 33% from the preceding term and the net profit this term decreased by 50% from the preceding term.

Note 1: All Consolidated Financial Statements of all fiscal years have been audited and certified by certified public accountants.

Note 2: The calculation formulas as enumerated below should be shown at the end of this Table

1. Capital Structure

- (1) Liabilities to assets ratio = total liabilities / total assets
(2) Long-term funds to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment

2. Liquidity

- (1) Current ratio = current assets / current liabilities
(2) Quick ratio = (current assets – inventory- prepaid expenses) / current liabilities
(3) Interest coverage ratio (times) = net gains before income tax and interest / interest expenses of the current term

3. Operating ability

- (1) Account receivables (including Notes receivables from operating activities and accounts receivable) turnover = net sales/average receivables of each term (including notes receivables from operating activities and accounts receivable) balance
(2) Average days of accounts receivable = 365 / receivables turnover rate
(3) Inventory turnover rate = COGS (cost of goods sold)/average inventory amount
(4) Account payables (including Notes payable from operating activities and accounts payable) turnover= COGS (cost of goods sold)/average payables of each term (including Notes payable from operating activities and accounts payable) balance
(5) Average days of sales = 365 / inventory turnover rate
(6) Property, plant and equipment turnover rate = net sales / average net property, factory and equipment
(7) Total assets turnover rate = net sales / average total assets

4. Profitability

- (1) Return on assets = [gain/loss after tax + interest expense x (1-tax rate)] / average total asset
(2) Return on equity = gain/loss after tax / average total equity
(3) Net gains ratio = gain/loss after tax / net sales
(4) Earnings per share = (the gain/loss contributed to the parent company – preferred stock dividend) / weighted average shares outstanding (Note 4)

5. Cash flow

- (1) Cash flow ratio= net cash flow of operating activities/current liabilities
(2) Cash flow adequacy ratio= net cash flow of operating activities in the past five years / the past five years sum of (capital expenditures + inventory addition +cash dividends)
(3) Cash reinvestment ratio= (net cash flow of operating activities- cash dividends) / (Property, plant and equipment gross + long term investment + other non-current assets + working capital) (Note 5)

6. Leverage

- (1) Operating leverage = (operating revenues - variable operating cost and expenses)/operating income (Noe 6)
(2) Financial leverage = operating profit / (operating profit - interest expense)

Note 3: In terms of the aforementioned formulas to count earnings per share (EPS), the key points for attention should be noted as below upon measurement:

1. To be counted at the number of common shares in weighted average instead of outstanding issued shares as of end of the year.
2. In case of capital increase through cash injection or transaction with treasury shares, the period of transaction should be taken into account to calculate the number of shares in weighted average.
3. In case of the earnings to be converted into capital increase, upon calculation of earnings per share (EPS) on an annual basis or on a semiannual basis in the past, it calls for retrospective adjustment pro rata to the ratio of capital increase without a need to take into account the period of issuance.
4. Where the preferred shares are non-convertible accumulated preferred shares, the dividend of that year (disregarding whether it was allocated) should be deducted from the net profit to should increase the net loss after tax. Where the preferred shares are attributed as not accumulated and where there is net profit after tax, the preferred share dividend should be deducted from the net profit after tax. It calls for no adjustment in case of a loss.

Note 4: Key points for attention upon analysis of the cash flow:

1. Net cash flow in operating activities refers to the net cash inflow in the operating activities in the Table of Cash Flow.
2. Capital expenditure refers to cash outflow in the investment with investment every year.
3. Increase in inventory would be counted only when the ending balance exceeds the beginning balance and would be entered at zero in case of decrease in inventory at end of the year.
4. The cash dividend includes cash dividend of both common shares and preferred shares.
5. Gross fixed assets refer to the aggregate total of fixed assets before deducting accumulated depreciation.

Note 5: An issuer shall duly distinguish into fixed and variable ones based on attributes of the operating costs and operating expenses. In case of an involvement in estimation or subjective judgment, the issuer shall watch the rationality and assure consistency.

(II) Financial Analyses for the last five years - Individual financial statement (International Financial Reporting Standards (IFRS))

Analyzed Item		Year	Financial Information for the past five years				
			2015	2016	2017	2018	2019
Capital Structure (%)	Liabilities to assets ratio (%)		14.83	14.19	14.16	12.20	10.30
	Long-term funds to property, plant and equipment ratio (%)		248.08	263.84	315.13	360.31	418.13
Liquidity (%)	Current ratio (%)		174.07	179.52	216.15	247.13	360.69
	Quick Ratio (%)		82.01	114.09	145.83	168.99	280.42
	Interest coverage ratio (times)		10,833.14	137,873.68	844,244.52	867,726.97	301,552.50
Operating ability	Accounts receivable turnover rate (times)		13.41	10.02	8.89	9.74	9.80
	Average days of accounts receivable (days)		27	36	41	37	37
	Inventory turnover rate (times)		9.92	10.26	11.31	10.83	10.03
	Accounts payable turnover rate (times)		13.30	11.54	11.53	13.44	13.02
	Average days of sales (days)		36	35	32	33	36
	Property, plant and equipment turnover rate (times)		1.98	2.07	2.66	3.01	2.56
	Total assets turnover rate (times)		0.74	0.74	0.83	0.81	0.61
Profitability	Return on assets (%)		7.41	11.78	14.49	11.83	7.80
	Return on equity (%)		9.15	13.77	16.88	13.62	8.79
	Net gains before tax to paid-in capital ratio (%)		18.22	29.48	40.72	39.23	26.03
	Net gains ratio (%)		9.87	15.89	17.37	14.58	12.76
	Earnings per share (\$)		1.62	2.65	3.64	3.26	2.27
Cash flow	Cash flow ratio(%)		176.75	79.94	95.71	122.56	117.60
	Cash flow adequacy ratio (%)		108.08	116.40	164.14	158.54	210.19
	Cash reinvestment ratio (%)		8.26	2.85	4.21	4.87	5.48
Leverage	Operating leverage		2.37	2.22	1.62	1.91	2.68
	Financial leverage		1.01	1.00	1.00	1.00	1.00
State the changes in financial ratios over the past two years (2019 & 2018) up to over 20% and the reasons why:							
- The change in the current ratio increased by 46% over the preceding term, due primarily to the fact that the current assets increased by 18% over the preceding term while current liabilities decreased by 19% from the preceding term. - The quick ratio increased by 66% over the preceding term, due primarily to the fact that the quick assets increased by 34% over the preceding term while current liabilities decreased by 19% from the preceding term. - Interest coverage ratio (times) changed, with a decrease by 65% from the preceding term, due primarily to the fact that in the current term, the income tax and net profit before tax decreased by 34% from the preceding term and the interest expense increased by 91% over the preceding term. - The gross asset turnover rate decreased by 25% from the preceding term, due primarily to the fact that in the current term, the sales decreased by 20% from the preceding term and the total average assets increased by 6% over the preceding term. - Return on assets decreased by 34% from the preceding term, due primarily to the fact that in the current term, the profit and/or loss after tax decreased by 30% from the preceding term and the total average assets increased by 6% over the preceding term. - The return on equity decreased by 35% from the preceding term, due primarily to the fact that in the current term, the profit and/or loss after tax decreased by 30% from the preceding term and total average equity increased by 8% over the preceding term. - The ratio of net profit before tax to the paid-in capital decreased by 34% from the preceding term, due primarily to the fact that in the current term, the net profit before tax decreased by 34% from the preceding term. - The earnings per share (EPS) decreased by 30% from the preceding term, due primarily to the fact that in the current term, the net profit after tax decreased by 30% from the preceding term. - The cash flow adequacy ratio increased by 33% over the preceding term, due primarily to the fact that in the current term, the net cash flow in operating activities over the past five years increased by 9% over the preceding term and in the current term, the aggregate total of the capital expenditure, inventory increased over the past five years and the total cash dividend decreased by 18% from the preceding term. - The operating leverage changed, with an increase of 40% over the preceding term, due primarily to the fact that in the current term, the net operating revenue deducted with the variable operating costs and expenses decreased by 37% from the preceding term and the net profit this term decreased by 55% from the preceding term.							

III. Audit Report of the Audit Committee for the Financial Statements in the most recent year

**Grand Pacific Petrochemical Corporation
Audit Committee's Audit Report**

The 2019 individual financial statement and consolidated financial statements prepared by the Board of Directors of the Company have been audited by CPAs Ying Chia Hsiao and Wu Chang Wang of Crowe Horwath International. The financial statements, business report and earnings distribution proposal have been audited by us as the audit committee of the Company. We deem these documents in comply with such relevant regulatory requirements as those of the Company Act etc. Therefore, this review report is presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

To:

The 2020 Annual Meeting of Shareholders of Grand Pacific Petrochemical Corporation

Convener of Audit Committee of Grand
Pacific Petrochemical Corporation

Wen Tzong Chen

April 28, 2020

IV. The Financial Statements in the most recent year

Declaration on the Consolidated Financial Statement of Associated Enterprises

The entities that should be included in the compiled Consolidated Financial Statements of the Associated Enterprises of Grand Pacific Petrochemical Corporation as of and for the year ended December 31, 2019 under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of the Associates” are identical to those that should be compiled in the Consolidated Financial Statements of Parent Company and Subsidiaries in accordance with International Financial Reporting Standard (IFRS) 10 endorsed and issued to take effect by Financial Supervisory Commission (FSC) and all the information that should be disclosed in the Consolidated Financial Statements of the Associated Enterprises has been disclosed in the Consolidated Financial Statement of Parent Company and Subsidiaries. Therefore, the Consolidated Financial Statement of Associated Enterprises is not prepared separately.

Please take note of the above declaration

Name of Company:

Grand Pacific Petrochemical Corporation

Responsible person: Pin Cheng Yang

March 19, 2020

Grand Pacific Petrochemical Corporation and Its Subsidiaries

CPA Audit Report

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

Audit Opinions

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

As CPAs, according to the audit results from us and those from other CPAs (please refer to the paragraph about other matters), the above-mentioned consolidated financial statement, in all major respects, was prepared in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and international financial reporting standards, international accounting standards, interpretations, and interpretation announcements approved and released to take effect by the Financial Supervisory Commission and hence are sufficient to show the consolidated financial standing of Grand Pacific Petrochemical Corporation and its subsidiaries as of December 31, 2019 and 2018 and the consolidated financial performance and consolidated cash flows between January 1 and December 31, 2019 and 2018.

Bases for the Audit Opinions

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

Key Matters Being Audited

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

Key matters being audited of the 2019 consolidated financial statement of Grand Pacific Petrochemical Corporation and its subsidiaries are specified as follows:

Recognition of Income

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

For the accounting policy on the recognition of income, please refer to Note 4 (33) of the consolidated financial statement. For information on accounting items for income, please refer to

the disclosure in Note 6 (36) of the consolidated financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

1. Test the validity of income from various types of transactions and the internal control for the payment collection cycle in terms of its design and implementation and evaluate by random sampling if the recognition of income is adequate.
2. Understand the type of sale and items involved in the sale with Top 10 customers in respective transaction patterns and evaluate the legitimacy of the income and the number of days involved in the turnover of accounts receivable and analyze if there is any abnormal variation among the customers.
3. Select samples from transactions in the respective patterns that take place before and after the balance sheet date and verify them against related certificates in order to evaluate the accuracy of the timing when income is recognized.

Cash and cash equivalents

As of December 31, 2019, the book value of cash and cash equivalents and time deposits with the original expiration date more than three months away (under other financial assets - current in the statement) held by Grand Pacific Petrochemical Corporation and its subsidiaries totaled \$7,072,611 thousand, accounting for around 22% of the consolidated total asset value. The value is significant for the overall consolidated financial statement. Due to the fact that congenital risk exists for cash and cash equivalents and time deposits and callable bonds with the original expiration date more than three months away, we list them as part of the key matters being audited.

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

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

Impairment evaluation of real estate, plants, and equipment, right-of-use asset, investment-oriented property and intangible assets (including good will)

As of December 31, 2019, the book value of real estate, plants, and equipment, right-of-use asset, investment-oriented property and intangible assets owned by Grand Pacific Petrochemical Corporation and Its subsidiaries totaled \$7,993,542 thousand, accounting for around 25% of the total consolidated asset value and the value is significant for the overall consolidated financial statement. In addition, the overall economic trends, market competition, and technical development can all affect the future operations of the company and accordingly affect the expected economic benefits and the recoverable amount that may be generated in the future by the cash generating units for the assets estimated and determined by the management in order to evaluate if impairment exists. Therefore, the evaluation of impairment of real estate, plants, and equipment, right-of-use asset, investment-oriented property and intangible assets (including goodwill) is listed by the CPAs as part of the key matters being audited.

For the accounting policy on the impairment of real estate, plants, and equipment, right-of-use asset, investment-oriented property and intangible assets (including goodwill), refer to Notes 4 (17), (18) (20), (21), and (23). For information on accounting items for real estate, plants, and equipment, right-of-use asset, investment-oriented property and intangible assets (including goodwill), please refer to the disclosure in Note 6 (12), (13), (14) and (15) of the consolidated financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

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

Valuation of investment balance adopting the equity method

The investment balance of Grand Pacific Petrochemical Corporation and its subsidiaries as of December 31, 2019 adopting the equity method totaled \$6,597,733 thousand, accounted for around 21% of the total consolidated asset value. The net comprehensive income recognized with the equity method came to \$1,118,302 thousand, accounting for around 66% of the total consolidated income. The impacted value is significant to the overall consolidated financial statement. Therefore, the CPAs include valuation of investment balance adopting the equity method as part of the key matters being audited.

For the accounting policy on investments adopting the equity method, please refer to Note 4 (16) of the consolidated financial statement. For information on accounting items for investments adopting the equity method, please refer to the disclosure in Note 6 (11) of the consolidated financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

1. Evaluate the accuracy of calculation during valuation adopting the equity method and the adopted accounting policy.
2. Read the financial statements of underlying entities and audit reports from other CPAs and review important findings and issues identified during audit to facilitate communication and understanding and accordingly evaluate the audit task performed by and audit results from other CPAs of underlying entities.
3. Evaluate the legitimacy of impairment signs of investments adopting the equity method as identified by the management and the assumption and sensitivity adopted, including whether or not the forecast of profitability of companies invested in it in the future or the discount rate is appropriate.

Other Matters—Mentioning Audits by other CPAs

As is stated in Note 4 (3)-2 and Note 6 (11) of the consolidated financial statement, some subsidiaries in the consolidated financial statement of the Grand Pacific Petrochemical Corporation and its subsidiaries are included - K.K. Chemical Company Limited and KK Enterprise (Malaysia) Sdn. Bhd. and investments adopting the equity method — We did not audit the financial statements of the Zhenjiang Chimei Chemical Company Limited and Zhangzhou Chimei Chemical Company Limited; they were audited by other CPAs. Among the opinions we expressed on the above-mentioned consolidated financial statement, the amount listed in the above-mentioned financial statement of the Company and the above-mentioned information about the Company in Note 13 of the consolidated financial statement are completed based on audit reports from other CPAs. The total asset values of the said subsidiaries mentioned above as of December 31, 2019 and 2018, were \$160,153 thousand and \$153,815 thousand, accounting for 0.51% and 0.52% of the

total consolidated asset value, respectively. The net worth of operating income from January 1 to December 31, 2019 and 2018, was \$152,982 thousand and \$172,584 thousand, accounting for 0.75% and 0.70% of the net worth of operating income, respectively. In addition, the related investment balance of invested companies adopting the equity method as mentioned above as of December 31, 2019 and 2018, was \$6,597,733 thousand and \$6,227,702 thousand, accounting for 20.95% and 20.86% of the total consolidated asset value, respectively. The net worth of comprehensive income from January 1 to December 31, 2019 and 2018, was \$1,118,302 thousand and \$639,422 thousand, accounting for 66.18% and 22.97% of the total consolidated comprehensive income, respectively.

Other Matters - Individual Financial Statement

Individual financial statements of 2019 and 2018 have been prepared by Grand Pacific Petrochemical Corporation and have been documented in the Audit Report without reservation in the opinions expressed issued by the CPAs; they are submitted for your reference.

Responsibilities of Management and Governance Unit for Consolidated Financial Statement

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

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

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

Responsibilities of CPAs in Inspecting Consolidated Financial Statement

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

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

1. Identify and evaluate the risk of significant untruthful expressions in the consolidated financial statement due to frauds or errors, design and enforce appropriate responsive policies for determined risks; and collect sufficient and adequate evidence from the audit in order to render audit opinions. Due to the fact that frauds might involve collusion, forgery, intentional omission, untruthful statement, or non-compliance with internal control, the risk associated

with undetected significant untruthful expressions caused by frauds is higher than that caused by errors.

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

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

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

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

Crowe Horwath International

CPA

Ying Chia Hsiao

CPA

Wu Chang Wang

Approval document number: FSC Review No. 10200032833

March 19, 2020

Notice to Readers

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

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

Grand Pacific Petrochemical Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
For the years ended December 31, 2019 and 2018

		Expressed in Thousands of New Taiwan Dollars			
Codes	Assets	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
11xx	Current assets	\$11,627,999	37	\$10,852,015	36
1100	Cash & cash equivalents	3,403,383	11	2,729,454	9
1110	Financial assets at fair value through profit or loss - current	172,216	1	39,020	-
1140	Contract assets - current	27,487	-	60,364	-
1150	Net notes receivable	361,582	1	394,217	1
1170	Net accounts receivable	2,059,672	7	2,606,345	9
1180	Accounts receivable - related parties	1,271	-	735	-
1200	Other receivables	63,705	-	81,641	-
1220	Current income tax assets	1,198	-	310	-
1310	Net inventories	1,673,157	5	1,980,783	7
1410	Prepayments	73,083	-	93,541	-
1476	Other financial assets - current	3,717,691	12	2,698,945	9
1479	Other current assets - other	73,554	-	166,660	1
15xx	Noncurrent assets	19,858,408	63	19,007,886	64
1517	Financial assets at fair value through other comprehensive income - noncurrent	4,488,921	14	4,220,226	14
1550	Investments accounted for using equity method	6,597,733	21	6,227,702	21
1600	Property, plant and equipment	6,807,341	22	7,427,473	25
1755	Right-of-use assets	433,249	1	-	-
1760	Investment property, net	78,882	-	79,843	-
1780	Intangible assets	674,070	2	674,070	3
1840	Deferred income tax assets	55,493	-	49,358	-
1920	Refundable deposits	16,444	-	16,664	-
1960	Advance payment for investment	478,169	2	-	-
1985	Long-term prepaid rent	-	-	9,130	-
1990	Other noncurrent assets - other	228,106	1	303,420	1
1xxx	Total assets	\$31,486,407	100	\$29,859,901	100

(Continued on the next page)

Grand Pacific Petrochemical Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
For the years ended December 31, 2019 and 2018

		Expressed in Thousands of New Taiwan Dollars			
Codes	Liabilities and Equity	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
21xx	Current liabilities	\$2,519,453	8	\$2,877,053	9
2100	Short-term loans	20,953	-	2,833	-
2130	Contract liabilities- current	43,718	-	43,819	-
2150	Notes payable	81,864	-	78,620	-
2170	Accounts payable	1,567,747	5	1,470,375	5
2200	Other receivables	490,583	2	669,260	2
2230	Current income tax liabilities	217,374	1	586,361	2
2250	Provisions - current	17,576	-	17,015	-
2280	Lease liabilities - current	73,386	-	-	-
2310	Advances receipts	155	-	152	-
2355	Rent payable - current	-	-	1,944	-
2399	Other current liabilities - other	6,097	-	6,674	-
25xx	Noncurrent liabilities	1,734,877	5	1,361,874	5
2550	Provisions - noncurrent	10,175	-	8,486	-
2570	Deferred income tax liabilities	1,255,837	4	1,249,285	5
2580	Lease liabilities - noncurrent	354,647	1	-	-
2613	Rent payable - noncurrent	-	-	991	-
2640	Net defined benefit liabilities - noncurrent	85,035	-	74,157	-
2645	Guarantee deposits received	5,643	-	4,962	-
2670	Other noncurrent liabilities - other	23,540	-	23,993	-
2xxx	Total liabilities	4,254,330	13	4,238,927	14
31xx	Equity attributable to owners of the parent company				
3100	Share capital	9,266,203	30	9,266,203	31
3110	Common shares capital	9,066,203	29	9,066,203	30
3120	Preferred shares capital	200,000	1	200,000	1
3200	Capital reserve	181,698	-	180,533	1
3300	Retained earnings	14,695,878	47	12,608,192	42
3310	Legal reserve	1,790,463	6	1,494,452	5
3320	Special reserve	1,640,828	5	1,640,828	5
3350	Unappropriated earnings	11,264,587	36	9,472,912	32
3400	Other equity	280,466	1	739,639	2
3410	Exchange differences on translating financial statements of foreign operations	(521,982)	(2)	(206,080)	(1)
3420	Unrealized gain/loss of financial assets at fair value through other comprehensive income	802,448	3	945,719	3
3400	Treasury stocks	(55,577)	-	(55,577)	-
31xx	Total equity attributable to owners of the parent company	24,368,668	78	22,738,990	76
36xx	Non-controlling interests	2,863,409	9	2,881,984	10
3xxx	Total equity	27,232,077	87	25,620,974	86
3x2x	Total liabilities and equity	\$31,486,407	100	\$29,859,901	100

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief Accountant: Ling Chu Chen

Grand Pacific Petrochemical Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018

Codes	Items	Expressed in Thousands of New Taiwan Dollars			
		Year Ended December 31, 2019		Year Ended December 31, 2018	
		Amount	%	Amount	%
4000	Operating revenues	\$20,468,229	100	\$24,741,138	100
5000	Operating costs	(17,829,140)	(87)	(20,685,790)	(84)
5900	Gross operating profit	2,639,089	13	4,055,348	16
6000	Operating expenses	(1,268,878)	(6)	(1,316,510)	(5)
6100	Selling expenses	(304,316)	(1)	(302,890)	(1)
6200	Administrative expenses	(933,470)	(5)	(979,786)	(4)
6300	Research and development expenses	(32,968)	-	(38,935)	-
6450	Reversal gain of expected impairment in credit	1,876	-	5,101	-
6900	Net operating Income	1,370,211	7	2,738,838	11
	Non-operating revenues and expenses				
7010	Other revenues	196,159	1	268,869	1
7020	Other gains and losses	(41,971)	-	62,661	-
7050	Finance costs	(5,990)	-	(1,835)	-
7060	Share of profit or loss of associates & joint ventures accounted for using equity method	1,222,468	6	988,415	4
7000	Total non-operating revenues and expenses	1,370,666	7	1,318,110	5
7900	Net profit before tax from continuing operations unit	2,740,877	14	4,056,948	16
7950	Income tax expenses	(564,666)	(3)	(906,207)	(4)
8200	Net profit for the year	2,176,211	11	3,150,741	12
	Other comprehensive income				
	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized valuation gain/loss of investment in equity instrument at fair value through other comprehensive income	(146,408)	(1)	(280,712)	(1)
8311	Remeasurements of the defined benefit plan	(19,908)	-	1,822	-
8349	Income tax related to items that will not be reclassified subsequently	5,283	-	2,158	-
8310	Total Items that will not be reclassified subsequently to profit or loss	(161,033)	(1)	(276,732)	(1)
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translating financial statements of foreign operations	(229,109)	(1)	223,298	1
8370	Share of other comprehensive income of associates & joint ventures accounted for using equity method - Items that may be reclassified to profit or loss	(104,166)	(1)	(348,993)	(1)
8399	Income tax related to items that may be reclassified subsequently	7,841	-	34,990	-
8360	Items that may be reclassified subsequently to profit or loss	(325,434)	(2)	(90,705)	-
8300	Current other comprehensive income(net after tax)	(486,467)	(3)	(367,437)	(1)
8500	Total amount of comprehensive income for the year	\$1,689,744	8	\$2,783,304	11
8600	Net income attributable to:				
8610	Owners of the parent company	\$2,070,125	10	\$2,960,106	12
8620	Non-controlling interests	106,086	1	190,635	-
		\$2,176,211	11	\$3,150,741	12
8700	Total amount of comprehensive income attributable to:				
8710	Owners of the parent company	\$1,640,513	8	\$2,633,570	11
8720	Non-controlling interests	49,231	-	149,734	-
		\$1,689,744	8	\$2,783,304	11
	Earnings per share in common shares: (NT\$)				
9750	Basic earnings per share	\$2.27		\$3.26	
9850	Diluted earnings per share	\$2.27		\$3.25	

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief Accountant: Ling Chu Chen

Grand Pacific Petrochemical Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019 and 2018

Expressed in Thousands of New Taiwan Dollars

Codes	Items	Share capital			Retained earnings			Other equity			Treasury stocks	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		Common shares capital	Preferred shares capital	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating financial statements of foreign operations	Unrealized gain/loss of financial assets at fair value through other comprehensive income	Unrealized gain/loss on available-for-sale Financial Assets				
A1	Balance at January 1, 2018	\$9,066,203	\$200,000	\$147,446	\$1,165,588	\$1,658,208	\$7,715,000	(\$119,538)	\$ -	\$1,007,410	(\$122,170)	\$20,718,147	\$2,765,917	\$23,484,064
A3	Effects of retrospective application and retrospective reclassification	-	-	-	-	-	42,398	-	1,191,225	(1,007,410)	-	226,213	12,745	238,958
	Appropriation & distribution of earnings for fiscal year 2017:													
B1	Provision of legal reserve	-	-	-	328,864	-	(328,864)	-	-	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	-	(17,380)	17,380	-	-	-	-	-	-	-
B5	Cash dividends to common shares	-	-	-	-	-	(906,620)	-	-	-	-	(906,620)	(46,416)	(953,036)
B7	Cash dividends and stock dividends to preferred shares	-	-	-	-	-	(32,000)	-	-	-	-	(32,000)	-	(32,000)
C17	Dividend unclaimed within the term by shareholders	-	-	1,725	-	-	-	-	-	-	-	1,725	-	1,725
L7	Parent company's stocks disposed of by a subsidiary deemed as transaction in treasury stocks	-	-	28,266	-	-	-	-	-	-	66,593	94,859	-	94,859
M1	Adjustment to capital surplus for distribution of dividends to subsidiaries	-	-	3,089	-	-	-	-	-	-	-	3,089	-	3,089
M7	Changes in the share of equities of subsidiaries	-	-	7	-	-	-	-	-	-	-	7	4	11
D1	Net profit for the year ended December 31, 2018	-	-	-	-	-	2,960,106	-	-	-	-	2,960,106	190,635	3,150,741
D3	Other comprehensive income after tax for the year ended December 31, 2018	-	-	-	-	-	5,512	(86,542)	(245,506)	-	-	(326,536)	(40,901)	(367,437)
Z1	Balance at December 31, 2018	<u>\$9,066,203</u>	<u>\$200,000</u>	<u>\$180,533</u>	<u>\$1,494,452</u>	<u>\$1,640,828</u>	<u>\$9,472,912</u>	<u>(\$206,080)</u>	<u>\$945,719</u>	<u>\$ -</u>	<u>(\$55,577)</u>	<u>\$22,738,990</u>	<u>\$2,881,984</u>	<u>\$25,620,974</u>
A1	Balance at January 1, 2019	\$9,066,203	\$200,000	\$180,533	\$1,494,452	\$1,640,828	\$9,472,912	(\$206,080)	\$945,719	\$ -	(\$55,577)	\$22,738,990	\$2,881,984	\$25,620,974
	Appropriation & distribution of earnings for fiscal year 2018:													
B1	Provision of legal reserve	-	-	-	296,011	-	(296,011)	-	-	-	-	-	-	-
B5	Cash dividends to common	-	-	-	-	-	-	-	-	-	-	-	(53,924)	(53,924)

B7	shares Cash dividends and stock dividends to preferred shares	-	-	-	-	-	(12,000)	-	-	-	-	(12,000)	-	(12,000)
M1	Adjustment to capital surplus for distribution of dividends to subsidiary	-	-	1,066	-	-	-	-	-	-	-	1,066	-	1,066
M7	Change in equity to subsidiaries	-	-	99	-	-	-	-	-	-	-	99	(99)	-
D1	Net profit for the year ended December 31, 2019	-	-	-	-	-	2,070,125	-	-	-	-	2,070,125	106,086	2,176,211
D3	Other comprehensive income after tax for the year ended December 31, 2019	-	-	-	-	-	(15,783)	(315,902)	(97,927)	-	-	(429,612)	(56,855)	(486,467)
Q1	Disposal of subsidiaries under equity instrument at fair value through other comprehensive income	-	-	-	-	-	45,344	-	(45,344)	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(13,783)	(13,783)
Z1	Balance at December 31, 2019	<u>\$9,066,203</u>	<u>\$200,000</u>	<u>\$181,698</u>	<u>\$1,790,463</u>	<u>\$1,640,828</u>	<u>\$11,264,587</u>	<u>(\$521,982)</u>	<u>\$802,448</u>	<u>\$ -</u>	<u>(\$55,577)</u>	<u>\$24,368,668</u>	<u>\$2,863,409</u>	<u>\$27,232,077</u>

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief Accountant: Ling Chu Chen

Grand Pacific Petrochemical Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

Codes	Items	Expressed in Thousands of New Taiwan Dollars	
		Year ended December 31, 2019	Year ended December 31, 2018
AAAA	CASH FLOWS FROM OPERATING ACTIVITIES:		
A00010	Net profit before tax from continuing operations unit	\$2,740,877	\$4,056,948
A20000	Adjustments:		
A20010	Gain and expense loss not result influence on cash flows:		
A20100	Depreciation expenses (including depreciations in provision of right-of-use assets and investment property)	948,344	856,561
A20200	Amortization expenses	731,652	741,235
A20400	Net gain on financial assets at fair value through profit or loss	(214)	(20)
A20900	Interest expenses	5,990	1,835
A21200	Interest income	(102,121)	(67,249)
A21300	Dividend revenue	(62,747)	(156,062)
A22300	Share of gains of associates & joint ventures accounted for using equity method	(1,222,468)	(988,415)
A22500	Net loss (gain) on disposal and retirement of property and equipment	(429)	943
A22600	Property, plant and equipment transferred to expenses	17,451	46,031
A23100	Gain on disposal of investment	(1,399)	(94)
A23700	Impairment loss on non-financial assets	8,496	10,007
A20010	Total gain and expense loss not result influence on cash flows	322,555	444,772
A30000	Changes in assets/liabilities relating to operation activities		
A31115	Net increase of financial assets mandatorily measured at fair value through profit or loss	(131,583)	(38,906)
A31125	Decrease (increase) in contract assets	32,877	(60,364)
A31130	Decrease (increase) in notes receivable	32,635	(1,969)
A31150	Decrease in accounts receivable	546,673	253,314
A31160	Increase in accounts receivable - related parties	(536)	(735)
A31180	Decrease (increase) in other receivables	11,354	(13,447)
A31200	Decrease in inventories	307,626	42,383
A31230	Decrease (increase) in prepayments	20,468	(5,843)
A31240	Decrease in other current assets - other	-	66
A32125	Decrease in contract liabilities	(101)	(111)
A32130	Increase in notes payable	3,244	3,759
A32150	Increase (decrease) in accounts payable	97,372	(399,282)
A32180	Increase (decrease) in other payables	(163,826)	36,627
A32200	Increase in provisions	2,250	1,485
A32210	Increase in advance receipts	3	28
A32230	Decrease in other current liabilities - other	(577)	(41,137)
A32240	Decrease in net defined benefit liabilities	(9,030)	(11,824)
A30000	Total net changes in assets/liabilities relating to operating activities	748,849	(235,956)
A33000	Cash provided generated from operations	3,812,281	4,265,764
A33100	Interest received	108,703	52,480
A33200	Dividend received	62,747	964,327
A33300	Interest paid	(5,976)	(1,835)
A33500	Income tax paid	(920,977)	(704,381)
AAAA	Net cash provided in operating activities	3,056,778	4,576,355

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BBBB	CASH FLOWS FROM INVESTING ACTIVITIES:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(621,497)	(236,237)
B00020	Disposal of financial assets at fair value through other comprehensive income	124,560	-
B00030	Capital allocation of financial assets at fair value through other comprehensive income	74,041	9,585
B01800	Acquisition of investment accounted for using equity method	-	(716,901)
B02200	Acquisition of net cash inflow from subsidiaries	4,840	-
B02700	Acquisition of property, plants and equipment	(294,393)	(535,792)
B02800	Disposal of property, plant and equipment	2,666	241
B03800	Decrease in refundable deposits	220	425
B06500	Increase in other financial assets	(1,018,746)	(1,022,925)
B07100	Increase in prepayment of equipment	-	-
B06700	Increase in other noncurrent assets	(568,081)	(570,697)
BBBB	Net cash used in investing activities	(2,296,390)	(3,072,301)
CCCC	CASH FLOWS FROM FINANCING ACTIVITIES:		
C00200	Increase (decrease) in short-term loans	18,120	(34,748)
C03000	Increase in guarantee deposits received	681	3,542
C04000	Decrease in rent payable	-	(2,776)
C04020	Repayment of principal of lease liabilities	(72,487)	-
C04500	Payout of cash dividends	(12,000)	(938,620)
C05000	Disposal of treasury stocks	-	94,859
C09900	Return of dividend unclaimed within the term back to capital reserve	-	1,736
C09900	Cash dividends obtained by subsidiaries from the parent company	1,066	3,089
C09900	Cash dividend distributed by a subsidiary toward non-controlling interests	(53,924)	(46,416)
C09900	Capital decrease sum paid by a subsidiary in cash toward non-controlling interests	(63,656)	(17,626)
C09900	Subscription in non-control interests of the subsidiaries through capital increase in cash	45,000	-
CCCC	Net cash used in financing activities	(137,200)	(936,960)
DDDD	Effect of exchange rate changes on cash and cash equivalents	50,741	39,607
EEEE	Net increase in cash and cash equivalents for the year	673,929	606,701
E00100	Cash and cash equivalents, beginning of year	2,729,454	2,122,753
E00200	Cash and cash equivalents, end of year	\$3,403,383	\$2,729,454
E00210	Cash & cash equivalents recorded in consolidated balance sheets	\$3,403,383	\$2,729,454

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief Accountant: Ling Chu Chen

Grand Pacific Petrochemical Corporation and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

1. Company history

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

- (1) Petrochemical Manufacturing
- (2) Synthetic Resin & Plastic Manufacturing
- (3) Other Chemical Products Manufacturing
- (4) Steam and Electricity Paragenesis, Heat Energy Supplying and international trade
- (5) All business items that are not prohibited or restricted by law, except those that are subject to special approval

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

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

The Company is free of the ultimate parent company.

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

Except for otherwise specified, the Company and all subsidiaries covered within these consolidated financial statements are collectively referred to as the Group hereinafter.

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

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

3. Application of New Issuance, Amendments and Interpretations

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

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

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

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

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

IFRS 16, 'Leases'

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

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

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

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

- 1) The Group did not reassess whether the contracts were (or including) lease. Previously those contracts had been subject to IAS 17 and IFRI 4 while such contracts were identified as subject to provisions set forth under IFRS 16.
- 2) Those lease compositions with rational and similar characteristics, the Group would use single discount rate to measure the lease liabilities.
- 3) In case of lease which had been closed before December 31, 2019 during the lease, the Group adopted the method of short-term lease.
- 4) Except rent payment, the Group did not count the additional costs yielded from the lease so earned into the measurement of the right-of-use assets as of January 1, 2019.
- 5) Amidst the proceedings of the measurement for the lease liabilities, toward the decision on the lease terms (e.g., duration of the lease), the Group would

measure it based on the expectancy as of January 1, 2019.

Besides, the accounting handling by the Group toward the lessors would not cast a significant impact.

While the Group applied initially IFRS 16, the lease contract attribute to the lessee to recognize the lease liabilities as of January 1, 2019, the interest rate range applicable to the incremental loan was 0.63% - 4.30%.

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

Business leasehold commitment with disclosure under IAS 17 as of December 31, 2018	\$	206,270
Plus: Total rent payable under finance lease recognized under IAS 17 as of December 31, 2018		2,997
Less: Short-term lease applied to exemption	(	1,021)
Plus: Rational expected evaluation toward lease option with the adjustment		294,778
Total lease liabilities recognizable under IFRS 16 as of January 1, 2019	\$	503,024
The incremental loan interest rate upon the initial application date of the Group		0.63% - 4.30%
Present value of lease liabilities recognized under IFRS 16 as of January 1, 2019		\$484,675

The initial application of IFRS 16 toward the adjustment of assets, liabilities and equity items as of January 1, 2019 is follows:

Items	Amount before reclassification as of January 1, 2019	Adjustment with initial application	Amount after reclassification as of January 1, 2019
Property, plant and equipment	\$ 7,427,473	(\$ 2,917)	\$ 7,424,556
Right-of-use assets	-	493,787	493,787
Long-term rent paid in advance	9,130	(9,130)	-
Effects of assets	\$ 7,436,603	\$ 481,740	\$ 7,918,343
Lease liabilities - current	\$ -	\$ 69,917	69,917
Rent payable - current	1,944	(1,944)	-
Lease liabilities - noncurrent	-	414,758	414,758
Rent payable - noncurrent	991	(991)	-
Effect in liabilities	\$ 2,935	\$ 481,740	\$ 484,675
Effect in equity	\$ -	\$ -	\$ -

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

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies

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

(1) 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 endorsed, issued to take effect by FSC.

(2) Basis of preparation

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

- 1) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss measured based on the fair value.
- 2) Financial assets at fair values through other comprehensive income measured based on the fair value.
- 3) The liabilities on the shares-based payment agreement with cash settlement measured based on the fair value.
- 4) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

- 2) The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5.
 - 3) The Group became subject to IFRS 16 for the first time on January 1, 2019 with a choice not to reclassify the financial statements and the notes with comparison period for Year 2018 and to recognize the difference in conversion into the retained earnings as of January 1, 2019. The financial statements and notes with comparison period for Year 2018 were prepared in accordance with IAS 17 and the IFRIC Interpretations, and SIC Interpretations.
- (3) Consolidated base
- 1) Basis for preparation of consolidated financial statements:
 - A. All subsidiaries are included as the entities in the preparation of the consolidated financial statements by the Group. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries included in the consolidated financial statements begin from the date the Group obtains control of the subsidiaries and ceases consolidation starting from the date of forfeiture of control.
 - B. Inter-company transactions, balances and unrealized gains or losses within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - C. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
 - E. When the Group loses control of a subsidiary, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. The difference between fair value and carrying amount is recognized in current profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on other comprehensive income as previously recognized, its accounting treatment is on the same basis as would be required if the related assets or liabilities were disposed directly by the Group. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other

comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2) Subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Attributes of business lines	Shares held or capital attribution (%)	
			December 31, 2019	December 31, 2018
Grand Pacific Petrochemical Corporation	GPPC Chemical Corporation	Production and sale of impact-resistant and flame-resistant polystyrene	100.00%	100.00%
Grand Pacific Petrochemical Corporation	GPPC Investment Corp.	General investment business	81.60%	81.60%
Grand Pacific Petrochemical Corporation	GPPC Development Co., Ltd.	General hotel business	38.46%	-
Grand Pacific Petrochemical Corporation	Land & Sea Capital Corp.	Investment business	100.00%	100.00%
Grand Pacific Petrochemical Corporation	Goldenpacific Equities Ltd.	Investment business	100.00%	100.00%
Grand Pacific Petrochemical Corporation	Videoland Inc.	General import and export trade, radio and television program production, domestic and foreign film copying, domestic film production, distribution, trading and other services	62.29%	62.29%
Grand Pacific Petrochemical Corporation	KK Enterprise Co., Ltd.	Engaging in manufacturing and sales, wholesale, packaging materials, various stationery and paper products	15.73%	15.73%
GPPC Investment Corp.	GPPC Hospitality And Leisure Inc.	Catering service business	100.00%	100.00%
Videoland Inc.	KK Enterprise Co., Ltd.	Engaging in manufacturing and sales, wholesale, packaging materials, various stationery and paper products	33.79%	33.79%
Videoland Inc.	GPPC Investment Corp.	General investment business	18.40%	18.40%
Videoland Inc.	GPPC Development Co., Ltd.	General hotel business	23.08%	-
Videoland Inc.	Videoland Holding Limited	Investment business	-	-
KK Enterprise Co., Ltd.	K.K. Chemical Company Limited	Trademark paper, glue paper and such business	49.90%	49.90%
KK Enterprise Co., Ltd.	KK Enterprise (Zhongshan) Co., Ltd.	Trademark paper, glue paper and such business	50.00%	50.00%
KK Enterprise Co., Ltd.	KK Enterprise (Kunshan) Co., Ltd.	Trademark paper, glue paper and such business	100.00%	100.00%
KK Enterprise Co., Ltd.	Dragon King Inc.	Outward Investment business	100.00%	100.00%
KK Enterprise Co., Ltd.	KK Enterprise (Malaysia) Sdn. Bhd.	Trademark paper, glue paper and such business	70.00%	70.00%

- Note: (1) Where the Company's direct and indirect shareholdings in subsidiaries are more than 50% or have substantial control capabilities, these companies are included in the consolidated financial statements.
- (2) Among the aforementioned consolidated entities, the financial statements of K.K. Chemical Company Limited and KK Enterprise (Malaysia) Sdn. Bhd. had been audited and endorsed by other certified public accountants.

3) Increase/decrease changes of the companies included in the entities within the consolidated financial statements for the current year:

- A. The Group and Videoland Inc. outward-invested in GPPC Development Co., Ltd. during August to October 2019. Where the Group has been in direct and indirect holding ratios of control capabilities, starting from the

date of acquisition of control capabilities, the Group began compiling those companies' income and expenses into the consolidated financial statements.

- B. GPPC Investment Corp. outwardly invested and incorporated a subsidiary GPPC Hospitality and Leisure Inc. in October 2018. Where the Group has been in direct and indirect holding ratios of control capabilities, starting from the date of acquisition of control capabilities, the Group began compiling those companies' gains and expenses into the consolidated financial statements.
- C. In an attempt to streamline the investment structure, Videoland Inc. revoked its investment in Videoland Holding Limited and repatriated all remaining property in August 2018. Therefore, starting from the date of forfeiture of control, the Company ceased counting that company's gains and expenses into the consolidated financial statements.

- 4) Subsidiaries not included in the consolidated financial statements: Nil
- 5) Adjustments and processing method for subsidiaries with different balance sheet date: Nil
- 6) Where the subsidiary's ability to transfer funds to its parent company is subject to significant restrictions, the nature and extent of the restriction:

The cash and bank deposits amounting to NT\$142,103 thousand and NT\$132,048 thousand for the years ended December 31, 2019 and 2018 were deposited in China and subject to local foreign exchange controls. Such foreign exchange controls restrict the remittance of funds out of China (Except normal dividends).

- 7) Subsidiaries with significant non-controlling interests over the Group:

The total of non-controlling interests of the Group for the years ended December 31, 2019 and 2018 amounted to NT\$2,863,409 thousand and NT\$2,881,984 thousand, respectively. The following information is significant non-controlling interests over the Group and subsidiaries:

- A. December 31, 2019 and the year ended December 31, 2019:

Name of subsidiary	Non-controlling shareholding ratio	Non- controlling interests	Profit/loss distributed to non-controlling interests
Videoland Inc.	37.71%	\$ 2,276,761	\$ 80,565
KK Enterprise Co., Ltd. and subsidiaries	50.48%	537,117	25,707
GPPC Development Co., Ltd.	38.46%	49,531	(186)
Total		<u>\$ 2,863,409</u>	<u>\$ 106,086</u>

B. December 31, 2018 and the year ended December 31, 2018:

Name of subsidiary	Non-controlling shareholding ratio	Non- controlling interest	Profit/loss distributed to non-controlling interest
Videoland Inc.	37.71%	\$ 2,266,152	\$ 151,505
KK Enterprise Co., Ltd. and subsidiaries	50.48%	615,832	39,130
Total		<u>\$ 2,881,984</u>	<u>\$ 190,635</u>

C. For more details regarding the major business premises of the aforementioned subsidiaries and the countries where the subsidiaries had been registered, please refer to Note 13(1) (2)-10.

D. Summary financial information of subsidiaries:

① Balance sheets

Items	Videoland Inc.	
	December 31, 2019	December 31, 2018
Current assets	\$ 2,053,068	\$ 2,105,054
Noncurrent assets	4,754,548	4,369,200
Current liabilities	(441,612)	(441,635)
Noncurrent liabilities	(328,451)	(23,199)
Equity	<u>\$ 6,037,553</u>	<u>\$ 6,009,420</u>

Items	KK Enterprise Co., Ltd. and Subsidiaries	
	December 31, 2019	December 31, 2018
Current assets	\$ 878,328	\$ 961,061
Noncurrent assets	541,762	571,528
Current liabilities	(323,449)	(292,366)
Noncurrent liabilities	(122,690)	(114,243)
Equity	<u>\$ 973,951</u>	<u>\$ 1,125,980</u>

Items	GPPC Development Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	\$ 128,580	\$ 9,887
Noncurrent assets	256	23
Current liabilities	(50)	-
Noncurrent liabilities	-	-
Equity	<u>\$ 128,786</u>	<u>\$ 9,910</u>

② Statements of comprehensive income

Items	Videoland Inc.	
	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating revenues	<u>\$ 2,148,879</u>	<u>\$ 2,299,327</u>
Net profit for the year	213,644	401,764
Other comprehensive income	(128,604)	(96,266)
Total comprehensive income	<u>\$ 85,040</u>	<u>\$ 305,498</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 32,068</u>	<u>\$ 115,203</u>
Dividend paid to non-controlling interests	<u>\$ 21,519</u>	<u>\$ 21,519</u>

Items	KK Enterprise Co., Ltd. and Subsidiaries	
	Year Ended	Year Ended
	December 31, 2019	December 31, 2018
Operating revenues	\$ 1,574,696	\$ 1,775,236
Net profit for the year	42,283	66,230
Other comprehensive income	(13,944)	(7,593)
Total comprehensive income	\$ 28,339	\$ 58,637
Total comprehensive income attributable to non-controlling interests	\$ 17,349	\$ 34,531
Dividend paid to non-controlling interests	\$ 32,405	\$ 24,897

Items	GPPC Development Co., Ltd.	
	Year Ended	Year Ended
	December 31, 2019	December 31, 2018
Operating revenues	\$ -	\$ -
Net profit for the year	(1,123)	(90)
Other comprehensive income	-	-
Total comprehensive income	(\$ 1,123)	(\$ 90)
Total comprehensive income attributable to non-controlling interests	(\$ 186)	\$ -
Dividend paid to non-controlling interests	\$ -	\$ -

③ Statements of Cash Flows

Items	Videoland Inc.	
	Year Ended	Year Ended
	December 31, 2019	December 31, 2018
Net cash provided in operating activities	\$ 1,101,943	\$ 1,297,585
Net cash used in investing activities	(1,278,958)	(1,038,520)
Net cash used in financing activities	(104,713)	(57,054)
Effect of exchange rate changes	-	-
Increase (decrease) in cash & cash equivalents for the year	(281,728)	202,011
Cash & cash equivalents, beginning of year	874,449	672,438
Cash & cash equivalents, end of year	\$ 592,721	\$ 874,449

Items	KK Enterprise Co., Ltd. and Subsidiaries	
	Year Ended	Year Ended
	December 31, 2019	December 31, 2018
Net cash provided in operating activities	\$ 155,541	\$ 88,236
Net cash used in investing activities	(17,640)	(23,201)
Net cash used in financing activities	(170,045)	(81,500)
Effect of exchange rate changes	(11,509)	(4,115)
Increase (decrease) in cash & cash equivalents for the year	(43,653)	(20,580)
Cash & cash equivalents, beginning of year	224,234	244,814
Cash & cash equivalents, end of year	\$ 180,581	\$ 224,234

Items	GPPC Development Co., Ltd.	
	Year Ended	Year Ended
	December 31, 2019	December 31, 2018
Net cash used in operating activities	(\$ 1,381)	(\$ 116)
Net cash used in investing activities	(128,000)	-
Net cash provided in financing activities	120,000	10,000
Effect of exchange rate changes	-	-
Increase (decrease) in cash & cash equivalents for the year	(9,381)	9,884
Cash & cash equivalents, beginning of year	9,884	-
Cash & cash equivalents, end of year	\$ 503	\$ 9,884

(4) Foreign currency translation

- 1) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.
- 2) When preparing financial statements for each entity using currencies other than the entity's functional currency (foreign currency) converted into functional currency at the spot exchange rate on the transaction day or measurement date, and the exchange difference resulting from the translation of these transactions was recognized as current profit and loss. At the end of the financial statement period, the balance of foreign currency monetary assets and liabilities were evaluated and adjusted at the spot exchange rate on the balance sheet date, and translation differences arising from the adjustment were recognized as current profit and loss. In case of foreign currency non-monetary assets and liabilities, the balance was evaluated and adjusted at the spot exchange rate quoted on the balance sheet date as measured at fair value through profit or loss, and the exchange difference arising from the adjustment was recognized as current profit and loss as measured at fair value through comprehensive income. The resulting exchange differences resulting from the adjustment were recognized in other comprehensive income items; where they were not measured at fair value, they were measured at the historical exchange rate on the initial trading day. All gains and losses on exchange were reported according to the attribute of the transaction and other gains and losses in the comprehensive income.
- 3) When preparing the consolidated financial statements, assets and liabilities of the foreign operations of the companies in merger (including the subsidiaries, associates, joint ventures or branches of the Company in the countries of business operation or those using different currencies) were translated into New Taiwan Dollars at the spot exchange rate quoted on the balance sheet date. The income and expense items were translated using the exchange rates average in that period. All exchange differences arising from the translation were recognized as other comprehensive income.
- 4) When the foreign operations were disposed of and constituting a loss of control, joint control or significant influence on the foreign operations, all and the relevant interests of the foreign operations would be reclassified into profit or loss. In some cases where the disposal of subsidiaries in foreign operations did not constitute a loss of control of the subsidiary, the cumulative exchange difference recognized in other comprehensive income was calculated into the

equity transaction on a *pro rata* basis, but it was not recognized as profit or loss. In some cases where the interests of the disposal of associates or joint venture in foreign operations did not constitute a significant impact of loss on the associates or joint venture or joint control in interests, the cumulative exchange difference recognized in other comprehensive income was reclassified into profit or loss based on the disposal ratio.

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

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

- A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- B. Assets arising mainly from trading activities;
- C. Assets that are expected to be realized within twelve months from the balance sheet date;
- D. Cash & cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the balance sheet date.

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

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

- A. Liabilities that are expected to be paid off within the normal operating cycle;
- B. Liabilities arising mainly from trading activities;
- C. Liabilities that are to be paid off within twelve months from the balance sheet date;
- D. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(6) Cash & cash equivalents

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

(7) Financial instruments

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

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

or financial liabilities. The transaction costs directly attributable to financial assets and financial liabilities at fair value through profit or loss should be recognized immediately as profit or loss.

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

- 1) Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and designation as financial assets at fair value through profit or loss. The financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that the Group does not specify at fair value through other comprehensive income, and investments in debt instruments that did not qualify as being measured at amortized cost or at fair value through other comprehensive income.
- 2) In a case carried at amortized costs or financial assets at fair values through other comprehensive income, when measurement or recognition inconsistency could be eliminated or significantly reduced, the Group designated the case as financial assets at fair value through profit or loss at the time of initial recognition.
- 3) The Group adopts transaction day accounting for financial assets at fair value through profit or loss consistent with transaction customs.
- 4) The Group measured at fair value at the time of initial recognition, and recognized related transaction costs in profit or loss and subsequently measured at fair value and the gains or losses were recognized in profit or loss.
- 5) When the right to receive dividends was ascertained and the economic benefits related to dividends were likely to flow inward while the amount of dividends could be reliably measured, the Group recognized the dividend income in profit or loss.

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

- 1) Referring to an irrevocable option at the time of initial recognition to report changes in the fair value of investments in equity instruments that were not held for trading in other comprehensive income; or the investment in debt instrument simultaneously met the following conditions:
 - A. The financial asset held under the business model of collecting cash flows under contracts and for the purposes of selling.
 - B. The cash flow generated on a specific date under the contract terms for the financial assets were completely intended to pay off the principal and the interest of the outstanding principals.
- 2) The Group adopts transaction day accounting for financial assets at fair value through comprehensive income consistent with transaction customs.
- 3) The Group measured at fair value plus transaction costs at initial recognition, and subsequently at fair value:
 - A. Changes in the fair value of equity instruments were recognized in other comprehensive income. When derecognized, the cumulative gains or losses previously recognized in other comprehensive income would not be reclassified to profit or loss and would be transferred to retained earnings instead. When the right to receive dividends was ascertained and the economic benefits related to dividends were likely to flow inward while the amount of dividends could be reliably measured, the Group recognized the dividend income in profit or loss.

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

(10) Financial assets carried at amortized cost

- 1) Referring to the events that conform with the conditions as below simultaneously:
 - A. The financial assets held under the business model for the purposes of collecting cash flows under contracts.
 - B. The cash flow generated on a specific date under the contract terms for the financial assets were completely intended to pay off the principal and the interest of the outstanding principals.
- 2) The Group adopts transaction day accounting for financial assets carried at amortized cost consistent with transaction customs.
- 3) The Group measured at fair value plus transaction costs at initial recognition, and subsequently used the effective interest method to recognize interest income during the circulation period based on the amortization process, and recognized impairment losses, and when derecognized, the gains or losses were recognized in profit or loss.
- 4) The Group held time deposits that were not eligible for cash equivalent. As the holding period was short, the effect of discounting was insignificant, which was measured by the amount of investment.

(11) Accounts & notes receivable

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

(12) Impairment of financial assets

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

(13) Derecognition of financial assets

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

- 1) When rights to contract of receiving cash flow from financial asset has expired.
 - 2) Transfer of right to contract of receiving cash flow from financial asset, and when nearly all risk and reward associated with the said financial assets have been transferred.
 - 3) Transfer of rights to contract of receiving cash flow from financial asset, and excluding control over the financial assets.
- (14) Lease transaction of the lessor - rent receivables/operating leases
- 1) Pursuant to the terms and conditions under the lease agreements, when almost all the risks and rewards of lease ownership were borne by the lessee, they are classified as finance leases.
 - A. As the lease started up, the net lease investment (including the original direct cost) was recognized as "rent receivables", and the difference between the total lease receivables and the present value was recognized as "unearned financing income from finance leases".
 - B. Subsequent adoption of a systematic and reasonable basis to allocate financing income over the lease period to reflect a fixed rate of return on the net lease investment held by the lessor.
 - C. The period related lease payments (excluding service costs) offset the total lease investment to reduce the principal and unearned financing income.
 - 2) Lease income from operating leases, net of any incentives given to the lessee, was recognized as a current profit or loss and amortized on a straight line basis during the lease period.
- (15) Inventory
- Inventories were measured at the lower of cost and net realizable value, whichever is the lower under the perpetual inventory system adopted, and the cost was determined by the weighted average method. The cost of finished goods and work in progress includes raw materials, direct labor, other direct costs, and production-related manufacturing overhead (as normal capacity allocation), but excludes borrowing costs. Upon comparison of cost and the net realizable value, whichever was the lower, the itemized comparison method was adopted. The net realizable value refers to the estimated selling price in the normal course of business less the estimated cost that must be invested to completion and the balance after related changes in selling expenses.
- (16) Investments accounted for using the equity method/associates
- 1) Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost, including the goodwill already identified upon acquisition, with any accumulated impairment loss estimated to occur subsequently deducted.
 - 2) The share of profit or loss for the Group after acquisition of an associate is recognized as current profit and loss and the share of other comprehensive income after acquisition is recognized as other comprehensive income. When the Group's share of loss in an associate is equal to or exceeds the equity in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or

made payments on behalf of the associate.

- 3) The profits and losses generated from the fair current, countercurrent and side stream transactions between the Group and associates were recognized in the financial statements only to the extent that the Group has no interest in the associates. The accounting policies of associates have been adjusted as necessary, and the policies adopted by the Group have been consistent.
 - 4) When changes in an associate's equity are not recognized in profit or loss and other comprehensive income of the associate and such changes do not affect the Group's shareholding ratio of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital reserves' in shareholding ratio.
 - 5) In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's investment percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its changes in net equity. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the profit or loss previously recognized in other comprehensive income in relation to the ownership interest are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
 - 6) Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in current profit or loss.
 - 7) When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss or transferred directly to retained earnings, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
 - 8) When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- (17) Property, plant and equipment
- 1) Property, plant and equipment are initially recorded at cost. Loans costs incurred during the construction period are capitalized.
 - 2) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
 - 3) Land is not depreciated. The subsequent measurement of other property, plant and equipment apply cost model and are depreciated using the straight-line

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

- 4) The assets' residual values, useful lives and depreciation methods are reviewed by the Group at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of various assets are as follows:
 - A. Buildings & constructions 4 - 56 years
 - B. Machinery & equipment 5 - 25 years
 - C. Transportation facilities 2 - 7 years
 - D. Other equipment 3 - 10 years
 - 5) The Group's depreciable assets were originally used in the rate-decreasing method at the time of tax declaration; however, the Group has switched to use the average method in Year 1998. This change was already approved by the National Taxation Bureau of the Southern Area, Ministry of Finance with Letter (1998) Nan-Qu-Guo-Shui-Shen-I-Zi 87051967.
- (18) Lease agreements of the lessee - right-of-use assets/lease liabilities (Applicable to Year 2019)
- 1) Lease assets were recognized as right-of-use assets and lease liabilities on the date when they became available for use by the Group. When the lease agreement was a short-term lease or lease of a low-value underlying asset, the lease payment was recognized as expense by straight-line method.
 - 2) In lease liabilities, the Group recognized the unpaid lease payments at the lease starting date at the present value of the Group's incremental loan rate discounted. The lease payments include fixed payments, less any incentives that could be received for the lease. Subsequently the Group measure at the amortized cost method under the interest method and recorded as interest expenses during the lease period. When the non-contract modification caused a change in the lease period or lease payment, the lease liabilities would be reassessed, and the remeasurements would be adjusted to right-of-use assets.
 - 3) The right-of-use assets were recognized at cost on the lease starting date and the cost includes the original measured amount of lease liabilities. The subsequent measurement using cost model which were earlier at the end of the useful life of the right-of-use assets or at the end of the lease period while depreciation expenses were recorded. When lease liabilities were reassessed, right-of-use assets would adjust any remeasurement of the lease liabilities.
- (19) Lease assets/operating lease (Lessees)(Applicable to Year 2018)
- 1) Pursuant to the terms and conditions under the lease agreements, when almost all risks and rewards of lease ownership are borne by the Group, it is classified as a finance lease.
 - A. Upon initiation of the lease, the assets and liabilities were recognized based on the fair value of the lease assets and the lowest present value of payment, whichever is the lower.

- B. Subsequently the minimum lease payments were allocated to finance costs and reduce outstanding liabilities. The finance costs were allocated period-by-period during the lease duration so that the period interest rate calculated based on the balance of liabilities would be fixed.
 - C. Property, plant and equipment obtained under finance leases were depreciated according to the useful life of the assets. If the lease period could not be reasonably determined, the Group would acquire ownership and recorded as depreciations based on the useful life of the assets and the lease period, whichever was the shorter.
- 2) The operating lease payment was recorded and amortized on straight-line basis during the lease period as current profit or loss, after deducting any incentive received from the lessor.

(20) Investment property

The investment property was real property held to earn either rent or capital appreciation or both, and also included real property held for which the future use has not yet been determined. The investment property was originally measured by acquisition cost, and was subsequently reduced by cost except for accumulated depreciation and accumulated impairment loss where the amount was measured. Except for land, depreciation was provided on the straight-line method according to the estimated useful life which was 40 years. While the investment property was derecognized, the difference between the net disposal price and the carrying amount of such assets was recognized in current profit or loss.

(21) Intangible assets

1) Obtained separately

The intangible assets acquired separately for a limited useful life were originally measured at cost and subsequently at the amount of the costs deducted with the accumulated amortization and accumulated impairment losses. Intangible assets were amortized on a straight-line basis over the useful life. All such facts of the estimated useful life, residual value and amortization method should be reassessed at end of every fiscal year as the minimum to postpone the impact of changes in applicable accounting estimates. When Intangible assets derecognized, the difference between the net disposal price and the carrying amount of the asset was recognized in the profit or loss of the current year.

2) Goodwill

The goodwill obtained from the business combination was based on the amount of goodwill recognized on the acquisition date as the cost, which was subsequently measured by the amount of the cost after subtracting the accumulated impairment losses. For the purpose of impairment testing, goodwill needs to be allocated to each cash-generating unit or cash-generating units that the Group expects to benefit from the merger concerted performance.

(22) Cost of program broadcasting

The cost of program broadcasting include the proceeds acquired on outsourcing film broadcasting rights outsourced investment in filming or self-made programs, and the production costs with future economic benefits which were entered into accounts at the substantial costs. The outsourcing film broadcasting rights depends on individual programs and was transferred to the amortization of the film under the current operating cost during actual playback. The sub-authorized film broadcasting right was transferred into the film sub-authorization cost under the current operating cost

when actually delivered. The outsourced investment in filming and the self-made ribbon-type program would be converted into the production cost and filming cost under the current operating cost during the actual broadcast. The cost of the broadcast program was recorded under other noncurrent assets, and was expected to be amortized within one year as other current assets. For other current assets, if the fair value at the end of the year was estimated to be lower than the accounted unamortized cost, the impairment loss would be recognized as the loss of the current year.

(23) Impairment loss on non-financial assets

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

(24) Loans

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans using the effective interest method.

(25) Notes and accounts payable

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

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

- 1) Referring to the main purpose of the sale or repurchase in the latest period, and financial liabilities held for trading except for derivatives instruments that are designated as hedging instruments under hedge accounting. The financial liabilities at fair value through profit or loss were designated on the Initial recognition. When a financial liability meets one of the following conditions, the Group measured at fair value through profit loss on the initial recognition:
 - A. As hybrid (combined) contracts; or
 - B. Where the inconsistency in significant decrease measurement or recognition could be eliminated; or
 - C. Pursuant to the documented risk management policies, the instruments with performance evaluated in fair value based management.
- 2) The Group measured at fair value at the time of initial recognition, and recognized the related transaction costs in profit or loss and subsequently measured at fair value and the gains or losses were recognized in profit or loss.
- 3) In case of a financial liability designated to be measured at fair value through profit or loss where the amount of change in fair value resulted from credit risk, except for avoiding improper accounting ratios or loan commitments and

financial guarantee contracts, the Group recognized the same in other comprehensive income.

(27) Provisions

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

(28) Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

3) Termination benefits

Termination benefits refers to the benefits provided by the termination of the employment before the normal retirement date or when the employee decides to accept the Company's benefits offer in exchange for termination of the

employment. The cost of restructuring was not recognized until the moment while the Group could no longer revoke a contract for termination benefits or the restructuring cost was recognized, whichever came the earlier. Termination benefits that were not expected to be fully settled 12 months after the balance sheet date should be discounted.

4) Compensation to employees and remuneration to directors and supervisors

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

(29) Financial liabilities & equity instruments

1) Classification of financial liabilities or equity instruments

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

2) Equity instruments

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

3) Financial liabilities

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

4) Derecognition of financial liabilities

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

5) Inter-offset of financial assets and liabilities

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

(30) Share capital & treasury stocks

1) Share capital

Common shares were classified as equity. The classification of preferred shares refers to the definition of substantial contractual agreement, financial liabilities and equity instruments, and evaluates the specific rights attached to preferred shares. When the basic characteristics of financial liabilities were exhibited, they were classified as liabilities; otherwise they would be an equity. The net of

increase in costs directly attributable to issuance of new share or share warrants after deducting income tax is recorded as the deduction of share prices.

2) Treasury stocks

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

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

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

(31) Shares-based payment

- 1) The shares-based payment agreement upon equity settlement was pursuant to the employee service acquired at fair value of the given equity commodities on the given day, and was recognized as compensation costs during the vesting period, and the equity was relatively adjusted. The fair value of equity commodities should be reflected with the influence of the market price vested conditions and the non-vested conditions. The recognized compensation cost was adjusted according to the expected amount of incentive rewards that meet the service condition and the non-market price vested condition until the final recognition amount was recognized in the vested amount.
- 2) The shares-based payment agreement settled in cash was based on the fair value of the liabilities assumed, recognized as compensation costs and liabilities within the vesting period, and was based on the fair value of the equity commodities given on each balance sheet date and settlement date to measure, any change recognized as profit or loss of the current year.

(32) Income tax

- 1) The income tax expenses comprise current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the income tax is recognized in other comprehensive income or directly in equity, respectively.
- 2) The Group calculates the income tax payable for the current term exactly in accordance with the tax rates that had been enacted or substantially enacted in

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

- 3) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the balance sheets. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- 4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- 5) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- 6) The Group's tax incentives oriented expenditures that comply with the statutory incentives were accounted with use of income tax deduction accounting. The unused income tax credit was transferred into the latter period of time within the scope as the credit ready for future use, duly recognized deferred income tax assets.
- 7) The difference between the previous year's estimated income tax of the Group and the adjustment difference approved by the tax collection authority was recognized as the adjustment items of the income tax of the current year.

(33) Recognition of revenues

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

- 1) Sales revenues

- A. All products manufactured by the Group and sold into the market were recognized as revenue when the control over the product was transferred to the customers. To put it in more understandable terms, when the products were delivered to the customers, the customers have discretion on the channel and price of product sales, and the Group was not in any outstanding performance obligations that might affect the customers' acceptance of the products. When the products were shipped to a designated location, the risk of obsolescence and loss has been transferred to the customers and the customers would accept the products according to the sales contract. The delivery of the products did not occur until there was objective evidence to prove all standards/criteria for acceptance have been met.
 - B. Where the Group provides standard warranty on the products sold and is obliged to refund for defective products, the provisions were recognized at the moment of sales.
 - C. Accounts receivable were recognized at the moment when the goods were delivered to the customers. At that timepoint, the Group was entitled to the unconditional rights to the contract price and the price could be received from the customers only after the time elapsed. The advance receipts before the arrival of the products was recognized as a contract liability.
 - D. The control of the ownership of the processed products was not transferred upon processing of the materials so that the income was not recognized when the material was forwarded.
- 2) Labor service revenues
- A. Advertising revenues

The Group and the customers signed advertising broadcast contracts and recognized the revenues when the actual broadcast was completed based on the degree of fulfillment of the performance obligation. The degree of completion of the performance obligation was determined based on the percentage of the actual performance of the required services to the entire labor service under this Agreement.
 - B. Video revenues

The Group and the customers signed fundamental channel agency contracts to provide cable TV operators and other public broadcasters with self-made programs or transmission on behalf of channels through satellites for viewers through cable TV system or network platforms. Throughout the duration of the labor service contracts, the Group continually fulfilled the obligations to provide users with TV channel viewing rights and network bandwidth usage rights as well as other performance obligations. All revenues so received were recognized as income on a straight-line basis during the period of contract services.
 - C. Licensing revenues

The Group and the customers signed contracts to license the Group's film broadcasting rights and program copyrights to the customers. Where the licensing authorization was distinguishable, the licensing income was recognized during the licensing period according to the nature of the licensing authorization, or the timepoint of control of the right as transferred to the customers. When the Group intended to carry out events

that would significantly affect the film broadcasting rights and program copyrights which would, in turn, directly affect the licensed customers and such events would not result in the transfer of labor services to customers, the nature of the licensing authorization was to provide access for the rights of intellectual property rights. The relevant royalties were recognized as income on a straight-line basis during the licensing period. In an event where the licensing did not meet the foregoing conditions and its nature was to provide customers with the right to use intellectual property rights, the income was recognized at the time of licensing transfer.

- D. The customers fulfilled payment obligations in accordance with the payment schedule agreed in a contract. When the service provided by the Group exceeded the customers' payment value, the payment was recognized as a contract asset. If the customer payable exceeds the labor service provided by the Group, it was recognized as a contract liability.

3) Refund liabilities

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

4) Financing component

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

5) Costs to acquire contracts from customers

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

(34) Government grants

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

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

The results of the Group's consolidated financial statements would be affected by the

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

(1) Major judgments to adopt accounting policies

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

1) Judgment of business model of financial asset classification

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

2) Investment property

The purpose of part of the property held by the Group was intended to earn rent or capital appreciation. It also includes property held for the purpose of which the future has not yet been determined. Other parts were used by the Group itself. When the respective parts could be solely sold, such property would not be classified under the investment property only the portion in the Group's own use accounted for a not significant portion of the respective property.

3) Commitment to operating lease - the Group is the Lessor

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

4) Leased term (Applicable to Year 2019)

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

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

(2) Major accounting estimation & assumptions

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

1) Estimated impairment of financial assets

The impairment of accounts receivable and contract assets was estimated based on the Group's assumptions about the default rate and the expected loss rate. The Group took into account historical experience, current market conditions and forward-looking information to work out assumptions and select input values for impairment assessment. For more details regarding the important assumptions and input values please refer to Note 6(4). In the event that the actual future cash flow is below expected, it might cause significant impairment losses. The carrying amount of the Group's receivables and contract assets was NT\$2,513,717 thousand and NT\$3,143,302 thousand, respectively, as of December 31, 2019 and 2018 (After deducting allowance losses at NT\$10,219 thousand and NT\$12,619 thousand, respectively)

2) Evaluation of inventory

Since inventory should be measured at the lower of cost or net realizable value, the Group shall use judgment and estimation to decide the net realizable value at the balance sheet date. Due to the rapid changes of the industrial environment, the Group assesses the amount of inventory on the balance sheet date that has undergone normal wear and tear, obsolescence or no market sales value, and will mark down the cost of inventories to the net realizable value. This assessment of inventories primarily uses product need within a certain period in the future as the basis of estimation, and thus material changes could occur. As of December 31, 2019 and 2018, the carrying amount of the Group's inventories was NT\$1,673,157 thousand and NT\$1,980,783 thousand, respectively. (After deducting loss on allowance for obsolescence and market price decline of inventories of NT\$50,982 thousand and NT\$59,566 thousand, respectively)

3) Fair value measurement and evaluation process

Where the assets and liabilities measured at fair value were not quoted in the active market, the Group would decide whether to outsource the valuation and determine the appropriate fair value technology according to relevant laws or judgments. Where the fair value was estimated, Level 1 input value could not be obtained for the value, the Group would refer to the analysis of the financial status and operating results of the investee, the latest transaction price, the quote of the same equity instrument in the non-active market, the quote of similar instruments in the active market, and the comparable company evaluation multiplier to determine the input value. If the actual changes in future input values and expectations would differ, fair value changes might occur. The Group regularly updated each input value according to market conditions to monitor

whether fair value measurement was appropriate. For more details regarding the fair value evaluation techniques and input value, please refer to the descriptions of Note 12(4). As of December 31, 2019 and 2018, the Group's holdings of unlisted (OTC) company stocks and limited partnership investments showed the carrying amounts of NT\$862,037 thousand and NT\$726,191, thousand, respectively.

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

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

5) Assessment onto the impairment of tangible assets, intangible assets (except goodwill) and other noncurrent assets

In the process of asset impairment assessment, the Group was required to rely on subjective judgment and asset usage patterns and industry characteristics to determine the independent cash flow of a particular asset group, years of useful life, the future revenue and expenses that might be cause significant impairment in the future due to economic condition changes or estimated changes caused by strategies. As of December 31, 2019 and 2018, the accumulated impairment of tangible assets, intangible assets (except goodwill) and other noncurrent assets recognized by the Group was NT\$88,671 thousand and NT\$85,510 thousand, respectively.

6) Evaluation on impairment in goodwill

Upon determination whether goodwill has been impaired, the use value of the cash-generating unit allocated to goodwill needs to be estimated. To calculate the use value, the management should estimate the future cash flows expected to be generated from the cash-generating unit and decide on appropriate discount rate of the use of the present value. If the actual cash flow became less than expected, significant impairment losses might occur. As of December 31, 2019 and 2018, the amount of goodwill recognized by the Group after the impairment loss were NT\$674,070 thousand for both.

7) Realizability of deferred income tax assets

Deferred income tax assets were recognized when there is a possibility in the future that there would be sufficient taxable income for the purpose of deducting temporary differences. Upon assessment of the realizability of deferred income tax assets, significant accounting judgments and estimations of the management must be involved including expected future sales revenue growth and profit margins, usable income tax credits, tax planning and other assumptions. Any changes in the global economic environment, industrial environment and changes in laws and regulations might cause significant adjustment of deferred income tax assets. As of December 31, 2019 and 2018, the deferred income tax assets recognized by the Group were NT\$55,493 thousand and NT\$49,358 thousand respectively. The deferred income tax assets not recognized by the Group due to non-probable taxable income were to NT\$ 12,014 thousand and

NT\$14,223 thousand, respectively.

8) Calculation of long-term employee benefits liabilities

Upon calculation of the present value of the benefit obligations, the Group must use judgments and estimates to determine the relevant actuarial hypotheses on the balance sheet date, including the discount rate and future salary growth rate. Any changes in actuarial assumptions should significantly affect the Group's amount of defined benefit obligations. As of December 31, 2019 and 2018, the carrying amounts of the Group's long-term employee benefits liabilities (including net defined benefit liabilities and provisions - noncurrent) were NT\$95,210 thousand and NT\$82,643 thousand, respectively.

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

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

6. Summary of Important Accounting Items

(1) Cash & cash equivalents

Items	December 31, 2019	December 31, 2018
Cash and petty cash	\$ 1,905	\$ 1,580
Checking deposits	31,885	25,637
Demand deposits	433,139	462,637
Time deposits with original maturity within three months	1,271,594	1,308,800
Bills & bonds under Repurchase Agreements	1,664,860	930,800
Total	<u>\$ 3,403,383</u>	<u>\$ 2,729,454</u>

- 1) The Group's cash & cash equivalents have not been used for collateral or pledge.
- 2) As of December 31, 2019 and 2018, the interest rate range in the market for the Group's time deposit with original maturity within three months was 0.60% to 2.24% and 0.60% to 0.65% per annum, respectively, either floating or on a fixed rate basis.
- 3) As of December 31, 2019 and 2018, the interest rate range in the market for the bills & bonds under Repurchase Agreements within three undertaken by the Group was 0.53% to 2.30% and 0.51% to 3.10%, respectively.

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

Items	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss		
Mutual fund beneficiary certificates	\$ 171,982	\$ 39,000
Plus: Evaluation adjustment	234	20
Total	<u>\$ 172,216</u>	<u>\$ 39,020</u>

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

- 2) As of December 31, 2019 and 2018, the net gains recognized in the current profit or loss by the Company were NT\$1,613 thousand and NT\$114 thousand, respectively.
- 3) The financial assets at fair value through profit or loss - current held by the Group have not been used for collateral or pledge.

(3) Notes receivable

Items	December 31, 2019	December 31, 2018
Total notes receivable	\$ 361,582	\$ 394,217
Less: Allowance loss	-	-
Net	<u>\$ 361,582</u>	<u>\$ 394,217</u>

- 1) The Group's notes receivable have not been overdue and the expected credit loss rate was 0%.
- 2) The Group's notes receivable have not been used for collateral or pledge.

(4) Accounts receivable (including related parties)

Items	December 31, 2019	December 31, 2018
Total accounts of receivable	\$ 2,069,891	\$ 2,618,964
Less: Allowance loss	(10,219)	(12,619)
Subtotal	<u>2,059,672</u>	<u>2,606,345</u>
Total accounts receivable - related parties	1,271	735
Less: Allowance loss	-	-
Subtotal	<u>1,271</u>	<u>735</u>
Net	<u>\$ 2,060,943</u>	<u>\$ 2,607,080</u>

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

Account aging interval	December 31, 2019			December 31, 2018		
	Total amount	Allowance loss	Net	Total amount	Allowance loss	Net
Not overdue	\$ 2,054,465	\$ -	\$ 2,054,465	\$ 2,524,724	\$ -	\$ 2,524,724
1 - 30 days overdue	3,964	-	3,964	77,182	-	77,182
31 - 90 days overdue	6,822	4,368	2,454	9,783	5,001	4,782
91 - 180 days overdue	120	60	60	591	591	-
181 - 365 days overdue	91	91	-	811	419	392
More than 365 days overdue	5,700	5,700	-	6,608	6,608	-
Total	<u>\$ 2,071,162</u>	<u>\$ 10,219</u>	<u>\$ 2,060,943</u>	<u>\$ 2,619,699</u>	<u>\$ 12,619</u>	<u>\$ 2,607,080</u>

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

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

The Group's accounts receivable not overdue were expected to have a very low risk of credit loss; For other accounts receivable which had been overdue as of the balance sheet date, the Group has taken into account other credit

enhancement protection, post-period collection, and deductions and the like. After reasonable and corroborable information, it is assessed that there was no significant change in its credit quality, and the credit risk has not increased significantly since the initial recognition. Therefore, the management of the Company expects that no credit loss of accounts receivable will be caused by default of transaction counterparties.

- 2) The Group adopted the simplified method of IFRS 9, and recognized the expected credit loss during the existence in the accounts receivable allowance loss. The expected credit loss during the existence was calculated using the reserve matrix, with consideration of the customers' past default record and historical experience of collection, increase in delayed payments beyond the average credit period, and at the same time with consideration of the current financial status of customers, and observable national or regional industrial economic situation changes related to the arrears of receivables and future prospects such as outlook considerations. As the Group's historical experience of credit losses indicates that there would be no significant differences in the loss patterns of different customer bases, the preparation matrix did not further distinguish the customer bases, only the accounts receivable days past due and actual conditions would determine the expected credit loss rate. The Group did not hold any collateral for these accounts receivable.

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

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance (IAS 39)	\$ 12,619	\$ 17,781
Retrospective application of IFRS 9 adjustments	-	-
Beginning balance (IFRS 9)	12,619	17,781
Plus: Provision of impairment loss	-	-
Less: Reversal of impairment loss	(1,876)	(5,101)
Less: Actual write-off in the year has not been collected	(524)	(61)
Ending balance	<u>\$ 10,219</u>	<u>\$ 12,619</u>

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

(5) Other receivables

Items	December 31, 2019	December 31, 2018
Interest receivable	\$ 23,657	\$ 30,239
Tax refund receivable	31,109	50,633
Film procurement refundable	5,227	-
Others	3,712	769
Total	<u>\$ 63,705</u>	<u>\$ 81,641</u>

(6) Inventories

Items	December 31, 2019	December 31, 2018
Raw materials	\$ 318,497	\$ 503,927
Supplies	174,594	179,646
Work in process	196,180	180,486
Partly-finished goods	464,949	565,418
Finished goods	186,986	350,778
By-products	1,688	3,475
Raw materials in transit	381,245	256,619
Subtotal	<u>1,724,139</u>	<u>2,040,349</u>
Less: Allowance for loss of market diminution in value of inventories	<u>(50,982)</u>	<u>(59,566)</u>
Net	<u>\$ 1,673,157</u>	<u>\$ 1,980,783</u>

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Inventory sales transferred to cost of sales	\$ 16,455,902	\$ 19,217,243
Plus: Labor service costs	1,323,989	1,356,840
Plus: Unamortized labor and manufacturing overhead	63,523	106,878
Plus: Loss on net realizable value of inventory	-	12,875
Plus: Loss on obsolescence of Inventories	90	-
Less: Inventory adjustment credit (net)	(96)	(121)
Less: Rally in net inventory realizable value	(7,962)	-
Less: income of off-grades & scrap material sold	<u>(6,306)</u>	<u>(7,925)</u>
Account recorded in operating costs	<u>\$ 17,829,140</u>	<u>\$ 20,685,790</u>

2) The Group's operating costs, including the loss of net realizable value of inventories (gain on rebound) between January 1 and December 31, 2019 and 2018 were (NT\$7,962) thousand and NT\$12,875 thousand, respectively, due primarily to the stability of raw material prices and product quotations/due to decline.

3) The Group's inventory has not been used for collateral or pledge.

(7) Prepayments

Items	December 31, 2019	December 31, 2018
Prepayment on sales	\$ 10,030	\$ 28,161
Prepayment of short-term lease agreement fees/ rent	932	1,003
Prepayment of insurance premium	16,317	18,503
Prepayment of production fees	416	132
Supplies inventory	2,617	2,519
Advertising exchange commodities and giveaways	2,462	2,014
Input tax	33,581	31,268
Tax credit	707	922
Others	6,021	9,019
Total	<u>\$ 73,083</u>	<u>\$ 93,541</u>

(8) Other financial assets - current

Items	December 31, 2019	December 31, 2018
Bank deposits with restricted use	\$ 48,463	\$ 11,371
Time deposits with original maturity more than three months	3,669,228	2,348,514
Bonds under Repurchase Agreements over three months	-	339,060
Total	<u>\$ 3,717,691</u>	<u>\$ 2,698,945</u>

- 1) The “bank deposits with restricted use” refers to a reserve account for liquidation with restricted use. Please see Note 8(2) for more details.
- 2) The time deposits with original maturity more than three months and bonds under Repurchase Agreements over three months held by the Group did not meet the definition of cash equivalents. They are, therefore, classified under other financial assets - current, as the effect of discounts during the short holding period was insignificant, which was measured by the amount of investment.
- 3) The interest rate range in the market for the Group’s time deposits with original maturity more than three months as of December 31, 2019 and 2018 were 0.65% - 2.89% and 0.90% - 3.32%, respectively.
- 4) The interest rate range in the market for the bonds under Repurchase Agreements over three months undertaken by the Group as of December 31, 2018, were 2.97% - 3.50% which the Group already committed to reverse repurchase not later than August 22, 2019.
- 5) The Group assessed that the expected credit risk of the above financial assets was not high, and the credit risk has not increased after the initial recognition.

(9) Other current assets - other

Items	December 31, 2019	December 31, 2018
Cost of program broadcasting - current (Note)	<u>\$ 73,554</u>	<u>\$ 166,660</u>

Note: Cost of program broadcasting - current, please see Notes 6(19)-1 for more details.

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

Items	December 31, 2019	December 31, 2018
Listed (OTC) company stocks in Taiwan		
China Life Insurance Co., Ltd.	\$ 1,116,736	\$ 788,348
China Development Financial Holding Corporation	1,123,868	1,123,868
Unlisted (OTC) company stocks in Taiwan and abroad		
He Xin Venture Investment Enterprise Co., Ltd.	18,412	18,412
TECO Nanotech Co., Ltd.	219	219
Kuo Tsung Development Co., Ltd.	5,000	5,000
Kuo Tsung Construction Development Co., Ltd.	5,000	5,000
YODN Lighting Corp.	9,754	9,754
Bridgestone Taiwan Co., Ltd.	77,104	77,104
Jeoutai Technology Co., Ltd.	26,604	26,604
Global Mobile Corp.	14,400	14,400
Great Dream Pictures, Inc.	10,000	10,000
Com2B Corp.	8,961	8,961
Limited partnership interest in Taiwan and abroad		
CDIB Capital Asia Partners L.P.	369,754	350,044
CDIB Capital Global Opportunities Fund L.P.	246,937	139,248
China Development Asset Management Corporation's advantageous venture capital limited partnership	106,602	74,490
Subtotal	3,139,351	2,651,452
Plus: Evaluation adjustment	1,349,570	1,568,774
Total	\$ 4,488,921	\$ 4,220,226

- 1) The aforementioned investments held by the Group were not in a short-term profitable operating mode. The management believes that if the short-term fair value fluctuations of these investments were included in the profit or loss, and the aforementioned investment plans were inconsistent, they chose to designate these investments at fair value through other comprehensive income.
- 2) As of December 31, 2019, the Group newly invested in stocks of China Life Insurance Co., Ltd. in a total of 18,454 thousand shares in an amount of NT\$380,153 thousand; as of December 31, 2019, the Group sold 5,000,000 shares of China Life Insurance Co., Ltd.'s stocks, in the price of NT\$124,560 thousand.
- 3) The Group newly invested limited partnership interest of the CDIB Capital Asia Partners L.P. between January 1 and December 31, 2019 and 2018 in amounts of US\$1,786 thousand (equivalent to NT\$54,194 thousand) and US\$738 thousand (equivalent to NT\$22,499 thousand). Besides, the capital distribution of limited partnership interest between January 1 and December 31, 2019 and 2018 amounted to US\$994 thousand (equivalent to NT\$30,023 thousand) and US\$313 thousand (equivalent to NT\$9,585 thousand); as of December 31, 2019 and 2018, the Group's cumulative investment in CDIB Capital Asia Partners L.P.'s limited

partnership interest amounted to US\$12,062 thousand and US\$11,270 thousand respectively, and the Group's estimated total investment amount was US\$13,000 thousand.

- 4) The Group newly invested CDIB Capital Global Opportunities Fund L.P.'s limited partnership interest of US\$5,052 thousand (equivalent to NT\$151,452 thousand) and US\$ 4,534 thousand (equivalent to NT\$139,248 thousand) between January 1 and December 31, 2019 and 2018;; in addition, the limited partnership interest allocated capital between January 1 and December 31, 2019 and 2018 amounted to US\$ 1,349 thousand (equivalent to NT\$40,432 thousand) and NT\$0, respectively; as of December 31, 2019 and 2018, the Group's cumulative investment in CDIB Capital Global Opportunities Fund L.P.'s limited partnership interest was US\$8,237 thousand and US\$4,534 thousand, respectively, and the estimated total investment amount of the Group was US\$30,000 thousand.
- 5) The Group's newly invested in China Development Asset Management Corporation's advantageous venture capital limited partnership interest between January 1 and December 31, 2019 and 2018 in amounts of NT\$35,698 thousand and NT\$74,490 thousand respectively; the limited partnership equity allocated capital between January 1 and December 31, 2019 and 2018 amounted to NT\$3,586 thousand and NT\$0, respectively; as of December 31, 2019 and 2018, the Group's cumulative investment in China Development Asset Management Corporation's advantageous venture capital limited partnership interest were NT\$106,602 thousand and NT\$74,490 thousand, respectively, and the Group's estimated total investment amount was to NT\$200,000 thousand.
- 6) The Group held investment in structured entity equity as a limited partnership interest, so there was no transaction volume and unit transaction price, and it only bore the rights and obligations within the scope of the investment contract which had no significant influence on such investment. Accordingly, the maximum exposure amount on the balance sheet date was just the carrying amount of these financial assets.
- 7) The Group's net losses recognized in other comprehensive income between January 1 and December 31, 2019 and 2018 due to changes in fair value were NT\$146,408 thousand and NT\$280,712 thousand, respectively and accumulated in other equity; in addition, the amount of accumulative gain (loss) due to disposal of investment transferred directly to the retained earnings were NT\$72,795 thousand and NT\$0, respectively, and the share attributable to the owners of the parent company were NT\$45,344 thousand and NT\$0, respectively.
- 8) The financial assets at fair values through other comprehensive income - noncurrent held by the Group have not been used for collateral or pledge.

(11) Investments accounted for using the equity method

1) Investments in associates

Name of associate	December 31, 2019		December 31, 2018	
	Carrying amount	Shareholding %	Carrying amount	Shareholding %
Zhenjiang Chimei Chemical Co., Ltd.	\$ 5,460,356	30.40%	\$ 5,509,893	30.40%
Zhangzhou Chimei Chemical Co., Ltd.	1,137,377	30.40%	717,809	30.40%
Total	<u>\$ 6,597,733</u>		<u>\$ 6,227,702</u>	

2) The shares of profits or losses and other comprehensive income of associates accounted for using the equity method between January 1 and December 31, 2019 and 2018 were recognized based on the financial statements audited by other certified public accountants of international CPA firms in the cooperation relationship with the CPA firms of the Republic of China during the same period of associates.

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

Name of associate	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Recognized in current profit/loss	Recognized in other comprehensive income	Recognized in current profit/loss	Recognized in other comprehensive income
Zhenjiang Chimei Chemical Co., Ltd.	\$ 1,237,525	(\$ 78,410)	\$ 988,415	(\$ 349,901)
Zhangzhou Chimei Chemical Co., Ltd.	(15,057)	(25,756)	-	908
Total	<u>\$ 1,222,468</u>	<u>(\$ 104,166)</u>	<u>\$ 988,415</u>	<u>(\$ 348,993)</u>

4) The Company wired out the capital worth CNY160,512 thousand (equivalent to US\$23,340 thousand /NT\$716,901 thousand) in August 2018 to invest in Zhangzhou Chimei Chemical Co., Ltd.. The said investment has been submitted to and approved by the Investment Commission, Ministry of Economic Affairs with Letter Jing-Shen-II-Zi 10700087220 dated June 4, 2018.

5) The Group used the earnings allocated from Zhenjiang Chimei Chemical Co., Ltd. to launch capital increase into Zhangzhou Chimei Chemical Co., Ltd. in an amount of CNY107,008 thousand (equivalent to US\$15,923 thousand/NT\$477,374 thousand) in March 2019. The said investment was duly approved by the Investment Commission, Ministry of Economic Affairs with Letter Jing-Shen -II-Zi 10800084900 dated April 23, 2019.

6) The Group used the earnings allocated from Zhenjiang Chimei Chemical Co., Ltd. to launch capital increase into Zhangzhou Chimei Chemical Co., Ltd. in the total amount of CNY111,872 thousand (equivalent to US\$15,950 thousand/NT\$478,169 thousand) in November 2019. The said investment was duly approved by the Investment Commission, Ministry of Economic Affairs with Letter Jing-Shen-II-Zi 10800395800 dated January 7, 2020. As of December 31, 2019, nevertheless, while Zhangzhou Chimei Chemical Co., Ltd. had not yet completed the process of capital increase verification, that amount

was recorded as investment paid in advance. Please see Note 6(17) for more details.

- 7) Investment accounted for using the equity method held by the Group has not been used for collateral or pledge.
- 8) For more details regarding the attribute in business of the aforementioned associates, their major business premises and country of incorporation registration, please see Note 13(3), information of investment in Mainland China.
- 9) The summarized financial information in respect of the Group's key associates are as follows: (The summarized financial information of the Group's key associates hereunder were prepared on the grounds of IFRSs financial statements by the associates with the adjustment already reflected at the time of equity method).

A. Zhenjiang Chimei Chemical Co., Ltd.

① Balance Sheets

Items	December 31, 2019	December 31, 2018
Current assets	\$ 22,472,072	\$ 27,101,894
Noncurrent assets	9,362,856	9,028,267
Current liabilities	(9,917,702)	(15,344,042)
Noncurrent liabilities	(1,492,342)	-
Equity	20,424,884	20,786,119
The Company's shareholding ratio	30.40%	30.40%
The interests bestowed to the Company	6,209,165	6,318,980
Unrealized profit or loss	(748,809)	(809,087)
Carrying amount of investment in associates	\$ 5,460,356	\$ 5,509,893

② Statements of Comprehensive Income

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating revenues	\$ 63,912,288	\$ 72,921,032
Net profit for the year	4,070,804	3,251,366
Other comprehensive income	-	-
Total comprehensive income	\$ 4,070,804	\$ 3,251,366
Dividend received from associates	\$ 955,543	\$ 808,265

Note: As of December 31, 2019, the Group directly remitted the dividend received from Zhenjiang Chimei Chemical Co., Ltd. to Zhangzhou Chimei Chemical Co., Ltd. used as the capital increase in cash.

B. Zhangzhou Chimei Chemical Co., Ltd.

① Balance Sheets

Items	December 31, 2019	December 31, 2018
Current assets	\$ 1,355,631	\$ 2,279,983
Noncurrent assets	2,667,447	84,477
Current liabilities	(281,707)	(3,247)
Noncurrent liabilities	-	-
Equity	3,741,371	2,361,213
The Company's shareholding ratio	30.40%	30.40%
Interests bestowed to the Company	1,137,377	717,809
Unrealized profit or loss	-	-
Carrying amount of investment in associates	\$ 1,137,377	\$ 717,809

② Statements of Comprehensive Income

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating revenues	\$ -	\$ -
Net profit (loss) for the year	(49,528)	-
Other comprehensive income	-	-
Total comprehensive income	(\$ 49,528)	\$ -
Dividend received from associates	\$ -	\$ -

Note: Zhangzhou Chimei Chemical Co., Ltd. was incorporated in August 2018 without any significant profit or loss occurring during the initial period until 2018.

(12) Property, plant and equipment

Items	December 31, 2019	December 31, 2018
Land	\$ 3,409,062	\$ 3,410,682
Buildings & constructions	1,609,846	1,599,726
Machinery & equipment	13,466,251	13,468,888
Transportation facilities	101,522	103,537
Other equipment	1,532,831	1,393,925
Construction in progress and Equipment to be inspected	22,178	51,489
Total costs	20,141,690	20,028,247
Less: Accumulated depreciation	(13,278,832)	(12,545,939)
Less: Accumulated impairment	(55,517)	(54,835)
Net	\$ 6,807,341	\$ 7,427,473

Items	Land	Buildings & constructions	Machinery & equipment	Transportation facilities	Other equipment	Construction in progress and equipment to be inspected	Total
Cost:							
Balance at January 1, 2019	\$ 3,410,682	\$ 1,599,726	\$ 13,468,888	\$ 103,537	\$ 1,393,925	\$ 51,489	\$ 20,028,247
IFRS 16 retrospective application transfer-out	-	-	-	-	(3,889)	-	(3,889)
Addition	5	10,154	36,261	3,412	155,827	73,869	279,528
Disposal	(1,625)	(4,274)	(64,164)	(4,818)	(58,566)	-	(133,447)
Reclassification (Note)	-	6,734	32,272	-	46,723	(103,180)	(17,451)

Items	Land	Buildings & constructions	Machinery & equipment	Transportation facilities	Other equipment	Construction in progress and equipment to be inspected	Total
Effects of exchange rate	-	(2,494)	(7,006)	(609)	(1,189)	-	(11,298)
Balance at December 31, 2019	<u>\$ 3,409,062</u>	<u>\$ 1,609,846</u>	<u>\$ 13,466,251</u>	<u>\$ 101,522</u>	<u>\$ 1,532,831</u>	<u>\$ 22,178</u>	<u>\$ 20,141,690</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2019	\$ -	\$ 931,742	\$ 10,752,940	\$ 86,597	\$ 829,495	\$ -	\$ 12,600,774
IFRS 16 retrospective application transfer-out	-	-	-	-	(972)	-	(972)
Depreciation expenses	-	52,881	658,332	5,561	154,560	-	871,334
Disposal	-	(4,330)	(63,938)	(4,740)	(58,202)	-	(131,210)
Impairment loss	-	-	-	-	3,773	-	3,773
Reclassification	-	-	-	-	-	-	-
Effects of exchange rate	-	(1,673)	(6,207)	(440)	(1,030)	-	(9,350)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 978,620</u>	<u>\$ 11,341,127</u>	<u>\$ 86,978</u>	<u>\$ 927,624</u>	<u>\$ -</u>	<u>\$ 13,334,349</u>
Items	Land	Buildings & constructions	Machinery & equipment	Transportation facilities	Other equipment	Construction in progress and equipment to be inspected	Total
Cost:							
Balance at January 1, 2018	\$ 3,410,682	\$ 1,587,140	\$ 13,392,891	\$ 101,235	\$ 1,277,374	\$ 102,532	\$ 19,871,854
Addition	-	12,887	165,108	4,590	313,477	57,655	553,717
Disposal	-	(3,718)	(161,687)	(3,511)	(176,635)	-	(345,551)
Reclassification (Note)	-	4,791	76,043	1,580	(19,747)	(108,698)	(46,031)
Effects of exchange rate	-	(1,374)	(3,467)	(357)	(544)	-	(5,742)
Balance at December 31, 2018	<u>\$ 3,410,682</u>	<u>\$ 1,599,726</u>	<u>\$ 13,468,888</u>	<u>\$ 103,537</u>	<u>\$ 1,393,925</u>	<u>\$ 51,489</u>	<u>\$ 20,028,247</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2018	\$ -	\$ 890,430	\$ 10,250,008	\$ 82,246	\$ 870,937	\$ -	\$ 12,093,621
Depreciation expenses	-	46,025	667,312	7,990	134,211	-	855,538
Disposal	-	(3,676)	(162,121)	(3,391)	(175,179)	-	(344,367)
Impairment loss	-	-	-	-	-	-	-
Effects of exchange rate	-	(1,037)	(2,259)	(248)	(474)	-	(4,018)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 931,742</u>	<u>\$ 10,752,940</u>	<u>\$ 86,597</u>	<u>\$ 829,495</u>	<u>\$ -</u>	<u>\$ 12,600,774</u>

Note: Net changes in the reclassification in property, plant and equipment converted into expenses in the amounts of NT\$17,451 thousand and NT\$46,031 thousand respectively between January 1 and December 31, 2019 and 2018.

- 1) Starting from January 1, 2019, the Group adopted IFRS 16. Pursuant to the transitional provisions set forth under IFRS 16, the Group chose not to reclassify the period for comparison. The Group's effects of property, plant and equipment in the retrospective application to IFRS 16, the major effects used to adopt IAS 17 to recognize the finance leases for reclassification into right-of-use assets, please see Note 3(1) and Note 6(13).
- 2) The Group's property, plant and equipment were primarily provided for own use. Part of the usable spaces of the property was leased to others as operating lease.

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Increase in property, plant and equipment	\$ 279,528	\$ 553,717
Plus: Decrease (increase) in the payables for equipment	14,865	(14,036)
Less: Finance lease rented	-	(3,889)
Amounts paid in cash	<u>\$ 294,393</u>	<u>\$ 535,792</u>

- 4) Cost capitalized amount and interest rate range of the property, plant and equipment based loans: Nil
- 5) The major composition items of the Group's property, plant and equipment were depreciated in the straight-line method based on the useful life as follows:

A. Buildings & constructions

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

B. Machinery equipment

Chemical equipment	8 - 25 years	Steam and electricity equipment	16 years
Gas supply equipment	10 years	Broadcasting equipment	5 - 6 years
Others	7 years		

C. Transportation facilities

SNG Van	5 - 7 years	OB outside Broadcasting Van	6 - 7 years
Others	2 - 6 years		

D. Other equipment

Furniture & office equipment	4 - 7 years	Leasehold improvement	10 years
Catering equipment	3 years	Others	3 - 8 years

- 6) As of December 31, 2019 while some equipment capacity was not fully utilized,

the Group expected that the future cash inflow of such equipment would decrease, and, in turn, estimated that recoverable amount was NT\$0 less than the carrying amount so that it would recognize the impairment loss of other equipment amounting to NT\$3,773 thousand. Such impairment loss was already included in the consolidated statements of comprehensive income under other gains and losses. The Group used the value in use to determine the recoverable amount of such equipment. The discount rate adopted as of December 31, 2019 was 6.21%. The Group recognized that the accumulated impairment amounts for property, plant and equipment between January 1 and December 31, 2019 and 2018 were NT\$55,517 thousand and NT\$54,835 thousand, respectively.

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

(13) Lease agreement

Year 2019

1) Right-of-use assets

Items	December 31, 2019	December 31, 2018
Land	\$ 8,789	(Note)
Buildings & constructions	449,312	
Machinery & equipment	35,377	
Transportation facilities	16,721	
Total costs	510,199	
Less: Accumulated depreciation	(76,950)	
Less: Accumulated impairment	-	
Net	<u>\$ 433,249</u>	

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

Items	Land	Buildings & constructions	Machinery & equipment	Transportation facilities	Total
Cost:					
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
IFRS 16 retrospective application transfer-in	9,130	440,099	35,377	10,153	494,759
Addition/Reclassification	-	9,552	-	6,568	16,120
Derecognition	-	-	-	-	-
Effects of exchange rate	(341)	(339)	-	-	(680)
Balance at December 31, 2019	<u>\$ 8,789</u>	<u>\$ 449,312</u>	<u>\$ 35,377</u>	<u>\$ 16,721</u>	<u>\$ 510,199</u>
Accumulated depreciation:					
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
IFRS 16 retrospective application transfer-in	-	-	-	972	972
Depreciation expenses	271	60,825	8,324	6,629	76,049
Derecognition	-	-	-	-	-
Effects of exchange rate	(5)	(66)	-	-	(71)
Balance at December 31, 2019	<u>\$ 266</u>	<u>\$ 60,759</u>	<u>\$ 8,324</u>	<u>\$ 7,601</u>	<u>\$ 76,950</u>

2) Lease liabilities

Items	December 31, 2019		December 31, 2018	
	Current	Noncurrent	Current	Noncurrent
Land	\$ -	\$ -	(Note)	(Note)
Buildings & constructions	58,645	332,361		
Machinery & equipment	8,990	18,869		
Transportation facilities	5,751	3,417		
Total	<u>\$ 73,386</u>	<u>\$ 354,647</u>		

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

Items	Land	Buildings & constructions	Machinery & equipment	Transportation facilities	Total
Lease liabilities:					
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
IFRS 16 retrospective application transfer-in	-	440,099	35,377	9,199	484,675
Addition/Reclassification	-	9,552	-	6,568	16,120
Derecognition	-	-	-	-	-
Repayment of principal of lease liabilities	-	(58,370)	(7,518)	(6,599)	(72,487)
Effects of exchange rate	-	(275)	-	-	(275)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 391,006</u>	<u>\$ 27,859</u>	<u>\$ 9,168</u>	<u>\$ 428,033</u>

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

Items	Estimated lease term (including lease renewal rights)	December 31, 2019
Land	50 years	-
Buildings & constructions	2 - 13 years	0.63% - 4.30%
Machinery & equipment	4 years	0.75%
Transportation facilities	2 - 3 years	0.90% -1.50%

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

Items	December 31, 2019
Below 1 year	\$ 77,508
Over 1 year but below 5 years	240,988
Over 5 years but below 10 years	122,461
Over 10 years but below 15 years	2,000
Over 15 years but below 20 years	-
Over 20 years	-
Total undiscounted lease payments	<u>\$ 442,957</u>

3) Major lease events and clauses

A. The Group leased the land in the People's Republic of China for use as a production plants and office spaces for land use right in 50 years. The entire rents should be paid up in a lump-sum at the time of execution of this Lease Agreement. The Group was not entitled to procure the land upon expiry of the duration of land use right. The Group was entitled to the act of disposition such as land use right, income right, transfer and

lease within the land use limit, and the Group is responsible to pay a variety of taxes as required.

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

B. Option to prolong the lease

The part of the Subject Premises covered within the Group's lease agreement includes the extension option entitled to the Group. Under the general practice for the lease agreement, the Group was bestowed with the maximum possible operating flexibility and effective use of assets. While the Group resolved to enter into the lease term, the Group already took into account all the facts and circumstances that will result in the economic incentives generated from the exercise of extension option. Therefore, upon the estimation for the exercise of extension option, as of December 31, 2019, the right-of-use assets and the lease liabilities increased by NT\$279,050 thousand and NT\$280,427 thousand, respectively.

C. Impact of variable lease payments on lease liabilities

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

- 4) Sublet: The Group sub-leases the right to use part of the leased spaces (parking spaces) under a short-term operating lease.
- 5) Other lease information

The Group's agreement to lease investment property by means of operating lease is detailed in Note 6(14)-6.

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

Items	Year Ended December 31, 2019
Expenses attributable to short-term lease agreement	\$ 6,112
Expenses attributable to low-value assets lease	10
Expenses paid under variable lease	4,503
Total	<u>\$ 10,625</u>
Interest expense for lease liabilities	<u>\$ 4,794</u>

Gain from sublet in right-of-use assets	\$ 938
Profit (loss) generated from back-lease transaction after sales	\$ -
Profit (loss) generated from amendment to lease transaction	\$ -

The Group chose to apply recognition exemptions for short-term leases and low-value asset leases, and did not recognize related right-of-use assets and lease liabilities for these leases. As of December 31, 2019 the short-term lease commitment amount with recognition exemptions was NT\$1,143 thousand.

- B. The total lease cash outflow of the Group during January 1 - December 31, 2019 totaled at NT\$87,906 thousand.
- C. The right-of-use assets prove no impairment as indicated by the result of the Group's prudential evaluation.

Year 2018

Commitment to operating lease - The Group was as the lessee

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

Items	December 31, 2018
Below 1 year	\$ 71,059
Over 1 year but below 5 years	116,247
Over 5 years	18,964
Total	\$ 206,270

(14) Investment property

Items	December 31, 2019	December 31, 2018
Land	\$ 60,363	\$ 60,363
Buildings & constructions	71,208	71,208
Subtotal	131,571	131,571
Less: Accumulated depreciation	(52,689)	(51,728)
Less: Accumulated impairment	-	-
Net	\$ 78,882	\$ 79,843

Items	Land	Buildings & constructions	Total
Cost:			
Balance at January 1, 2019	\$ 60,363	\$ 71,208	\$ 131,571
Additions	-	-	-
Disposal	-	-	-
Effects of exchange rate	-	-	-
Balance at December 31, 2019	\$ 60,363	\$ 71,208	\$ 131,571

Accumulated depreciation and impairment:

Balance at January 1, 2019	\$	-	\$	51,728	\$	51,728
Depreciation expenses		-		961		961
Disposal		-		-		-
Effects of exchange rate		-		-		-
Balance at December 31, 2019	\$	-	\$	52,689	\$	52,689

Items	Land	Buildings & constructions	Total
Cost:			
Balance at January 1, 2018	\$ 60,363	\$ 71,208	\$ 131,571
Additions	-	-	-
Disposal	-	-	-
Effects of exchange rate	-	-	-
Balance at December 31, 2018	\$ 60,363	\$ 71,208	\$ 131,571

Accumulated depreciation and impairment :

Balance at January 1, 2018	\$	-	\$	50,705	\$	50,705
Depreciation expenses		-		1,023		1,023
Disposal		-		-		-
Effects of exchange rate		-		-		-
Balance at December 31, 2018	\$	-	\$	51,728	\$	51,728

- 1) Cost capitalized amount of cost and interest rate range of investment property based loans: Nil
- 2) Rent revenues from investment property and direct operating expenses:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Rent revenues from investment property	\$ 5,400	\$ 5,400
Direct operating expenses arising from investment property that generated rental income in current year	\$ 961	\$ 1,023
Direct operating expenses arising from investment property that did not generate rental income in current year	\$ -	\$ -

- 3) The Group's investment property is located in the Dali District of Taichung City. Where the land is oriented to software industry and where the comparable market transactions are infrequent and reliable alternative fair value estimates would be impractical, so the fair value cannot be determined reliably.
- 4) The investment property has no impairment as indicated by the result of the Group's prudential evaluation.
- 5) The Group's investment property is attributed as the Group's own interests and has not been used for collateral or pledge.
- 6) Lease agreements - The Group is the Lessee.

The investment property leased outward by the Group includes land and buildings & constructions, and the like. The lease agreement period is 2 years. At the end of the lease term, the lessee is not entitled to preferential

privilege to renew the leasehold. At the end of the duration, the most of lease agreement could be renewed according to the market price, and include terms that could adjust the rent according to the annual market environment. The Group leases outward the investment property under the operating lease. The total future lease payments are as follows:

Items	December 31, 2019	December 31, 2018
The first year	\$ 6,000	\$ 5,400
The second year	6,000	-
The third year	-	-
The fourth year	-	-
The fifth year	-	-
Over 5 years	-	-
Total	<u>\$ 12,000</u>	<u>\$ 5,400</u>

(15) Intangible assets

Items	December 31, 2019	December 31, 2018
Goodwill	\$ 674,070	\$ 674,070
Less: Accumulated impairment	-	-
Net	<u>\$ 674,070</u>	<u>\$ 674,070</u>

- 1) The intangible assets have no significant impairment as indicated by the result of the Group's prudential evaluation.
- 2) Goodwill has been allocated to the Group's cash-generating units identified by the operating segment:

Items	December 31, 2019	December 31, 2018
Goodwill		
Television Media Department	\$ 658,915	\$ 658,915
Other departments	15,155	15,155
Total	<u>\$ 674,070</u>	<u>\$ 674,070</u>

- 3) Goodwill has been allocated to the cash-generating units identified by the Group. The recoverable amount was evaluated based on use value which was calculated based on the pre-tax cash flow forecast of the management's financial budget. The Group's recoverable amount calculated based on use value exceeded the carrying amount, so the goodwill has not suffered significant impairments and has been mainly used to consider gross profit rate, growth rate and discount rate for use value calculation. The Group's management determined the budget gross profit rate based on the previous performance and its expectations for market development. The weighting average growth rate proved consistent with the forecast of the industry report. The discount rate used was the pre-tax rate and reflected the specific risks of the relevant operating segment.

(16) Refundable deposits

Items	December 31, 2019	December 31, 2018
Performance bond	\$ 887	\$ 805
Lease security deposit - as a lessee	12,371	12,345
Environmental protection guarantee bond	2,000	2,000
Others	1,186	1,514
Total	<u>\$ 16,444</u>	<u>\$ 16,664</u>

(17) Investment paid in advance

In November 2019, the Group used the earnings allocated from Zhenjiang Chimei Chemical Co., Ltd. to launch capital increase into Zhangzhou Chimei Chemical Co., Ltd. in a total amount of CNY111,872 thousand (equivalent to US\$15,950 thousand/NT\$478,169 thousand). The aforementioned investment has been approved by the Investment Commission, Ministry of Economic Affairs with Letter Jing-Sheng-II-Zi 10800395800 dated January 7, 2020. As of December 31, 2019 while Zhangzhou Chimei Chemical Co., Ltd. had not yet completed the process for capital verification, that investment in capital increase was recorded under investment paid in advance.

(18) Long-term rent paid in advance

Items	December 31, 2019	December 31, 2018
Land use right	(Note)	<u>\$ 9,130</u>

- 1) Starting from January 1, 2019, the Group adopted IFRS 16 instead of the previous use of IAS 17 and then, as a result, reclassified the long-term rent paid in advance into right-of-use assets. Further pursuant to the transitional provision under IFRS 16, the Group chose not to reclassify the comparison period. Please see Note 3(1) and Note 6(13).
- 2) Land use right was acquired from the Land Administration Bureau of the People's Republic of China and used as a production plant and office building. The right of use lasts for 50 years. The Group was entitled to the land use right within the land use duration, the right to receive, transfer and lease and such disposal powers equally. The Group was, meanwhile, obliged to pay various taxes and fees due to use of land.
- 3) As of December 31, 2018, the amount amortized for the land use right came to NT\$279 thousand. The single-line item by functional category is under operating costs.
- 4) The land use right has no impairment as indicated by the result of the Group's prudential evaluation.
- 5) The Group's land use right has not been used for guarantee, pledge.

(19) Other noncurrent assets - other

Items	December 31, 2019	December 31, 2018
Cost of program broadcasting - noncurrent	\$ 221,445	\$ 298,492
Long-term prepaid expenses	5,135	4,741
Catering tableware	1,406	-
Long-term receivables	120	187
Total	<u>\$ 228,106</u>	<u>\$ 303,420</u>

- 1) The cost of program broadcasting included the cost of outsourcing film broadcasting rights, outsourcing filming or self-made programs and the like. The relevant details are as follows:

Items	December 31, 2019	December 31, 2018
Movie film library	\$ 234,824	\$ 285,926
Film purchase paid in advance	71,559	174,139
Film production paid in advance	21,770	35,762
Subtotal	328,153	495,827
Less: Accumulated impairment - cost of program broadcasting	(33,154)	(30,675)
Less: Portion expected to be amortized within one year	(73,554)	(166,660)
Cost of program broadcasting - noncurrent	<u>\$ 221,445</u>	<u>\$ 298,492</u>

The portion expected to be amortized within one year was recorded in other current assets - others. Please see Note 6(9) for more details.

- 2) While some of the Group's broadcast programs were sold not well in the market at the box office or were not broadcast at all or a long period of time between January 1 and December 31, 2019 and 2018, the Group expected that the future cash inflow of these broadcast programs would drop, resulting in the estimated recoverable amounts at NT\$27,458 thousand and NT\$38,252 thousand, respectively below the carrying amounts. The Group, as a result, recognized the impairment loss of these broadcasts between January 1 and December 31, 2019 and 2018 at NT\$4,723 thousand and NT\$10,007 thousand respectively. The Group adopted the value in use to determine the recoverable amounts of these broadcasts. The adopted discount rates were 7.62% and 9.20%, respectively. Such impairment loss has been recorded under non-operating income and expenditures - other gains and losses in the statements of comprehensive income between January 1 and December 31, 2019 and 2018. As of December 31, 2019 and 2018, the amount of accumulated impairment recognized by the Group for broadcasting programs were NT\$33,154 thousand and NT\$30,675 thousand, respectively.
- 3) The program broadcasting held by the Group has not been used for collateral or pledge.
- 4) The single-line items for all amortization of the cost of program broadcasting, long-term prepaid expenses and catering tableware are as follows:

Items	Year Ended	Year Ended
	December 31, 2019	December 31, 2018
Operating costs	\$ 729,367	\$ 737,594
Operating expenses	2,285	3,362
Total	<u>\$ 731,652</u>	<u>\$ 740,956</u>

- 5) Catering tableware refers to cloth towels and general tableware, amortized on a straight-line basis for three years. The long-term receivables were loans granted employees without interest for vehicular purchase.

(20) Short-term loan

Attribute	December 31, 2019		December 31, 2018	
	Amount	Interest rate range	Amount	Interest rate range
Credit loans	\$ 20,000	1.15%~1.20%	\$ 2,240	0.90%~4.01%
Import financing	953	2.28%	593	1.32%
Total	<u>\$ 20,953</u>		<u>\$ 2,833</u>	

The Group and the banks have signed short-term comprehensive credit extension agreements for which the Group provided a promissory notes as a commitment to repay the loan. For more details regarding pledge provided for short-term loans, please see Note 8(1) and Note 9-2.

(21) Other payables

Items	December 31, 2019	December 31, 2018
Salaries and bonuses payable	\$ 275,773	\$ 388,766
Compensation to employee payable	34,607	52,043
Remuneration to directors and supervisors payable	51,039	77,145
Interest payable	14	-
Freight payable	20,641	19,680
Taxes payable	20,307	20,704
Insurance premium payable	9,689	8,827
Utilities payable	5,907	8,324
Repair & maintenance expenses payable	15,917	22,227
Service charge payable	10,610	18,433
Labor service cost payable	5,330	4,823
Equipment payable	5,606	20,471
Others	35,143	27,817
Total	<u>\$ 490,583</u>	<u>\$ 669,260</u>

(22) Provisions - current

Items	December 31, 2019	December 31, 2018
Employee benefits - payment on leave	<u>\$ 17,576</u>	<u>\$ 17,015</u>

- 1) The provisions of employee benefits - current refer to an estimate of the employee's vested right for service leave. In most cases, sick leave and

maternity leave or paternity leave are contingent in attribute, depending on future events and instead of being accumulated so such costs would be recognized only when the fact of leave takes place.

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

Items	Year Ended	Year Ended
	December 31, 2019	December 31, 2018
Beginning balance	\$ 17,015	\$ 17,072
Additional amount for the year	25,047	24,308
Utilized amount for the year	(22,492)	(20,532)
Reversal of unutilized amount for the year	(1,994)	(3,833)
Ending balance	<u>\$ 17,576</u>	<u>\$ 17,015</u>

- (23) Advance receipts

Items	December 31, 2019	December 31, 2018
Rents collected in advance	\$ 71	\$ 71
Others	84	81
Total	<u>\$ 155</u>	<u>\$ 152</u>

- (24) Other current liabilities - other

Items	December 31, 2019	December 31, 2018
All collections	\$ 5,807	\$ 6,502
Others	290	172
Total	<u>\$ 6,097</u>	<u>\$ 6,674</u>

- (25) Provisions - noncurrent

Items	December 31, 2019	December 31, 2018
Other long-term employee benefits plans	<u>\$ 10,175</u>	<u>\$ 8,486</u>

- 1) The other long-term employee benefits plans of the Group are the seniority service bonuses and consolation money for employees. The payment criteria for long-term bonuses and consolation money were calculated based on the basis of the service seniority acquired and accumulated.
- 2) The Group has recognized other long-term employee benefits obligations. The composition of obligatory liabilities is as follows:

Items	December 31, 2019	December 31, 2018
Present value of other long-term employee benefits obligations	\$ 10,175	\$ 8,486
Fair value of plan assets	-	-
Other long-term employee benefits liabilities, net	<u>\$ 10,175</u>	<u>\$ 8,486</u>

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance	\$ 8,486	\$ 6,944
Other long-term employee benefits costs:		
Current service cost	1,031	752
Interest expenses	82	78
Remeasurements:		
Actuarial losses (gains) - change in demographic assumptions	90	147
Actuarial losses (gains) - change in financial assumptions	187	7
Actuarial losses (gains) - experience adjustment	907	901
Recognized in profit or loss	2,297	1,885
Payments of benefit	(608)	(343)
Ending balance	\$ 10,175	\$ 8,486

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

- 5) Composition of the plan assets

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

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

Items	2019	2018
Discount rate	0.625% - 0.750%	0.875% - 1.125%
Future salary growth rate	1.75% - 2.00%	1.75% - 2.00%

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

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

A. Interest rate risks

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

B. Salary related risks

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

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

Items	Discount rate		Future salary growth rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019:				
Effect on present value of other long-term employee benefits obligations	<u>(\$ 182)</u>	<u>\$ 189</u>	<u>\$ 103</u>	<u>(\$ 100)</u>
December 31, 2018 :				
Effect on present value of other long-term employee benefits obligations	<u>(\$ 147)</u>	<u>\$ 151</u>	<u>\$ 70</u>	<u>(\$ 69)</u>

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

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

(26) Rent payable

The Group leased transportation facilities by means of finance lease for the lease term in 3 years. At the expiration of the lease term, these lease agreements were not entitled to terms for renewal or acquisition rights and extensions. The Group took lease assets ownership as the guarantee for rent payable. The interest rate of all finance lease obligations was fixed on the lease agreement initiation date and the annual interest rate range as of December 31, 2018 was 2.616%. The Group's total future minimum lease payments and present value as of December 31, 2018 are as follows:

Items	December 31, 2018		
	Total finance lease liabilities	Finance charge in future	Present value of finance lease liabilities
Current			
Below 1 year	<u>\$ 1,998</u>	<u>\$ 54</u>	<u>\$ 1,944</u>
Noncurrent			
Over 1 year but below 5 years	<u>999</u>	<u>8</u>	<u>991</u>
Over 5 years	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>999</u>	<u>8</u>	<u>991</u>
Total	<u>\$ 2,997</u>	<u>\$ 62</u>	<u>\$ 2,935</u>

The Group used IFRS 16 starting from January 1, 2019 and reclassified the rent payable previously recognized under finance lease pursuant to IAS 17 into lease liabilities. Further pursuant to transitional provisions under IFRS 16, the Group chose not to reclassify the comparison period, please see Note 3(1) and Note 6(13) for more details.

(27) Post-employment benefit plans

Items	December 31, 2019	December 31, 2018
Defined benefit plans	\$ 80,552	\$ 69,702
Defined contribution plans	4,483	4,455
Total	<u>\$ 85,035</u>	<u>\$ 74,157</u>

1) Defined benefit plans

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

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

Items	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ 961,102	\$ 924,215
Fair value of plan assets	(880,550)	(854,513)
Net defined benefit liabilities	<u>\$ 80,552</u>	<u>\$ 69,702</u>

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Present value of defined benefit obligation, beginning of year	\$ 924,215	\$ 922,805
Service cost of the current year	10,805	12,936
Interest expenses	9,226	10,584
Remeasurements:		
Actuarial losses (gains) - change in demographic assumptions	69	233
Actuarial losses (gains) - change in financial assumptions	22,198	13,586
Actuarial losses (gains) - experience adjustment	27,454	7,713
Payments of benefit (Note)	(32,865)	(43,642)
Present value of defined benefit obligation, end of year	<u>\$ 961,102</u>	<u>\$ 924,215</u>

Note: As of December 31, 2018, the payments of benefit included payments of benefit for plan assets NT\$42,942 thousand and payments of benefit on account NT\$700 thousand.

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Fair value of plan assets, beginning of year	\$ 854,513	\$ 839,476
Interest income	8,623	9,857
Remeasurements:		
Return on plan assets other than net interest	29,813	23,354
Fund attributed by employer	20,466	24,768
Payments of benefit on plan assets	(32,865)	(42,942)
Fair value of plan assets, end of year	<u>\$ 880,550</u>	<u>\$ 854,513</u>

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Current service cost	\$ 10,805	\$ 12,936
Interest expense of defined benefit obligations	9,226	10,584
Interest income of plan assets	(8,623)	(9,857)
Recognized in profit loss	<u>\$ 11,408</u>	<u>\$ 13,663</u>
Remeasurements :		
Actuarial losses (gains) - change in demographic assumptions	\$ 69	\$ 233
Actuarial losses (gains) - change in financial assumptions	22,198	13,586
Actuarial losses (gains) - experience adjustment	27,454	7,713

Return on plan assets other than net interest	(29,813)	(23,354)
Recognized in other comprehensive income	\$ 19,908	(\$1,822)

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating costs	\$ 5,586	\$ 7,437
Operating expenses		
Selling expenses	364	522
Administrative expenses	5,236	5,366
Research and development expenses	222	338
Subtotal	5,822	6,226
Total	\$ 11,408	\$ 13,663

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

Items	2019	2018
Discount rate	0.625% - 0.875%	0.875% - 1.250%
Future salary growth rate	1.50% - 2.00%	1.75% - 2.00%
Average period of existence of defined benefit obligations	5.4 years - 13.0 years	5.7 years - 13.1 years

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

- J. The Company and the domestic subsidiaries have been exposed to the following risks due to the Labor Standards Act:

① Interest rate risks

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

② Salary related risks

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

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

Items	Discount rate		Future salary growth rate	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
December 31, 2019:				
Effect to present value of defined benefit obligations	<u>(\$ 20,907)</u>	<u>\$ 21,622</u>	<u>\$ 20,986</u>	<u>(\$ 20,400)</u>
December 31, 2018 :				
Effect to present value of defined benefit obligations	<u>(\$ 21,216)</u>	<u>\$ 21,969</u>	<u>\$ 21,377</u>	<u>(\$ 20,752)</u>

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

- L. The Company and the domestic subsidiaries expected to pay to defined benefit plans in Year 2020 in the amount of contribution and the amount of payment NT\$ 19,423 thousand and NT\$31,024 thousand, respectively.

2) Defined contribution plans

- A. The Company and the domestic subsidiaries of the Group have established the regulations on defined contribution retirement in accordance with the "Labor Pension Act", which are applicable to employees of ROC (Taiwan) nationality. The Company withheld 6% of

the salary as labor pension into the employees' personal pension accounts of Bureau of Labor Insurance for the employee who chose to apply the labor pension system specified under the "Labor Pension Act" and the payment of pension was granted based on the employees' personal pension accounts and the amount of accumulated income either on a monthly basis or in one-time pension payment. Under such plan, after the Company and the domestic subsidiary contributed a fixed amount to the Bureau of Labor Insurance, the Company and the subsidiaries would no longer be subject to statutory or presumed obligations extra.

- B. The foreign subsidiaries of the Group have contributed old-age insurance fund or reserve of retirement allowance in accordance with the retirement regulations promulgated by the local governments. The pension for every employee has been managed under packaged arrangement by the local government authorities. Those companies have not been subject to further obligations except contribution of the pension on a monthly basis or on an annual basis as required by the Local Government Authorities.
- C. The Group recognized the pension costs in accordance with the aforementioned defined contribution plans between January 1 and December 31, 2019 and 2018 amounted to NT\$26,760 thousand and NT\$26,514 thousand, respectively. The net defined benefit liabilities recognized by the Company in accordance with the aforementioned defined contribution plans between January 1 and December 31, 2019 and 2018 amounted to NT\$4,483 thousand and NT\$4,455 thousand, respectively.
- D. The amounts of pension costs recognized in profit or loss in accordance with the aforementioned defined contribution plans are as follows based on the single-line items of functional category:

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating costs	\$ 10,319	\$ 10,032
Operating expenses		
Selling expenses	1,387	1,306
Administrative expenses	14,546	14,626
Research and development expenses	508	550
Subtotal	16,441	16,482
Total	\$ 26,760	\$ 26,514

(28) Guarantee deposits received

Items	December 31, 2019	December 31, 2018
Lease security deposit – lease	\$ 2,722	\$ 900
Pickup guarantee bond	2,441	3,582
Others	480	480
Total	\$ 5,643	\$ 4,962

(29) Other noncurrent liabilities - other

Items	December 31, 2019	December 31, 2018
Unrealized deferment revenues with disposal of investment	\$ 23,540	\$ 23,993

(30) Share capital

1) Common shares and preferred shares

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

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

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

- A. The earnings, if any, upon annual account settlement, the dividend of 6% for preferred shares should be allocated first. The balance shall be the allocable earnings which will be allocated at the shareholding ratio for common shares and preferred shares as proposed by the board of directors and finally resolved in the shareholders' meeting.
- B. Preferential allocation of the Company's remaining properties.
- C. Other entitlement would be same as the common shares.

(31) Capital reserve

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

According to the Company Act, the proceeds from the issuance of shares in excess of the par value, and the capital reserve received as gifts and income, in addition to

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

(32) Retained earnings

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

For more details regarding allocation of compensation to employees, remuneration to directors and supervisors, grounds of estimation and actual allocation, please see Note 6(40).

- 2) The Company's dividend policies are as follows:
The Company has been under a highly changeable industrial environment and is within a life cycle of stable and growing period. The Company should grasp the economic environment for sustainable operation. With the Company's long-term financial planning, future capital needs, and protect the interests of shareholders taken into account, the cash dividend allocated by the Company in every year should not be less than 10% of the total cash stock dividends in the current year (excluding 6% as the dividend of preferred share of the Group in Year 1984).
- 3) The legal reserve should not be put into any use except a use to make good previous loss of the Company, if any, and allocation through issuance of new shares or in cash to shareholders *pro rata* to original shareholding ratios. The total amount used to issue new shares or to allocate in cash, nevertheless, shall not exceed the maximum limit of 25% of the paid-in capital.
- 4) Upon allocating earnings, the Company should amortize and reverse special

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

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

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

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

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

(33) Items of other equity

Items	Exchange differences on translating financial statements of foreign operations	Unrealized valuation gain/loss of financial assets at fair value through other comprehensive income	Unrealized gain/loss on available-for-sale financial assets	Total
Balance at January 1, 2019	(\$ 206,080)	\$ 945,719	\$ -	\$ 739,639
Items directly recognized as other equity adjustment	(229,109)	(146,408)	-	(375,517)
Share attributable to non-controlling interests	9,532	48,481	-	58,013
Transferred to item of profit and loss	-	-	-	-
Transferred to retained earnings	-	(45,344)	-	(45,344)
Share accounted for using the equity method	(104,166)	-	-	(104,166)
Income tax related to items of other equity.	7,841	-	-	7,841
Balance at December 31, 2019	(\$ 521,982)	\$ 802,448	\$ -	\$ 280,466

Items	Exchange differences on translating financial statements of foreign operations	Unrealized valuation gain/loss of financial assets at fair value through other comprehensive income	Unrealized gain/loss on available-for-sale financial assets	Total
Balance at January 1, 2018	(\$ 119,538)	\$ -	\$ 1,007,410	\$ 887,872
Effects of retrospective application and retrospective reclassification	-	1,191,225	(1,007,410)	183,815
Items directly recognized as other equity adjustment	223,298	(280,712)	-	(57,414)
Share attributable to non-controlling interests	4,163	35,206	-	39,369
Transferred to item of profit and loss	-	-	-	-
Transferred to retained earnings	-	-	-	-
Portions recognized in equity method	(348,993)	-	-	(348,993)
Income tax related to items of other equity	34,990	-	-	34,990
Balance at December 31, 2018	(\$ 206,080)	\$ 945,719	\$ -	\$ 739,639

The related exchange difference incurred by the foreign operations' net assets converted from functional currency into the Group's expressed currency (i.e., New Taiwan Dollars) was directly recognized as exchange differences on translating financial statements of foreign operations under the other comprehensive income.

(34) Treasury stocks

- As of December 31, 2019 and 2018, the amount of treasury stocks repurchased by the Company was NT\$0 for both.
- The changes in the current year of the Company's stocks held by subsidiaries deemed as treasury stocks are as follows:

		Year Ended December 31, 2019							
		Beginning balance		Current increase		Current decrease		Ending balance	
Name of subsidiary	Kind	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
GPCC Chemical Corporation	Common Shares	247	\$ 5,719	-	\$ -	-	\$ -	247	\$ 5,719
	Preferred shares	1,776	49,858	-	-	-	-	1,776	49,858
Total		2,023	\$ 55,577	-	\$ -	-	\$ -	2,023	\$ 55,577
		Year Ended December 31, 2018							
		Beginning balance		Current increase		Current decrease		Ending balance	
Name of subsidiary	Kind	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
GPCC Chemical Corporation	Common Shares	3,128	\$ 72,312	-	\$ -	2,881	\$ 66,593	247	\$ 5,719
	Preferred shares	1,776	49,858	-	-	-	-	1,776	49,858
Total		4,904	\$ 122,170	-	\$ -	2,881	\$ 66,593	2,023	\$ 55,577

- The transaction amounts as the gains obtained by subsidiaries through disposal of the Company's stocks converted into capital reserve - treasury stocks as of December 31, 2019 and 2018 were NT\$ 0 and NT\$28,266 thousand, respectively.
- The transaction amounts with cash dividends of the parent company received by the subsidiaries converted into capital reserve - treasury stocks between January 1 and December 31, 2019 and 2018 were NT\$1,066 thousand and NT\$3,089 thousand, respectively.
- The fair values of the Company's stocks held by the subsidiaries as of December 31, 2019 and 2018 were NT\$65,697 thousand and NT\$66,946 thousand, respectively.

thousand, respectively.

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

(35) Non-controlling interests

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance	\$ 2,881,984	\$ 2,765,917
Effects of retrospective application and retrospective reclassification	-	12,745
Shares of comprehensive income attributable to non-controlling Interests:		
Net profit for the year	106,086	190,635
Exchange differences on translating financial statements of foreign operations	(9,532)	(4,163)
Unrealized valuation gain/loss of financial assets at fair value through other comprehensive income	(48,481)	(35,206)
Remeasurement of defined benefit plans	861	(1,837)
Income tax related to items of other comprehensive income	297	305
Equity transactions with non-controlling interests	(99)	-
Dividend unclaimed by subsidiaries' shareholders within the term	-	4
Cash dividend allocated by subsidiaries	(53,924)	(46,416)
Capital increase in cash by subsidiaries	45,000	-
Capital decrease by cash by subsidiaries	(63,656)	-
Acquisition of non-controlling interests increased by subsidiaries	4,873	-
Ending balance	<u>\$ 2,863,409</u>	<u>\$ 2,881,984</u>

(36) Operating revenues

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenues under customer contracts		
Sales revenues	\$ 18,316,042	\$ 22,441,811
Labor service revenues	2,152,187	2,299,327
Total	<u>\$ 20,468,229</u>	<u>\$ 24,741,138</u>

1) Detailed classification of revenues under customer contracts

The Group's revenues were from the transfer of a certain point in time and the provision of goods and labor services gradually transferred over time. The revenues could be broken down into the following main product lines and service types:

Main product types	Year Ended	Year Ended

	December 31, 2019	December 31, 2018
Sales revenues		
Petrochemical products	\$ 8,481,436	\$ 10,623,421
Plastic products	6,108,591	6,785,217
Hydrogen products	146,709	131,381
Steam and electricity products	465,479	427,396
Nylon products	1,539,118	2,682,897
Packaging material products	1,574,696	1,775,236
Plastic material resale	13	16,263
Subtotal	<u>18,316,042</u>	<u>22,441,811</u>
Labor service revenues		
Advertising services	1,204,505	1,318,542
Video services	706,122	706,122
Licensing and other services	238,252	274,663
Catering services	3,308	-
Subtotal	<u>2,152,187</u>	<u>2,299,327</u>
Total	<u>\$ 20,468,229</u>	<u>\$ 24,741,138</u>

2) Balances of contracts

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

Items	December 31, 2019	December 31, 2018
Contract assets - current		
Advertising contracts	\$ 16,876	\$ 25,250
Licensing contracts	10,611	35,114
Total	<u>\$ 27,487</u>	<u>\$ 60,364</u>

In terms of the Group's contract assets, the credit risks have not at all increased after the initial recognition. The expected credit loss rate is 0%.

Items	December 31, 2019	December 31, 2018
Contract liabilities - current		
Advertising contracts	\$ 4,488	\$ 269
Licensing contracts	24,710	22,669
Commodity sales	14,520	20,881
Total	<u>\$ 43,718</u>	<u>\$ 43,819</u>

A. Significant changes in contract assets and contract liabilities

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

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

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance of contract liabilities recognized as revenues in the current year		
Advertising contracts	\$269	\$4,363
Licensing contracts	22,669	-
Commodity sales	20,881	39,567
Total	<u>\$ 43,819</u>	<u>\$ 43,930</u>

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

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

- D. Unfulfilled customer contracts

For customer contracts unfulfilled by the Group as of December 31, 2019 and 2018, except for the following descriptions, the remaining contracts were expected to last for less than one year, and were expected to be fulfilled and recognized as revenues within the ensuing year. The Group has not yet fully fulfilled its contract obligations with the transaction price of the obligation to be amortized and the expected timepoint to be recognized as revenues as follows:

Timepoint expected to fulfill the contracts and to recognize the revenues	December 31, 2019		
	Video contracts	Licensing contracts	Total
Jan. 1, 2020 to Dec. 31, 2020	\$ 706,122	\$ 116,303	\$ 822,425
Jan. 1, 2021 to Dec. 31, 2021	-	95,174	95,174
Jan. 1, 2022 to Dec. 31, 2022	-	64,719	64,719
Jan. 1, 2023 to Dec. 31, 2023	-	-	-
Jan. 1, 2024 to Dec. 31, 2024	-	-	-
Total	<u>\$ 706,122</u>	<u>\$ 276,196</u>	<u>\$ 982,318</u>
Timepoint expected to fulfill the contracts and to recognize the revenues	December 31, 2018		
	Video contracts	Licensing contracts	Total
Jan. 1, 2019 to Dec. 31, 2019	\$ 706,122	\$ 131,050	\$ 837,172
Jan. 1, 2020 to Dec. 31, 2020	706,122	123,884	830,006
Jan. 1, 2021 to Dec. 31, 2021	-	102,383	102,383
Jan. 1, 2022 to Dec. 31, 2022	-	69,621	69,621
Jan. 1, 2023 to Dec. 31, 2023	-	-	-
Total	<u>\$ 1,412,244</u>	<u>\$ 426,938</u>	<u>\$ 1,839,182</u>

- 3) Contract cost related assets: Nil.

(37) Other revenues

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest income	\$ 102,121	\$ 67,249
Rent revenues	6,409	6,515
Dividend income	62,747	156,062
Subsidy revenues	53	3,700
Scrap sales revenues	1,378	1,896
Revenues of remuneration to directors and supervisors and traffic allowance	19,264	23,960
Revenues as refund of overpaid air pollution fee	-	3,042
Others	4,187	6,445
Total	<u>\$ 196,159</u>	<u>\$ 268,869</u>

(38) Other gains and losses

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Net gain on financial assets at fair value through profit or loss	\$ 214	\$ 20
Net gain (loss) on disposal of property, plant and equipment	429	(943)
Gain on disposal of investment	1,399	94
Net gain (loss) on foreign currency exchange	(28,741)	91,458
Impairment loss on non-financial assets	(8,496)	(10,007)
Loss on spare part inventory and obsolescence	-	(757)
Direct operating expenses of the investment property	(961)	(1,023)
Loss on legal lawsuits and reconciliation	-	(15,000)
Expenditures for insurance claim settlement in occupational accidents	(2,000)	-
Others	(3,815)	(1,181)
Total	<u>(\$ 41,971)</u>	<u>\$ 62,661</u>

(39) Finance costs

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest expense		
Loan interest for financial institutions	\$ 1,195	\$ 1,161
Interest counted upon security deposit	1	1
Lease liabilities interest	4,794	53
Interest in investment compensation	-	620
Subtotal	<u>5,990</u>	<u>1,835</u>
Less: Capitalized amount consistent with prerequisite constituents	<u>-</u>	<u>-</u>
Total	<u>\$ 5,990</u>	<u>\$ 1,835</u>

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

Attribute	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expenses						
Salaries	\$ 470,278	\$ 513,300	\$ 983,578	\$ 585,292	\$ 555,621	\$ 1,140,913
Labor and health insurance	41,797	41,437	83,234	40,817	41,689	82,506
Pension	15,905	22,263	38,168	17,469	22,708	40,177
Other employee benefits	15,080	106,562	121,642	15,072	147,681	162,753
Depreciation expenses (Note)	785,688	161,695	947,383	751,844	103,694	855,538
Amortization expenses	729,367	2,285	731,652	737,873	3,362	741,235
Total	<u>\$ 2,058,115</u>	<u>\$ 847,542</u>	<u>\$ 2,905,657</u>	<u>\$ 2,148,367</u>	<u>\$ 874,755</u>	<u>\$ 3,023,122</u>

Note: For the investment property between January 1 and December 31, 2019 and 2018, the depreciation expenses provided in the consolidated financial statements were NT\$961 thousand and NT\$1,023 thousand, respectively entered into the accounts as non-operating revenues and expenditures - other gains and losses.

- 1) Pursuant to the requirements set forth under the Articles of Incorporation, with the profits earned by the Company in the current year, a sum 1% shall be allocated for compensation to employees and a sum within 2% maximum as remuneration to the directors. Where the Company remains in accumulated loss, nevertheless, such loss should be made up. The term "the profits earned by the Company in the current year" denotes the profits earned in the current year before tax after deducting compensation to employees and remuneration to directors.
- 2) The Company's management estimated compensation to employees and remuneration to directors based on the profitability of the current year, and taking account the amounts expected for the payment and factors of the minimum and maximum limits set forth under the Articles of Incorporation to estimate the amount of net profit before tax and before deduction of the compensation to employees and remuneration to directors. The amounts estimated for compensation to employees were NT\$24,862 thousand and NT\$37,478 thousand, respectively and the amounts estimated for remuneration to directors were NT\$49,724 thousand and NT\$74,956 thousand, respectively between January 1 and December 31, 2019 and 2018. However, there is a significant change in the amount allocated by the resolution of the board of directors taking place before the date of authorization and issuance of the annual financial statements, such adjustment of change provided as annual expenses; if the amount still changes after the date of authorization and issuance of the annual financial statements, such change shall be handled as a change in accounting estimation and would be entered into account in the ensuing fiscal year.
- 3) As resolved by the Company's board of directors on March 19, 2020 and March 21, 2019, the compensation to employees for the years ended 2019 and 2018 amounted to NT\$24,862 thousand and NT\$37,478 thousand respectively, and the remuneration to directors and supervisors amounted to NT\$49,724 thousand and NT\$74,956 thousand, respectively. The aforementioned amounts resolved show no significant difference from the expenses entered into the

financial statements of Year 2019 and Year 2018. The aforementioned compensation/remunerations were paid in cash.

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

(41) Business combination

- 1) Acquirement of subsidiaries

In August 2019, the Group purchased 50% equity of GPPC Development Co., Ltd. (formerly known as Ching Hua Development International Co., Ltd.) at a consideration of NT\$4,873 thousand in cash and then obtained control over GPPC Development Co., Ltd. That company primarily engaged in general hotel business. The Group acquired GPPC Development Co., Ltd. in an effort to diversify management and development of new markets.

- 2) Assets acquired and obligations assumed as of the date of acquisition

Information about the consideration paid for acquisition of GPPC Development Co., Ltd. the fair value of the assets acquired and obligations assumed as of the date of acquisition and the fair value of the non-controlling interests as of the date of acquisition are as follows:

Items	Amount
Consideration paid for acquisition	
Cash	\$ 4,873
Fair value of equity previously held in GPPC Development Co., Ltd. as of the date of acquisition	-
Fair value of non-controlling interests	4,873
Subtotal	9,746
Fair value of recognizable assets acquired and liabilities assumed	
Current assets	
Cash & cash equivalents	9,713
Prepayments	10
Noncurrent assets	
Deferred income tax assets	23
Total net recognizable assets	9,746
Goodwill	\$ -

Amidst the business combination, the fair values of the assets and liabilities acquired by GPPC Development Co., Ltd. were close to the carrying amounts. As of the date of acquisition, there had not been any amount expected unrecoverable.

- 3) Cash flows acquired from subsidiaries

Items	Amount
Acquisition of cash & cash equivalents	\$ 9,713
Less: Consideration paid in cash	(4,873)
Acquisition of net cash provided by subsidiaries	\$ 4,840

- 4) Impact of business combinations upon managerial result

Since the acquisition date, the operating results from the acquired company are

as follows:

Items	Amount
Operating revenues	\$ -
Net profit (loss) for the year	(\$ 959)

In the event that those business combinations occurred on the start date of the fiscal year to which the acquisition date belonged, the Group's proposed operating revenue and net profit for Year 2019 were NT\$20,468,229 thousand and NT\$2,176,047 thousand, respectively. These amounts could not reflect that if the business combination was completed on the start date of the acquisition year. The actual revenue and operating results of the Group should not be used to predict future operating results.

(42) Equity transactions with non-controlling interests

In October 2019, the Group increased 11.54% shareholding in GPPC Development Co., Ltd., bringing its shareholding ratio from 50% to 61.54%. Because the aforementioned transaction did not change the Group's control over that subsidiary, the Group treated it as equity transaction. That difference of equity transaction amounted to NT\$99 thousand, recorded as capital reserve - recognized changes in the ownership interests of subsidiaries with the amount of non-controlling interests was transferred out by the same amount based on the correspondent equity change.

(43) Income tax

1) Composition of income tax expense (gain):

A. Income tax recognized in profit or loss

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Current income tax expense payable	\$ 550,882	\$ 892,969
Deferred income tax expenses (gains)		
Origination and reversal of temporary differences	13,555	19,240
Effect of change in tax rate	-	(1,477)
Effect of exchange rate	9	(6)
Net change in deferred income tax decrease (increase)	13,564	17,757
Adjustment to income taxes in previous year	220	(4,519)
Income tax expenses (gains) recognized in profit or loss	\$ 564,666	\$ 906,207

B. Recognized in income tax related to other comprehensive income

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Deferred income tax		
Exchange difference resulting from translating the financial statements of foreign operations	(\$ 7,841)	(\$ 34,990)
Remeasurements of defined benefit plan	(5,283)	747
Effect of change in tax rate	-	(2,905)
Net change in deferred income tax decrease (increase)	(13,124)	(37,148)
Income tax expenses (gains) recognized in other comprehensive income	<u>(\$ 13,124)</u>	<u>(\$ 37,148)</u>

2) Reconciliation of income in the current fiscal year and the income tax expense recognized into profit or loss.

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Net profit (loss) before tax from continuing operations unit	<u>\$ 2,740,877</u>	<u>\$ 4,056,948</u>
Income tax with profit (loss) loss before tax at statutory tax rate	548,175	811,390
Effects of income tax upon adjustments		
Effects not counted into the items upon determination of the taxable income	82,414	38,972
Tax to be made up under the minimum taxation system	-	-
Income tax levied additionally on unappropriated earnings	148,538	228,641
Loss carry-forward incurred in current year	1,223	-
Loss carry-forward for offset in current year	(370)	(1,968)
Investment credit for offset in current year	-	-
Impact subject to different tax rates among entities in combination	<u>(229,098)</u>	<u>(184,066)</u>
Current income tax expense payable	550,882	892,969
Net change in deferred income tax decrease (increase)	13,564	17,757
Adjustment to income taxes in previous year	<u>220</u>	<u>(4,519)</u>
Income tax expenses (gains) recognized in profit or loss	<u>\$ 564,666</u>	<u>\$ 906,207</u>

The Group applied 20% statutory tax rate applied for the entities under the Income Tax Act prevalent in the Republic of China. In the wake of amendment to the Income Tax Act of the Republic of China in February 2018, the income tax rate was adjusted from 17% to 20% which was put into enforcement in 2018. In addition, for the unappropriated earnings in 2018, the applicable tax rate was cut from 10% to 5%. The tax rate applicable to subsidiaries in Mainland China was 25%. Taxes incurred in other regions would be counted based on the respective tax rates. The Group has estimated the impacts linked up with such changes in the taxation rates.

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

Items	December 31, 2019	December 31, 2018
Income tax assets for the year		
Income tax paid in advance	\$ 1,198	\$310
Income liabilities for the year		
Current income tax expense payable	\$ 550,882	\$ 892,969
Less: Credit for the income tax paid in advance in current year	(333,508)	(306,608)
Total	\$ 217,374	\$ 586,361

4) Balance of deferred income tax assets (liabilities)

Items	Year Ended December 31, 2019				
	Beginning balance	Inward transfer in the consolidation	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets					
Unrealized exchange loss	\$ 1,889	\$ -	\$ 2,537	\$ -	\$ 4,426
Losses on obsolescence and market value decline in inventories	7,542	-	(1,112)	-	6,430
Employee leave payment obligations	3,401	-	450	-	3,851
Defined employee benefits plans	19,778	-	(589)	5,283	24,472
Loss on impairment of tangible assets	14,258	-	540	-	14,798
Unrealized gains in sales	950	-	(885)	-	65
Loss carry-forward (Note)	-	23	233	-	256
Others	1,540	-	(345)	-	1,195
Total	\$ 49,358	23	829	5,283	\$ 55,493
Deferred income tax liabilities					
Unrealized exchange gain	\$97	-	335	-	\$432
Investment in Associates	186,536	-	14,213	(7,841)	192,908
Financial & taxation difference in depreciation expenses	456	-	(155)	-	301
Reserve for land value increment tax	1,062,196	-	-	-	1,062,196
Total	\$ 1,249,285	-	14,393	(7,841)	\$ 1,255,837
Changes in net increase (decrease)		\$ 23	(\$ 13,564)	\$ 13,124	

Items	Year Ended December 31, 2018			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Unrealized exchange loss	\$ 3,549	(\$ 1,660)	\$ -	\$ 1,889
Losses on obsolescence and market value decline in inventories	5,729	1,813	-	7,542
Employee leave payment obligations	2,901	500	-	3,401
Defined employee benefits plans	17,750	(130)	2,158	19,778
Loss on impairment of tangible assets	10,847	3,411	-	14,258
Unrealized gains in sales	2,264	(1,314)	-	950
Loss carry-forward (Note)	179	(179)	-	-
Others	1,686	(146)	-	1,540
Total	<u>\$ 44,905</u>	<u>2,295</u>	<u>2,158</u>	<u>\$ 49,358</u>
Deferred income tax liabilities				
Unrealized exchange gain	\$ -	97	-	\$ 97
Investment in Associates	201,497	20,029	(34,990)	186,536
Financial & taxation difference in depreciation expenses	530	(74)	-	456
Reserve for land value increment tax	1,062,196	-	-	1,062,196
Total	<u>\$ 1,264,223</u>	<u>20,052</u>	<u>(34,990)</u>	<u>\$ 1,249,285</u>
Changes in net increase (decrease)		<u>(\$ 17,757)</u>	<u>\$ 37,148</u>	

Note: Amount of loss carry-forward recognized in profit or loss included the amounts incurred/used in the current year and adjustment for changes estimated in previous year deducted with the amounts recognized as not likely to be realized. The inward transfer in the merger referred to deferred income tax assets acquired as a result of acquisition of GPPC Development Co., Ltd.

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

Items	December 31, 2019	December 31, 2018
Deferred income tax assets		
Defined employee benefits plans	\$ 7,144	\$ 8,446
Loss on impairment of financial assets	686	686
Loss carry-forward	4,184	5,091
Total	<u>\$ 12,014</u>	<u>\$ 14,223</u>

- 6) The unrecognized deferred income tax liabilities related to investment

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

income tax liabilities amounted to NT\$1,259,851 thousand and NT\$1,097,761 thousand, respectively.

- 7) As of December 31, 2019, the Group applied the provisions of the Income Tax Act, which the aggregate total of the deferred income tax assets with income tax payable in the year after credit was summarized as follows:

Last credit-use year	Recognized loss carry-forward	Unrecognized loss carry-forward	Total
Year 2020	\$ -	\$ 2,459	\$ 2,459
Year 2025	-	735	735
Year 2028	23	-	23
Year 2029	233	990	1,223
Total	<u>\$ 256</u>	<u>\$ 4,184</u>	<u>\$ 4,440</u>

- 8) The income tax returns through 2017 of the Company and the domestic subsidiaries within the Group has been assessed and approved by the tax authority, except for GPPC Hospitality and Leisure Inc. and GPPC Development Co., Ltd. which have their income tax returns through 2018 been assessed and approved by tax authority.
- 9) Where the allocation of earnings for Year 2020 to be resolved in the shareholders' meeting remains uncertain, the unappropriated earnings added with the very outcome of the potential income tax in Year 2019 could not be determined in a reliable way.

(44) Changes in liabilities coming from financing activities

Items	Short-term loans	Lease liabilities	Guarantee deposits received
January 1, 2019	\$ 2,833	\$ -	\$ 4,962
Effects of retrospective application to IFRS 16	-	484,675	-
Net change in financing cash flows	18,120	(72,487)	681
Change in non-cash - lease addition/remeasurement	-	16,120	-
Effects of exchange rate	-	(275)	-
December 31, 2019	<u>\$ 20,953</u>	<u>\$ 428,033</u>	<u>\$ 5,643</u>

Items	Short-term loans	Rent payable	Guarantee deposits received
January 1, 2018	\$ 37,581	\$ 1,822	\$ 1,420
Net change in financing cash flows	(34,748)	(2,776)	3,542
Non-cash change - financial lease rented	-	3,889	-
December 31, 2018	<u>\$ 2,833</u>	<u>\$ 2,935</u>	<u>\$ 4,962</u>

(45) Earnings per share (EPS)

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

If the Company was entitled to the option to distribute compensation to employee in

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

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

7. Related party transactions

(1) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(2) Names of the related parties and relationship thereof

Name of related party	Relationship with the Group
Zhenjiang Chimei Chemical Co., Ltd.	Associate
He Xin Venture Investment Enterprise Co., Ltd.	Substantial related party
China Development Asset Management Corporation	Substantial related party
All directors, general manager and deputy general managers	Main management

(3) Significant transactions with related parties

All such major transactions, account balances, income and expenses by and between the Company and the subsidiaries (as the related parties of the Company) were eliminated in full during the preparation of the consolidated financial statements, so they were not disclosed in this Note. Please see Note 13(1) (2)-11. The transactions between the Group and other related parties are as follows:

1) Sales

Kind of the related party	Year Ended December 31, 2019	Year Ended December 31, 2018

Associate	<u>\$</u>	<u>8,150</u>	<u>\$</u>	<u>3,382</u>

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

2) Lease agreement

A. Right-of-use assets (Applicable to Year 2019)

<u>Kind of related party</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Substantial related party	<u>\$ 41,313</u>	<u>\$ -</u>

B. Refundable deposits

<u>Kind of related party</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Substantial related party	<u>\$ 1,040</u>	<u>\$ 1,040</u>

C. Lease liabilities - current (Applicable to Year 2019)

<u>Kind of related party</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Substantial related party	<u>\$ 5,626</u>	<u>\$ -</u>

D. Lease liabilities - noncurrent (Applicable to Year 2019)

<u>Kind of related party</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
China Development Asset Management Corporation	<u>\$ 35,877</u>	<u>\$ -</u>

E. Interest expenses (Applicable to Year 2019)

<u>Kind of related party</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Substantial related party	<u>\$ 414</u>	<u>\$ -</u>

F. Lease expenses

<u>Kind of related party</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Substantial related party	<u>\$ -</u>	<u>\$ 5,943</u>

G. As of December 31, 2019, the total rents paid by the Group to the substantial related parties were NT\$5,981 thousand.

H. The Group already signed business lease Agreement for premises in coming years with its subsidiaries. As of December 31, 2019 and 2018, as agreed, the Group issued forward notes (not enumerated in the accounts) in advance in the worth of NT\$1,048 thousand and NT\$1,040 thousand, respectively, to facilitate cashing at time of actual transaction in the future.

I. Under the lease agreements, the rents were counted on the grounds of market conditions and the terms negotiated and determined by and between both parties. Accordingly, the Group issued forward notes to pay the rent on a monthly basis.

3) Outward lease agreements

A. Rent revenues

Kind of related party	Year Ended December 31, 2019	Year Ended December 31, 2018
Substantial related party	\$ 114	\$ 119

B. Rents collected in advance

Kind of related party	December 31, 2019	December 31, 2018
Substantial related party	\$ 71	\$ 71

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

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

Accounts receivable

Kind of related party	December 31, 2019	December 31, 2018
Substantial related party	\$ 1,271	\$ 735

(4) Information of compensation for main management

Items	Year Ended December 31, 2019	Year Ended December 31, 2018
Salaries and other short-term employee benefits	\$ 145,701	\$ 176,740
Termination benefits	-	-
Post-employment benefits	4,318	4,165
Other long-term benefits	-	-
Shares-based payment	-	-
Total	\$ 150,019	\$ 180,905

8. Pledged assets

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

Items	Purposes of pledge (mortgage)	December 31, 2019	December 31, 2018
Land	Comprehensive facility of credit extension, security for purchase	\$ 3,209,800	\$ 3,209,800
Buildings & constructions	Comprehensive facility of credit extension, security for purchase	378,794	401,274
Machinery & equipment	Guarantee for comprehensive facility of credit extension	885,732	1,025,622
Total		\$ 4,474,326	\$ 4,636,696

(2) Facts of other assets pledged

Items	Purposes of pledge (mortgage)	December 31, 2019	December 31, 2018
Bank deposits	Reserve account for liquidation	\$ 48,463	\$ 11,371

9. Significant contingent liabilities and unrecognized contract commitments

1) Endorsements/guarantees: Nil

2) Refundable deposit guarantee notes and debit notes

A. The Group issued guaranteed promissory notes with facility and debit notes lent them to financial institutions as a commitment to repay the loan. As of December 31, 2019 and 2018, the guaranteed promissory notes were US\$33,000 thousand, NT\$6,242,000 thousand and US\$13,000 thousand, NT\$5,142,000 thousand, respectively.

B. The Group issued guarantee notes to the Chinese Taipei Basketball Association for all rights including the exclusive broadcast rights of the Super Basketball League (SBL) and the exclusive right to solicit investment in the live advertisements. As of December 31, 2019 and 2018, the guarantee notes were NT\$0 and NT\$10,000 thousand, respectively.

3) Deposited guarantee notes and collateral

The Group collected deposited guarantee notes and collateral as its performance guarantee. As of December 31, 2019 and 2018, the deposited guarantee notes were NT\$164,585 thousand, SGD208 thousand, EUR730 thousand, US\$2,823 thousand, JPY1,850 thousand and NT\$160,332 thousand, SGD208 thousand, EUR730 thousand, US\$2,710 thousand and JPY1,850 thousand, respectively.

4) Amidst the need for material procurement and other purposes, the Group commissioned the financial institutions to provide performance bonds. As of December 31, 2019 and 2018, the performance bonds were NT\$5,500 thousand and NT\$6,000 thousand respectively.

5) The balance of L/C opened but not used by the Group as of December 31, 2019 and 2018 were US\$12,453 thousand, NT\$663,800 thousand and US\$8,225 thousand, NT\$670,446 thousand and EUR59 thousand, respectively.

6) The property, plant and equipment and other major capital expenditures for which the Group had executed contracts but had not paid off as of December 31, 2019 and 2018 were NT\$20,409 thousand and NT\$37,973 thousand, respectively.

7) As of December 31, 2019 and 2018, the Group had signed contracts for film procurement and for outsourced production of programs for which the Group had not yet paid for the contracts as the contract films had not been delivered in the amounts of NT\$818,835 thousand and NT\$1,183,857 thousand, respectively.

8) Under the agreement duly executed by and between the Group and CPC Corporation, Taiwan (CPC), the Group has been required to procure from CPC specified volumes of ethylene, benzene and butadiene from every year. If the annual purchase volume of the Group did not reach the minimum contract amount, CPC may reduce the supply in the following year as appropriate. In addition, the Group committed to purchase CPC's ethylene, benzene and butadiene as raw materials for factory-made styrene and acrylonitrile-butadiene-styrene copolymer resin (ABS), unless approved by government

authorities, or in case of the internal dispatch for petrochemical feedstock, the Group should not transfer into other uses or resell the quotas (Where required for petrochemical scheduling, and with the prior written consent of CPC, the Group was allowed to transfer the ethylene, benzene and butadiene to petrochemical users of CPC as petrochemical feedstock either in whole or in part), otherwise CPC may would stop supplying ethylene, benzene and butadiene at any time and terminate the agreement.

- 9) In order to manufacture ABS and other products, the Group purchased butadiene from Formosa Petrochemical Corporation as a raw material for which the Group signed a transaction agreement. Under the agreement, the Group committed itself to purchase at least 100 metric tons of butadiene from Formosa Petrochemical Corporation every month as the raw material for the production of ABS and other products.
- 10) In order to manufacture ABS and other products, the Group purchased acrylonitrile from China Petrochemical Development Corporation as a raw material for which the Group signed a transaction agreement. Under the agreement, the Group committed itself to purchase 3,600 metric tons to 7,200 metric tons of acrylonitrile every quarter as a raw material for the production of ABS and other products.
- 11) Significant business agreements

A. Revenues

In response to the substantial need in business operation, the Group had executed important long-term contracts such as basic channel exclusive agency agreements and NBA broadcast authorization contract as irrevocable major business agreements. The Group expected that the amounts of the authorization fee to be received in the respective coming years would be as follows:

Items	December 31, 2019	December 31, 2018
Below 1 year	\$ 798,203	\$ 834,393
Over 1 year but below 5 years	167,745	972,319
Over 5 years	-	-
Total	<u>\$ 965,948</u>	<u>\$ 1,806,712</u>

B. Expenditures

In line with the substantial need in business operation, the Group had executed licensing contracts, music and recording works public broadcasting license agreements, baseball matches relaying licensing contracts, public broadcasting and public transmission general licensing contracts, advertising opening buyback contracts and agreements. Such important long-term contracts that have become effective are a sort of non-cancellable major business agreement. The details of the amount of authorization fund payable by the Group in the respective coming years are as follows:

Items	December 31, 2019	December 31, 2018
Below 1 year	\$ 65,095	\$ 78,620
Over 1 year but below 5 years	467	63,578
Over 5 years	-	-
Total	<u>\$ 65,562</u>	<u>\$ 142,198</u>

10. Significant Disaster Loss: Nil
11. Significant Events after the Balance Sheet Date: Nil
12. Other events

(1) Seasonal or cyclical interpretation of interim operations

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

(2) Capital risk management

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

(3) Financial instruments

1) Kind of financial instruments

Financial assets	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 172,216	\$ 39,020
Investment in equity instrument of financial assets at fair value through other comprehensive income	4,488,921	4,220,226
Financial assets carried at amortized cost		
Cash & cash equivalents	3,403,383	2,729,454
Contract assets - current	27,487	60,364
Notes and accounts receivable (including related parties)	2,422,525	3,001,297
Other receivables	63,705	81,641
Other financial assets - current	3,717,691	2,698,945
Refundable deposits	16,444	16,664
Financial liabilities		
Financial liabilities carried at amortized cost		
Short-term loans	20,953	2,833
Notes and accounts payable	1,649,611	1,548,995
Other payables	490,583	669,260
Lease liabilities (Current and Noncurrent)	428,033	-
Guarantee deposits received	5,643	4,962

2) Financial risk management policies

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

The Group has set up appropriate policies, procedures and internal controls in response to the aforementioned financial risk management in accordance with relevant regulations, and all important financial activities must be reviewed by

the Board of Directors in accordance with relevant regulations and internal control systems. During the implementation of the financial plan, the Group must comply with the relevant financial operation procedures for overall financial risk management and division of powers and responsibilities.

3) The attribute and level of significant financial risks

A. Market risks

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

① Exchange rate risks

The Group's business involves certain non-functional currencies (the functional currency of the Company and some subsidiaries has been the New Taiwan Dollars and the functional currencies of some subsidiaries have been U. S. Dollars, Hong Kong dollars, Malaysian Ringgit and Renminbi) so it is subject to exchange rate fluctuations impact. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows: (including non-functional currency-denominated monetary items that have been written off in the consolidated financial statements).

Items (Foreign currencies: Functional currency)	December 31, 2019			December 31, 2018		
	Foreign currencies	Exchange rate foreign currencies vs. functional currency	New Taiwan Dollars	Foreign currencies	Exchange rate foreign currencies vs. functional currency	New Taiwan Dollars
Financial assets						
Monetary items						
USD:NTD	\$ 67,286	29.98	\$ 2,017,234	\$ 66,032	30.715	\$ 2,028,173
USD:RMB	202	6.9640	6,056	224	6.8683	6,880
USD:MYR	20	4.2628	600	4	4.3188	123
USD:HKD	82	7.7890	2,458	94	7.8335	2,887
RMB:NTD	740	4.3050	3,186	755	4.4720	3,376
RMB:USD	-	-	-	3,648	0.1456	16,314
RMB:HKD	1	1.1185	4	3	1.1405	13
HKD:RMB	-	-	-	43	0.8768	169
SGD:MYR	28	3.1679	624	21	3.1609	472
EUR: NTD	8	33.59	269	-	-	-
Non-monetary items						
RMB:USD	1,716,020	0.1436	7,387,466	1,573,524	0.1456	7,036,799
Financial liabilities						
Monetary items						
USD:NTD	20,269	29.98	607,665	11,197	30.715	343,916
USD:RMB	212	6.9640	6,356	266	6.8683	8,170
USD:MYR	188	4.2628	5,636	246	4.3188	7,556
EUR: NTD	87	33.59	2,922	92	35.20	3,238

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

Here at the Group, the sensitivity analysis on the exchange rate risks mainly focuses on the major foreign currency monetary items

and non-monetary items at the end of the financial statement period, and the related foreign currency appreciation/depreciation impact on the Group's profit and loss as well as equity. Where the exchange rates for foreign currencies was appreciated/depreciated by 1%, the net profit after tax for the Group between January 1 and December 31, 2019 and 2018 would increase/decrease at NT\$11,263 thousand and NT\$13,564 thousand respectively while the equity would increase/decrease by NT\$73,875 thousand and NT\$70,368 thousand, respectively.

In addition, the net profit or loss with exchange in foreign currency (including realization and un realization) under the Group's monetary items between January 1 and December 31, 2019 and 2018 were (NT\$28,741 thousand and NT\$91,458 thousand. Due to multiple currency types of foreign currency transactions, practically, it was impossible to clearly distinguish the types of exchange gains and losses and their exposure separately according to each foreign currency, so they are expressed in a summary amount.

② Interest rate risks

The interest rate related risks refers to the risks of financial instruments' fair value or future cash flow fluctuations due to changes in market interest rates. The Group's interest rate risks mainly come from floating rate in loans where some of the risks would be held with floating rates through cash & cash equivalents offset. Where the Group regularly assesses the trend of interest rate changes and responds to it, it is not expected that there would be a significant risk of market interest rate changes. If the loans interest rate increases or decreases by 10 basis points, with all other factors remaining unchanged, the net profit after tax of the Group between January 1 and December 31, 2019 and 2018 would decrease or increase by NT\$16 thousand and NT\$37 thousand, respectively.

③ Price risks

The investment held by the Group as shown through the balance sheet has been primarily classified as financial assets at fair value through profit and loss and financial assets at fair values through other comprehensive income. The Group has been, therefore, exposed to pricing risks of equity instruments. In an effort to manage the pricing risks of equity instruments, the Group virtually diversifies its investment portfolio in a manner that was based on the limits set by the Group. The Group has invested in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income with the price of financial instruments such as profit or loss affected by the uncertainty of the future value of the investment target. If the price of such financial instruments rises/falls by 1% where all other factors remain unchanged, the net profit after tax between January 1 and December 31, 2019 and 2018 would increase/decrease by NT\$1,722 thousand and NT\$390 thousand, respectively and the equity would increase/decrease by NT\$44,889 thousand and NT\$42,202 thousand, respectively.

B. Credit risks

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

① Credit risks related to business operation

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

② Financial credit risks

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

③ Information of credit-related risks in accounts receivable

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

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

④ Exposure to credit risks

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

Financial instruments	December 31, 2019		December 31, 2018	
	Carrying amount	Maximum credit exposure to risks	Carrying amount	Maximum credit exposure to risks
Cash & cash equivalents	\$ 3,403,383	\$ 3,403,383	\$ 2,729,454	\$ 2,729,454
Contract assets - current	27,487	27,487	60,364	60,364
Notes receivable	361,582	361,582	394,217	394,217
Accounts receivable (including related parties)	2,060,943	2,060,943	2,607,080	2,607,080
Other receivables	63,705	63,705	81,641	81,641
Other financial assets - current	3,717,691	3,717,691	2,698,945	2,698,945

C. Liquidity risk

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

The table below summarizes the Group's non-derivative financial liabilities, grouped by the relevant maturity date based on the earliest possible date of repayment and compiled with its undiscounted cash flow. The Group did not expect that the time when the cash flow of the analysis of the due date occurred would be significantly earlier or the actual amount would be significantly different. The interest cash flow paid at floating interest rates, the undiscounted interest amount derived based on the yield curve on the balance sheet date which was the amount of floating interest rate instrument of a non-derivative financial liability. The amount of the floating interest rate instrument would change according to the different interest rate and the estimated interest rate on the balance sheet date. For more details regarding the analysis of the due date of lease liabilities, please see Note 6(13)-2-(2).

December 31, 2019

Items	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flow	Carrying amount
Non-derivative financial liabilities							
Short-term loans	\$ 21,017	\$ -	\$ -	\$ -	\$ -	\$ 21,017	\$ 20,953
Notes payable	81,864	-	-	-	-	81,864	81,864
Accounts payable	1,567,747	-	-	-	-	1,567,747	1,567,747
Other payables	487,953	1,315	1,315	-	-	490,583	490,583

December 31, 2018

Items	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flow	Carrying amount
Non-derivative financial liabilities							
Short-term loans	\$ 2,857	\$ -	\$ -	\$ -	\$ -	\$ 2,857	\$ 2,833
Notes payable	78,620	-	-	-	-	78,620	78,620
Accounts payable	1,470,375	-	-	-	-	1,470,375	1,470,375
Other payables	667,070	2,190	-	-	-	669,260	669,260

(4) Information of fair value

1) Fair value hierarchy

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

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

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

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

2) Financial instruments not measured at fair values

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

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

Financial and non-financial instruments	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss - current				
Mutual fund beneficiary certificates	\$ 172,216	\$ -	\$ -	\$ 172,216
Financial assets at fair values through other comprehensive income - noncurrent				
Listed stocks in Taiwan	\$ 3,626,884	\$ -	\$ -	\$ 3,626,884
Unlisted stocks (OTC) in Taiwan	4,562	-	857,475	862,037
Total	\$ 3,631,446	\$ -	\$ 857,475	\$ 4,488,921
Financial and non-financial instruments	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss - current				
Mutual fund beneficiary certificates	\$ 39,020	\$ -	\$ -	\$ 39,020
Financial assets at fair values through other comprehensive income - noncurrent				
Listed stocks in Taiwan	\$ 3,494,035	\$ -	\$ -	\$ 3,494,035
Unlisted stocks (OTC) in Taiwan	5,526	-	720,665	726,191
Total	\$ 3,499,561	\$ -	\$ 720,665	\$ 4,220,226

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

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

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

- C. The output of the evaluation model was the approximate value of the estimate and the evaluation technology might not reflect all relevant factors of the Group's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model would be appropriately adjusted according to additional parameters, e.g., the model risk or liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management believes that the fair value of financial instruments and non-financial instruments as shown in the balance sheet should be expressed in a fair way. The evaluation adjustment is appropriate and essential. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to the current market conditions.
- D. The Group took credit risks evaluation adjustment into consideration of calculation in fair value of the financial instruments and non-financial instruments to respectively reflect the credit risk of the transaction counterparties and credit quality of the Group.
- 5) Transfer of fair values between Level 1 and Level 2 for the years ended December 31, 2019 and 2018: Nil
- 6) Change in the financial instruments of Level 3 for the years ended December 31, 2019 and 2018.

Items	Non-derivative equity instruments — Unlisted (OTC) Stocks	
	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance	\$ 720,665	\$ -
IFRS 9 retrospective application transfer-in	-	698,227
Acquisition this year	241,344	236,237
Disposal this year/Capital distribution	(74,041)	(9,585)
Outward transfer of level 3	-	(10,526)
Recognized in other comprehensive income	(22,700)	(199,264)
Effects of exchange rate	(7,793)	5,576
Ending balance	<u>\$ 857,475</u>	<u>\$ 720,665</u>

- 7) The Group adopted IFRS 9 since January 1, 2018 whereunder the unlisted (OTC) stocks and limited partnership interest used to be carried at costs instead of the previous IAS 39 were measured at the fair value through other comprehensive income. Where the fair value lacked sufficient observable market information, such stocks were transferred into Level 3. Another reason is that the emerging stock of unlisted (OTC) stocks at the end of March 2018, were re-evaluated the trading volume to determine whether it was an active market quotation. Due to the stable trading volume in the market, there is sufficient frequency and quantity of transaction occurrences, which could provide pricing information on a continuous basis, resulting in sufficient observable market information available, the Group, therefore, transferred the fair value used from Level 3 to Level 1 at the end of the month when the event occurred.
- 8) The Group's evaluation process for the fair value classified in Level 3 was the independent fair value verification of financial instruments conducted by the Company's Financial Department in collaboration with an outsourced professional evaluation agency. The independent sources of data were used to

bring the evaluation results closer to the market status as independent, reliable, and other resources consistent with and represent the executable price, and regularly update the required input values and data, and any other necessary fair value adjustments to ensure that the evaluation results would be rational.

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

Items	Fair value as of December 31, 2019	Evaluation technology	Significant unobservable input value	Range (Weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted (OTC) stocks and limited partnership	\$ 857,475	Market approach / Asset approach	Liquidity depreciation	10.00%-24.59%	Higher the liquidity depreciation, lower the fair value
Items	Fair value as of December 31, 2018	Evaluation technology	Significant unobservable input value	Range (Weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted (OTC) stocks and limited partnership	\$ 720,665	Market approach / Asset approach	Liquidity depreciation	10.00%-26.25%	Higher the liquidity depreciation, lower the fair value

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

Items	Input value	Change	Year Ended December 31, 2019			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Adverse change	Favorable change	Adverse change
Non-derivative equity instruments:						
Unlisted (OTC) stocks and limited partnership	Liquidity depreciation	+1%	\$ -	\$ -	\$ -	(\$ 10,107)
		-1%	\$ -	\$ -	\$ 10,483	\$ -

Items	Input value	Change	Year Ended December 31, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Adverse change	Favorable change	Adverse change
Non-derivative equity instruments:						
Unlisted (OTC) stocks and limited partnership	Liquidity depreciation	+1%	\$ -	\$ -	\$ -	(\$ 6,744)
		-1%	\$ -	\$ -	\$ 6,868	\$ -

13. Additional disclosure in the notes

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

- 1) Funds loaned to others: Nil

2) Provision of endorsements and guarantees to others

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

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

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

Securities held by	Kind and name of marketable securities		Relationship with the marketable securities issuer	General ledger account	At the end of year			
					Shares in thousands or unit expressed in thousands)	Carrying amount	Shareholding ratio (5)	Fair value
		Kuo Tsung Construction Development Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	200	-	1.31	-
		Bridgestone Taiwan Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	934	69,318	1.15	69,318
		Com2B Corporation	—	Financial assets at fair values through other comprehensive income - noncurrent	750	-	1.67	-
		Grand Pacific Petrochemical Corporation - common shares	The Company's parent company	Financial assets at fair values through other comprehensive income - noncurrent	247	4,603	0.03	4,603
		Grand Pacific Petrochemical Corporation - preferred shares	The Company's parent company	Financial assets at fair values through other comprehensive income - noncurrent	1,776	61,094	8.88	61,094
		China Development Financial Holding Corporation	The Company is that company's director	Financial assets at fair values through other comprehensive income - noncurrent	12,110	117,830	0.08	117,830
GPPC INVESTMENT CORP.	Stock	YODN Lighting Corp.	—	Financial assets at fair values through other comprehensive income - noncurrent	631	3,345	3.54	3,345
	Partnership	China Development Asset Management Corporation's advantageous venture capital limited partnership	—	Financial assets at fair values through other comprehensive income - noncurrent	-	85,723	-	85,723
	Fund	KGI Victory Money Market Fund	—	Financial assets at fair value through profit or loss - current	215	2,504	-	2,504
GPPC Hospitality And Leisure Inc.	Fund	KGI Victory Money Market Fund	—	Financial assets at fair value through profit or loss - current	1,585	18,420	-	18,420
GPPC Development Co., Ltd.	Fund	KGI Victory Money Market Fund	—	Financial assets at fair value through profit or loss - current	11,016	128,045	-	128,045
Goldenpacific Equities Ltd.	Partnership	CDIB Capital Asia Partners L.P.	—	Financial assets at fair values through other comprehensive income - noncurrent	-	163,125	-	154,211
		CDIB Capital Global Opportunities Fund L.P.	—	Financial assets at fair values through other comprehensive income - noncurrent	-	237,669	-	139,248
Videoland Inc.	Stock	China Life Insurance Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	107,882	2,761,780	2.42	2,761,780
		China Development Financial Holding Corporation	—	Financial assets at fair values through other comprehensive income - noncurrent	55,504	540,050	0.37	540,050
	Stock	Jeoutai Technology Co., Ltd.	—	Financial assets at fair values through other comprehensive income - noncurrent	2,007	\$67,687	5.96	\$67,687
		Global Mobile Corp.	—	Financial assets at fair values through other comprehensive income - noncurrent	1,440	-	0.52	-
		Great Dream Pictures, Inc.	—	Financial assets at fair values through other comprehensive income - noncurrent	1,000	5,750	9.98	5,750
	Partnership	CDIB Capital Asia Partners L.P.	—	Financial assets at fair values through other comprehensive income - noncurrent	-	139,853	-	139,853

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

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

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

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

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

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

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

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

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

9) Trading in derivative instruments: Nil

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

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

11) Business Relation and Important Transaction Details between Parent Company and Subsidiary and between Subsidiaries

Name of counterparty	Name of transaction party	Relationship with counterparty	Transaction conditions			
			Account name	Amount	Transaction terms	Ratio to consolidated total revenues or total assets
Grand Pacific Petrochemical Corporation	GPPC Chemical Corporation	Parent company vs. subsidiary	Sales revenues	\$1,286,974	The purchase or selling price under the contract is based on the mean price in the three regions, that is, FOB Korea, CFR Taiwan, and CFR SE Asia, in the respective issues of Styrene intelligence reports for the month according to Platt's Far East Petrochemical Scan.	6.29%
			Accounts receivable	12,611	The payment method is settlement at the end of each month and paid off 45 days following settlement. If the payment is not received as scheduled, the goods will be on hold the interest will be calculated at the one-year time deposit annual rate of the Bank of Taiwan as of January 1 of the specific year, however, is limited to 3 months at maximum.	0.04%
			Other revenues	8,400	As per the requirements in the contract	0.04%
			Technical support revenues (Entered as deduction of expense)	5,292	As per the requirements in the contract	0.03%
	GPPC Investment Corp.	Parent company vs. subsidiary	Rent revenues	23	As per the requirements in the lease agreement	—
	GPPC Development Co., Ltd.	Parent company vs. subsidiary	Rent revenues	23	As per the requirements in the lease agreement	—
	Videoland Inc.	Parent company vs. subsidiary	Rent revenues	137	As per the requirements in the lease agreement	—
	KK Enterprise Co., Ltd.	Parent company vs. subsidiary	Other revenues	487	As per the requirements in the Articles of Incorporation	—
GPPC Chemical Corporation	Grand Pacific Petrochemical Corporation	Subsidiary vs. parent company	Sales revenues	2,273	To be counted based on general transaction prices	0.01%
			Accounts receivable	348	Within 45 days on a monthly basis	—
			Rent revenues	72	As per the requirements in the lease agreement	—
GPPC Hospitality And Leisure Inc.	Grand Pacific Petrochemical Corporation	Subsidiary vs. parent company	Catering revenues	281	To be counted based on general transaction prices	—

Name of counterparty	Name of transaction party	Relationship with counterparty	Transaction conditions			
			Account name	Amount	Transaction terms	Ratio to consolidated total revenues or total assets
	Videoland Inc.	Subsidiary vs. subsidiary	Catering revenues	105	To be counted based on general transaction prices	—
Videoland Inc.	Grand Pacific Petrochemical Corporation	Subsidiary vs. parent company	Right-of-use assets	\$193	As per the requirements in the lease agreement	—
			Lease liabilities	137	As per the requirements in the lease agreement	—
			Lease interest	2	As per the requirements in the lease agreement	—
			Refundable deposits	50	As per the requirements in the lease agreement	—
	KK Enterprise Co., Ltd.	Subsidiary vs. subsidiary	Other revenues	487	As per the requirements in the Articles of Incorporation	—
KK Enterprise Co., Ltd.	KK Enterprise(Malaysia) Sdn Bhd.	Parent company vs. subsidiary	Sales revenues	27,578	To be counted based on general transaction prices	0.13%
			Accounts receivable	4,946	Within 90 days on a monthly basis	0.02%
			Endorsements/ guarantees	62,875	As per endorsements/guarantee operating procedures	0.20%
	KK Enterprise (Kunshan) Co., Ltd.	Parent company vs. subsidiary	Sales revenues	13,191	To be counted based on general transaction prices	0.06%
			Accounts receivable	3,064	Within 90 days on a monthly basis	0.01%
	KK Enterprise (Zhongshan) Co., Ltd.	Parent company vs. subsidiary	Sales revenues	422	To be counted based on general transaction prices	—
			Accounts receivable	122	Within 90 days on a monthly basis	—
K.K. Chemical Company Limited	KK Enterprise (Zhongshan) Co., Ltd.	Subsidiary vs. subsidiary	Other receivables	6,307	Within 90 days on a monthly basis	0.02%
KK Enterprise (Zhongshan) Co., Ltd.	KK Enterprise (Kunshan) Co., Ltd.	Subsidiary vs. subsidiary	Sales revenues	6,276	To be counted based on general transaction prices	0.03%
			Accounts receivable	672	Within 90 days on a monthly basis	—
KK Enterprise (Kunshan) Co., Ltd.	KK Enterprise (Zhongshan) Co., Ltd.	Subsidiary vs. subsidiary	Sales revenues	4,642	To be counted based on general transaction prices	0.02%
	KK Enterprise(Malaysia) Sdn Bhd.	Subsidiary vs. subsidiary	Sales revenues	3,794	To be counted based on general transaction prices	0.02%
			Accounts receivable	966	Within 90 days on a monthly basis	—
	Dragon King Inc.	Subsidiary vs. subsidiary	Sales revenues	5,954	To be counted based on general transaction prices	0.03%
			Accounts receivable	1,993	Within 90 days on a monthly basis	0.01%
Dragon King Inc.	KK Enterprise (Zhongshan) Co., Ltd.	Subsidiary vs. subsidiary	Other receivables	3,412	Within 90 days on a monthly basis	0.01%

(III) Information on investments in Mainland China

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

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

- Note:
- (1) As direct investment.
 - (2) Investment in the Mainland China based firm through a company incorporated in a third territory after being approved by the government.
 - (3) Investment in the Mainland China based firm by outsourcing a company incorporated in a third territory after being approved by the government.
 - (4) The shareholding ratio and carrying amount of the investment at the end of the year, which is outward investment or investment outsourcing a third territory company either directly or indirectly
 - (5) Based on the financial statements audited/certified by other certified public accountants of the international Certified Public Accountant Firms in cooperation relationship with the Certified Public Accountant Firms of the Republic of China and other Certified Public Accountant (practicing) of the Company's Certified Public Accountant Firms to recognize the investment gains or losses accounted for using the equity method to the shareholding ratio of investment, either directly or indirectly.
 - (6) The investment gains and losses recognized in this current year including the realized, unrealized net gains and losses generated by the forward, countercurrent and side stream exchanges.
 - (7) Under the provisions of the Investment Commission, Ministry of Economic Affairs, the maximum limit for the amounts or percentages of accumulated investment toward Mainland China shall be 60% of the Company's net worth or the consolidated net worth (whichever was the higher).
 - (8) As of December 31, 2019, the amount of accumulated investment by the Company toward Mainland China as approved by the Investment Commission, Ministry of Economic Affairs totaled at US\$187,731 thousand. Pursuant to Article 3 of "Principles for Investment or Technical Cooperation Review in the Mainland China", the amount of capital increase with earnings into Mainland China would not be counted into the accumulated investment. Besides, where the share capital or earnings of investment in Mainland China were remitted back to Taiwan by investor, the accumulated amount of investment could be deducted accordingly. The Company's earnings used for capital increase (additional investment) in Mainland China as approved by the Investment Commission, Ministry of Economic Affairs came to US\$70,457 thousand and the surplus remitted back amounted to US\$15,496 thousand, which had both been deducted from the cumulative amounts of approved investment in Mainland China.
 - (9) The foreign currency amounts in this Table are converted to New Taiwan Dollars the exchange rate quoted on the balance sheet date, except that the amount of investment remitted outward from Taiwan which was measured at historical exchange rates.

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

KK Enterprise (Zhongshan) Co., Ltd. and KK Enterprise (Kunshan) Co., Ltd. as included in the preparation of the consolidated financial statements because the Group's direct and indirect investment with more than 50% of comprehensive shareholding ratio. Those by and between the Group and KK Enterprise (Zhongshan) Co., Ltd. and KK Enterprise (Kunshan) Co., Ltd. either directly or indirectly through the business in the third territory were eliminated in full upon preparation of the consolidated financial statements. For more detail regarding major transactions by and between the Group and the Mainland China based investees, please refer to Note 13(1) (2)-11.

The Group did not have significant transactions with Zhangzhou Chimei Chemical Co., Ltd. via a third territory based enterprise either directly or indirectly. In addition, the Group's major transactions with Zhenjiang Chimei Chemical Co., Ltd. via a third territory based enterprises either directly or indirectly between January 1 and December 31, 2019 and 2018 are as follows:

- A. Ending balance and percentage of payables regarding purchase amounts & percentage: Nil
- B. Ending balance and percentage of receivables regarding sales amounts & percentage:

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

Company name of sales	Name of transaction object	Sales revenues		Accounts receivable	
		Amount	Percentage of net sales	Amount	Percentage of total accounts receivable
Grand Pacific Petrochemical Corporation	Zhenjiang Chimei Chemical Co., Ltd.	\$ 8,150	0.04%	\$ 1,271	0.06%

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

Company name of sales	Name of transaction object	Sales revenues		Accounts receivable	
		Amount	Percentage of net sales	Amount	Percentage of total accounts receivable
Grand Pacific Petrochemical Corporation	Zhenjiang Chimei Chemical Co., Ltd.	\$ 3,382	0.02%	\$ 735	0.04%

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

- C. Amounts in property transaction and amount of profit or loss so incurred: Nil
- D. Ending balance of the endorsements/guarantees of notes or the collateral provided: Nil

- E. The highest balance of fund financing, ending balance, interest rate range and total amount of interest in the current year: Nil
- F. Other transactions that had a significant impact on the current profit/loss or financial status: Nil

14. Information of the operating segments

- (1) The “operating segments” as set forth herein were business composing units which would comport with the following characteristics:
 - 1) The operating activities to obtain revenues and incur expenses.
 - 2) Where the operating results would be regularly rechecked by the enterprise’s decision-makers to formulate decisions to allocate resources of the segments and to evaluate the performance of the segments
 - 3) With individual and separable financial information.
- (2) Based on the view of the operating decision-makers, the Group would recheck the link up with various managerial departments and the products and labor services. The operating units were classified into three reportable operating segments:
 - 1) Petrochemistry Department: That department was responsible for the production, processing and trading of related products and their products using styrene as raw materials.
 - 2) Television Media Department: That department was responsible for TV program production, import and export agency distribution of cable TV programs and various advertising agencies and the planning and production thereof.
 - 3) Packaging Materials Department: That department was responsible for manufacturing, processing and trading of various packaging materials such as trademark paper and release paper.

Other operating activities not reported by the Group and related information of the operating segments are consolidated and disclosed under "Other Departments".

- (3) The departments required to be reported to the Group were strategic business units to provide different products and labor services. Each strategic business unit would call for different technologies and marketing strategies, so they must be managed separately.
- (4) Here in the Group, the management individually monitored the operating results of the business units to formulate resource allocation and performance evaluation decisions. The performance of the operating segment was measured based on operating profit or loss, and the amount so measured was provided to the chief operating decision maker to allocate resources to the department and evaluate its performance and, in turn, adopted the consistent method of operating profit or loss in the consolidated financial report. The operating cost of the headquarters in the consolidated financial report, income tax expense (gain) and non-recurring profit or loss (non-operating income and expenditure) were, nevertheless, based on the management of the parent company, and was not allocated to the reportable department. The reported amount and the report used by the operating decision maker proved consistent. The transfer price between the operating segments was based on the regular transactions as similar to external third parties. The operating segment’s accounting policies were roughly the same as those shown in Note 4 to Consolidated Financial Statements.

(5) Financial information of the operating segments

1) January 1 - December 31, 2019 & December 31, 2019

Items	Petrochemistry Dept.	TV Media Dept.	Packaging Material Dept.	Other Departments	Adjustment (reconciliation) and elimination	Total
Revenues						
Revenues from external customers	\$ 16,741,346	\$ 2,148,879	\$ 1,574,696	\$ 3,308	\$ -	\$ 20,468,229
Revenues between segments	1,289,247	-	61,857	386	(1,351,490)	-
Total revenues	<u>\$ 18,030,593</u>	<u>\$ 2,148,879</u>	<u>\$ 1,636,553</u>	<u>\$ 3,694</u>	<u>(\$ 1,351,490)</u>	<u>\$ 20,468,229</u>
Segment profit or loss	<u>\$ 1,090,638</u>	<u>\$ 248,683</u>	<u>\$ 49,511</u>	<u>(\$ 27,790)</u>	<u>\$ 9,169</u>	<u>\$ 1,370,211</u>
Non-operating revenues and expenditures						1,370,666
Net profit before tax from continuing operations unit						<u>\$ 2,740,877</u>
Segment profit or loss include:						
Depreciation & amortization	<u>\$ 747,055</u>	<u>\$ 856,184</u>	<u>\$ 72,333</u>	<u>\$ 3,599</u>	<u>(\$ 136)</u>	<u>\$ 1,679,035</u>
Segment assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,486,407</u>	<u>\$ 31,486,407</u>
Segment liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,254,330</u>	<u>\$ 4,254,330</u>

2) January 1 - December 31, 2018 & December 31, 2018

Items	Petrochemistry Dept.	TV Media Dept.	Packaging Material Dept.	Other departments	Adjustment (reconciliation) and elimination	Total
Revenues						
Revenues from external customers	\$ 20,666,575	\$ 2,299,327	\$ 1,775,236	\$ -	\$ -	\$ 24,741,138
Revenues between segments	1,105,846	-	72,583	-	(1,178,429)	-
Total revenues	<u>\$ 21,772,421</u>	<u>\$ 2,299,327</u>	<u>\$ 1,847,819</u>	<u>\$ -</u>	<u>(\$ 1,178,429)</u>	<u>\$ 24,741,138</u>
Segment profit or loss	<u>\$ 2,303,222</u>	<u>\$ 356,703</u>	<u>\$ 78,235</u>	<u>(\$ 8,772)</u>	<u>\$9,450</u>	<u>\$ 2,738,838</u>
Non-operating revenues and expenditures						1,318,110
Net profit before tax from continuing operations unit						<u>\$ 4,056,948</u>
Segment profit or loss:						
Depreciation & amortization	<u>\$ 709,661</u>	<u>\$ 817,651</u>	<u>\$ 69,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,596,773</u>
Segment assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,859,901</u>	<u>\$ 29,859,901</u>
Segment liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,238,927</u>	<u>\$ 4,238,927</u>

3) Descriptions on adjustment (reconciliation) and elimination

- A. The revenues between segments were eliminated upon consolidation.
- B. The adjustment (reconciliation) and elimination of segment profit or loss were primarily subject to the elimination of profit or loss between the segments at the moment of consolidation.
- C. Where the amounts to be measured amidst assets and liabilities between segments were not the indications for measurement by decision-makers, the amount to measure assets and liabilities to be disclosed was NT\$0. The amounts of unamortized assets and liabilities were recorded under items of adjustment (reconciliation).

(6) Revenues of main products and labor services

Please see descriptions of Note 6(36)

(7) Territories information

The Group's revenues coming from external customers have been classified based on the locations where the sales or labor services were provided and the noncurrent assets were classified based on the locations where the assets were in, the territories information is as follows:

Territory	Revenues from external customers		Noncurrent assets	
	Year Ended December 31, 2019	Year Ended December 31, 2018	December 31, 2019	December 31, 2018
Taiwan	\$ 13,930,182	\$ 16,670,278	\$ 8,145,004	\$ 8,413,853
Mainland China	5,118,126	6,158,105	76,935	87,759
Asia	1,196,139	1,715,429	16,153	8,988
Americas	70,485	106,801	-	-
Africa	126,574	83,555	-	-
Europe	24,451	3,212	-	-
Oceania	2,272	3,758	-	-
Total	<u>\$ 20,468,229</u>	<u>\$ 24,741,138</u>	<u>\$ 8,238,092</u>	<u>\$ 8,510,600</u>

Note: Noncurrent assets exclude noncurrent assets held for sale, financial instruments, deferred income tax assets, post-employment benefits assets as well as assets generated by insurance contracts.

(8) Information on key customers

A single customer with revenues reaching for over 10% of the net consolidated operating revenues of the Group between January 1 and December 31, 2019 and 2018, the details were as follows:

Year Ended December 31, 2019				Year Ended December 31, 2018			
Customers	Amount	% to net operating revenues	Segment to be reported	Customers	Amount	% to net operating revenues	Segment to be reported
Company A	<u>\$ 4,054,684</u>	<u>19.81%</u>	Petrochemistry Department	Company A	<u>\$ 4,993,987</u>	<u>20.18%</u>	Petrochemistry Department

V. The Company's individual financial statement duly certified by certified public accountants in the most recent year

Grand Pacific Petrochemical Corporation

CPA AUDIT REPORT

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

Audit Opinions

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

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

Bases for the Audit Opinions

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

Key Matters Being Audited

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

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

Recognition of Income

Income is the basic operational activities for the sustainable management of an enterprise and concerns its operational performance and the management generally is faced with the pressure of fulfilling the expected financial or business performance goals. Therefore, it is pre-established that income recognition is associated with significant risk and we consider that the recognition of timing

of the transfer of control over sales of products and income from sales as part of the key matters being audited.

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

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

Impairment evaluation of real estate, plants and equipment

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

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

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

Valuation of investment balance adopting the equity method

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

For the accounting policy on investments adopting the equity method, please refer to Note 4 (15) of the individual financial statement. For information on accounting items for investments adopting the equity method, please refer to the disclosure in Note 6 (10) of the individual financial statement. Major audit procedures that are already carried out by the CPAs for the above-mentioned matters are as follows:

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

Other Matters—Mentioning Audits by other CPAs

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

Responsibilities of Management and Governance Unit to Individual Financial Reports

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

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

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

Responsibilities of CPAs in Inspecting Individual Financial Statement

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

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

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

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

The CPAs have also provided the governance units with the declaration on independence that independently governed staff in the accounting firm that the CPAs belong to have followed moral regulations in honor of the profession of CPA and have communicated with the governance units all

relationships and other matters considered to be likely undermining the independence of CPAs (including related safeguard measures).

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

Crowe Horwath International

CPA

Ying Chia Hsiao

CPA

Wu Chang Wang

Approval document number: FSC Review No. 10200032833

March 19, 2020

Notice to Readers

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

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

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

		Expressed in Thousands of New Taiwan Dollars			
Codes	Assets	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
11xx	Current assets	\$6,151,330	23	\$5,227,246	20
1100	Cash & cash equivalents	1,623,640	6	1,567,675	6
1110	Financial assets at fair value through profit or loss - current	23,247	-	-	-
1150	Net notes receivable	1,201	-	14,419	-
1170	Net accounts receivable	1,362,287	5	1,918,484	8
1180	Accounts receivable - related parties	13,882	-	735	-
1200	Other receivables	24,721	-	42,181	-
1310	Net inventories	1,342,132	5	1,604,466	6
1410	Prepayments	60,220	-	79,286	-
1476	Other financial assets - current	1,700,000	7	-	-
15xx	Non-current assets	21,015,000	77	20,671,256	80
1517	Financial assets at fair value through other comprehensive income - noncurrent	294,765	1	295,533	1
1550	Investments accounted for using equity method	14,594,602	54	13,745,161	53
1600	Property, plant and equipment	6,046,298	22	6,600,827	26
1755	Right-of-use assets	42,980	-	-	-
1840	Deferred income tax assets	35,210	-	28,659	-
1920	Refundable deposits	1,025	-	889	-
1932	Long-term receivables	120	-	187	-
1xxx	Total assets	\$27,166,330	100	\$25,898,502	100
Codes	Liabilities and Equity	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
21xx	Current liabilities	\$1,705,453	6	\$2,115,208	8
2130	Contract liabilities - current	11,120	-	20,881	-
2170	Accounts payable	1,178,229	4	1,091,667	4
2180	Accounts payables - related parties	348	-	-	-
2200	Other receivables	316,872	1	482,508	2
2220	Other receivables	-	-	6,415	-
2230	Current income tax liabilities	170,159	1	498,854	2
2250	Provisions - current	12,403	-	12,004	-
2280	Lease liabilities - current	13,284	-	-	-
2310	Advances receipts	128	-	128	-
2399	Other current liabilities - Other	2,910	-	2,751	-
25xx	Noncurrent liabilities	1,092,209	4	1,044,304	4
2550	Provisions - noncurrent	9,610	-	8,153	-
2570	Deferred income tax liabilities	979,856	4	980,012	4
2580	Lease liabilities - noncurrent	30,942	-	-	-
2640	Net defined benefit liabilities - noncurrent	46,675	-	29,872	-
2645	Guarantee deposits received	2,934	-	4,075	-
2670	Other noncurrent liabilities - other	22,192	-	22,192	-
2xxx	Total liabilities	2,797,662	10	3,159,512	12
31xx	Equity				
3100	Share capital	9,266,203	34	9,266,203	36
3110	Common shares capital	9,066,203	33	9,066,203	35
3120	Preferred shares capital	200,000	1	200,000	1
3200	Capital reserve	181,698	1	180,533	1
3300	Retained earnings	14,695,878	54	12,608,192	48
3310	Legal reserve	1,790,463	7	1,494,452	6
3320	Special reserve	1,640,828	6	1,640,828	6
3350	Unappropriated earnings	11,264,587	41	9,472,912	36
3400	Other equity	280,466	1	739,639	3
3410	Exchange differences on translating financial statements of foreign operations	(521,982)	(2)	(206,080)	(1)
3420	Unrealized gain/loss of financial assets at fair value through other comprehensive income	802,448	3	945,719	4
3400	Treasury stocks	(55,577)	-	(55,577)	-
3xxx	Total equity	24,368,668	90	22,738,990	88
3x2x	Total liabilities and equity	\$27,166,330	100	\$25,898,502	100

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief Accountant: Ling Chu Chen

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

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

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief Accountant: Ling Chu Chen

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

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

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

Expressed in Thousands of New Taiwan Dollars

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

(Please refer to the Notes to consolidated financial statement)

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

Chairman of Board: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief Accountant: Ling Chu Chen

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

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

(Continued on the next page)

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

(Please refer to the Notes to consolidated financial statement)

Chairman of Board: Pin Cheng Yang

Manager: Chia Hsiung Tseng

Chief Accountant: Ling Chu Chen

Grand Pacific Petrochemical Corporation
Notes to Individual Financial Statements
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

1. Company history

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

- (1) Petrochemical Manufacturing
- (2) Synthetic Resin & Plastic Manufacturing
- (3) Other Chemical Products Manufacturing
- (4) Steam and Electricity Paragenesis, Heat Energy Supplying and international trade
- (5) All business items that are not prohibited or restricted by law, except those that are subject to special approval

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

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

The Company is free of the ultimate parent company.

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

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

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

3. Application of New Issuance, Amendments and Interpretations

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

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

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

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

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

IFRS 16, 'Leases'

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

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

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

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

- 1) The Company did not reassess whether the contracts were (or including) lease. Previously those contracts had been subject to IAS 17 and IFRI 4 while such contracts were identified as subject to provisions set forth under IFRS 16.
- 2) Those lease compositions with rational and similar characteristics, the Company would use single discount rate to measure the lease liabilities.
- 3) In case of lease which had been closed before December 31, 2019 during the lease, the Company adopted the method of short-term lease.
- 4) Except rent payment, the Company did not count the additional costs yielded from the lease so earned into the measurement of the right-of-use assets as of January 1, 2019.
- 5) Amidst the proceedings of the measurement for the lease liabilities, toward the decision on the lease terms (e.g., duration of the lease), the Company would

measure it based on the expectancy as of January 1, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies

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

(1) Statement of compliance

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

(2) Basis of preparation

- 1) Except for the following significant items, the individual financial statements have been prepared under the historical cost convention:
 - A. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss measured based on the fair value.
 - B. Financial assets at fair values through other comprehensive income measured based on the fair value.
 - C. The liabilities on the shares-based payment agreement with cash settlement measured based on the fair value.
 - D. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- 2) The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the individual financial statements, please refer to Note 5.
- 3) The Company became subject to IFRS 16 for the first time on January 1, 2019 with a choice not to reclassify the financial statements and the notes with comparison period for Year 2018 and to recognize the difference in conversion into the retained earnings as of January 1, 2019. The financial statements and notes with comparison period for Year 2018 were prepared in accordance with IAS 17 and the IFRIC Interpretations, and SIC Interpretations.
- 4) When preparing individual financial statements, the Company adopts the equity method for subsidiaries, associates, or joint ventures that it has investments in. In

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

(3) Foreign currency translation

- 1) Items included in the Company's individual financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The individual financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Company's presentation currency.
- 2) When preparing financial statements using currencies other than the entity's functional currency (foreign currency) converted into functional currency at the spot exchange rate on the transaction day or measurement date, and the exchange difference resulting from the translation of these transactions was recognized as current profit and loss. At the end of the financial statement period, the balance of foreign currency monetary assets and liabilities were evaluated and adjusted at the spot exchange rate on the balance sheet date, and translation differences arising from the adjustment were recognized as current profit and loss. In case of foreign currency non-monetary assets and liabilities, the balance was evaluated and adjusted at the spot exchange rate quoted on the balance sheet date as measured at fair value through profit or loss, and the exchange difference arising from the adjustment was recognized as current profit and loss as measured at fair value through comprehensive income. The resulting exchange differences resulting from the adjustment were recognized in other comprehensive income items; where they were not measured at fair value, they were measured at the historical exchange rate on the initial trading day. All gains and losses on exchange were reported according to the attribute of the transaction and other gains and losses in the comprehensive income.
- 3) The Company's assets and liabilities of the foreign operations (including the subsidiaries, associates, joint ventures or branches of the Company in the countries of business operation or those using different currencies) were translated into New Taiwan Dollars at the spot exchange rate quoted on the balance sheet date. The income and expense items were translated using the exchange rates average in that period. All exchange differences arising from the translation were recognized as other comprehensive income.
- 4) When the foreign operations were disposed of and constituting a loss of control, joint control or significant influence on the foreign operations, all and the relevant interests of the foreign operations would be reclassified into profit or loss. In some cases where the disposal of subsidiaries in foreign operations did not constitute a loss of control of the subsidiary, the cumulative exchange difference recognized in other comprehensive income was calculated into the equity transaction on a *pro rata* basis, but it was not recognized as profit or loss. In some cases where the interests of the disposal of associates or joint venture in foreign operations did not constitute a significant impact of loss on the

associates or joint venture or joint control in interests, the cumulative exchange difference recognized in other comprehensive income was reclassified into profit or loss based on the disposal ratio.

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

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

- A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- B. Assets arising mainly from trading activities;
- C. Assets that are expected to be realized within twelve (12) months from the balance sheet date;
- D. Cash & cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve (12) months after the balance sheet date.

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

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

- A. Liabilities that are expected to be paid off within the normal operating cycle;
- B. Liabilities arising mainly from trading activities;
- C. Liabilities that are to be paid off within twelve (12) months from the balance sheet date;
- D. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(5) Cash & cash equivalents

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

(6) Financial instruments

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

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

immediately as profit or loss.

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

- 1) Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and designation as financial assets at fair value through profit or loss. The financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that the Company does not specify at fair value through other comprehensive income, and investments in debt instruments that did not qualify as being measured at amortized cost or at fair value through other comprehensive income.
- 2) In a case carried at amortized costs or financial assets at fair values through other comprehensive income, when measurement or recognition inconsistency could be eliminated or significantly reduced, the Company designated the case as financial assets at fair value through profit or loss at the time of initial recognition.
- 3) The Company adopts transaction day accounting for financial assets at fair value through profit or loss consistent with transaction customs.
- 4) The Company measured at fair value at the time of initial recognition, and recognized related transaction costs in profit or loss and subsequently measured at fair value and the gains or losses were recognized in profit or loss.
- 5) When the right to receive dividends was ascertained and the economic benefits related to dividends were likely to flow inward while the amount of dividends could be reliably measured, the Company recognized the dividend income in profit or loss.

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

- 1) Referring to an irrevocable option at the time of initial recognition to report changes in the fair value of investments in equity instruments that were not held for trading in other comprehensive income; or the investment in debt instrument simultaneously met the following conditions:
 - A. The financial asset held under the business model of collecting cash flows under contracts and for the purposes of selling.
 - B. The cash flow generated on a specific date under the contract terms for the financial assets were completely intended to pay off the principal and the interest of the outstanding principals.
- 2) The Company adopts transaction day accounting for financial assets at fair value through comprehensive income consistent with transaction customs.
- 3) The Company measured at fair value plus transaction costs at initial recognition, and subsequently at fair value:
 - A. Changes in the fair value of equity instruments were recognized in other comprehensive income. When derecognized, the cumulative gains or losses previously recognized in other comprehensive income would not be reclassified to profit or loss and would be transferred to retained earnings instead. When the right to receive dividends was ascertained and the economic benefits related to dividends were likely to flow inward while the amount of dividends could be reliably measured, the Company recognized the dividend income in profit or loss.

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

(9) Financial assets carried at amortized cost

- 1) Referring to the events that conform with the conditions as below simultaneously:
 - A. The financial assets held under the business model for the purposes of collecting cash flows under contracts.
 - B. The cash flow generated on a specific date under the contract terms for the financial assets were completely intended to pay off the principal and the interest of the outstanding principals.
- 2) The Company adopts transaction day accounting for financial assets carried at amortized cost consistent with transaction customs.
- 3) The Company measured at fair value plus transaction costs at initial recognition, and subsequently used the effective interest method to recognize interest income during the circulation period based on the amortization process, and recognized impairment losses, and when derecognized, the gains or losses were recognized in profit or loss.
- 4) The Company held time deposits that were not eligible for cash equivalent. As the holding period was short, the effect of discounting was insignificant, which was measured by the amount of investment.

(10) Accounts & notes receivable

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

1. When rights to contract of receiving cash flow from financial asset has expired.
 2. Transfer of right to contract of receiving cash flow from financial asset, and when nearly all risk and reward associated with the said financial assets have been transferred.
 3. Transfer of rights to contract of receiving cash flow from financial asset, and excluding control over the financial assets.
- (13) Lease transaction of the lessor - rent receivables/operating leases
- 1) Pursuant to the terms and conditions under the lease agreements, when almost all the risks and rewards of lease ownership were borne by the lessee, they are classified as finance leases.
 - A. As the lease started up, the net lease investment (including the original direct cost) was recognized as "rent receivables", and the difference between the total lease receivables and the present value was recognized as "unearned financing income from finance leases".
 - B. Subsequent adoption of a systematic and reasonable basis to allocate financing income over the lease period to reflect a fixed rate of return on the net lease investment held by the lessor.
 - C. The period related lease payments (excluding service costs) offset the total lease investment to reduce the principal and unearned financing income.
 - 2) Lease income from operating leases, net of any incentives given to the lessee, was recognized as a current profit or loss and amortized on a straight line basis during the lease period.
- (14) Inventory
- Inventories were measured at the lower of cost and net realizable value, whichever is the lower under the perpetual inventory system adopted, and the cost was determined by the weighted average method. The cost of finished goods and work in progress includes raw materials, direct labor, other direct costs, and production-related manufacturing overhead (as normal capacity allocation), but excludes borrowing costs. Upon comparison of cost and the net realizable value, whichever was the lower, the itemized comparison method was adopted. The net realizable value refers to the estimated selling price in the normal course of business less the estimated cost that must be invested to completion and the balance after related changes in selling expenses.
- (15) Investments accounted for using the equity method/subsidiaries
- 1) Subsidiaries are entities controlled by the Company (including structural entities). When the Company is exposed to the variable compensation from participation in an entity or is entitled to the said variable compensation and is capable of impacting the compensation through its power over the entity, the Company has control over the entity. The Company adopts the equity method when handling investments in subsidiaries. Upon acquisition, they are recognized by the cost, including the goodwill already identified upon acquisition, with any accumulated impairment loss estimated to occur subsequently deducted.
 - 2) The share of profit or loss for the Company after acquisition of a subsidiary is recognized as current profit and loss and the share of other comprehensive income after acquisition is recognized as other comprehensive income. When the share of loss recognized by the Company in its subsidiaries is equal to or

exceeds the equity held by the Company in the subsidiaries, the shareholding ratio will continue to be applied in the recognition of loss.

- 3) The unrealized profits or losses of fair current transactions between the Company and subsidiaries were eliminated in the individual. The profits and losses generated from the countercurrent and side stream transactions between the Company and subsidiaries were recognized in the individual financial statements only to the extent that the Company has no interest in the subsidiaries. The accounting policies of subsidiaries have been adjusted as necessary, and the policies adopted by the Company have been consistent.
- 4) When changes in an subsidiary's equity are not recognized in profit or loss and other comprehensive income of the subsidiary and such changes do not affect the Company's shareholding ratio of the subsidiary, the Company recognizes the Company's share of change in equity of the subsidiary in 'capital reserves' in shareholding ratio.
- 5) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- 6) When the Company loses control of a subsidiary, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. The difference between fair value and carrying amount is recognized in current profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on other comprehensive income as previously recognized, its accounting treatment is on the same basis as would be required if the related assets or liabilities were disposed directly by the Company. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- 7) As is required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the current profit and loss and other comprehensive income in individual financial statements and those in the financial statements prepared on a consolidated basis that belong to the parent company's owners' amortizations are the same and the equities of the owners in individual financial statements and those in financial statements prepared on a consolidated basis that belong to the parent company's owners' equity are identical.

(16) Property, plant and equipment

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

during the financial period in which they are incurred.

- 3) Land is not depreciated. The subsequent measurement of other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
 - 4) The assets' residual values, useful lives and depreciation methods are reviewed by the Company at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of various assets are as follows:
 - A. Buildings & constructions 4 - 56 years
 - B. Machinery & equipment 7 - 25 years
 - C. Transportation facilities 2 - 6 years
 - D. Other equipment 3 - 8 years
 - 5) The Company's depreciable assets were originally used in the rate-decreasing method at the time of tax declaration; however, the Company has switched to use the average method in Year 1998. This change was already approved by the National Taxation Bureau of the Southern Area, Ministry of Finance with Letter (1998) Nan-Qu-Guo-Shui-Shen-I-Zi 87051967.
- (17) Lease agreements of the lessee - right-of-use assets/lease liabilities (Applicable to Year 2019)
- 1) Lease assets were recognized as right-of-use assets and lease liabilities on the date when they became available for use by the Company. When the lease agreement was a short-term lease or lease of a low-value underlying asset, the lease payment was recognized as expense by straight-line method
 - 2) In lease liabilities, the Company recognized the unpaid lease payments at the lease starting date at the present value of the Company's incremental loan rate discounted. The lease payments include fixed payments, less any incentives that could be received for the lease. Subsequently the Company measure at the amortized cost method under the interest method and recorded as interest expenses during the lease period. When the non-contract modification caused a change in the lease period or lease payment, the lease liabilities would be reassessed, and the remeasurements would be adjusted to right-of-use assets.
 - 3) The right-of-use assets were recognized at cost on the lease starting date and the cost includes the original measured amount of lease liabilities. The subsequent measurement using cost model which were earlier at the end of the useful life of the right-of-use assets or at the end of the lease period while depreciation expenses were recorded. When lease liabilities were reassessed, right-of-use assets would adjust any remeasurement of the lease liabilities.
- (18) Lease assets/operating lease (Lessees)(Applicable to Year 2018)
- 1) Pursuant to the terms and conditions under the lease agreements, when almost all risks and rewards of lease ownership are borne by the Company, it is classified as a finance lease.

- A. Upon initiation of the lease, the assets and liabilities were recognized based on the fair value of the lease assets and the lowest present value of payment, whichever is the lower.
 - B. Subsequently the minimum lease payments were allocated to finance costs and reduce outstanding liabilities. The finance costs were allocated period-by-period during the lease duration so that the period interest rate calculated based on the balance of liabilities would be fixed.
 - C. Property, plant and equipment obtained under finance leases were depreciated according to the useful life of the assets. If the lease period could not be reasonably determined, the Company would acquire ownership and recorded as depreciations based on the useful life of the assets and the lease period, whichever was the shorter.
- 2) The operating lease payment was recorded and amortized on straight-line basis during the lease period as current profit or loss, after deducting any incentive received from the lessor.

(19) Impairment loss on non-financial assets

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

(20) Accounts payable

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

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

- 1) Referring to the main purpose of the sale or repurchase in the latest period, and financial liabilities held for trading except for derivatives instruments that are designated as hedging instruments under hedge accounting. The financial liabilities at fair value through profit or loss were designated on the Initial recognition. When a financial liability meets one of the following conditions, the Company measured at fair value through profit loss on the initial recognition:
- A. As hybrid (combined) contracts; or
 - B. Where the inconsistency in significant decrease measurement or recognition could be eliminated; or
 - C. Pursuant to the documented risk management policies, the instruments with performance evaluated in fair value based management.
- 2) The Company measured at fair value at the time of initial recognition, and recognized the related transaction costs in profit or loss and subsequently measured at fair value and the gains or losses were recognized in profit or loss.

- 3) In case of a financial liability designated to be measured at fair value through profit or loss where the amount of change in fair value resulted from credit risk, except for avoiding improper accounting ratios or loan commitments and financial guarantee contracts, the Company recognized the same in other comprehensive income.

(22) Provisions

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

(23) Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

A. Defined contribution plans

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

B. Defined benefit plans

- ① Net obligation under a defined benefit plans is defined as the present value of an amount of future benefits that employees will receive for their services with the Company in current year or prior periods, and the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by reference to the balance sheet date, the currency of defined benefit plans and the market yield of high-quality corporate bonds that were consistent during the period. The countries of such bonds without in-depth market adopt the market yield of government bonds (as of the balance sheet date).
- ② Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the current year in which they arise, and expressed in the retained earnings.
- ③ The expenses related to the service cost of the prior period were immediately recognized into profit or loss.

3) Termination benefits

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

4) Compensation to employees and remuneration to directors and supervisors

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

(24) Financial liabilities & equity instruments

1) Classification of financial liabilities or equity instruments

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

2) Equity instruments

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

3) Financial liabilities

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

4) Derecognition of financial liabilities

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

5) Inter-offset of financial assets and liabilities

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

(25) Share capital & treasury stocks

1) Share capital

Common shares were classified as equity. The classification of preferred shares refers to the definition of substantial contractual agreement, financial liabilities

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

2) Treasury stocks

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

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

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

(26) Shares-based payment

- 1) The shares-based payment agreement upon equity settlement was pursuant to the employee service acquired at fair value of the given equity commodities on the given day, and was recognized as compensation costs during the vesting period, and the equity was relatively adjusted. The fair value of equity commodities should be reflected with the influence of the market price vested conditions and the non-vested conditions. The recognized compensation cost was adjusted according to the expected amount of incentive rewards that meet the service condition and the non-market price vested condition until the final recognition amount was recognized in the vested amount.
- 2) The shares-based payment agreement settled in cash was based on the fair value of the liabilities assumed, recognized as compensation costs and liabilities within the vesting period, and was based on the fair value of the equity commodities given on each balance sheet date and settlement date to measure, any change recognized as profit or loss of the current year.

(27) Income tax

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

directly in equity, respectively.

- 2) The Company calculates the income tax payable for the current term exactly in accordance with the tax rates that had been enacted or substantially enacted in the countries for the income tax as of the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable relevant laws of income tax, and under the fact of situations, the income tax liabilities estimated shall be paid to tax collection authority. The unappropriated earnings having been consolidated were charged for the income tax. The income tax expense of unappropriated earnings was recognized based on the actual allocation of the earning as resolved in the shareholders' meeting in the year ensuing the year in which the earnings were yielded.
- 3) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the balance sheets. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- 4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- 5) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- 6) The Company's tax incentives oriented expenditures that comply with the statutory incentives were accounted with use of income tax deduction accounting. The unused income tax credit was transferred into the latter period of time within the scope as the credit ready for future use, duly recognized deferred income tax assets.
- 7) The difference between the previous year's estimated income tax of the Company and the adjustment difference approved by the tax collection authority was recognized as the adjustment items of the income tax of the current year.

(28) Recognition of revenues

After identifying the performance obligations under a customer contract, the Company allocated the transaction price to each performance obligation and

recognized revenue when the performance obligations were fulfilled.

1) Sales revenues

- A. All products manufactured by the Company and sold into the market were recognized as revenue when the control over the product was transferred to the customers. To put it in more understandable terms, when the products were delivered to the customers, the customers have discretion on the channel and price of product sales, and the Company was not in any outstanding performance obligations that might affect the customers' acceptance of the products. When the products were shipped to a designated location, the risk of obsolescence and loss has been transferred to the customers and the customers would accept the products according to the sales contract. The delivery of the products did not occur until there was objective evidence to prove all standards/criteria for acceptance have been met.
- B. Where the Company provides standard warranty on the products sold and is obliged to refund for defective products, the provisions were recognized at the moment of sales.
- C. Accounts receivable were recognized at the moment when the goods were delivered to the customers. At that timepoint, the Company was entitled to the unconditional rights to the contract price and the price could be received from the customers only after the time elapsed. The advance receipts before the arrival of the products was recognized as a contract liability.
- D. The control of the ownership of the processed products was not transferred upon processing of the materials so that the income was not recognized when the material was forwarded.

2) Refund liabilities

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

3) Financing component

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

4) Costs to acquire contracts from customers

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

(29) Government grants

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

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

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

(1) Major judgments to adopt accounting policies

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

1) Judgment of business model of financial asset classification

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

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

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

treats these leases as operating leases.

3) Leased term (Applicable to Year 2019)

In determining the lease term of the leased assets, the Company takes into account all relevant facts and circumstances that might generate economic incentives to exercise (or not to exercise) the option, including all facts and circumstances from the start of the lease to the day when the option is exercised with expected changes. The main factors taken into account include the contract terms and conditions during the period covered within the option, significant lease interest improvements during the contract period, and the importance of the underlying assets to the lessee's operations and the like. Significant changes in such matters or circumstances within the control of the Company when it occurred while the Company reassessed the lease term anew.

(2) Major accounting estimation & assumptions

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

1) Estimated impairment of financial assets

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

2) Evaluation of inventory

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

3) Fair value measurement and evaluation process

Where the assets and liabilities measured at fair value were not quoted in the active market, the Company would decide whether to outsource the valuation and determine the appropriate fair value technology according to relevant laws or judgments. Where the fair value was estimated, the level 1 input value could

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

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

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

5) Assessment onto the impairment of tangible assets

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

6) Realizability of deferred income tax assets

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

7) Calculation of long-term employee benefits liabilities

Upon calculation of the present value of the benefit obligations, the Company must use judgments and estimates to determine the relevant actuarial hypotheses

on the balance sheet date, including the discount rate and future salary growth rate. Any changes in actuarial assumptions should significantly affect the Company's amount of defined benefit obligations. As of December 31, 2019 and 2018, the carrying amounts of the Company's long-term employee benefits liabilities (including net defined benefit liabilities and provisions - noncurrent) were NT\$56,285 thousand and NT\$38,025 thousand, respectively.

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

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

6. Summary of Important Accounting Items

(1) Cash & cash equivalents

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

- 1) The Company's cash & cash equivalents have not been used for collateral or pledge.
- 2) As of December 31, 2019 and 2018, the interest rate range in the market for the Company's time deposit with original maturity within three months was 2.00% to 2.05% and 0.60% to 0.63% per annum, respectively, either floating or on a fixed rate basis.
- 3) As of December 31, 2019 and 2018, the interest rate range in the market for the bills & bonds under Repurchase Agreements within three undertaken by the Company was 0.53% to 2.25% and 0.51% to 3.10%, respectively.

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

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

- 1) For more details regarding financial assets at fair value through profit or loss - current, please see Notes 13(1) (2)-3).
- 2) As of December 31, 2019 and 2018, the net gains recognized in the current profit or loss by the Company were NT\$1,421 thousand and NT\$0, respectively.

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

(3) Notes receivable

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

- 1) The Company's notes receivable have not been overdue and the expected credit loss rate was 0%.
- 2) The Company's notes receivable have not been used for collateral or pledge.

(4) Accounts receivable (including related parties)

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

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

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

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

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

The Company's accounts receivable not overdue were expected to have a very low risk of credit loss; For other accounts receivable which had been overdue as of the balance sheet date, the Company has taken into account other credit enhancement protection, post-period collection, and deductions and the like. After reasonable and corroborable information, it is assessed that there was no significant change in its credit quality, and the credit risk has not increased

significantly since the initial recognition. Therefore, the management of the Company expects that no credit loss of accounts receivable will be caused by default of transaction counterparties. As the amount of impairment loss according to the expected credit loss ration is not significant, the allowance for loss is not adjusted.

- 2) The Company adopted the simplified method of IFRS 9, and recognized the expected credit loss during the existence in the accounts receivable allowance loss. The expected credit loss during the existence was calculated using the reserve matrix, with consideration of the customers' past default record and historical experience of collection, increase in delayed payments beyond the average credit period, and at the same time with consideration of the current financial status of customers, and observable national or regional industrial economic situation changes related to the arrears of receivables and future prospects such as outlook considerations. As the Company's historical experience of credit losses indicates that there would be no significant differences in the loss patterns of different customer bases, the preparation matrix did not further distinguish the customer bases, only the accounts receivable days past due and actual conditions would determine the expected credit loss rate. The Company did not hold any collateral for these accounts receivable.

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

- 3) Analysis of changes in allowance loss for accounts receivable (including related parties): Nil
- 4) The Company's accounts receivable (including related parties) have not been used for collateral, pledge.

(5) Other receivables

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

(6) Inventories

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

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

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

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

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

(7) Prepayments

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

(8) Other financial assets - current

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

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

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

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

- 1) The aforementioned investments held by the Company were not in a short-term profitable operating mode. The management believes that if the short-term fair value fluctuations of these investments were included in the profit or loss, and the aforementioned investment plans were inconsistent, they chose to designate these investments at fair value through other comprehensive income.
- 2) The Company's net losses recognized in other comprehensive income between January 1 and December 31, 2019 and 2018 due to changes in fair value were NT\$768 thousand and NT\$72,367 thousand, respectively and accumulated in

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

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

(10) Investments accounted for using the equity method

1) Investments in subsidiaries

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

- 2) The total number of stock options in GPPC Development Co., Ltd. and KK Enterprise Co., Ltd. held by the Company and its subsidiary Videoland Inc. has reached the control level and hence valuation is done using the equity method.
- 3) KK Enterprise Co., Ltd. conducted capital decrease in cash on August 27, 2019 as the basis date to eliminate 12,611 thousand common shares, amounting to \$126,106 thousand, with ratio of capital decrease in cash of 20%. The shares of such company held by the Company eliminated due to capital decrease was 1,984 thousand shares, and the refund of the eliminated shares was \$19,836 thousand.
- 4) The Company increased investment in 5,000 thousand shares of GPPC Development Co., Ltd. in October, 2019. The investment cost was \$50,000 thousand, with shareholding ratio of 38.46%, the valuation accounted for using the equity method.
- 5) The shares of profits and losses and other comprehensive income of subsidiaries accounted for using the equity method between January 1 and December 31, 2019 and 2018 were recognized based on the financial statements audited by CPAs during the same period of respective subsidiaries
- 6) The financial statements of the reinvestment company under the company used the equity method through KK Enterprise Co., Ltd. - K.K. Chemical Company Limited and KK Enterprise (Malaysia) Sdn. Bhd. and the reinvestment company Zhenjiang Chimei Chemical Co., Ltd. and Zhangzhou Chimei Chemical Co., Ltd. using the equity method through Land & Sea Capital Corp. were audited by other CPAs. Therefore, the amounts listed in the financial statements of and related information about the companies mentioned above as disclosed in Note 13 are completely based on audit reports from other CPAs.

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

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

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

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

- 8) The Company wired out the capital worth USD25,421 thousand (equivalent to NTD785,515 thousand) in August 2018 to invest in Land & Sea Capital Corp. and the capital was reinvested in Zhangzhou Chimei Chemical Co., Ltd. The said investment has been submitted to and approved by the Investment Commission of Ministry of Economic Affairs with Letter Jing-Sheng-II-Zi 10700087220 dated June 4, 2018.
- 9) The value of investments accounted for using the equity method was adjusted down due to unrealized sales income between January 1 and December 31, 2019 and 2018 to NT\$315 thousand and NT\$4,744 thousand, respectively. The value of investments accounted for using the equity method adjusted up for realized sales income, on the other hand, was NT\$4,744 thousand, and NT\$13,318 thousand, respectively.
- 10) The value of investments accounted for using the equity method adjusted down because of the receipt of cash dividends from investees by the Company accounted for using the equity method between January 1 and December 31, 2019 and 2018 was NT\$107,529 thousand and NT\$47,605 thousand, respectively
- 11) The value of investments accounted for using the equity method adjusted up

because of the variation in ownership equities held by the Company in its subsidiaries between January 1 and December 31, 2019 and 2018 was NT\$99 thousand and NT\$7 thousand, respectively.

- 12) The value of investments using the equity method adjusted up because of the release of dividends by the Company to its subsidiaries and the disposal of parent company shares by subsidiaries that is considered a treasury stock transaction between January 1 and December 31, 2019 and 2018 was NT\$1,066 thousand and NT\$97,948 thousand, respectively. Please refer to Note 6 (26) for details
- 13) None of the Company's Investments accounted for using the equity method is provided as collateral or pledged.
- 14) With regards to the information on subsidiaries of the Company, please refer to Note 4 (3) of the Company's 2019 consolidated financial statement.
- 15) For the information on companies re-invested in through Land & Sea Capital Corp. and KK Enterprise Co., Ltd. in Mainland China by the Company, please refer to the Mainland China investment information disclosed in Note 13 (3).

(11) Property, plant and equipment

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

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

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

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

- 1) The Company's property, plant and equipment were primarily provided for own use. Part of the usable spaces of the property was leased to others as operating lease.
- 2) The addition and the acquisition of the property, plant and equipment in the statements of in the current year are reconciled as follows:

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

- 3) Cost capitalized amount and interest rate range of the property, plant and equipment based loans: Nil
- 4) The major composition items of the Company's property, plant and equipment were depreciated in the straight-line method based on the useful life as follows:

A. Buildings & constructions

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

B. Machinery equipment

Chemical equipment	8 - 25 years	Steam and electricity equipment	16 years

Gas supply equipment	10 years	Others	7 years

C. Transportation facilities 2-6 years

D. Other equipment

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

- 5) From January 1 to December 31, 2019 while some equipment capacity was not fully utilized, the Company expected that the future cash inflow of such equipment would decrease, and, in turn, estimated that recoverable amount was 0 less than the carrying amount so that it would recognize the impairment loss of other equipment amounting to NT\$3,773 thousand. Such impairment loss was already included in the individual statements of comprehensive income under other gains and losses. The Company used the value in use to determine the recoverable amount of such equipment. The discount rate adopted from January 1 to December 31, 2019 was 6.21%. As of December 31, 2019 and 2018, the Company recognized that the accumulated impairment amounts for property, plant and equipment were NT\$40,700 thousand and NT\$36,927 thousand, respectively.
- 6) For information regarding the collateral provided with property, plant and equipment, please see Note 8 for more details.

(12) Lease agreement

Year 2019

1) Right-of-use assets

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

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

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

2) Lease liabilities

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

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

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

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

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

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

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

3) Major lease events and clauses

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

B. Option to prolong the lease

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

C. Impact of variable lease payments on lease liabilities

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

4) Sublet: Nil

5) Other lease information

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

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

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

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

- B. The total lease cash outflow of the Company as of December 31, 2019 totaled at NT\$19,055 thousand.
- C. The right-of-use assets prove no impairment as indicated by the result of the Company's prudential evaluation.

Year 2018

Commitment to operating lease - The Company was as the lessee

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

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

(13) Refundable deposits

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

(14) Other payables

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

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

(15) Provisions - current

Items	December 31, 2019	December 31, 2018
Employee benefits - payment on leave	<u>\$ 12,403</u>	<u>\$ 12,004</u>

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

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

(16) Advance receipts

Items	December 31, 2019	December 31, 2018
Rents collected in advance	<u>\$ 128</u>	<u>\$ 128</u>

(17) Other current liabilities - other

Items	December 31, 2019	December 31, 2018
All collections	<u>\$ 2,901</u>	<u>\$ 2,751</u>

(18) Provisions - noncurrent

Items	December 31, 2019	December 31, 2018
Other long-term employee benefits plans	<u>\$ 9,610</u>	<u>\$ 8,153</u>

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

The composition of obligatory liabilities is as follows:

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

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

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

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

- 5) Composition of the plan assets

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

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

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

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

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

A. Interest rate risks

The decline in the interest rate of government bonds would increase the present value of other long-term employee benefits obligations, but the

returns on debt investment of the plan assets would also increase accordingly. The both two would have a partial offset effect on other long-term employee benefits liabilities.

B. Salary related risks

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

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

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

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

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

(19) Post-employment benefit plans

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

1) Defined benefit plans

- A. In accordance with the “Labor Standards Act”, the Company has established retirement methods to define benefits. Under the “Labor Pension Act” applicable on July 1, 2005, the service seniority accumulated by employees prior to enforcement of the “Labor Pension Act” and subsequently accumulated by employees who chose subject to “Labor Standards Act” after enforcement of the “Labor Pension Act” as

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- I. The Company has been exposed to the following risks due to the Labor Standards Act:
- ① Interest rate risks

The decline in the interest rate of government bonds would increase the present value of defined benefit obligations, but the returns on debt investment of the plan assets would also increase accordingly. The both two have a partial offset effect on the net defined benefit liabilities.
 - ② Salary related risks

The calculation of the present value of defined benefit obligation refers to the future salary of the plan members. Therefore, the increase in the salary of plan members would increase the present value of defined benefit obligations.
- J. In the event that the significant actuarial assumptions were subject to a combination of possible changes, and if other assumptions remained unchanged, the amount of increase (decrease) in present value of the

defined benefit obligations would be as follows:

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

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

- K. The Company expected to pay to defined benefit plans in Year 2020 in the amount of contribution and the amount of payment NT\$ 13,894 thousand and NT\$29,108 thousand, respectively.
- 2) A. The Company has established the regulations on defined contribution retirement in accordance with the "Labor Pension Act", which are applicable to employees of ROC (Taiwan) nationality. The Company withheld 6% of the salary as labor pension into the employees' personal pension accounts of Bureau of Labor Insurance for the employee who chose to apply the labor pension system specified under the "Labor Pension Act" and the payment of pension was granted based on the employees' personal pension accounts and the amount of accumulated income either on a monthly basis or in one-time pension payment. Under such plan, after the Company contributed a fixed amount to the Bureau of Labor Insurance, the Company would no longer be subject to statutory or presumed obligations extra.
- B. The Company recognized the pension costs in accordance with the aforementioned defined contribution plans between January 1 and December 31, 2019 and 2018 amounted to NT\$8,298 thousand and NT\$8,118 thousand, respectively. As of December 31, 2019 and 2018, the net defined benefit liabilities recognized by the Company in accordance with the aforementioned defined contribution plans amounted to NT\$1,408 thousand and NT\$1,407 thousand, respectively.
- C. The amounts of pension costs recognized in profit or loss in accordance with the aforementioned defined contribution plans are as follows based on the single-line items of functional category:

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

(20) Guarantee deposits received

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

(21) Other noncurrent liabilities - other

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

(22) Share capital

1) Common shares and preferred shares

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

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

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

- A. The earnings, if any, upon annual account settlement, the dividend of 6% for preferred shares should be allocated first. The balance shall be the allocable earnings which will be allocated at the shareholding ratio for common shares and preferred shares as proposed by the board of directors and finally resolved in the shareholders' meeting.
- B. Preferential allocation of the Company's remaining properties.
- C. Other entitlement would be same as the common shares.

(23) Capital reserve

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

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

(24) Retained earnings

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

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

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

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

- 3) The legal reserve should not be put into any use except a use to make good previous loss of the Company, if any, and allocation through issuance of new shares or in cash to shareholders *pro rata* to original shareholding ratios. The total amount used to issue new shares or to allocate in cash, nevertheless, shall not exceed the maximum limit of 25% of the paid-in capital.
- 4) Upon allocating earnings, the Company should amortize and reverse special reserve in accordance with Letter Jing-Guan-Zheng-Fa-Zi 1010012865 dated April 6, 2012 and Letter Jing-Guan-Zheng-Fa-Zi 1010047490 dated November 21, 2012 of FSC and after adoption under IFRSs in the Q&A of Provision of Special Reserve. Where the net deduction of other equity is reversed subsequently, the part so reversal could be taken to appropriate the earnings.
- 5) In the shareholders' regular meeting convened by the Company on June 14, 2019 and June 15, 2018 respectively, the earnings of Year 2018 and Year 2017 would be allocated in the following manners:

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

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

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

(25) Items of other equity

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

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

(26) Treasury stocks

- 1) As of December 31, 2019 and 2018, the amount of treasury stocks repurchased by the Company were NT\$0 for both.
- 2) The changes in the current year of the Company's stocks held by subsidiaries deemed as treasury stocks are as follows:

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

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

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

- B. The transaction amounts with cash dividends of the parent company received by the subsidiaries converted into capital reserve - treasury stocks between January 1 and December 31, 2019 and 2018 were NT\$1,066 thousand and NT\$3,089 thousand, respectively.
- C. The fair values of the Company's stocks held by the subsidiaries as of December 31, 2019 and 2018 were NT\$65,697 thousand and NT\$66,946 thousand, respectively.
- D. The Company's stocks held by the subsidiaries were disposed as the treasury stocks. Such stocks were not entitled to participate in the Company's capital increase in cash and voting power but were entitled to the rights exactly same as shareholders' equity.

(27) Operating revenues

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

1) Detailed classification of revenues under customer contracts

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

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

2) Balances of contracts

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

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

A. Significant changes in contract assets and contract liabilities

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

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

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

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

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

- D. Unfulfilled customer contracts

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

- 3) Contract cost related assets: Nil.

(28) Other revenues

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

(29) Other gains and losses

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

(30) Finance costs

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

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

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

- 1) The average number of employees at the Company was 398 and 391, respectively between January 1 and December 31, 2019 and 2018. The average number of directors who are not also employees was 5. The calculation basis is the same as that for employee benefit and employee salary expense.
- 2) The average employee benefit expense was NT\$1,340 thousand and NT\$1,714 thousand, respectively between January 1 and December 31, 2019 and 2018; the average employee salary expense was NT\$1,112 thousand and NT\$1,447 thousand, respectively; and the average movement of adjustment to employee salary expense was (23.15%).
- 3) Pursuant to the requirements set forth under the Articles of Incorporation, with the profits earned by the Company in the current year, a sum 1% shall be allocated for compensation to employees and a sum within 2% maximum as remuneration to the directors. Where the Company remains in accumulated loss, nevertheless, such loss should be made up. The term “the profits earned by the Company in the current year” denotes the profits earned in the current year before tax after deducting compensation to employees and remuneration to directors.
- 4) The Company's management estimated compensation to employees and remuneration to directors based on the profitability of the current year, and taking account the amounts expected for the payment and factors of the minimum and maximum limits set forth under the Articles of Incorporation to estimate the amount of net profit before tax and before deduction of the compensation to employees and remuneration to directors. The amounts estimated for compensation to employees were NT\$24,862 thousand and NT\$37,478 thousand, respectively and the amounts estimated for remuneration to directors were NT\$49,724 thousand and NT\$74,956 thousand respectively between January 1 and December 31, 2019 and 2018. However, there is a significant change in the amount allocated by the resolution of the board of directors taking place before the date of authorization and issuance of the annual financial statements, such adjustment of change provided as annual expenses; if the amount still changes after the date of authorization and issuance of the annual financial statements, such change shall be handled as a change in accounting estimation and would be entered into account in the ensuing fiscal year.
- 5) As resolved by the Company's board of directors on March 19, 2020 and March 21, 2019, the compensation to employees for the years ended 2019 and 2018 amounted to NT\$24,862 thousand and NT\$37,478 thousand respectively, and the remuneration to directors and supervisors amounted to NT\$49,724 thousand and NT\$74,956 thousand, respectively. The aforementioned amounts resolved show no significant difference from the expenses entered into the financial statements of Year 2019 and Year 2018. The aforementioned compensation/remunerations were paid in cash.
- 6) For information relating to the compensation to employees and remuneration to directors and supervisors of the Company, please inquire through the “Market Observation Post System (MOPS)” of Taiwan Stock Exchange Corporation (TSEC).

(32) Income tax

- 1) Composition of income tax expense (gain):

A. Income tax recognized in profit or loss

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

B. Recognized in income tax related to other comprehensive income

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

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

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

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

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

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

4) Balance of deferred income tax assets (liabilities)

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

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

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

Items	December 31, 2019	December 31, 2018
Deferred income tax assets		
Loss on impairment of financial assets	<u>\$ 686</u>	<u>\$ 686</u>

- 6) The unrecognized deferred income tax liabilities related to investment

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

- 7) The Company's income tax returns through 2017 has been assessed and approved by the tax authority.
- 8) Where the allocation of earnings for Year 2020 to be resolved in the shareholders' meeting remains uncertain, the unappropriated earnings added with the very outcome of the potential income tax in Year 2019 could not be determined in a reliable way.

(33) Changes in liabilities coming from financing activities

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

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

(34) Earnings per share (EPS)

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

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

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

7. Related party transactions

(1) Parent company and ultimate controller

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

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

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

(3) Significant transactions with related parties

1) Sales

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

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

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

2) Purchases

Kind of related party	Year Ended December 31, 2019	Year Ended December 31, 2018
Subsidiary	<u>\$ 2,273</u>	<u>\$ 2,739</u>

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

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

A. Accounts receivable

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

B. Accounts payable

Kind of related party	December 31, 2019	December 31, 2018
Subsidiary	<u>\$ 348</u>	<u>\$ -</u>

C. Other payables

Kind of related party	December 31, 2019	December 31, 2018
Subsidiary	<u>\$ -</u>	<u>\$ 6,415</u>

4) Property Leases

Lease agreement

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

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

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

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

5) Others

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

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

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

(4) Information of compensation for main management

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

8. Pledged assets

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

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

9. Significant contingent liabilities and unrecognized contract commitments

1) Endorsements/guarantees: Nil

2) Refundable deposit guarantee notes and debit notes

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

3) Deposited guarantee notes and collateral

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

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

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

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

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

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

10. Significant Disaster Loss: Nil

11. Significant Events after the Balance Sheet Date: Nil

12. Other events

(1) Seasonal or cyclical interpretation of interim operations

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

(2) Capital risk management

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

(3) Financial instruments

1) Kind of financial instruments

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

2) Financial risk management policies

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

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

Company must comply with the relevant financial operation procedures for overall financial risk management and division of powers and responsibilities.

3) The attribute and level of significant financial risks

A. Market risks

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

① Exchange rate risks

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

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

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

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

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

② Interest rate risks

The interest rate related risks refers to the risks of financial

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

③ Price risks

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

B. Credit risks

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

① Credit risks related to business operation

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

② Financial credit risks

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

③ Information of credit-related risks in accounts receivable

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

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

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

④ Exposure to credit risks

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

other financial assets, the maximum possible exposure to credit risks would be exactly the carrying amounts of such financial assets.

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

C. Liquidity risk

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

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

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

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

(4) Information of fair value

1) Fair value hierarchy

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

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

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

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

2) Financial instruments not measured at fair values

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

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

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

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

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

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

- A. In case of financial instruments with standard terms and conditions and traded in the active market, the fair value was determined by referring to the market quotation. The listed stocks were counted based on the closing price as fair values, the unlisted (OTC) emerging stocks were counted based on the transaction price as the fair value. Mutual fund beneficiary certificates were counted based on net worth as fair values.
- B. For financial instruments with higher complexity, the Company measured the fair value based on the evaluation model developed using evaluation method and technology which were widely used between the fellow traders. Some of the parameters used in such evaluation models were not market observable information. The Company must make appropriate estimates based on assumptions. The Company's unlisted stocks on OTC held by the Company (excluding the emerging stocks that were traded in the active market) were counted based on the market approach or the asset approach to estimate the fair value. The judgment was conducted with reference to the same type company evaluation, third-party quotation, the Company's net worth and business performance. In addition, the significant non-observable input value was mainly current discount. For more details regarding the impact of non-market observable parameters on the evaluation of financial instruments please see Note 12(4)-10).
- C. The output of the evaluation model was the approximate value of the estimate and the evaluation technology might not reflect all relevant factors of the Company's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model would be appropriately adjusted according to additional parameters, e.g., the model risk or liquidity risk. According to the Company's fair value evaluation model management policy and related control procedures, the management believes that the fair value of financial instruments and non-financial instruments as shown in the balance sheet should be expressed in a fair way. The evaluation adjustment is appropriate and essential. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to the current market conditions.
- D. The Company took credit risks evaluation adjustment into consideration

of calculation in fair value of the financial instruments and non-financial instruments to respectively reflect the credit risk of the transaction counterparties and credit quality of the Company.

- 5) Transfer of fair values between the Level 1 and Level 2 for the years ended December 31, 2019 and 2018: Nil
- 6) Change in the financial instruments of Level 3 for the years ended December 31, 2019 and 2018.

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

- 7) The Company adopted IFRS 9 since January 1, 2018 whereunder the unlisted (OTC) stocks used to be carried at costs instead of the previous IAS 39 were measured at the fair value through other comprehensive income. Where the fair value lacked sufficient observable market information, such stocks were transferred into Level 3. Another reason is that the emerging stock of unlisted (OTC) stocks at the end of March 2018, were re-evaluated the trading volume to determine whether it was an active market quotation. Due to the stable trading volume in the market, there is sufficient frequency and quantity of transaction occurrences, which could provide pricing information on a continuous basis, resulting in sufficient observable market information available, the Company, therefore, transferred the fair value used from Level 3 to Level 1 at the end of the month when the event occurred.
- 8) The Company's evaluation process for the fair value classified in the level 3 was the independent fair value verification of financial instruments conducted by the Company's Financial Department in collaboration with an outsourced professional evaluation agency. The independent sources of data were used to bring the evaluation results closer to the market status as independent, reliable, and other resources consistent with and represent the executable price, and regularly update the required input values and data, and any other necessary fair value adjustments to ensure that the evaluation results would be rational.
- 9) The quantitative information about the significant unobservable input value of the evaluation model used in Level 3 fair value measurement items and the sensitivity analysis of the significant unobservable input value change are explained as follows:

Items	Fair value as of December 31, 2019	Evaluation technology	Significant unobservable input value	Range (Weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted (OTC) stocks	\$ 86,665	Market approach / Asset approach	Liquidity depreciation	10%	Higher the liquidity depreciation, lower the fair value
Items	Fair value as of December 31, 2018	Evaluation technology	Significant unobservable input value	Range (Weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted (OTC) stocks	\$ 87,461	Market approach / Asset approach	Liquidity depreciation	10%	Higher the liquidity depreciation, lower the fair value

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

			December 31, 2019			
Items	Input value	Change	Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Adverse change	Favorable change	Adverse change
Non-derivative equity instruments:						
Unlisted (OTC) stocks	Liquidity depreciation	+1%	\$ -	\$ -	\$ -	(\$ 877)
		-1%	\$ -	\$ -	\$ 1,050	\$ -
		December 31, 2018				
Items	Input value	Change	Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Adverse change	Favorable change	Adverse change
Non-derivative equity instruments:						
Unlisted (OTC) stocks	Liquidity depreciation	+1%	\$ -	\$ -	\$ -	(\$ 971)
		-1%	\$ -	\$ -	\$ 972	\$ -

13. Additional disclosure in the notes

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

- 1) Funds loaned to others: Nil

2) Provision of endorsements and guarantees to others

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

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

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

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

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

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

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

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

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

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

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

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

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

9) Trading in derivative instruments: Nil

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

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

(3) Information on investments in Mainland China

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

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

- Note:
- (1) As direct investment.
 - (2) Investment in the Mainland China based firm through a company incorporated in a third territory after being approved by the government.
 - (3) Investment in the Mainland China based firm by outsourcing a company incorporated in a third territory after being approved by the government.
 - (4) The shareholding ratio and carrying amount of the investment at the end of the year, which is outward investment or investment outsourcing a third territory company either directly or indirectly
 - (5) Based on the financial statements audited/certified by other certified public accountants of the international Certified Public Accountant Firms in cooperation relationship with the Certified Public Accountant Firms of the Republic of China and other Certified Public Accountant (practicing) of the Company's Certified Public Accountant Firms to recognize the investment gains or losses accounted for using the equity method to the shareholding ratio of investment, either directly or indirectly.
 - (6) The investment gains and losses recognized in this current year including the realized, unrealized net gains and losses generated by the forward, countercurrent and side stream exchanges.
 - (7) Under the provisions of the Investment Commission, Ministry of Economic Affairs, the maximum limit for the amounts or percentages of accumulated investment toward Mainland China shall be 60% of the Company's net worth or the consolidated net worth (whichever was the higher).
 - (8) As of December 31, 2019, the amount of accumulated investment by the Company toward Mainland China as approved by the Investment Commission, Ministry of Economic Affairs totaled at US\$187,731 thousand. Pursuant to Article 3 of "Principles for Investment or Technical Cooperation Review in the Mainland China", the amount of capital increase with earnings into Mainland China would not be counted into the accumulated investment. Besides, where the share capital or earnings of investment in Mainland China were remitted back to Taiwan by investor, the accumulated amount of investment could be deducted accordingly. The Company's earnings used for capital increase (additional investment) in Mainland China as approved by the Investment Commission, Ministry of Economic Affairs came to US\$70,457 thousand and the surplus remitted back amounted to US\$15,496 thousand, which had both been deducted from the cumulative amounts of approved investment in Mainland China.
 - (9) The foreign currency amounts in this Table are converted to New Taiwan Dollars the exchange rate quoted on the balance sheet date, except that the amount of investment remitted outward from Taiwan which was measured at historical exchange rates.

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

- A. Ending balance and percentage of payables regarding purchase amounts & percentage: Nil
- B. Ending balance and percentage of receivables regarding sales amounts & percentage:

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

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

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

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

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

- C. Amounts in property transaction and amount of profit or loss so incurred: Nil
- D. Ending balance of the endorsements/guarantees of notes or the collateral provided: Nil
- E. The highest balance of fund financing, ending balance, interest rate range and total amount of interest in the current year: Nil
- F. Other transactions that had a significant impact on the current profit/loss or financial status: Nil

14. Information of the operating segments

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

VI. The financial problems of the Company and its affiliates found in the most recent year and as of the publication date of the Annual Report issuance and the impact of such problems upon the Company's financial position

In 2018 and as of the publication date of the Annual Report, both the Company and its affiliated enterprises had not incurred any financial difficulty at all. The key financial and performance over the past two years are as enumerated below for reference:

I. Financial target

Financial structure	2019	2018
Ratio of liabilities to assets	10.30%	12.20%
Current ratio	360.69%	247.13%
Quick ratio	280.42%	168.99%
Interest coverage ratio (times)	301,552.50	867,726.97

II. Performance target

Profitability	2019	2018
Return rate on assets	7.80%	11.83%
Return rate on shareholders' equity	8.79%	13.62%
Net profit rate	12.76%	14.58%
Earnings per share (EPS) after tax	2.27	3.26
Average cashing days	37	37
Average selling days	36	33

Note: In terms of financial target and performance target, the Company adopted International Financial Reporting Standards (IFRS) and individual financial statement of the parent company certified by the CPAs.

Seven. Review of Financial Position, Financial Performance, and Risks Related Issues

I. Financial Position: Major reasons that led to significant changes in assets, liabilities and shareholders' equity over the past two years and the impact thereof. Elaborate on the countermeasures in the future in case of a significant impact.

(I) Consolidated Financial Statement

Expressed in Thousands of New Taiwan Dollars

Accounting Item \ Year	2019	2018	Discrepancy		Descriptions
			Amount	%	
Current Assets	11,627,999	10,852,015	775,984	7.15%	
Property, plant and equipment	7,240,590	7,427,473	(186,883)	(2.52%)	
Intangible assets	674,070	674,070	0	—	
Other assets	11,943,748	10,906,343	1,037,405	9.51%	
Total assets	31,486,407	29,859,901	1,626,506	5.45%	
Current liabilities	2,519,453	2,877,053	(357,600)	(12.43%)	
Non-current liabilities	1,734,877	1,361,874	373,003	27.39%	Note 1
Total liabilities	4,254,330	4,238,927	15,403	0.36%	
Capital stock	9,266,203	9,266,203	0	—	
Capital surplus	181,698	180,533	1,165	0.65%	
Retained earnings (loss)	14,695,878	12,608,192	2,087,686	16.56%	
Other equity	280,466	739,639	(459,173)	(62.08%)	Note 2
Treasury stock	(55,577)	(55,577)	0	—	
The Equity contributed to the owners of Parent Company	24,368,668	22,738,990	1,629,678	7.17%	
Non-controlled Equity	2,863,409	2,881,984	(18,575)	(0.64%)	
Total equity	27,232,077	25,620,974	1,611,103	6.29%	

Reasons that led to changes with increase/decrease up to 20% over the past two years (2019 & 2018):

Note 1. Changes in the item of non-current liabilities increased by 27% over the preceding term's, due primarily to the fact that in the current year, the Company adopted IFRS16 leasehold gazette to recognize leasehold liabilities-non-current with an increase of NT\$350 million. The liabilities increased because in the current term, the net operating profit decreased by 50% from the preceding term and in the current term, net cash inflow in the operating activities decreased by 33% from the preceding term which, nevertheless, did not cast a significant impact upon the Company's financial conditions.

Note 2. In changes in other equity with 62% decrease from the preceding term, due primarily to the fact that in the current term, the loan balance with conversion discrepancy from financial statements of overseas operating entities increased by NT\$320 million and the unrealized evaluation profit and/or loss of financial assets in other comprehensive profit and/or loss measured at fair value decreased by NT\$140 million.

Countermeasures to be taken in the future: Not applicable.

(II) Individual financial statement

Expressed in Thousands of New Taiwan Dollars

Accounting Item \ Year	2019	2018	Discrepancy		Descriptions
			Amount	%	
Current Assets	6,151,330	5,227,246	924,084	17.68%	
Property, plant and equipment	6,089,278	6,600,827	(511,549)	(7.75%)	
Intangible assets	0	0	0	—	
Other assets	14,925,722	14,070,429	855,293	6.08%	
Total assets	27,166,330	25,898,502	1,267,828	4.90%	
Current liabilities	1,705,453	2,115,208	(409,755)	(19.37%)	
Non-current liabilities	1,092,209	1,044,304	47,905	4.59%	
Total liabilities	2,797,662	3,159,512	(361,850)	(11.45%)	
Capital stock	9,266,203	9,266,203	0	—	
Capital surplus	181,698	180,533	1,165	0.65%	
Retained earnings (loss)	14,695,878	12,608,192	2,087,686	16.56%	
Other equity	280,466	739,639	(459,173)	(62.08%)	Note 1
Treasury stock	(55,577)	(55,577)	0	—	
Total equity	24,368,668	22,738,990	1,629,678	7.17%	
Reasons that led to changes with increase/decrease up to 20% over the past two years (2019 & 2018):					
Note 1. In changes in other equity with 62% decrease from the preceding term, due primarily to the fact that in the current term, the loan balance with conversion discrepancy from financial statements of overseas operating entities increased by NT\$320 million and the unrealized evaluation profit and/or loss of financial assets in other comprehensive profit and/or loss measured at fair value decreased by NT\$140 million.					
Countermeasures to be taken in the future: Not applicable.					

II. Financial Performance: Major reasons leading to significant changes in operating revenues, net operating profit and net profit before tax over the past two years and the very grounds to forecast the sales volume and the grounds thereof, their potential impact upon the finance and business operation and the countermeasures:

(I) Comparative analysis on the operating results:

1. Consolidated Financial Statement

Expressed in Thousands of New Taiwan Dollars

Item	2018	2019	Amount in increase (decrease)	Ratio (%) of change	Remark
Operating revenues	20,468,229	24,741,138	(4,272,909)	(17.27%)	
Operating cost	(17,829,140)	(20,685,790)	(2,856,650)	(13.81%)	
Gross profit	2,639,089	4,055,348	(1,416,259)	(34.92%)	Note 1
Operating expenses	(1,268,878)	(1,316,510)	(47,632)	(3.62%)	
Net operating income	1,370,211	2,738,838	(1,368,627)	(49.97%)	Note 1
Non-Operating revenues and expenditures	1,370,666	1,318,110	52,556	3.99%	
Before tax net profit	2,740,877	4,056,948	(1,316,071)	(32.44%)	Note 2
Income Tax Benefit (expense)	(564,666)	(906,207)	(341,541)	(37.69%)	
After tax net profit	2,176,211	3,150,741	(974,530)	(30.93%)	

Note 1: Due primarily to the facts that the comprehensive operating revenues decreased by NT\$4.27 billion or by approximately 17% from last year's, including the Petrochemical Department decreasing by approximately 19%, Television Media Department decreasing by approximately 7%; the comprehensive operating cost decreased by NT\$2.86 billion or by approximately 14% from last year's. As a result, the consolidated operating costs decreasing by NT\$1.4 billion, approximately 35% and the consolidated net operating profit decreasing by 50%.

Note 2: Due primarily to the facts that the comprehensive net operating profit decreased by NT\$1.37 billion from the preceding year, the comprehensive non-operating revenues and expenditures increased by NT\$50 million over the preceding year. As a result, the consolidated comprehensive net profit before tax decreased by NT\$1.32 billion, approximately 32% from the preceding year.

2. Individual financial statement

Expressed in Thousands of New Taiwan Dollars

Item	2019	2018	Amount in increase (decrease)	Ratio (%) of change	Remark
Operating revenues	16,229,085	20,305,094	(4,076,009)	(20.07%)	Note 1
Operating cost	(14,779,229)	(17,525,024)	(2,745,795)	(15.67%)	
Gross profit	1,449,856	2,780,070	(1,330,214)	(47.85%)	Note 1
Realized (Unrealized) Gross Profit	4,429	8,574	(4,145)	(48.34%)	Note 2
Gross profit - net	1,454,285	2,788,644	(1,334,359)	(47.85%)	Note 1
Operating expenses	(414,240)	(489,604)	(75,364)	(15.39%)	
Net operating income	1,040,045	2,299,040	(1,258,995)	(54.76%)	Note 1
Non-Operating revenues and expenditures	1,371,575	1,336,317	35,258	2.64%	
Before tax net profit	2,411,620	3,635,357	(1,223,737)	(33.66%)	Note 3
Income Tax Benefit (expense)	(341,495)	(675,251)	(333,756)	(49.43%)	
After tax net profit	2,070,125	2,960,106	(889,981)	(30.07%)	

Note 1: Primarily such reasons: In the current year, the selling prices of products plummeted as compared to

the preceding year, with the average unit selling prices of SM/ABS/Nylon dropping by 23%/19%/6% respectively, with net operating revenues decreasing by NT\$4.07 billion, approximately 20%; The cost of main raw materials slightly converged from the previous period, but the incoming cost of hexamethylene diamine increased by nearly 30% over last year's. The operating cost decreased by NT\$2.75 billion or approximately 16% compared with the preceding year. The gross profitability was 8.9%, declining by 35% as compared with last year's 13.7%. Net gross operating profit and net operating profit decreased by 48% and 55% respectively from the preceding year's.

Note 2: As a result that with the difference between the unit selling prices toward affiliated enterprises and the costs of the year, leading to NT\$320,000 unrealized selling profit and in the preceding year, the already realized selling profits came to NT\$4.75 million.

Note 3: The net profit before tax decreased by NT\$1.2 billion from the preceding year's, approximately 34%, due primarily to the fact that in the current term, the net gross profit decreased by NT\$1.33 billion as compared to the preceding year; the operating expense decreased by NT\$80 million from the preceding year and the non-operating revenue and expenditure slightly increased by NT\$40 million as compared to the preceding year.

(II) Reasons leading to change in the contents of major business operation: Not applicable.

(III) Analyses into changes in the gross operating profits.

1. Consolidated Financial Statement

Expressed in Thousands of New Taiwan Dollars

	2019	2018	Amount in increase (decrease)
Gross profit	2,639,089	4,055,348	(1,416,259)
Gross profit ratio	12.89%	16.39%	(21.35%)

2. Individual financial statement

Expressed in Thousands of New Taiwan Dollars

Gross profit	increase/decrease between the current and proceeding terms	Causes leading to difference				
		Default in selling prices	Difference in costs	Difference in selling portfolio	Difference in quantities	Adjustment for unrealized sales profit and/or loss
	(1,334,359)	(3,801,872)	2,306,360	226,456	(61,158)	(4,145)
Descriptions	Descriptions on changes in gross profit: In the current term, the gross profit ratio decreased by 35% as compared with the previous period due primarily to the fact that the selling price of each product in 2019 dropped sharply compared with the previous period, resulting in an unfavorable price difference of about NT\$3.8 billion gap in disfavor of the selling prices while the costs of main raw materials benzene, ethylene, propylene cyanide (AN), butadiene (BD) and others slightly converged compared to the previous period, and the incoming cost of hexamethylene diamine increased from the previous period, resulting in a favorable cost price difference of about NT\$2.3 billion. However, due to the huge unfavorable sales price difference, the changes in the operating profit during the current period decreased by NT\$1,334,359 thousand.					

III. Cash flow: Analytical descriptions of changes in cash flow, corrective action plans for inadequate liquidity in the most recent fiscal year and analyses into the liquidity in the upcoming year

(I) Analysis into changes in cash flow in the most recent year:

1. Consolidated Financial Statement

Item \ Year	2019	2018	Ratio (%) of Increase (decrease)
Cash flow ratio	121.33%	159.06%	(23.72%)
Cash flow adequacy ratio	307.98%	250.25%	23.07%
Ratio of reinvestment in cash	7.28%	9.27%	(21.47%)
Analytical descriptions of the increase/decrease ratio:			
1. Cash flow ratio decreased by 24% from the preceding term, due primarily to the fact that in the current term, the net cash flow in operating activities decreased by 33% from the preceding term and the current liabilities decreased by 12% from the preceding term.			
2. Cash flow adequacy ratio increased by 23% over the preceding term, due primarily to the fact that in the current term the 5-year net cash flow in operating activities increased by 3% over the preceding term, the total of inventory increase and cash dividend decreased by 16% from the preceding term.			
3. The cash reinvestment ratio decreased by 22% from the preceding term, due primarily to the fact that in the current term, the balance of net cash flow in operating activities deducted with cash dividend decreased by 17% from the preceding term. Besides in the current term, the real property plants in gross amount, long-term investment, other non-current assets and working capitals increased by 6% over the preceding term.			

2. Individual financial statement

Item \ Year	2019	2018	Ratio (%) of Increase (decrease)
Cash flow ratio	117.60%	122.56%	(4.05%)
Cash flow adequacy ratio	210.19%	158.54%	32.58%
Ratio of reinvestment in cash	5.48%	4.87%	12.53%
Analytical descriptions of the increase/decrease ratio:			
1. Cash flow adequacy ratio increased by 33% over the preceding term, due primarily to the fact that in the current term the 5-year net cash flow in operating activities increased by 9% over the preceding term, the total of inventory increase and cash dividend decreased by 18% from the preceding term.			

(II) Analysis into cash liquidity in 2019

1. Consolidated Financial Statement

Expressed in Thousands of New Taiwan Dollars

Beginning cash balance	Net cash flow from operating activities in the entire year	Cash outflow of the entire year	Cash balance (shortfall)	Countermeasures against inadequate cash	
				Investment plan	Wealth management plan
2,729,454	3,056,778	2,382,849	3,403,383	—	—
1. Analyses into changes in cash flow in the current year:					
(1) Operating activities: The prime cash inflow in operating activities came from the cash inflow yielded by the profits.					
(2) Investment activities: The net cash outflow in investment activities is primarily the procurement of fixed assets and investment in other financial assets.					
(3) Capital-raising activities: The net cash outflow in capital-raising activities is allocation					

of cash dividend.					
2. Remedial measures and liquidity analysis for cash shortfall: Nil					
3. Liquidity analyses on the cash flow in the upcoming year:					
Ending balanced of cash	Net cash flow from operating activities anticipated for the entire year	Anticipated cash flow for the entire year	Anticipated balance (shortfall) in cash	Remedial measure of anticipated cash shortfall	
				Investment plan	Wealth management plan
3,403,383	2,000,000	3,403,383	2,000,000	—	—

2. Individual financial statement

Expressed in Thousands of New Taiwan Dollars

Ending balanced of cash	Net cash flow from operating activities anticipated for the entire year	Anticipated cash flow for the entire year	Anticipated balance (shortfall) in cash	Remedial measure of anticipated cash shortfall	
				Investment plan	Wealth management plan
1,567,675	2,005,571	1,949,606	1,623,640	—	—
1. Analyses into changes in cash flow in the current year:					
(1) Operating activities: The prime cash inflow in operating activities came from the cash inflow yielded by the profits.					
(2) Investment activities: The net cash outflow in investment activities is primarily the procurement of fixed assets and investment in other financial assets.					
(3) Capital-raising activities: The net cash outflow in capital-raising activities is allocation of cash dividend.					
2. Remedial measures and liquidity analysis for cash shortfall: Nil					
3. Liquidity analyses on the cash flow in the upcoming year:					
Ending balanced of cash	Net cash flow from operating activities anticipated for the entire year	Anticipated cash flow for the entire year	Anticipated balance (shortfall) in cash	Remedial measure of anticipated cash shortfall	
				Investment plan	Wealth management plan
1,623,640	756,056	138,309	2,241,387	—	—

IV. Impact of major capital expenditure in the most recent year on financial operation:

No significant capital expenditure in 2019.

V. The outward investment policies in the most recent year, the major causes leading to the profit or loss and the plans for corrective action and investment plan in the coming fiscal year.

Contents /Descriptions	Share capital	Policies	Major reasons leading to profit/loss	Corrective action	Future investment plans
Land & Sea Capital Corp.	USD 86,318,976	Investment in China according to the operating policies of the board of directors	In 2019, the investment gain recognized came to NT\$1,124,585 thousand. Through that company, investment in Zhenjiang Chi Mei Co., Ltd. to acquire 30.4% equity.	Nil	Nil
GPPC Chemical Corporation	NT\$542,000,000	Manufacture, processing and sales of impact-resistant polystyrene.	In 2019, the investment gain recognized came to NT\$6,317 thousand, primarily as dividend from investment in that company.	Nil	Nil
Videoland Inc.	NT\$1,141,324,000	General import and export trade, production of broadcasting & television programs, production, issuance, buys, sales of domestic movie films.	In 2019, the investment gain recognized came to NT\$133,080 thousand, primarily as a result of sound profitability	Nil	Nil

VI. Analytical evaluation over risk affairs:

(I) The impact of inflation and change in interest rate and exchange rate upon the Company's profit and loss and the future response measures

1. Changes in interest rates, exchange rates and inflation

Expressed in Thousands of New Taiwan Dollars

Item \ Year	2019 (On the grounds of Consolidated Financial Statement)
Operating revenues	20,468,229
Before tax net profit	2,740,877
Net profit and/or loss in foreign exchange	(28,741)
Ratio of net profit and/or loss in foreign exchange to net operating revenues	(0.14%)
Ratio of net profit and/or loss in foreign exchange to net profit before tax	(1.05%)
Interest revenues	102,121
Ratio of interest income to net profit before tax	0.50%
Ratio of interest income to net profit before tax	3.72%
Interest expense	5,990
Ratio of interest expense to net operating revenues	0.03%
Ratio of interest expense to net profit before tax	0.22%

(1) Changes in exchange rate

In 2019, the loss in foreign exchange by Grand Pacific and its subsidiaries accounted for

0.14% of the net operating revenues and 1.05% of the net profit before tax due primarily to appreciation of New Taiwan Dollars in 2019. Overall in the Group, the revenues and expenditures in foreign exchange were balanced. The Group would, nevertheless, still continually evaluate potential risks in foreign exchange and execute contracts for forward foreign exchanges as the actual requirements may justify so as to evade potential risks in foreign currencies.

(2) Changes in interest rates:

As of December 31, 2019, both Grand Pacific and its subsidiaries had not any bank loans. The Group, nevertheless, maintains very close connection ties with the bank, ready for a potential need. Besides, the Group has set up multiple channels to raise working capitals to minimize the averaged capital costs. In 2019, the total interest expense came to NT\$5.99 million, accounting for merely 0.03% of the net operating revenues and 0.22% of the net profit before tax.

(3) Currency inflation:

The commodity price statistical report revealed by the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan indicates that the consumer commodity price index counted with Year 2016 as the base (100) got the average commodity price index at 102.55 in 2019 and at 101.98 in 2018, with a slight rise.

In Taiwan in 2019, the commodity prices recorded a stable state. The Company's business operation was unaffected by inflation of currency.

2. Countermeasures in the future

- (1) Here in the Company, the Finance Dept. has maintained very sound and close ties with the foreign exchange departments in all banks and collected updates linked up with changes in foreign exchanges all the time to firmly dominate the trends and updates of foreign exchanges in domestic markets with continued efforts to evaluate foreign exchange related risks. As necessary, the Finance Dept. would execute forward foreign exchange contracts in an attempt to evade potential risks in exchange rates.
- (2) Other than close ties and efforts maintained with banks to obtain most optimal possible interest rates, further through multiple channels, the Company has tried to raise working capitals to minimize average operating costs.
- (3) Slow inflation is a sign of healthy economic growth. At the present time, the Company is in easy transfer for operating costs and the Company's products is relatively profitable as quite beneficial to the Company. On the other hand, nevertheless, in case of a rapid inflation, the consumers tend to be discouraged from consumption with difficulty to pass on the costs as unfavorable to the Company. At the present time, the company does not need at all to formulate measures to cope with inflation.

(II) The policies on high-risk, highly leveraged investments, fund lending with others, endorsement guarantees and derivatives trading, the main reasons for profit or loss and the future response measures

1. In 2019, the Company did not at all engage in derivative financial instruments and such high risk, high leverage transactions.
2. In 2019 in the Company, KK Enterprise Co., Ltd. rendered endorsement/guarantee toward its subsidiary KK Enterprise (Malaysia) Co., Ltd. with facts as enumerated below:

The highest balance of endorsement/guarantee	Ending endorsement/guarantee balance	Amount of actual expenditures
MYR8,940,000	MYR8,940,000	MYR5,940,000

3. In 2019, the Company did not at all lend fund to others

(III) The R&D plans and estimated investment in R&D expenses in the future

Research & development plan in the most recent year	Current progress	R&D fee to be further invested	Time scheduled to be completed	Major factors of impact leading to future successful research & development
1. Development technology of agglomerated PBL large particle latex	Pilot test	NT\$1 million	Aug. 2020	1. Successful technology breakthrough of the bottleneck
2. PBL small particle latex development technology	During development	NT\$1 million	Aug. 2020	2. Successful market development
3. Expansion-resistant battery material development	During sampling	NT\$1 million	Oct. 2020	3. Competitive in market with the volume economic scale
4. Development of heat-resistant tough Nylon66	During sampling	NT\$2 million	Aug. 2020	4. High value, unit attribute
5. Nylon66 plus glass fiber composite development	During sampling	NT\$3 million	Aug. 2020	5. Free of negative impact upon environment
6. Improvement of ABS background color and dyeing quality	Being optimized	NT\$1 million	Aug. 2020	
7. Planning Nylon66 compound material blending plant	Being planned	NT\$3 million	Oct. 2020	

(IV) The potential impact from a change in important domestic and international policies and laws upon the Company's financial business and the corresponding measures thereof:

As always, the Company is closely watchful of political & economic updates, enactment of major policies and changes in laws. As the actual requirements may justify, the Company assigns dedicated personnel to accept educational & training programs both in-house and outsourced ones. In entire 2019, there was not significant change in at home and abroad policies or legal affairs that might have a significant impact upon the Company.

(V) The impact of technological changes and industrial changes upon the Company's financial business and the corresponding measures

The Company has been closely watching the changes and updates of relevant business lines and assigned dedicated personnel into evaluation and study to look into the potential impact upon the Company's in future development, financial conditions and business operation, and the relevant countermeasures which should be taken: In most recent year, there has not been significant technical changes that might have unfavorable impact upon the Company in financial conditions and business operation.

(VI) The impact of a change in corporate image change upon the corporate crisis management and the countermeasures thereof: Nil

(VII) The benefit anticipated from merger/acquisition (M&A), the potential risks and countermeasures thereof: N/A

(VIII) The benefit anticipated from plant expansion, the potential risks and countermeasures thereof: Nil

(IX) Risks and countermeasures for the concentration of incoming goods or sales: N/A

(X) The impact, risks upon the Company and countermeasures thereof to be incurred by significant transfer or change in equity by directors and supervisors or major shareholders holding more than 10% of the shares: N/A

(XI) Impact of changes in management rights upon the Company, potential risks and countermeasures thereof: N/A

(XII) Litigious, non-litigious affairs: Should expressly enumerate the litigious, non-litigious or administrative litigation affairs whose judgment are final or making in a pending action involving the Company, its directors and supervisors, president, substantial responsible

persons, top ten major shareholders with shareholding ratio over 10% and the auxiliary companies in the most recent year and as of the publication date of the Annual Report, where the results might have a significant impact upon the Company's shareholders' equity or stock prices: Nil

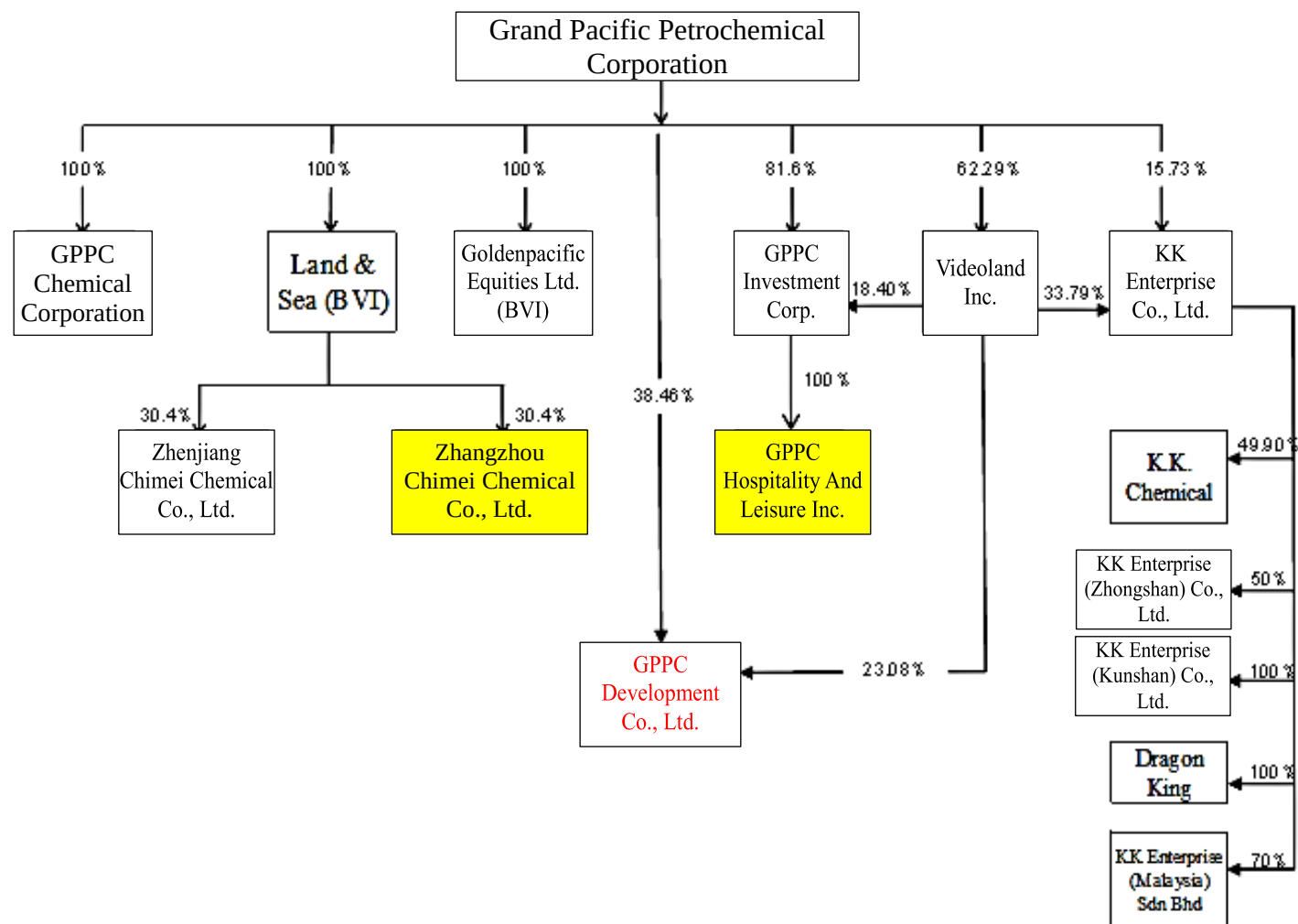
(XIII) Other major risks and countermeasures: N/A

VII. Other significant events: N/A

Eight. Special Disclosure

I. Related information of affiliates

(I) Itemized illustration of shareholding facts in long-term investment (12/31/2019)



(II) Names of affiliated enterprises, dates of incorporations, addresses, paid-in capital and major business lines

Expressed in Thousand NT Dollars and Thousand U. S. Dollars

Names of enterprises	Date of incorporation	Address	Paid-in capital	Major business or production lines
GPPC Chemical Corporation	July 20, 1987	No. 66, Changxing Rd., Luzhu Dist., Kaohsiung City	542,000	1. Manufacture of synthetic resin and plastics. 2. International trade. 3. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
GPPC Investment Corp.	January 03, 1997	10F, No. 1, Sec. 4, Nanking E. Rd., Taipei City	270,000	1. Venture capital investment toward investees. 2. Planning, consultation, participation in business operation & management toward investees. 3. Business management, administration and consultation services to other venture capital investment businesses. 4. Other businesses concerned as approved by the government.
GPPC Hospitality And Leisure Inc.	October 12, 2018	1F, No. 26, Lane 295, Sec. 1, Dunhua S. Rd., Taipei City	40,000	1. Beverages 2. Wines & liquors 3. Restaurants 4. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
GPPC Development Co., Ltd.	August 30, 2018	10F, No. 1, Sec. 4, Nanking E. Rd., Taipei City	130,000	1. Beverages 2. Wines & liquors 3. Restaurants 4. General hotel business 5. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Goldenpacific Equities Ltd.	May 5, 1995	Flemming House Wickham's Cay Road Town Tortola BVI	US\$75	Reinvestment toward a variety of businesses beyond Taiwan territories as instructed by the parent company based on its business policies.
Land & Sea Capital Corp.	December 4, 2002	Wickham's Cay Road Town Tortola BVI	US\$86,319	Reinvestment toward a variety of businesses beyond Taiwan territories as instructed by the parent company based on its business policies.
Videoland Inc.	February 02, 1982	3F, No. 480, Juiguang Rd., Neihu Dist., Taipei City	1,141,324	Production of radio & television programs
Videoland Holding Ltd.	June 2, 2016	30 de Castro St. Wickham's Cay Road Town Tortola BVI	US\$10	Reinvestment business
KK Enterprise Co., Ltd.	April 15, 1975	No.1, Ziqiang 3rd Rd., Nantou City,	630,531	Manufacture, wholesale, retail of label paper, release paper and adhesive tapes and synthetic resins.
Zhenjiang Chimei Chemical Co., Ltd.	March 12, 1996	No. 18, Han Feng Rd., Zhenjiang New Area, Zhenjiang City, Jiangsu Province	US\$358,850	Manufacture, sale and processing of series products using styrene as raw materials: manufacturing and sales of ABS, AN, PS, etc., storage and transportation of raw materials and finished products
Zhangzhou Chimei Chemical Co., Ltd.	August 9, 2018	No. SY14, Area A-14-2, Coastal City, Zhangzhou, Fujian Province	CNY\$880,000	Manufacture of primary plastics and synthetic resins
KK Chemical Co. Ltd.	March 5, 1991	ROOM 1608-1609 City Plaza , 1-17 Sai Lau	HKD2,500	Reinvestment business

		Kok Road, Tsuen Wan, N.T.,		
KK Enterprise (Zhongshan) Co., Ltd.	November 2, 1991	No.81, Jucheng Avenue East, Xiaolan Town, Zhongshan City, Guangdong Province	HKD12,300	Label paper, release paper and adhesive tape business
KK Enterprise (Kunshan) Co., Ltd.	December 3, 2001	No. 568, Gucheng Road, Bacheng Town, Kunshan City, Jiangsu Province	USD6,100	Label paper, release paper and adhesive tape business
KK Enterprise (Malaysia) Co., Ltd.	November 9, 2007	2576LRG. PERUSAHAAN 10, PRAI IND. EST., 13600, PRAI PENANG, MALAYSIA.	RM2,400	Label paper, release paper and adhesive tape business
Dragon King Inc.	February 9, 2006	PORTCULLIS TRUSTNET CHAMBERS, P.O.BOX 1225, APIA, SAMOA	USD100	Reinvestment business

(III) Presumed into control or auxiliary relationship.

The Company proves free of control or auxiliary relationship presumed under Article 369~3 of the Company Act.

(IV) Business lines covered under the overall affiliated enterprises

Affiliated enterprises	Business lines	Division of labor in business transaction
GPPC Chemical Corporation	Manufacture of synthetic resin and plastics, international trade; All business items that are not prohibited or restricted by law, except those that are subject to special approval.	Nil
GPPC Investment Corp.	Reinvestment toward a variety of businesses beyond Taiwan territories as instructed by the parent company based on its business policies.	Nil
GPPC Hospitality And Leisure Inc.	Catering business	Nil
GPPC Development Co., Ltd.	Catering business, hotel business	Nil
Goldenpacific Equities Ltd.	Reinvestment toward a variety of businesses beyond Taiwan territories as instructed by the parent company based on its business policies.	Nil
Land & Sea Capital Corp.	Reinvested in Zhenjiang Chimei Chemical Co., Ltd. °	Nil
Videoland Inc.	Production of radio & television programs	Nil
Videoland Holding Ltd.	Investment business	Nil
KK Enterprise Co., Ltd.	Manufacture, wholesale, retail of label paper, release paper and adhesive tapes and synthetic resins.	Nil
Zhenjiang Chimei Chemical Co., Ltd.	Manufacture, sale and processing of series products using styrene as raw materials: manufacturing and sales of ABS, AN, PS, etc., storage and transportation of raw materials and finished products	Nil
Zhangzhou Chimei Chemical Co., Ltd.	Manufacture of primary plastics and synthetic resins	Nil
KK Chemical Co. Ltd.	Investment business	Nil
KK Enterprise (Zhongshan) Co., Ltd.	Manufacture of label paper, release paper and adhesive tapes and synthetic resins.	Nil
KK Enterprise (Kunshan) Co., Ltd.	Manufacture of label paper, release paper and adhesive tapes and synthetic resins.	Nil
KK Enterprise (Malaysia) Co., Ltd.	Manufacture of label paper, release paper and adhesive tapes and synthetic resins.	Nil
Dragon King Inc.	Investment business	Nil

(V) Information of directors, supervisors, and President of affiliates

Expressed in Shares; %

Company Name	Title	Name or Representative	Number of shares held	Shareholding ratio	Remark
GPPC Chemical Corporation	Chairman	Pin Cheng Yang	54,200,000 shares	100%	Legal Representative of Grand Pacific Petrochemical Corporation
	Director	Chia Hsiung Tseng	54,200,000 shares	100%	
	Director	Jen Chieh Liang	54,200,000 shares	100%	
	Supervisor	Hsi Hui Huang	54,200,000 shares	100%	
	President	Jen Chieh Liang	—	—	—
GPPC Investment Corp.	Chairman	Hsi Hui Huang	22,032,000 shares	81.6%	Legal Representative of Grand Pacific Petrochemical Corporation
	Director	Pin Cheng Yang	22,032,000 shares	81.6%	
	Director	Chen Ming Chou	22,032,000 shares	81.6%	
	Supervisor	Ching Fu Chen	22,032,000 shares	81.6%	
	President	Hsi Hui Huang	—	—	—
GPPC Hospitality And Leisure Inc.	Chairman	Hsi Hui Huang	4,000,000 shares	100%	Legal Representative of GPPC Investment Corp
	Director	Ling Chu Chen	4,000,000 shares	100%	
	Director	Mei Yu Shen	4,000,000 shares	100%	
	Supervisor	Ching Fu Chen	4,000,000 shares	100%	
GPPC Development Co., Ltd.	Chairman	Tzu Yi Cheng	3,000,000 shares		Legal Representative of Videoland Inc.
	Vice Chairman	Te Hisn Chiu	5,000,000 shares		Legal Representative of CDIB Venture Capital Corporation
	Director	Hsi Hui Huang	3,000,000 shares		Legal Representative of Videoland Inc.
	Director	Chen Hsun Lin	3,000,000 shares		
	Director	Chih Chien Yen	5,000,000 shares		Legal Representative of CDIB Venture Capital Corporation
	Director	Yu Shan Lin	5,000,000 shares		
	Supervisor	Hsiao Chi Tsai	-		
Goldenpacific Equities Ltd.	Chairman	Hsi Hui Huang		100%	Legal Representative of Grand Pacific Petrochemical Corporation
	Director	Pin Cheng Yang		100%	
	Director	Chen Ming Chou		100%	
Land & Sea Capital Corp.	Director	Chung Ying Ku		100%	Legal Representative of Grand Pacific Petrochemical Corporation
	Director	Pin Cheng Yang		100%	
	Director	Hsi Hui Huang		100%	
Videoland Inc.	Chairman	Chun Wang	3,955,000 shares	3.47%	Legal Representative of Chen Ho Co., Ltd.
	Director	Tzu Yi Cheng	3,955,000 shares	3.47%	
	Director	Pin Cheng Yang	71,093,494 shares	62.29%	Legal Representative of Grand Pacific Petrochemical Corporation
	Director	Hsi Hui Huang	71,093,494 shares	62.29%	
	Director	Ching Fu Chen	71,093,494 shares	62.29%	
	Supervisor	Sung Chou Wang	1,130,197 shares	0.99%	Legal Representative of Hong Fu Co., Ltd.
	Supervisor	Shu Chu Chang	1,130,197 shares	0.99%	
	President	Tzu Yi Cheng	—	—	—
Videoland Holding Ltd.	Director	Ke Chieh Wang		100%	Legal Representative of Videoland Inc.
	Director	Tzu Yi Cheng		100%	
	Director	Hsi Hui Huang		100%	
Zhenjiang Chimei Chemical Co., Ltd.	Chairman	Ling Yu Chao	US\$256,720	69.6%	Legal Representative of Jentra Investment Limited Liability Company
	Executive Director	Chien Jen Chao	US\$256,720		
	Director & President	Liang Yi Hung	US\$256,720		
	Director	Yao Chung Su	US\$256,720		
	Director	Yao Ching Wang	US\$256,720	69.6%	Legal Representative of Jentra Investment Limited Liability Company
	Director	Pin Cheng Yang	US\$112,130	30.4%	Legal Representative of Land & Sea Capital Corp.
	Director	Chen Ming Chou	US\$112,130		
	Supervisor	Pi Chi Lin	US\$249,760	69.6%	Legal Representative of

Company Name	Title	Name or Representative	Number of shares held	Shareholding ratio	Remark
					Jentra Investment Limited Liability Company
	Supervisor	Hsi Hui Huang	US\$112,130	30.4%	Legal Representative of Land & Sea Capital Corp.
Zhangzhou Chimei Chemical Co., Ltd.	Chairman	Chien Jen Chao	CNY\$612,480	69.6%	Jumping Holding Co. Ltd. (Samoa)
	Director	Ling Yu Chao	CNY\$612,480		
	Director & President	Yao Chung Wu	CNY\$612,480		
	Director	Liang Yi Hung	CNY\$612,480		
	Director	Kuei Kuan Ma	CNY\$612,480		
	Director	Chia Hsiung Tseng	CNY\$267,520	30.4%	Legal Representative of Land & Sea Capital Corp.
	Director	Wen Hui Lin	CNY\$267,520		
	Supervisor	Pi Chi Lin	CNY\$612,480	69.6%	Jumping Holding Co. Ltd.(Samoa)
	Supervisor	Ching Fu Chen	CNY\$267,520	30.4%	Legal Representative of Land & Sea Capital Corp.
KK Enterprise Co., Ltd.	Chairman	Po Ying Yen	7,934,363 shares	15.73%	Legal Representative of Grand Pacific Petrochemical Corporation
	Director	Pin Cheng Yang	7,934,363 shares	15.73%	
	Director	Hsi Hui Huang	17,045,682 shares	33.79%	Legal Representative of Videoland Inc.
	Director	Peng Wen Chen	17,045,682 shares	33.79%	
	Director	Fu Mei Lee	967,128 shares	1.92%	
	Director	Chin Hua Lee Chen	2,198,913 shares	4.36%	
	Director	Su Hua Chen	376,959 shares	0.75%	
	Supervisor	Sung Chou Wang	27,681 shares	0.05%	Legal Representative of Chung Kwan Investment Co., Ltd.
	Supervisor	Ying Hung Lee	371,720 shares	0.74%	
	President	Peng Wen Chen	—	—	—
KK Chemical Co. Ltd.	Chairman	Po Ying Yen	HK\$1,247	49.9%	Legal Representative of KK Enterprise Co., Ltd.
	Director	Jui Fa Wang	HK\$1,247		
KK Enterprise (Zhongshan) Co., Ltd.	Chairman	Po Ying Yen	HK\$6,150	50%	Legal Representative of KK Enterprise Co., Ltd.
	Director	Peng Wen Chen	HK\$6,150		
	Director	Yung Nan Chou	HK\$6,150		
	Director	Jui Fa Wang	HK\$6,150		
	Director	Tsung Min Wang	HK\$6,150		
	President	Jui Fa Wang	HK\$6,150		
KK Enterprise (Kunshan) Co., Ltd.	Chairman	Po Ying Yen	US\$6,100	100%	Legal Representative of KK Enterprise Co., Ltd.
	Director	Peng Wen Chen	US\$6,100		
	Director	Yung Nan Chou	US\$6,100		
	Director	Jui Fa Wang	US\$6,100		
	Director	Wei Chung Yang	US\$6,100		
	Supervisor	Mei Ling Lan	US\$6,100		
	President	Jui Fa Wang	US\$6,100		
KK Enterprise (Malaysia) Co., Ltd.	Chairman	Po Ying Yen	MYR\$1,680	70%	Legal Representative of KK Enterprise Co., Ltd.
	Director	Peng Wen Chen	MYR\$1,680		
	Director	Mei Ling Lan	MYR\$1,680		
	Director	Chih Fan Tsai	MYR\$1,680		
	Director	Ping Chang Huang	MYR\$720	30%	Legal Representative of Chailease Resources Technology Co., Ltd.
	Director	Ming Tai Lee	MYR\$720		
	Director	Chia Cheng Liu	MYR\$720		
Dragon King Inc.	Chairman	Po Ying Yen	US\$100	100%	Legal Representative of KK Enterprise Co., Ltd.

(VI) Affiliates' Business Operating Highlights

Expressed in Thousands of New Taiwan Dollars

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating income	Current profit (loss) (After-tax)	EPS (NT\$) (After-tax)
GPPC Chemical Corporation	542,000	815,668	74,189	741,479	1,801,508	50,593	71,268	1.31
GPPC Investment Corp.	270,000	312,707	90	312,617	6,423	(10,660)	(10,560)	(0.39)
Goldenpacific Equities Ltd.	2,257	666,519	1,378	665,141	11,063	10,687	10,687	-
Videoland Inc.	1,141,324	6,807,616	770,063	6,037,553	2,148,879	248,684	213,644	1.87
KK Enterprise Co., Ltd.	504,425	1,202,370	320,232	882,138	941,003	30,628	33,473	0.57
Land & Sea Capital Corp.	2,587,843	8,549,159	1,592	8,547,567	1,171,145	1,139,766	1,139,766	-
KK Chemical Co. Ltd.	9,623	55,942	47,400	8,542	0	(150)	(144)	-
KK Enterprise (Zhongshan) Co., Ltd.	47,343	198,565	68,520	130,045	293,891	11,876	11,819	-
KK Enterprise (Kunshan) Co., Ltd.	182,878	247,298	50,766	196,532	246,381	(6,410)	(7,569)	-
KK Enterprise (Malaysia) Co., Ltd.	16,879	104,211	24,062	80,149	152,982	13,502	9,911	-
Dragon King Inc.	2,998	6,604	1,989	4,615	5,807	(34)	(31)	-
Zhenjiang Chimei Chemical Co., Ltd.	11,058,123	31,834,928	11,410,044	20,424,884	63,912,288	5,328,160	4,070,804	-
GPPC Hospitality And Leisure Inc.	40,000	33,422	4,484	28,938	3,694	(10,744)	(10648)	(2.66)
Zhangzhou Chimei Chemical Co., Ltd.	3,788,400	4,023,078	281,707	3,741,371	0	(49,528)	(49,528)	-
GPPC Development Co., Ltd.	130,000	128,837	50	128,787	0	(1,188)	(1123)	(0.40)

Note: Where an affiliated enterprise is a foreign firm, the relevant amounts should be converted into New Taiwan Dollars at exchange rate quoted on the date of updating forms.

II. Facts of securities in private placement conducted in the most recent year and as of the publication date of Annual Report: Nil

III. Facts of Company's share certificates held and disposed by the subsidiaries in the most recent fiscal year and as of the publication date of the Annual Report:

Expressed in thousand NT Dollars; thousand shares, %

Same of communications	Paid-in capital	Capital source	Shareholding ratio by the Company	Date of Procedures for the acquisition or disposal	Number of shares & amount acquired	Number of shares & amount disposed of	Profit and/or loss in investment	Shares & amount held as of April 14, 2020	Pledge	Amount of endorsement/guarantee by the Company to subsidiary	Loan by the Company to subsidiary
GPPC Chemical Corporation	542,000	Own capital	100.00	0	0			Grand Pacific common shares 247,000 shares, NT\$3,625,000 Grand Pacific preferred shares 1,776,000 shares NT\$54,434,000	0	0	0

IV. As supplementation as necessary: Nil

Nine. In the most recent year and as of the publication date of the Annual Report, events with significant impact upon shareholders' equity or stock prices: Nil