UPC Technology Corp.

Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
UPC Technology Corp.

Opinion

We have audited the accompanying financial statements of UPC Technology Corp. (collectively referred to as the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the financial statements for the year ended December 31, 2019 are stated as follows:

Recognition of Operating Revenue

Key audit matter was identified for occurrence of revenue recognition for product sales since the judgement is required if the performance obligation is met and sales should be recognized after the Company identifies the performance obligation from sales contracts with customers. We performed the audit procedures by assessing the internal controls related to sales, vouching the transaction records and supporting documents to check the occurrence of the sales and confirming the sales recognition in compliance with IFRS. Please refer to Note 4 (12) regarding the accounting policy of revenue recognition of the financial statements.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wen-Chi Kuo and Zhen-Ming Li.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

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

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

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

UPC TECHNOLOGY CORP.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 6)	$ 237,252	1	$ 321,948	1
Notes receivable (Note 8)	29,477	-	86,576	-
Trade receivables (Notes 8 and 27)	388,651	1	355,323	1
Other receivables (Note 27)	3,646	-	4,513	-
Current tax assets (Note 22)	-	-	4,965	-
Inventories (Note 9)	1,188,126	3	1,498,495	5
Other current assets (Note 13)	43,692	-	82,238	-
Total current assets	1,890,844	5	2,354,058	7
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	6,645,063	20	5,053,607	15
Investments accounted for using the equity method (Note 10)	23,826,034	69	25,146,338	73
Property, plant and equipment (Note 11)	1,931,794	6	1,832,501	5
Right-of-use assets (Note 12)	37,070	-	-	-
Deferred income tax assets (Note 22)	69,510	-	67,140	-
Other non-current assets (Note 13)	72,991	-	44,467	-
Total non-current assets	32,582,462	95	32,144,053	93
TOTAL	$ 34,473,306	100	$ 34,498,111	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Notes 16 and 27)	$ 367,244	1	$ 526,795	2
Other payables (Note 17)	105,470	-	181,622	1
Current tax liabilities (Note 22)	6,005	-	-	-
Lease liabilities - current (Note 12)	10,657	-	-	-
Other current liabilities (Note 17)	23,596	-	158,767	-
Total current liabilities	512,972	1	867,184	3
NON-CURRENT LIABILITIES				
Bonds payable (Note 15)	5,982,279	17	5,977,858	17
Long-term borrowings (Note 14)	6,950,000	20	7,460,000	22
Provisions (Note 18)	6,212	-	4,853	-
Deferred tax liabilities (Note 22)	217,068	1	209,418	1
Lease liabilities - non-current (Note 12)	26,744	-	-	-
Net defined benefit liabilities (Note 19)	192,491	1	190,422	-
Guarantee deposits received (Note 27)	13,824	-	14,313	-
Total non-current liabilities	13,388,618	39	13,856,864	40
Total liabilities	13,901,590	40	14,724,048	43
EQUITY (Note 20)				
Ordinary shares	13,323,476	39	12,939,216	37
Capital surplus	1,327,147	4	1,301,779	4
Retained earnings				
Legal reserve	2,339,154	7	2,263,793	7
Special reserve	341,773	1	341,773	1
Unappropriated earnings	1,720,209	5	2,585,164	7
Total retained earnings	4,401,136	13	5,190,730	15
Other equity	1,519,957	4	533,639	2
Treasury shares	-	-	(191,301)	(1)
Total equity	20,571,716	60	19,774,063	57
TOTAL	$ 34,473,306	100	$ 34,498,111	100

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

UPC TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
SALES (Note 27)	$ 4,611,581	100	$ 4,589,175	100
COST OF GOODS SOLD (Notes 9, 21 and 27)	4,254,384	92	4,105,038	89
GROSS PROFIT	357,197	8	484,137	11
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	141,404	3	122,586	3
General and administrative expenses	195,960	5	268,237	6
Expected credit (gain) loss	(1,613)	-	949	-
Total operating expenses	335,751	8	391,772	9
PROFIT FROM OPERATIONS	21,446	-	92,365	2
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of subsidiaries accounted for using the equity method	(303,639)	(7)	533,074	12
Other income (Notes 21 and 27)	362,524	8	294,382	6
Other gains and losses (Note 21)	(61,033)	(1)	(20,640)	-
Finance costs (Note 21)	(137,387)	(3)	(127,621)	(3)
Total non-operating income and expenses	(139,535)	(3)	679,195	15
(LOSS) PROFIT BEFORE INCOME TAX	(118,089)	(3)	771,560	17
INCOME TAX EXPENSE (Note 22)	22,287	-	17,950	-
NET (LOSS) PROFIT	(140,376)	(3)	753,610	17
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 20 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,383	-	1,877	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,603,870	35	(863,732)	(19)

(Continued)

UPC TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2019 Amount	2019 %	2018 Amount	2018 %
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	$ 243,880	5	$ (359,989)	(8)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(280)	-	2,750	-
	1,848,853	40	(1,219,094)	(27)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(869,671)	(19)	(270,730)	(6)
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	(995)	-	1,227	-
Income tax relating to items that may be reclassified subsequently to profit or loss	830	-	(7,220)	-
	(869,836)	(19)	(276,723)	(6)
Other comprehensive (loss) income for the year, net of income tax	979,017	21	(1,495,817)	(33)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ 838,641	18	$ (742,207)	(16)
(LOSS) EARNINGS PER SHARE (Note 23)				
Basic	($ 0.11)		$ 0.58	
Diluted	($ 0.11)		$ 0.58	

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

UPC TECHNOLOGY CORP.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

			Retained Earnings				Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2018	$ 11,995,571	$ 1,147,117	$ 2,029,552	$ 341,773	$ 3,667,231	$ 6,038,556	$ 58,283	$ 2,342,004	$ -	$ 2,400,287	$ (317,625)	$ 21,263,906
Effect of retrospective application and retrospective restatement	-	-	-	-	517,140	517,140	-	(2,342,004)	1,975,800	(366,204)	-	150,936
BALANCE AT JANUARY 1, 2018 AS RESTATED	11,995,571	1,147,117	2,029,552	341,773	4,184,371	6,555,696	58,283	-	1,975,800	2,034,083	(317,625)	21,414,842
Appropriation of 2017 earnings												
Legal reserve	-	-	234,241	-	(234,241)	-	-	-	-	-	-	-
Share dividends distributed by the Company	943,645	-	-	-	(943,645)	(943,645)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,179,558)	(1,179,558)	-	-	-	-	-	(1,179,558)
Net profit in 2018	-	-	-	-	753,610	753,610	-	-	-	-	-	753,610
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	4,627	4,627	(276,723)	-	(1,223,721)	(1,500,444)	-	(1,495,817)
Total comprehensive income (loss) in 2018	-	-	-	-	758,237	758,237	(276,723)	-	(1,223,721)	(1,500,444)	-	(742,207)
Treasury shares transferred to employees	-	154,662	-	-	-	-	-	-	-	-	126,324	280,986
BALANCE AT DECEMBER 31, 2018	12,939,216	1,301,779	2,263,793	341,773	2,585,164	5,190,730	(218,440)	-	752,079	533,639	(191,301)	19,774,063
Appropriation of 2018 earnings												
Legal reserve	-	-	75,361	-	(75,361)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(256,767)	(256,767)	-	-	-	-	-	(256,767)
Share dividends distributed by the Company	385,150		-	-	(385,150)	(385,150)	-	-	-	-	-	-
Net loss in 2019	-	-	-	-	(140,376)	(140,376)	-	-	-	-	-	(140,376)
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	1,103	1,103	(869,836)	-	1,847,750	977,914	-	979,017
Total comprehensive income (loss) in 2019	-	-	-	-	(139,273)	(139,273)	(869,836)	-	1,847,750	977,914	-	838,641
Share-based payment transaction-Employees share option plan	-	25,330	-	-	-	-	-	-	-	-	190,449	215,779
Cancelation of treasury shares	(890)	38	-	-	-	-	-	-	-	-	852	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(8,404)	(8,404)	-	-	8,404	8,404	-	-
BALANCE AT DECEMBER 31, 2019	$ 13,323,476	$ 1,327,147	$ 2,339,154	$ 341,773	$ 1,720,209	$ 4,401,136	$ (1,088,276)	$ -	$ 2,608,233	$ 1,519,957	$ -	$ 20,571,716

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

UPC TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	$ (118,089)	$ 771,560
Adjustments for:		
Depreciation expenses	75,950	48,100
Amortization expenses	16,733	10,377
Expected credit (gain) loss on trade receivables	(1,613)	949
Finance costs	137,387	127,621
Interest income	(372)	(288)
Dividend income	(284,800)	(257,207)
Compensation costs of share-based payment	55,972	149,860
Share of profit or loss of subsidiaries accounted for using the equity method	303,639	(533,074)
Gain on disposal of property, plant and equipment	(82)	(2,010)
Write-downs (reversal of write-downs) of inventories	1,529	(833)
Changes in operating assets and liabilities:		
Notes receivable	57,938	(18,107)
Trade receivables	(32,554)	(41,244)
Other receivables	867	279
Inventories	308,840	(444,033)
Other current assets	38,546	(47,673)
Trade payables	(159,551)	(25,462)
Other payables	(69,232)	(77,988)
Provisions	1,359	1,223
Other current liabilities	(56,364)	60,279
Net defined benefit liabilities	3,452	5,126
Cash generated from (used in) operations	279,555	(272,545)
Interest received	372	288
Income tax paid	(5,487)	(9,425)
Net cash generated from (used in) operating activities	274,440	(281,682)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through the other comprehensive income	12,415	7,940
Proceeds from capital return of investments accounted for using equity method	1,546,198	-
Increase in investment for using the equity method	(1,391,548)	(1,476,340)
Purchase of property, plant and equipment	(170,749)	(284,754)
Proceeds from disposal of property, plant and equipment	176	2,093
Increase in refundable deposits	(4,430)	(265)
Decrease in refundable deposits	4,120	512
Increase in other non-current assets	(44,780)	(29,391)
Dividends received	520,028	697,009
Net cash generated from (used in) investing activities	471,430	(1,083,196)

(Continued)

UPC TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds payable	$ -	$ 5,977,858
Repayments of short-term bills payable	-	(2,099,184)
Proceeds from short-term borrowings	-	10,140,000
Repayments of short-term borrowings	-	(12,480,000)
Proceeds from long-term borrowings	26,550,000	18,250,000
Repayments of long-term borrowings	(27,060,000)	(17,300,000)
Increase in guarantee deposits received	663	8,558
Decrease in guarantee deposits received	(1,152)	(62)
Repayment of the principal portion of lease liabilities	(10,467)	-
Cash dividends paid	(256,767)	(1,179,558)
Proceeds from treasury shares transferred to employees	81,000	210,414
Interest paid	(133,843)	(125,844)
Net cash (used in) generated from financing activities	(830,566)	1,402,182
NET (DECREASE) INCREASE IN CASH	(84,696)	37,304
CASH AT THE BEGINNING OF THE YEAR	321,948	284,644
CASH AT THE END OF THE YEAR	$ 237,252	$ 321,948

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

1. GENERAL

UPC Technology Corp. (the “Company”), incorporated in August 1976, mainly manufactures and sells petrochemical products such as pshthalic anhydride (PA) and plasticizer (DEHP). The Company’s shares have been listed on the Taiwan Stock Exchange since March 1989.

The financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 13, 2020.

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

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

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

1) IFRS 16 “Leases”

IFRS 16 provides a model for the treatment of lease in the financial statements. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

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

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for both the principal portion and the interest portion of lease liabilities are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedient (b) which is applied, the Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company adjusts the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized on December 31, 2018, instead of assessing the impairment under IAS 36.

c) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

d) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

e) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.80%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 25,144
Less: Recognition exemption for short-term leases	(18,900)
The future minimum lease payments of non-cancellable operating lease Undiscounted amounts on January 1, 2019	$ 6,244
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 6,152
Add: Adjustments as a result of a different treatment of extension and termination options	41,716
Lease liabilities recognized on January 1, 2019	$ 47,868

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 47,868	$ 47,868
Total effect on assets	$ -	$ 47,868	$ 47,868
Lease liabilities - current	$ -	$ 10,467	$ 10,467
Lease liabilities - non-current	-	37,401	37,401
Total effect on liabilities	$ -	$ 47,868	$ 47,868
Retained earnings	$ -	$ -	$ -
Total effect on equity	$ -	$ -	$ -

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

4) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company applied the above amendments prospectively.

b. The IFRSs endorsed by the FSC for application starting from 2020

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries in these parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months or an operating cycle (e.g. land held for construction site) after the reporting period; and

3) Cash and cash equivalents.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in foreign currencies are not translated.

For the purpose of presenting financial statements of the Company, the functional currencies of the Company's foreign operations are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of reporting period; income and expense items are translated at the average exchange rates for the period, expect for, translated at the exchange rates the day of transaction when the exchange rate fluctuates widely. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The Company recognized directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interest that in substance, from part of the Company's net investment in the subsidiary), the Company continues recognized its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

h. Computer software

Computer software is initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual values, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the computer software before the end of its economic life.

Computer software shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of computer software, which are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

i. Impairment of tangible and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Provisions

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

l. Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of petrochemical products. Sales of petrochemical products are recognized as revenue when the goods are delivered to the customer’s specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. The Company recognized revenue and trade receivables concurrently.

m. Leases

<u>2019</u>

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

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

The Company assessed all leases belong to operating leases.

1) The Company as lessor

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

2) The Company as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (even if the assets must take a long time to ready for their intend use or sale) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company’s defined benefit plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans.

p. Share-based payment arrangement

The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company’s best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the employees are informed.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 5% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH

	December 31	
	2019	2018
Cash on hand	$ 167	$ 169
Checking accounts and demand deposits	237,085	321,779
	$ 237,252	$ 321,948

The market rate intervals of cash in bank at the end of the year were as follows:

	December 31	
	2019	2018
Bank balance	0.01%-0.25%	0.01%-0.48%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INVESTMENTS IN EQUITY INSTRUMENTS

	December 31	
	2019	2018
Non-current		
Domestic investments		
Listed shares	$ 6,544,378	$ 4,937,378
Unlisted shares	100,685	116,229
	$ 6,645,063	$ 5,053,607

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2019	2018
Notes receivable		
At amortized cost		
Gross carrying amount	$ 29,832	$ 87,770
Less: Allowance for impairment loss	(355)	(1,194)
	$ 29,477	$ 86,576
Trade receivables		
At amortized cost		
Gross carrying amount	$ 392,758	$ 360,204
Less: Allowance for impairment loss	(4,107)	(4,881)
	$ 388,651	$ 355,323

The average credit period of sales of goods was 30 days. Historical experience had been that receivables past due beyond 1 year were not recoverable. For the receivables past due beyond 1 year, the Company recognized 100% of the amount as allowance for impairment loss. For the receivables past due within 1 year, allowance for impairment loss was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Before accepting any new customer, the Company used an internal credit scoring system to assess the potential customer's credit quality and defined credit limits. The credit limits and rating would be evaluated twice a year.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all receivables. The expected credit losses on receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. The provision for loss allowance base on the Company's different customer base.

The Company recognized 100% of the amount as allowance for impairment loss when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the trade receivables are over 1 year past due. For trade receivables that recognized 100% of the amount as allowance for impairment loss, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2019

	Credit Rating A	Credit Rating B	Credit Rating C	Credit Rating D	Credit Rating E	Total
Gross carrying amount	$ 213,231	$ 75,849	$ 91,311	$ 12,367	$ 29,832	$ 422,590
Loss allowance (Lifetime ECL)	(1,353)	(1,138)	(1,369)	(247)	(355)	(4,462)
Amortized cost	$ 211,878	$ 74,711	$ 89,942	$ 12,120	$ 29,477	$ 418,128

December 31, 2018

	Credit Rating A	Credit Rating B	Credit Rating C	Credit Rating D	Credit Rating E	Total
Gross carrying amount	$ 99,976	$ 123,096	$ 118,721	$ 18,411	$ 87,770	$ 447,974
Loss allowance (Lifetime ECL)	(886)	(1,846)	(1,781)	(368)	(1,194)	(6,075)
Amortized cost	$ 99,090	$ 121,250	$ 116,940	$ 18,043	$ 86,576	$ 441,899

The aging of receivables was as follows:

	December 31 2019	December 31 2018
No past due	$ 412,846	$ 447,182
Less than 30 days	9,744	792
	$ 422,590	$ 477,974

The movements of the loss allowance of trade receivables were as follows:

	December 31 2019	December 31 2018
Balance at January 1	$ 4,881	$ 4,206
Add: Net remeasurement of loss allowance	110	1,007
Less: Net remeasurement of loss allowance	(884)	(332)
Balance at December 31	$ 4,107	$ 4,881

The movements of the loss allowance of notes receivable were as follows:

	December 31 2019	December 31 2018
Balance at January 1	$ 1,194	$ 920
Add: Net remeasurement of loss allowance	16	1,008
Less: Net remeasurement of loss allowance	(855)	(734)
Balance at December 31	$ 355	$ 1,194

9. INVENTORIES

	December 31 2019	December 31 2018
Finished goods	$ 483,944	$ 552,106
Semi-finished goods	98,682	146,163
Work in progress	21,513	25,111
Raw materials	287,763	378,190
Supplies	25,772	68,044
Merchandise inventory	-	3,289
Inventory in transit	278,397	332,008
	1,196,071	1,504,911
Less: Allowance for loss	(7,945)	(6,416)
	$ 1,188,126	$ 1,498,495

The Company recognized cost of goods sold are all related to inventories.

The cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of $1,529 thousand and reversals of inventory write-downs of $833 thousand, respectively. The reversal of previous write-downs resulted from increased selling prices in certain markets.

As of December 31, 2019 and 2018, there is no inventory of the Company expected to be recovered after more than 12 months.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Name of Subsidiaries	December 31 2019	December 31 2018
Not-listed company		
Constant Holding Ltd. (CHL)	$ 21,810,189	$ 21,667,919
Glory Ace	584,424	2,096,514
Union Venture Capital Corp. (UVC)	352,912	258,444
Wei Chen Investment Co. (WCI)	213,389	211,953
Taiwan Union International Investment Corporation (TUI)	865,120	911,508
	$ 23,826,034	$ 25,146,338

As the end of the reporting period, the proportion of ownership and voting rights in subsidiaries and associates held by the Company were as follows:

	December 31 2019	December 31 2018
CHL	100.00%	100.00%
Glory Ace	100.00%	100.00%
UVC	100.00%	100.00%
WCI	100.00%	100.00%
TUI	100.00%	100.00%

For the information of financial guarantees the Company provided to its directly or indirectly hold subsidiaries, please refer to Note 28 and Table 2.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 was based on the subsidiaries' financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Warehousing Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2018	$ 1,126,898	$ 715,770	$ 995,045	$ 471,239	$ 684,502	$ 36,164	$ 4,029,618
Additions	-	-	16	-	37,990	260,806	298,812
Disposals	-	(82)	(4,246)	-	(6,374)	-	(10,702)
Reclassification	-	3,587	5,566	226	(29,349)	19,970	-
Balance at December 31, 2018	$ 1,126,898	$ 719,275	$ 996,381	$ 471,465	$ 686,769	$ 316,940	$ 4,317,728
Accumulated depreciation							
Balance at January 1, 2018		$ 425,744	$ 953,650	$ 450,364	$ 617,988		$ 2,447,746
Disposals		(82)	(4,234)	-	(6,303)		(10,619)
Depreciation expense		16,570	11,362	4,835	15,333		48,100
Balance at December 31, 2018		$ 442,232	$ 960,778	$ 455,199	$ 627,018		$ 2,485,227
Carrying amounts at December 31, 2018	$ 1,126,898	$ 277,043	$ 35,603	$ 16,266	$ 59,751	$ 316,940	$ 1,832,501

(Continued)

	Land	Buildings	Machinery and Equipment	Warehousing Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost							
Balance at January 1, 2019	$ 1,126,898	$ 719,275	$ 996,381	$ 471,465	$ 686,769	$ 316,940	$ 4,317,728
Additions	-	130	16,103	1,782	12,497	134,027	164,539
Disposals	-	-	(1,996)	-	(3,018)	-	(5,014)
Reclassification	-	21,210	115,959	98,706	87,693	(323,568)	-
Balance at December 31, 2019	$ 1,126,898	$ 740,615	$ 1,126,447	$ 571,953	$ 783,941	$ 127,399	$ 4,477,253
Accumulated depreciation							
Balance at January 1, 2019		$ 442,232	$ 960,778	$ 455,199	$ 627,018		$ 2,485,227
Disposals		-	(1,999)	-	(2,921)		(4,920)
Depreciation expense		15,966	18,042	9,224	21,920		65,152
Balance at December 31, 2019		$ 458,198	$ 976,821	$ 464,423	$ 646,017		$ 2,545,459
Carrying amounts at December 31, 2019	$ 1,126,898	$ 282,417	$ 149,626	$ 107,530	$ 137,924	$ 127,399	$ 1,931,794

(Concluded)

There was no indication of impairment for the years ended December 31, 2019 and 2018.

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	50 years
Road construction	15-40 years
Others	3-50 years
Machinery and equipment	5-15 years
Warehousing equipment	5-15 years
Other equipment	3-20 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 37,070

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Buildings	$ 10,798

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 10,657
Non-current	$ 26,744

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.80%

c. Material lease-in activities and terms

The Company leases buildings for the use of offices with lease terms of 2 to 5 years. The Company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 10,980
Total cash outflow for leases	$ 11,097

The Company leases certain office equipment which qualifies as short-term leases and certain warehousing equipment which qualifies as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amount of lease commitments for short-term leases for which the recognition exemption is applied was $19,800 thousand as of December 31, 2019.

13. OTHER ASSETS

	December 31	
	2019	2018
Current		
Prepayments to suppliers	$ 244	$ 212
Input VAT and excess business tax paid	15,085	55,752
Prepaid expense	28,363	26,274
	$ 43,692	$ 82,238

(Continued)

	December 31	
	2019	2018
Non-current		
Refundable deposits	$ 20,793	$ 20,483
Long-term prepaid expenses	49,727	21,680
Prepayment for equipment	2,471	2,304
	$ 72,991	$ 44,467

(Concluded)

14. BORROWINGS

Long-term Borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Bank credit loans	$ 500,000	$ 960,000
Revolving credit loans	6,450,000	6,500,000
	$ 6,950,000	$ 7,460,000

The carrying amounts of long-term borrowings of the Company were as follows:

	Maturity Day	Effective Interest Rate	December 31 2019	December 31 2018
Fixed interest rate loan				
Unsecured loans (NTD)	Used in revolving credit before October 2021	1.06%	$ 700,000	$ -
	Used in revolving credit before July 2021	1.22%	300,000	-
	Used in revolving credit before November 2021	1.15%	1,000,000	-
	Used in revolving credit before June 2021	1.20%	300,000	300,000
	Used in revolving credit before November 2021	1.13%	500,000	-
	Used in revolving credit before June 2021	1.10%	500,000	-
	Used in revolving credit before May 2021	1.10%	500,000	-
	Used in revolving credit before November 2022	1.10%	300,000	-
	Used in revolving credit before May 2021	1.05%/1.20%	200,000	600,000
	Used in revolving credit before May 2021	1.14%	400,000	-
	Used in revolving credit before November 2021	1.15%	400,000	-
	Used in revolving credit before June 2022	1.15%	300,000	-
	Used in revolving credit before April 2022	1.20%	600,000	-
	Used in revolving credit before February 2022	1.19%	150,000	-
	Used in revolving credit before May 2021	0.98%	300,000	-
	Used in revolving credit before July 2020	1.22%	-	500,000
	Used in revolving credit before July 2020	1.21%	-	500,000
	Used in revolving credit before November 2020	1.10%	-	1,000,000
	Used in revolving credit before October 2020	1.06%	-	600,000
	Used in revolving credit before May 2020	1.10%	-	500,000
	Used in revolving credit before June 2020	1.28%	-	300,000
	Used in revolving credit before August 2020	1.20%	-	500,000
	Used in revolving credit before August 2020	1.15%	-	300,000
	Used in revolving credit before December 2019	1.20%	-	500,000
	Total of fixed interest rate loan		6,450,000	5,600,000

(Continued)

	Maturity Day	Effective Interest Rate	December 31 2019	2018
Floating interest rate loan				
Unsecured loans (NTD)	Used in revolving credit before September 2022	1.09%	$ 500,000	$ -
	Used in revolving credit before May 2020	1.09%	-	900,000
	Repaid in batches before September of 2022	1.36%	-	500,000
	Repaid in batches before November of 2021	1.35%	-	460,000
	Total of floating interest rate loan		500,000	1,860,000
Total of long-term borrowing			$ 6,950,000	$ 7,460,000

(Concluded)

15. BONDS PAYABLE

	December 31 2019	2018
Secured domestic bonds	$ 6,000,000	$ 6,000,000
Less: Discount of bonds	(17,721)	(22,142)
	$ 5,982,279	$ 5,977,858

The major terms of the secured domestic bonds are as follows:

Issuance	Issuance Period	Total Amount	Coupon Rate	Repayment and Interest Payment
2018-1	December 2018 to December 2023	$ 6,000,000	0.95%	Bullet repayment; interest payable annually

16. NOTES PAYABLE AND TRADE PAYABLES

Trade payables of the Company were generated from operating. The average credit period on purchases was 30 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER LIABILITIES

	December 31 2019	2018
Current		
Other payables		
Payables for salaries or bonuses	$ 25,583	$ 56,485
Payables for freight	18,896	10,593
Payables for purchases of equipment	8,472	14,515
Interest payables	5,519	6,396
Payables for utilities	4,631	6,421
Payables for compensation of employees	-	47,000

(Continued)

	December 31	
	2019	2018
Payables for compensation of directors	$ -	$ 6,400
Others	42,369	33,812
	$ 105,470	$ 181,622
Other liabilities		
Contract liabilities	$ 21,395	$ 76,760
Treasury shares transfer to employees collected in advance	-	79,288
Others	2,201	2,719
	$ 23,596	$ 158,767

(Concluded)

18. PROVISIONS

	December 31	
	2019	2018
Non-current		
Employee benefits	$ 6,212	$ 4,853

The provision for employee benefits is based on the Company's employee pension. The present value of the long-term employee benefit were carried out by qualified actuaries.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 555,826	$ 563,493
Fair value of plan assets	(363,335)	(373,071)
Net defined benefit liabilities	$ 192,491	$ 190,422

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 583,441	$ (396,268)	$ 187,173
Current service cost	6,183	-	6,183
Net interest expense (income)	5,027	(3,226)	1,801
Recognized in profit or loss	11,210	(3,226)	7,984
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,315)	(13,315)
Actuarial (gain) loss - changes in demographic assumptions	445	-	445
Actuarial (gain) loss - changes in financial assumptions	5,046	-	5,046
Actuarial (gain) loss - experience adjustments	5,947	-	5,947
Recognized in other comprehensive income	11,438	(13,315)	(1,877)
Contributions from the employer	-	(2,858)	(2,858)
Benefits paid	(42,596)	42,596	-
Balance at December 31, 2018	$ 563,493	$ (373,071)	$ 190,422
Balance at January 1, 2019	$ 563,493	$ (373,071)	$ 190,422
Current service cost	4,582	-	4,582
Net interest expense (income)	4,219	(2,626)	1,593
Recognized in profit or loss	8,801	(2,626)	6,175
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(14,863)	(14,863)
Actuarial (gain) loss - changes in demographic assumptions	348	-	348
Actuarial (gain) loss - changes in financial assumptions	9,491	-	9,491
Actuarial (gain) loss - experience adjustments	3,641	-	3,641
Recognized in other comprehensive income	13,480	(14,863)	(1,383)
Contributions from the employer	-	(2,723)	(2,723)
Benefits paid	(29,948)	29,948	-
Balance at December 31, 2019	$ 555,826	$ (363,335)	$ 192,491

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate(s)	0.625%	0.875%
Expected rate(s) of salary increase	2.500%	2.500%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (9,492)	$ (10,020)
0.25% decrease	$ 9,761	$ 10,315
Expected rate(s) of salary increase		
0.25% increase	$ 9,418	$ 9,976
0.25% decrease	$ (9,208)	$ (9,743)

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 2,742	$ 2,803
Average duration of the defined benefit obligation	7.0 years	7.4 years

20. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Numbers of shares authorized (in thousands)	2,000,000	1,600,000
Shares authorized	$ 20,000,000	$ 16,000,000
Numbers of shares issued and fully paid (in thousands)	1,332,348	1,293,922
Shares issued	$ 13,323,476	$ 12,939,216

On January 18, 2019, the Company's board of directors approved to cancel treasury shares of $890 thousand, with 89 thousand shares. Record date for capital reduction was February 2, 2019.

On June 14, 2019, the shareholders meeting resolved to increase capital by transferring the earnings of $385,150 thousand, which increased the share capital issued and fully paid to $13,323,476 thousand, with 1,332,348 thousand shares, all ordinary shares.

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

A total of 100,000 thousand shares of the Company authorized shares were reversed for issuance of employee share options.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	$ 810,199	$ 810,255
Donations	21,898	21,898
Treasury stock transfer to employees	-	7,930
May only be used to offset a deficit		
Employee share options exercised and expired	279,472	279,491
Remuneration cost of treasury stock transfer to employees	202,606	182,205
May not be used for any purpose		
Employee share options	12,972	-
	$ 1,327,147	$ 1,301,779

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 14, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution should be made at the end of the fiscal year. The profit distribution pays in cash, the board of directors is authorized to adopt a resolution to distribute dividends in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the amended article, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan. The issuance of share dividends should be distributed after such profit distribution is proposed to the resolution of the shareholders in the shareholders' meeting. The board of directors is authorized to adopt a special resolution to distribute dividends in cash and report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth the amended Articles before the amendments, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for admitting. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 21-6.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings on June 14, 2019 and June 8, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 75,361	$ 234,241
Cash dividends	$ 256,767	$ 1,179,558
Share dividends	$ 385,150	$ 943,645
Cash dividends per share (NT$)	$ 0.20	$ 1.00
Share dividends per share (NT$)	$ 0.30	$ 0.80

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 13, 2020. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2019
Cash dividends	$ 266,470
Cash dividends per share	$ 0.20

d. Special reserves

On the first-time adoption of IFRS, the Company appropriated to special reserve the amount that was the same as the unrealized revaluation increment transferred to retained earnings, which was $341,773 thousand.

The special reserve may be reversed on the disposal or reclassification of the related assets.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (218,440)	$ 58,283
Effect of change in tax rate	-	5,660
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(869,671)	(270,730)
Related Income Tax	830	(12,880)
Share from associates accounted for using the equity method	(995)	1,227
Balance at December 31	$ (1,088,276)	$ (218,440)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 752,079	$ 1,975,800
Recognized for the year		
Unrealized gain (loss) - equity instruments	1,603,870	(863,732)
Share from subsidiaries accounted for using the equity method	243,880	(359,989)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	8,404	-
Balance at December 31	$ 2,608,233	$ 752,079

f. Treasury shares

	Purpose of Buy-back
	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2018	33,200
Decrease during the year	(13,200)
Number of shares at December 31, 2018	20,000
Number of shares at January 1, 2019	20,000
Decrease during the year	(19,911)
Shares cancelled during the year	(89)
Number of shares at December 31, 2019	-

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

21. NET PROFIT

Information about net profit is as follows:

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income	$ 372	$ 288
Operating lease rental income	76,465	35,263
Dividends	284,800	257,207
Commissions Income	625	1,565
Others	262	59
	$ 362,524	$ 294,382

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain on disposal of property, plant and equipment	$ 82	$ 2,010
Net foreign exchange gains (losses)	(763)	7,167
Bank charges (including bonds)	(36,838)	(8,671)
Others	(23,514)	(21,146)
	$ (61,033)	$ (20,640)

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans (including bonds)	$ 136,611	$ 127,621
Interest on lease liabilities	776	-
	$ 137,387	$ 127,621

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 65,152	$ 48,100
Right-of-use assets	10,798	-
Long-term prepaid expenses	16,733	10,377
	$ 92,683	$ 58,477
An analysis of depreciation by function		
Cost of goods sold	$ 49,935	$ 30,018
Operating expenses	16,658	7,736
Other losses	9,357	10,346
	$ 75,950	$ 48,100
An analysis of amortization by function		
Cost of goods sold	$ 14,028	$ 10,377
Operating expenses	2,705	-
	$ 16,733	$ 10,377

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 199,035	$ 226,892
Post-employment benefits (Note 19)		
Defined contribution plans	7,181	6,415
Defined benefit plans	6,175	7,984
Total post-employment benefits	13,356	14,399
Share-based payments		
Equity-settled	55,972	149,860
Other employee benefits	14,493	14,495
Total employee benefits expense	$ 282,856	$ 405,646
An analysis of employee benefits expense by function		
Operating costs	$ 139,433	$ 198,960
Operating expenses	143,423	206,686
	$ 282,856	$ 405,646

	For the Year Ended December 31					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary expense	$ 112,576	$ 115,857	$ 228,433	$ 172,460	$ 176,250	$ 348,710
Labor and health insurance expense	10,761	9,553	20,314	10,115	9,444	19,559
Pension expense - defined contribution plans	3,968	3,213	7,181	3,567	2,848	6,415
Pension expense - defined benefit plans	3,026	3,149	6,175	3,912	4,072	7,984
Remuneration of directors	-	6,260	6,260	-	8,483	8,483
Other employee benefits	9,102	5,391	14,493	8,906	5,589	14,495
Total employee benefits expense	$ 139,433	$ 143,423	$ 282,856	$ 198,960	$ 206,686	$ 405,646

As of December 31, 2019 and 2018, the Company had 234 and 224 employees, respectively, which included 7 and 6 non-employee directors, respectively. The headcount basis was the same as the basis of employee benefits expense.

Average employee benefits expense for the years ended December 31, 2019 and 2018 were $1,218 thousand and $1,822 thousand, respectively. Average salary expenses for the years ended December 31, 2019 and 2018 were $1,006 thousand and $1,600 thousand, respectively. The decrease in the average salary expense by 37% year over year resulted from less treasury shares transferred to employees for the year ended December 31, 2019 than 2018.

f. Employees’ compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees’ compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit deduct accumulated deficit. As it was net loss for the year ended December 31, 2019, the Company did not estimate the employees’ compensation and the remuneration of directors for the year. The employees’ compensation and the remuneration of directors for the year ended December 31, 2018 which were approved by the Company’s board of directors on March 22, 2019 is as follows:

Accrual rate

	For the Year Ended December 31, 2018
Employees’ compensation	1.39%
Remuneration of directors	0.81%

Amount

	For the Year Ended December 31, 2018
	Cash
Employees’ compensation	$ 11,000
Remuneration of directors	$ 6,400

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 14,387	$ 20,287
Foreign exchange losses	(15,150)	(13,120)
	$ (763)	$ 7,167

22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current year	$ 15,542	$ -
Adjustments for prior year	(915)	(4,170)
	16,457	(4,170)
Deferred tax		
In respect of the current year	5,830	10,528
Adjustments to deferred tax attributable to changes in tax rates and laws	-	11,592
	5,830	22,120
Income tax expense recognized in profit or loss	$ 22,287	$ 17,950

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Profit (loss) before tax	$ (118,089)	$ 771,560
Income tax expense (benefit) calculated at the statutory rate	$ (23,618)	$ 154,312
Permanent differences	86,408	(92,343)
Tax-exempt income	(56,960)	(51,441)
Income tax on unappropriated earnings	15,542	-
Effect of tax rate changes	-	11,592
Adjustments for prior years' tax	915	(4,170)
Income tax expense recognized in profit or loss	$ 22,287	$ 17,950

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred income tax benefit		
Effect of change in tax rate		
Translation of foreign operations	$ -	$ (5,660)
Remeasurement of defined benefit plans	-	(3,130)
	-	(8,790)
In respect of the current period		
Translation of foreign operations	(830)	12,880
Remeasurement of defined benefit plans	280	380
	(550)	13,260
Total income tax recognized in other comprehensive income	$ (550)	$ 4,470

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ -	$ 4,965
Current tax liabilities		
Income tax payable	$ 6,005	$ -

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Temporary differences				
Allowance for write-down of inventories	$ 1,280	$ 310	$ -	$ 1,590
Allowance for impairment loss	320	(270)	-	50
Defined benefit obligations	38,080	410	(280)	38,210
Exchange differences on translating the financial statements of foreign operations	24,850	-	830	25,680
Others	2,610	1,370	-	3,980
	$ 67,140	$ 1,820	$ 550	$ 69,510

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Temporary differences				
Investment income abroad	$ 109,590	$ 7,650	$ -	$ 117,240
Land revaluation incremental tax	99,828	-	-	99,828
	$ 209,418	$ 7,650	$ -	$ 217,068

For the year ended December 31, 2018

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Temporary differences				
Allowance for write-down of inventories	$ 1,230	$ 50	$ -	$ 1,280
Allowance for impairment loss	210	110	-	320
Defined benefit obligations	31,820	3,510	2,750	38,080
Exchange differences on translating the financial statements of foreign operations	32,070	-	(7,220)	24,850
Others	1,620	990	-	2,610
	$ 66,950	$ 4,660	$ (4,470)	$ 67,140

(Continued)

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Investment income abroad	$ 82,810	$ 26,780	$ -	$ 109,590
Land revaluation incremental tax	99,828	-	-	99,828
	$ 182,638	$ 26,780	$ -	$ 209,418

(Concluded)

e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were $1,710,000 thousand and $1,780,000 thousand, respectively.

f. Income tax assessments

The income tax returns through 2016 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic (loss) earnings per share	$ (0.11)	$ 0.58
Diluted (loss) earnings per share	$ (0.11)	$ 0.58

The weighted average number of shares outstanding used for the (loss) earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 1, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 are as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 0.59	$ 0.58
Diluted earnings per share	$ 0.59	$ 0.58

The (loss) earnings and weighted average number of ordinary shares outstanding used in the computation of (loss) earnings per share are as follows:

Net (Loss) Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
(Loss) earnings used in the computation of basic and diluted (loss) earnings per share	$ (140,376)	$ 753,610

The weighted average number of ordinary shares outstanding (in thousand shares) is as follows:

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	1,326,542	1,308,425
Effect of potentially dilutive ordinary shares		
Employees' compensation	-	1,421
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	1,326,542	1,309,846

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved by the Company's board of directors in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company - Employee share option

Qualified employees of the Company and its subsidiaries were granted 40,000 options in August 15, 2019. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years and exercisable at 50%, 75% or 100%, respectively, after the second, third or fourth anniversary year from the grant date.

Information on employee share options is as follows:

	For the Year Ended December 31, 2019	
	Number of Options (In Thousands of Units)	**Weighted-average Exercise Price ($)**
Balance at January 1	-	
Options granted	40,000	$ 9.6
Balance at December 31	40,000	9.6
Options exercisable, end of the year	-	

Options granted in August 2019 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	August 2019
Grant-date share price	$9.90
Exercise price	$9.90
Expected volatility	26.01%, 25.67% and 25.03%
Expected life (in years)	4, 4.5 and 5 years
Expected dividend yield	-
Risk-free interest rate	0.52%, 0.53% and 0.54%

The fair value of employee share options, with grant date August 15, 2019, are priced based on their rested time that starts from the second, third and fourth anniversary year. Compensation costs recognized were $12,972 thousand for the year ended December 31, 2019.

b. Employee share option plan of the Company - transferred treasury stock

Employees of the Company were transferred 10,000 thousand shares in 2019 according to the treasury stock transfer regulation of the Company by $8.1. The total compensation cost recognized was $43,000 thousand.

Employees of the Company were transferred 3,200 thousand shares, 10,000 thousand shares and 10,000 thousand shares in 2018 according to the treasury stock transfer regulation of the Company by $11.1, $9.6, $8.0, respectively. The total compensation cost recognized was $149,860 thousand.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. There will be no significant change in the overall strategy of the Company in the short term.

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends, and the amount of new debt issued or existing debt redeemed.

The review of the capital structure is based on the information of consolidated financial statements, please refer to the consolidated financial statements.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	$ 6,544,378	$ -	$ -	$ 6,544,378
Domestic unlisted shares	-	-	100,685	100,685
	$ 6,544,378	$ -	$ 100,685	$ 6,645,063

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	$ 4,937,378	$ -	$ -	$ 4,937,378
Domestic unlisted shares	-	-	116,229	116,229
	$ 4,937,378	$ -	$ 116,229	$ 5,053,607

There are no transition between Levels 1 and 2 in the current and prior year.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2019	$ 116,229
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(3,129)
Proceed from return of investment	(12,415)
Balance at December 31, 2019	$ 100,685

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018	$ 118,883
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	5,286
Proceed from return of investment	(7,940)
Balance at December 31, 2018	$ 116,229

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the asset approach. The approach is mainly utilized to evaluate venture capital companies. In this approach, it takes the net asset value measured at the fair value into account. The others adopt market approach, which mainly evaluate the fair value of market transaction price and market conditions of similar targets that are subject to investment.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at amortized cost (1)	$ 679,819	$ 788,843
Equity instruments at FVTOCI	6,645,063	5,053,607
Financial liabilities		
Financial liabilities at amortized cost (2)	13,393,233	14,050,703

1) The balances included financial assets measured at amortized cost, which comprise cash, notes receivable, trade receivables, other receivables and refundable deposits.

2) The balances included financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade payables, other payables, bonds issued, long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, receivables, payables, and borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which exposes the Company to foreign currency risk. Approximately 40% of the Company's sales is denominated in currencies other than the functional currency, whilst almost 86% of costs is denominated in currencies other than the functional currency of the Company.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 30.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 3% increase and decrease in New Taiwan dollars against USD. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the year for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 3% against USD. For a 3% weakening of the New Taiwan dollar against USD, there would be an equal and opposite impact on pre-tax profit.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ 2,699	$ 6,735

This was mainly attributable to the exposure outstanding on receivables and payables in USD.

The Company's sensitivity to foreign currency decreased during the current year mainly due to the reduction in amount of net foreign currency liabilities.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrows funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial liabilities	$ 12,432,279	$ 11,577,858
Cash flow interest rate risk		
Financial liabilities	500,000	1,860,000

The Company is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and bonds payable. The Company aims to keep borrowings at floating rates to minimize fair value interest rate risk.

The Company is also exposed to cash flow interest rate risk in relation to floating-rate bank borrowings. It is the Company's policy to keep its borrowings at floating interest rates so as to minimize the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company pre-tax profit for the years ended December 31, 2019 and 2018 would decrease/increase by $2,500 thousand and $9,300 thousand, respectively.

The Company's sensitivity to interest rates decreased during the current year mainly due to decrease in the amount of floating-rate bank borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Company does not actively trade these investments. The Company's equity price risk is mainly concentrated on strategic investments of domestic equity instruments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 5% higher/lower, post-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by $332,253 thousand and 252,680 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to equity prices increased because the Company held more equity securities in the current period.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, could be the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopts a policy of only dealing with creditworthy counterparties. Before accepting any new clients, the relevant departments perform credit evaluation and internal credit scoring, sales and administration departments assess the potential customers' credit quality and define credit limit for customers. Limits and scoring attributed to customers are reviewed twice a year.

Besides, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are recognized on irrecoverable amounts.

The Company transacts with a large number of customers. The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk to any other counterparty did not exceed 10% of gross monetary assets at any time during the years ended December 31, 2019 and 2018.

The Company's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 51% and 64% of total trade receivables as of December 31, 2019 and 2018, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Company had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time and regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

	0-3 Months	3 Months to 1 Year	1-5 Years
December 31, 2019			
Non-derivative financial liabilities			
Non-interest bearing liabilities	$ 201,634	$ 203,129	$ -
Lease liabilities	2,646	8,011	26,744
Variable interest rate liabilities	-	-	500,000
Fixed interest rate liabilities	-	-	12,432,279
	$ 204,280	$ 211,140	$ 12,959,023

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	$ 11,243	$ 27,457	$ -	$ -

	0-3 Months	3 Months to 1 Year	1-5 Years
December 31, 2018			
Non-derivative financial liabilities			
Non-interest bearing liabilities	$ 555,045	$ 9,675	$ -
Variable interest rate liabilities	-	-	1,860,000
Fixed interest rate liabilities	-	-	11,577,858
	$ 555,045	$ 9,675	$ 13,437,858

b) Financing facilities

	December 31	
	2019	2018
Unsecured bank loan facilities		
Amount used	$ 6,950,000	$ 7,460,000
Amount unused	10,481,621	8,520,964
	$ 17,431,621	$ 15,980,964

27. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
Lien Hwa Industrial Holdings Corp. (LHIHC, renamed from Lien Hwa Industrial Corporation (LHIC) since September 26, 2019)	With the same chairman
Lien Hwa Property Development Corp. (LHPDC)	Subsidiary of LHIHC (Separated from LHIC on September 1, 2019)
Linde Lienhwa Industrial GASES Co., Ltd. (LLIG)	Investment accounting for using equity method held by LHIHC
Asia Union Electronic Chemical Corp. (AUECC)	Investment accounting for using equity method held by LLIG
Harbinger Venture Management Co., Ltd. (HVMC)	With the same chairman
Lienhwa United LPG Co., Ltd. (LPG)	The Company is its director
Glory Ace	Subsidiary
Zhuhai Unicizers	Subsidiary
Taizhou Union Chemical	Subsidiary
Zhenjiang Union Chemical	Subsidiary
Panjin Union Chemical	Subsidiary
UPC Chemicals (Malaysia)	Subsidiary

b. Operating revenue

		For the Year Ended December 31	
Line Item	Related Party Category	2019	2018
Sales	Subsidiaries	$ 193,576	$ 81,520

c. Purchase of goods

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiaries	$ 292,818	$ 444,066
Associates of investors with significant influence over the Company	32,840	15,934
	$ 325,658	$ 460,000

d. Lease arrangements - Company is lessee

Line Item	Related Party Category/Name	For the Year Ended December 31, 2019
Lease liabilities	LHPDC	$ 37,401

Related Party Category/Name	For the Year Ended December 31, 2019
Interest expense	
LHPDC	$ 776

e. Operating lease rental expense

Line Item	Related Party Category/Name	For the Year Ended December 31, 2018
Operating expenses	Investors with significant influence over the Company	
	LHIC	$ 9,658

f. Lease arrangements - the Company as lessor

Future lease payment receivables are as follows:

Related Party Category/Name	December 31 2019	2018
Associates of investors with significant influence over the Company		
AUECC	$ 99,184	$ 102,091
LPG	5,458	5,458
	$ 104,642	$ 107,549

Lease income was as follows:

Related Party Category/Name	For the Year Ended December 31 2019	2018
Associates of investors with significant influence over the Company		
AUECC	$ 17,606	$ 15,910
LPG	5,848	5,954
	$ 23,454	$ 21,864

g. Service revenue

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
Other income	Associates of investors with significant influence over the Company	$ 49	$ 53
	Investors with significant influence over the Company		
	LHIC	320	480
	Subsidiaries of investors with significant influence over the Company		
	LHPDC	160	-
		$ 529	$ 533

Transactions with related parties were made at prices and terms comparable to those that would be obtained in similar transactions with non-related parties.

h. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
Trade receivables	Subsidiaries	$ 80,882	$ 11,402

i. Other receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31 2019	2018
Other receivables	Associates of investors with significant influence over the Company		
	LPG	$ 756	$ 1,609
	LLIG	487	492
	Subsidiaries	645	111
	Investors with significant influence over the Company	42	42
		$ 1,930	$ 2,254

j. Refundable deposits

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Other non-current assets	Investors with significant influence over the Company		
	LHIC	$ -	$ 1,692
	Subsidiaries of investors with significant influence over the Company		
	LHPDC	1,692	-
		$ 1,692	$ 1,692

k. Payables to related parties

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Trade payables	Subsidiaries	$ 8,402	$ 32,117
	Associates of investors with significant influence over the Company	1,505	1,632
		$ 9,907	$ 33,749

l. Guarantee deposits received

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Guarantee deposits received	Associates of investors with significant influence over the Company		
	AUECC	$ 3,315	$ 3,315

Transactions with related parties were made at prices and terms comparable to those that would be obtained in similar transactions with non-related parties.

m. Compensation of key management personnel

The remuneration of directors and key executives was as follows:

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term employee benefits	$ 27,757	$ 28,955
Post-employment benefits	498	368
Share-based payments	6,463	13,027
	$ 34,718	$ 42,350

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2019 and 2018 were as follows:

a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $65,440 thousand and $189,556 thousand, respectively.

b. Unrecognized commitments were as follows:

	December 31	
	2019	2018
Acquisition of raw materials, supplies and repair parts	$ 415,919	$ 458,779
Acquisition of property, plant and equipment	$ 31,649	$ 125,441

c. As of December 31, 2019, the Company provided financial guarantee for subsidiaries to purchase raw materials or to obtain bank loan facilities. The amount of financial guarantee was as follows:

1) Taizhou Union Plastics - US$22,000 thousand.

2) UPC Chemicals (Malaysia) - US$101,000 thousand.

3) Union Hong Kong - US$15,000 thousand.

4) Nanchong Unicizers - RMB383,000 thousand.

5) Panjin Union Materials - RMB215,000 thousand.

6) Panjin Union Chemical - US$10,000 thousand and RMB525,000 thousand.

29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In January 2020, the outbreak of 2019 novel coronavirus (“COVID-19”) led to the drop in oil prices and adverse impacts on operations of customers from subsidiaries located in China. As of the date the financial report was authorized for issue, the Company could not reasonably estimate the impacts from COVID-19 on customers’ payment ability and on the operation as well as the extent of impact on the entire industry since the status of control measures to COVID-19 is unable to assess.

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,338	29.980 (USD:NTD)	$ 249,973
Non-monetary items			
Investments accounted for using equity method			
USD	$ 746,985	29.980 (USD:NTD)	$ 22,394,613
Financial liabilities			
Monetary items			
USD	$ 11,339	29.980 (USD:NTD)	$ 339,943

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,696	30.715 (USD:NTD)	$ 174,953
Non-monetary items			
Investments accounted for using equity method			
USD	$ 773,708	30.715 (USD:NTD)	$ 23,764,433
Financial liabilities			
Monetary items			
USD	$ 13,005	30.715 (USD:NTD)	$ 399,449

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currencies	**Exchange Rate**	**Net Foreign Exchange Gain (Loss) (US$ in Thousands)**	**Exchange Rate**	**Net Foreign Exchange Gain (Loss) (US$ in Thousands)**
USD	29.980 (USD:NTD)	$ 763	30.715 (USD:NTD)	$ 7,167

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (Table 4)

5) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

6) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

7) Trading in derivative instruments (None)

8) Information on investees (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (Table 9)

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (Table 9)

   c) The amount of property transactions and the amount of the resultant gains or losses (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes (Note 28 and Table 2)

e) The highest balance, the ending balance, the interest rate range, and total current year interest with respect to financing of funds (None)

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)

UPC TECHNOLOGY CORP.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Counter-Party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actual Drawn	Interest Rate	Nature of Financing (Note 2)	Transaction Amount	Reasons for Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	Zhenjiang Union Chemical	ZhenJiang Union Torch Estate	Receivable from related parties	Yes	$ 700,493 (RMB 163,000 thousand)	$ 683,947 (RMB 159,150 thousand)	$ 567,915 (RMB 132,150 thousand)	4.35%-4.63%	2	$ -	Operating capital	$ -	-	$ -	$ 1,956,435 (RMB 455,249 thousand) (Note 3)	$ 3,912,869 (RMB 910,499 thousand) (Note 4)
		Panjin Union Logistics	Receivable from related parties	Yes	343,800 (RMB 80,000 thousand)	343,800 (RMB 80,000 thousand)	343,800 (RMB 80,000 thousand)	4.35%-4.63%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	1,956,435 (RMB 455,249 thousand) (Note 3)	3,912,869 (RMB 910,499 thousand) (Note 4)
		Panjin Union Chemical	Receivable from related parties	Yes	429,750 (RMB 100,000 thousand)	429,750 (RMB 100,000 thousand)	365,288 (RMB 85,000 thousand)	4.35%-4.63%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	1,956,435 (RMB 455,249 thousand) (Note 3)	3,912,869 (RMB 910,499 thousand) (Note 4)
		Nanchong Unicizers	Receivable from related parties	Yes	257,850 (RMB 60,000 thousand)	257,850 (RMB 60,000 thousand)	257,850 (RMB 60,000 thousand)	4.35%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	1,956,435 (RMB 455,249 thousand) (Note 3)	3,912,869 (RMB 910,499 thousand) (Note 4)
		Panjin Union Materials	Receivable from related parties	Yes	214,875 (RMB 50,000 thousand)	214,875 (RMB 50,000 thousand)	-	4.35%	2	-	Operating capital	-	-	-	1,956,435 (RMB 455,249 thousand) (Note 3)	3,912,869 (RMB 910,499 thousand) (Note 4)
2	Glory Ace	UPC Chemicals (Malaysia)	Receivable from related parties	Yes	314,790 (US$ 10,500 thousand)	-	-	1.80%-3.65%	2	-	Operating capital	-	-	-	1,023,173 (US$ 34,129 thousand) (Note 5)	2,046,345 (US$ 68,257 thousand) (Note 6)
		Panjin Union Chemical	Receivable from related parties	Yes	644,570 (US$ 21,500 thousand)	-	-	3.34%-3.50%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	1,023,173 (US$ 34,129 thousand) (Note 5)	2,046,345 (US$ 68,257 thousand) (Note 6)
		Panjin Union Logistics	Receivable from related parties	Yes	89,940 (US$ 3,000 thousand)	-	-	3.32%-3.50%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	1,023,173 (US$ 34,129 thousand) (Note 5)	2,046,345 (US$ 68,257 thousand) (Note 6)
		Union Hong Kong	Receivable from related parties	Yes	299,800 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	299,800 (US$ 10,000 thousand)	0.00%	2	-	Operating capital	-	-	-	1,023,173 (US$ 34,129 thousand) (Note 5)	2,046,345 (US$ 68,257 thousand) (Note 6)
3	CHL	UPC Chemicals (Malaysia)	Receivable from related parties	Yes	824,450 (US$ 27,500 thousand)	254,830 (US$ 8,500 thousand)	254,830 (US$ 8,500 thousand)	0.00%-1.85%	2	-	Operating capital	-	-	-	10,419,188 (US$ 347,538 thousand) (Note 7)	20,838,375 (US$ 695,076 thousand) (Note 8)

(Continued)

No. (Note 1)	Financing Company	Counter-Party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actual Drawn	Interest Rate	Nature of Financing (Note 2)	Transaction Amount	Reasons for Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
4	Guangdong Union Logistics	Zhuhai Unicizers	Receivable from related parties	Yes	$ 85,950 (RMB 20,000 thousand)	$ 85,950 (RMB 20,000 thousand)	$ 64,463 (RMB 15,000 thousand	1.52%-4.63%	2	$ -	Operating capital	$ -	-	$ -	$ 156,818 (RMB 36,490 thousand) (Note 9)	$ 156,818 (RMB 36,490 thousand) (Note 10)
5	Jiangsu Union Logistics	Panjin Union Chemical	Receivable from related parties	Yes	124,628 (RMB 29,000 thousand)	124,628 (RMB 29,000 thousand)	124,628 (RMB 29,000 thousand)	1.60%-4.63%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	93,525 (RMB 21,763 thousand) (Note 11)	187,049 (RMB 43,525 thousand) (Note 12)
6	Taizhou Union Plastics	Nanchong Unicizers	Receivable from related parties	Yes	515,700 (RMB 120,000 thousand)	257,850 (RMB 60,000 thousand)	257,850 (RMB 60,000 thousand)	3.65%-4.63%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	2,259,258 (RMB 525,715 thousand) (Note 13)	4,518,517 (RMB1,051,429 thousand) (Note 14)
		Panjin Union Logistics	Receivable from related parties	Yes	257,850 (RMB 60,000 thousand)	214,875 (RMB 50,000 thousand)	128,925 (RMB 30,000 thousand)	3.31%-4.73%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	2,259,258 (RMB 525,715 thousand) (Note 13)	4,518,517 (RMB1,051,429 thousand) (Note 14)
		Panjin Union Materials	Receivable from related parties	Yes	1,160,325 (RMB 270,000 thousand)	988,425 (RMB 230,000 thousand)	988,425 (RMB 230,000 thousand)	3.31%-4.63%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	2,259,258 (RMB 525,715 thousand) (Note 13)	4,518,517 (RMB1,051,429 thousand) (Note 14)
		Panjin Union Chemical	Receivable from related parties	Yes	859,500 (RMB 200,000 thousand)	687,600 (RMB 160,000 thousand)	601,650 (RMB 140,000 thousand)	3.31%-4.73%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	2,259,258 (RMB 525,715 thousand) (Note 13)	4,518,517 (RMB1,051,429 thousand) (Note 14)
		Taizhou Union Logistics	Receivable from related parties	Yes	171,900 (RMB 40,000 thousand)	128,925 (RMB 30,000 thousand)	-	4.63%	2	-	Operating capital	-	-	-	2,259,258 (RMB 525,715 thousand) (Note 13)	4,518,517 (RMB1,051,429 thousand) (Note 14)
		Taizhou Union Chemical	Receivable from related parties	Yes	300,825 (RMB 70,000 thousand)	300,825 (RMB 70,000 thousand)	214,875 (RMB 50,000 thousand)	1.60%-3.52%	2	-	Operating capital	-	-	-	2,259,258 (RMB 525,715 thousand) (Note 13)	4,518,517 (RMB1,051,429 thousand) (Note 14)
7	Sichung Logistics	Nanchong Unicizers	Receivable from related parties	Yes	141,818 (RMB 33,000 thousand)	77,355 (RMB 18,000 thousand)	77,355 (RMB 18,000 thousand)	1.59%-4.72%	2	-	Operating capital, equipment purchase and construction payment	-	-	$ -	142,487 (RMB 33,156 thousand) (Note 15)	142,487 (RMB 33,156 thousand) (Note 16)
8	Union Hong Kong	Panjin Union Logistics	Receivable from related parties	Yes	60,165 (RMB 14,000 thousand)	60,165 (RMB 14,000 thousand)	60,165 (RMB 14,000 thousand)	1.80%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	161,046 (HK$ 41,841 thousand) (Note 17)	161,046 (HK$ 41,841 thousand) (Note 18)

(Continued)

No. (Note 1)	Financing Company	Counter-Party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actual Drawn	Interest Rate	Nature of Financing (Note 2)	Transaction Amount	Reasons for Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
9	Zhuhai Unicizers	Zhongshang Unicizers	Receivable from related parties	Yes	$ 128,925 (RMB 30,000 thousand)	$ -	$ -	0.00%	2	$ -	Operating capital, equipment purchase and construction payment	$ -	-	$ -	$ 1,069,451 (RMB 248,854 thousand) (Note 19)	$ 2,138,902 (RMB 497,708 thousand) (Note 20)
10	Zhongshang Unicizers	Zhuhai Unicizers	Receivable from related parties	Yes	128,925 (RMB 30,000 thousand)	-	-	0.00%	2	-	Operating capital, equipment purchase and construction payment	-	-	-	2,826,839 (RMB 657,787 thousand) (Note 21)	5,653,677 (RMB1,315,574 thousand) (Note 22)
						$ 5,411,450	$ 4,607,819			$ -						

Note 1: 1 for Zhenjiang Union Chemical. 2 for Glory Ace. 3 for CHL. 4 for Guangdong Union Logistics. 5 for Jiangsu Union Logistics. 6 for Taizhou Union Plastics. 7 for Sichung Logistics. 8 for Union Hong Kong. 9 for Zhuhai Unicizers. 10 for Zhongshan Unicizers.

Note 2: The nature of financing is as follows:

a. Business transaction, fill in 1.
b. The need for short-term financing, fill in 2.

Note 3: Financing limit for each borrowing company shall not exceed 50% of Zhenjiang Union Chemical's net equity in latest financial statements which were audited or reviewed.

Note 4: Financing company's total financing amount limits shall not exceed 100% of Zhenjiang Union Chemical's net equity in latest financial statements which were audited or reviewed.

Note 5: Financing limit for each borrowing company shall not exceed 50% of Glory Ace's net equity in latest financial statements which were audited or reviewed.

Note 6: Financing company's total financing amount limits shall not exceed 100% of Glory Ace's net equity in latest financial statements which were audited or reviewed.

Note 7: Financing limit for each borrowing company shall not exceed 50% of Constant's net equity in latest financial statements which were audited or reviewed.

Note 8: Financing company's total financing amount limits shall not exceed 100% of Constant's net equity in latest financial statements which were audited or reviewed.

Note 9: Financing limit for each borrowing company shall not exceed 100% of Guangdong Union Logistics' net equity in latest financial statements which were audited or reviewed.

Note 10: Financing company's total financing amount limits shall not exceed 100% of Guangdong Union Logistics' net equity in latest financial statements which were audited or reviewed.

Note 11: Financing limit for each borrowing company shall not exceed 50% of Jiangsu Union Logistics' net equity in latest financial statements which were audited or reviewed.

Note 12: Financing company's total financing amount limits shall not exceed 100% of Jiangsu Union Logistics' net equity in latest financial statements which were audited or reviewed.

Note 13: Financing limit for each borrowing company shall not exceed 50% of Taizhou Union Plastics' net equity in latest financial statements which were audited or reviewed.

Note 14: Financing company's total financing amount limits shall not exceed 100% of Taizhou Union Plastics' net equity in latest financial statements which were audited or reviewed.

Note 15: Financing limit for each borrowing company shall not exceed 100% of Sichung Logistics' net equity in latest financial statements which were audited or reviewed.

Note 16: Financing company's total financing amount limits shall not exceed 100% of Sichung Logistics' net equity in latest financial statements which were audited or reviewed.

Note 17: Financing limit for each borrowing company shall not exceed 100% of Union Hong Kong Petrochemicals' net equity in latest financial statements which were audited or reviewed.

Note 18: Financing company's total financing amount limits shall not exceed 100% of Union Hong Kong Petrochemicals' net equity in latest financial statements which were audited or reviewed.

Note 19: Financing limit for each borrowing company shall not exceed 50% of Zhuhai Unicizers' net equity in latest financial statements which were audited or reviewed.

Note 20: Financing company's total financing amount limits shall not exceed 100% of Zhuhai Unicizers' net equity in latest financial statements which were audited or reviewed.

Note 21: Financing limit for each borrowing company shall not exceed 50% of Zhongshan Unicizers' net equity in latest financial statements which were audited or reviewed.

Note 22: Financing company's total financing amount limits shall not exceed 100% of Zhongshan Unicizers' net equity in latest financial statements which were audited or reviewed.

(Concluded)

UPC TECHNOLOGY CORP.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount Endorsed/ Guaranteed by Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	The Company	Taizhou Union Plastics	c	$ 10,242,329 (Note 3)	$ 659,560 (US$ 22,000 thousand)	$ 659,560 (US$ 22,000 thousand)	$ 548,213 (US$ 18,286 thousand)	$ -	3.22%	$ 30,726,986 (Note 3)	Y	N	Y
		Nanchong Unicizers	c		2,429,823 (US$ 25,000 thousand and RMB 391,000 thousand)	1,645,943 (RMB 383,000 thousand)	791,827 (RMB 184,253 thousand)	-	8.04%		Y	N	Y
		UPC Chemicals (Malaysia)	c		3,027,980 (US$ 101,000 thousand)	3,027,980 (US$ 101,000 thousand)	255,489 (MYR 90 thousand and US$ 8,500 thousand)	-	14.78%		Y	N	N
		Panjin Union Materials	c		1,673,463 (US$ 25,000 thousand and RMB 215,000 thousand)	923,963 (RMB 215,000 thousand)	303,833 (RMB 70,700 thousand)	-	4.51%		Y	N	Y
		Panjin Union Logistics	c		209,860 (US$ 7,000 thousand)	-	-	-	-		Y	N	Y
		Panjin Union Chemical	c		3,625,750 (US$ 55,000 thousand and RMB 460,000 thousand)	2,555,988 (US$ 10,000 thousand and RMB 525,000 thousand)	1,147,900 (RMB 267,109 thousand)	-	12.48%		Y	N	Y
		Union Hong Kong	c		449,700 (US$ 15,000 thousand)	449,700 (US$ 15,000 thousand)	48,195 (US$ 1,608 thousand)	-	2.20%		Y	N	N

(Continued)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount Endorsed/ Guaranteed by Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Zhongshan Unicizers	Nanchong Unicizers	b	$ 2,826,839 (Note 3)	$ 1,074,375 (RMB 250,000 thousand)	$ 214,875 (RMB 50,000 thousand)	$ -	$ -	3.80%	$ 8,480,516 (Note 3)	Y	N	Y
		Panjin Union Chemical	b		214,875 (RMB 50,000 thousand)	171,900 (RMB 40,000 thousand)	171,900 (RMB 40,000 thousand)	-	3.04%		Y	N	Y
		Panjin Union Materials	c		343,800 (RMB 80,000 thousand)	343,800 (RMB 80,000 thousand)	85,950 (RMB 20,000 thousand)	-	6.08%		N	N	Y

Note 1: 0 for the Company. 1 for Zhongshan Unicizers.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party are as follows:

a. A company with which it does business.
b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
c. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
d. Companies in which the Company holds, directly and indirectly, 90% or more of the voting shares.
e. The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The total amount of endorsement or guarantee that the Company and Zhongshan Unicizers are allowed to provide is up to 150% of the net equity of the latest financial statements of the Company and Zhongshan Unicizers which were audited or reviewed. The limits on endorsement or guarantee amount provided to each guaranteed party is up to 50% of the net equity of the latest financial statements of the Company and Zhongshan Unicizers which were audited or reviewed.

(Concluded)

UPC TECHNOLOGY CORP.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
The Company	Domestic listed shares							
	Lien Hwa Industrial Holdings Corp.	With the same chairman	Financial assets at FVTOCI - noncurrent	106,928	$ 3,950,977	9.68	$ 3,950,977	
	MiTAC Holdings Corporation	〃	〃	89,109	2,584,174	8.27	2,584,174	
	Taita Chemical Company, Limited		〃	809	9,227	0.24	9,227	
	Domestic unlisted shares							
	Lienhwa United LPG	The Company is its director	〃	4,923	57,252	17.29	57,252	
	Harbinger Venture Capital Corp.	With the same chairman	〃	7	216	3.35	216	
	Harbinger VI Venture Capital Corp.	With the same chairman	〃	3,745	43,217	13.28	43,217	
UVC	Domestic listed shares							
	U.D. ELECTRONIC CORP.		〃	19	509	0.03	509	
	ACTi Corporation		〃	517	2,686	1.39	2,686	
	Domestic unlisted shares							
	Harbinger III Venture Capital Corp.		〃	15	631	15.00	631	
	Harbinger VI Venture Capital Corp.		〃	861	9,940	3.05	9,940	
	Harbinger VII Venture Capital Corp.		〃	9,935	108,888	9.33	108,888	
	Harbinger VIII Venture Capital Corp.		〃	5,475	54,750	8.45	54,750	
	Taiwan Mobile Communication INC.		〃	447	2,457	1.10	2,457	
	Mercury Electronic		〃	306	2,879	1.24	2,879	
	Visco Vision Inc.		〃	133	4,767	0.25	4,767	
	Mutual funds							
	Capital Money Market Fund		Financial assets at FVTPL - current	1,821	29,497		29,497	
Inno Strategy	Foreign listed shares							
	Turning Point Therapeutics, Inc.		Financial assets at FVTOCI - noncurrent	63	117,674	0.18	117,674	
WCI	Domestic unlisted shares							
	Lien Yung Investment Corporation		Financial assets at FVTOCI - noncurrent	9,217	96,596	19.99	96,596	
	Tong Da Investment Corporation		〃	4,848	92,793	19.99	92,793	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	December 31, 2019				Note
				Shares/Unit	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
TUI	Domestic listed shares							
	Getac Technology Corporation		Financial assets at FVTOCI - current	2,006	$ 93,680	0.34	$ 93,680	
	Asia Polymer Corporation		〃	20,933	330,738	3.78	330,738	
	Taita Chemical Company, Limited		〃	30,550	348,272	9.14	348,272	
	Domestic unlisted shares							
	Taiwan VCM Corporation		Financial assets at FVTOCI - noncurrent	12	54	-	54	
	Harbinger Venture Management Co., Ltd.		〃	863	12,248	19.99	12,248	
	Mitac Incorporated		〃	801	33,329	0.22	33,329	
CHL	Foreign unlisted shares							
	Budworth		〃	30	15	3.33	15	

Note 1: Marketable Securities in this table are stocks, mutual funds and securities derived from these items under IFRS “Financial Instruments: Recognition and Measurement”.

Note 2: Issuers of financial instruments, which are not related parties, can skip the column.

Note 3: The carrying values of financial instruments measured at fair values are adjusted for fair values less accumulated impairment losses; the carrying values of financial instruments not measured at fair values are the original costs or amortized costs less accumulated impairment losses.

Note 4: Refer to Table 7 and Table 8 for the information of investments in subsidiaries and associates.

(Concluded)

TABLE 4

UPC TECHNOLOGY CORP.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type And Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Share of Profit and Loss of Investment	Change in Evaluation of Profit and Loss	Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal			Shares/Units	Amount
The Company	Shares CHL	Investments accounted for using equity method	Amount of the original contribution	Subsidiary	416,304	$ 21,667,919	45,000	$ 1,391,548	-	$ -	$ -	$ -	$ (376,735)	$ (872,543) (Note 1)	461,304	$ 21,810,189
CHL	Shares Prestige Spring	Investments accounted for using equity method	Investment accounted for using equity method	Subsidiary	18,234	581,722	21,000	659,400	-	-	-	-	(146,915)	(6,032) (Note 2)	39,234	1,088,175
	Shares Union Hong Kong	Investments accounted for using equity method	Investment accounted for using equity method	Subsidiary	44,585	175,567	187,824	732,148	-	-	-	-	3,854	(23,822) (Note 2)	232,409	887,747
Prestige Spring	Shares UPC Chemicals (Malaysia)	Investments accounted for using equity method	Investment accounted for using equity method	Subsidiary	75,500	581,722	87,927	659,400	-	-	-	-	(146,915)	(6,032) (Note 2)	163,427	1,088,175

Note 1: The change in evaluation of profit and loss includes exchange differences on translating the financial statements of foreign operations of $865,547 thousand and loss on financial assets at fair value through other comprehensive income of $6,996 thousand.

Note 2: The change in evaluation of profit and loss includes exchange differences on translating the financial statements of foreign operations.

UPC TECHNOLOGY CORP.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Glory Ace	Zhongshan Unicizers	Entity that the Company directly or indirectly invests in	Sale	$ (159,800)	(4.35)	120 days in principle, and adjust depending on the situation			$ -	-	
	Taizhou Union Chemical	〃	Sale	(2,029,675)	(55.19)	120 days in principle, and adjust depending on the situation			-	-	
	UPC Chemicals (Malaysia)	〃	Sale	(1,422,845)	(38.69)	120 days in principle, and adjust depending on the situation			-	-	
Union Hong Kong	Taizhou Union Chemical	〃	Sale	(582,702)	(8.22)	120 days in principle, and adjust depending on the situation			416,787	55.44	
	UPC Chemicals (Malaysia)	〃	Sale	(322,712)	(4.55)	120 days in principle, and adjust depending on the situation			312,982	41.63	
Zhenjiang Union Chemical	Zhuhai Unicizers	〃	Sale	(261,887)	(1.84)	120 days in principle, and adjust depending on the situation			-	-	
Taizhou Union Chemical	Zhenjiang Union Chemical	〃	Sale	(138,072)	(1.45)	120 days in principle, and adjust depending on the situation			-	-	
	Panjin Union Chemical	〃	Sale	(113,197)	(1.19)	120 days in principle, and adjust depending on the situation			-	-	
Panjin Union Chemical	The Company	〃	Sale	(173,081)	(3.04)	120 days in principle, and adjust depending on the situation			-	-	
	Zhenjiang Union Chemical	〃	Sale	(220,050)	(3.86)	120 days in principle, and adjust depending on the situation			20,276	8.23	
	Zhuhai Unicizers	〃	Sale	(802,087)	(14.08)	120 days in principle, and adjust depending on the situation			86,319	35.02	
Zhuhai Unicizers	Panjin Union Chemical	〃	Sale	(190,464)	(2.05)	120 days in principle, and adjust depending on the situation			-	-	
UPC Chemicals (Malaysia)	Taizhou Union Chemical	〃	Sale	(335,348)	(9.39)	120 days in principle, and adjust depending on the situation			-	-	
	Zhuhai Unicizers	〃	Sale	(139,158)	(3.90)	120 days in principle, and adjust depending on the situation			-	-	
	UPC Chemicals (Vietnam)	〃	Sale	(120,748)	(3.38)	120 days in principle, and adjust depending on the situation			75,089	27.74	
Zhongshan Unicizers	Glory Ace	〃	Purchase	159,800	3.83	120 days in principle, and adjust depending on the situation			-	-	
Taizhou Union Chemical	Glory Ace	〃	Purchase	2,029,675	20.43	120 days in principle, and adjust depending on the situation			-	-	
UPC Chemicals (Malaysia)	Glory Ace	〃	Purchase	1,422,845	46.93	120 days in principle, and adjust depending on the situation			-	-	
Taizhou Union Chemical	Union Hong Kong	〃	Purchase	582,702	5.87	120 days in principle, and adjust depending on the situation			(416,787)	(53.62)	
UPC Chemicals (Malaysia)	Union Hong Kong	〃	Purchase	322,712	10.64	120 days in principle, and adjust depending on the situation			(312,982)	(78.94)	

(Continued)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Zhuhai Unicizers	Zhenjiang Union Chemical	Entity that the Company directly or indirectly invests in	Purchase	$ 261,887	2.58	120 days in principle, and adjust depending on the situation			$ -	-	
Zhenjiang Union Chemical	Taizhou Union Chemical	〃	Purchase	138,072	1.04	120 days in principle, and adjust depending on the situation			-	-	
Panjin Union Chemical	Taizhou Union Chemical	〃	Purchase	113,197	1.98	Pay and collect by contract			-	-	
The Company	Panjin Union Chemical	〃	Purchase	173,081	4.58	120 days in principle, and adjust depending on the situation			-	-	
Zhenjiang Union Chemical	Panjin Union Chemical	〃	Purchase	220,050	1.66	120 days in principle, and adjust depending on the situation			(20,276)	(19.43)	
Zhuhai Unicizers	Panjin Union Chemical	〃	Purchase	802,087	7.91	120 days in principle, and adjust depending on the situation			(86,319)	-	
Panjin Union Chemical	Zhuhai Unicizers	〃	Purchase	190,464	3.33	120 days in principle, and adjust depending on the situation			-	-	
Taizhou Union Chemical	UPC Chemicals (Malaysia)	〃	Purchase	335,348	3.38	120 days in principle, and adjust depending on the situation			-	-	
Zhuhai Unicizers	UPC Chemicals (Malaysia)	〃	Purchase	139,158	1.37	120 days in principle, and adjust depending on the situation			-	-	
UPC Chemicals (Vietnam)	UPC Chemicals (Malaysia)	〃	Purchase	120,748	100.00	120 days in principle, and adjust depending on the situation			(75,089)	(97.74)	

(Concluded)

UPC TECHNOLOGY CORP.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
						Amount	Actions Taken		
Union Hong Kong	Taizhou Union Chemical	Entity that the Company directly or indirectly invests in	Trade receivables	$ 416,787	2.80	$ -		$ 247,683	$ -
	UPC Chemicals (Malaysia)	〃	Trade receivables	312,982	2.06	-		135,710	-
Glory Ace	Union Hong Kong	〃	Other receivables	299,800		-		-	-
CHL	UPC Chemicals (Malaysia)	〃	Other receivables	254,830		-		-	-
Zhenjiang Union Chemical	ZhenJiang Union Torch Estate	〃	Other receivables	567,915		-		-	-
	Panjin Union Chemical	〃	Other receivables	365,288		-		-	-
	Panjin Union Logistics	〃	Other receivables	343,800		-		-	-
	Nanchong Unicizers	〃	Other receivables	257,850		-		-	-
Taizhou Union Plastics	Panjin Union Chemical	〃	Other receivables	601,650		-		-	-
	Panjin Union Logistics	〃	Other receivables	128,925		-		-	-
	Panjin Union Materials	〃	Other receivables	988,425		-		-	-
	Nanchong Unicizers	〃	Other receivables	257,850		-		-	-
	Taizhou Union Chemical	〃	Other receivables	215,142		-		-	-
Jiangsu Union Logistics	Panjin Union Chemical	〃	Other receivables	124,628		-		-	-

Note: It was the amount received as of February 27, 2020.

UPC TECHNOLOGY CORP.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares(In Thousands)	%	Carrying Amount			
The Company	CHL	Tortola, British Virgin Islands	Investment	$ 14,078,785	$ 12,687,238	461,304	100.00	$ 21,810,189	$ (376,735)	$ (376,735)	Subsidiary
	Glory Ace	Tortola, British Virgin Islands	Trading	128,451	1,674,649	605	100.00	584,424	38,232	38,232	〃
	UVC	Tiding Blvd., Taipei City	Investment	250,013	250,013	22,701	100.00	352,912	5,311	5,311	〃
	WCI	Nangang Rd., Taipei City	〃	160,000	160,000	16,000	100.00	213,389	11,899	11,899	〃
	TUI	Minsheng E. Rd., Taipei City	〃	453,525	453,525	78,719	100.00	865,120	17,654	17,654	〃
CHL	Star Bright	Tortola, British Virgin Islands	Investment	1,348	1,348	51	100.00	330,377	(15,307)		Second-tier subsidiary
	Goldendust	〃	〃	2,725,625	2,725,625	87,208	100.00	6,537,086	(590,633)		〃
	Natural	〃	〃	3,278,180	3,278,180	105,400	100.00	3,539,206	607,670		〃
	Magic Props	〃	〃	919,533	919,533	28,140	100.00	1,828,726	(28,545)		〃
	Pure Fantasy	〃	〃	217,544	217,544	6,331	100.00	390,246	(34,356)		〃
	Modern Vantage	〃	〃	763,540	763,540	25,334	100.00	621,067	57,306		〃
	Charmon	〃	〃	972,950	972,950	31,637	100.00	921,271	(64,581)		〃
	Linkhope	〃	〃	88,755	88,755	3,000	100.00	204,361	18,057		〃
	Reachworld	〃	〃	87,960	87,960	3,000	100.00	177,327	21,390		〃
	Daywinn	〃	〃	711,773	711,773	23,380	100.00	1,217,153	208,981		〃
	Dragonoble	〃	〃	1,212,783	1,212,783	40,670	100.00	764,168	(214,208)		〃
	Pagerise	〃	〃	965,857	965,857	32,000	100.00	991,099	(115)		〃
	Greaterise	〃	〃	1,241,535	1,241,535	40,000	100.00	1,084,925	(86,564)		〃
	Granfaith	〃	〃	922,434	922,434	30,351	100.00	602,824	(123,478)		〃
	Faithouse	〃	〃	150,500	150,500	5,000	100.00	146,806	4,160		〃
	Prestige Spring	〃	〃	1,251,836	592,436	39,234	100.00	1,088,175	(146,915)		〃
	Union Hong Kong	Tsimshatsui Kowloon, Hong Kong	Trading	913,293	181,145	232,409	100.00	887,747	3,854		〃
	Harbinger Ruyi	Tortola, British Virgin Islands	Investment	30,465	30,465	1,000	28.57	20,117	(2,256)		Subsidiary's investee company under the equity method
UVC	Inno Strategy	Tortola, British Virgin Islands	Investment	56,202	56,202	1,703	100.00	135,731	1,514		Second-tier subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Star Bright	Logical Path Ltd.	Tsimshatsui Kowloon, Hong Kong	Investment	$ 37	$ 37	10	100.00	$ 330,368	$ (15,307)		Third-tier subsidiary
Prestige Spring	UPC Chemicals (Malaysia)	Selangor, Malaysia	Manufacturing and selling of DEHP and PA	1,251,836	592,436	163,427	100.00	1,088,175	(146,915)		Third-tier subsidiary
UPC Chemicals (Malaysia)	UPC Chemicals (Thailand)	Bangkok, Thailand	Trading	9,686	-	10,000	100.00	1,830	(8,195)		Third-tier subsidiary
	UPC Chemicals (Vietnam)	Ho Chi Minh City Vietnam	Trading	9,329	-	(Note 2)	100.00	727	(7,758)		Third-tier subsidiary

Note 1: Please refer to Table 8 for information of investees of Mainland China.

Note 2: Limited company.

(Concluded)

UPC TECHNOLOGY CORP.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Percentage of Ownership	Net Income (Loss) of the Investee Company	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
						Outflow	Inflow						
Goldendust	Zhongshan Unicizers	Manufacturing and selling of DEHP and PA	US$ 96,080 thousand	b	$ 2,139,461	$ -	$ -	$ 2,139,461	100.00	$ (538,680)	$ (538,680) b.2)	$ 5,634,495	$ -
Zhongshan Unicizers, Logical Path Ltd, Goldendust and Magic Props	Zhenjiang Union Chemical	Manufacturing and selling of DEHP and PA	US$ 77,340 thousand	b	543,823	-	-	543,823	100.00	(68,306)	(68,306) b.2)	3,888,818	-
Zhongshan Unicizers, Logical Path Ltd, Pure Fantasy and Goldendust	Zhuhai Unicizers	Manufacturing and selling of DEHP, PA and MA	US$ 35,500 thousand	b	-	-	-	-	100.00	(193,553)	(193,553) b.2)	2,098,427	-
Charmon and Zhongshan Unicizers	Taizhou Union Chemical	Manufacturing and selling of DEHP and PA	US$ 63,400 thousand	b	466,785	-	-	466,785	100.00	(129,421)	(129,421) b.2)	1,832,221	-
Modern Vantage	Taizhou Union Logistics	Warehousing and storage services	US$ 23,700 thousand	b	648,157	-	-	648,157	100.00	57,306	57,306 b.2)	621,066	-
Natural and Daywinn	Taizhou Union Plastics	Manufacturing and selling of PVC	US$ 128,780 thousand	b	3,068,081	-	-	3,068,081	100.00	816,651	816,651 b.2)	4,756,358	-
Linkhope	Jiangsu Union Logistics	Logistics	US$ 3,000 thousand	b	88,755	-	-	88,755	100.00	18,057	18,057 b.2)	204,361	-
Reachworld	Guangdong Union Logistics	Logistics	US$ 3,000 thousand	b	87,960	-	-	87,960	100.00	21,390	21,390 b.2)	177,325	-
Dragonoble and Zhongshan Unicizers	Panjin Union Chemical	Manufacturing and selling of DEHP and PA	US$ 83,000 thousand	b	1,212,783	-	-	1,212,783	100.00	(437,160)	(437,160) b.2)	1,572,118	-
Zhenjiang Union Chemical	ZhenJiang Union Torch Estate	Real Estate Management	RMB 60,000 thousand	c	-	-	-	-	100.00	(6,728)	(6,728) b.2)	244,271	-
Pagerise	Panjin Union Logistics	Warehousing and storage services	US$ 32,000 thousand	b	965,857	-	-	965,857	100.00	(115)	(115) b.2)	991,099	-
Greaterise	Panjin Union Materials	Manufacturing and selling of MA and related derivatives	US$ 40,000 thousand	b	1,241,535	-	-	1,241,535	100.00	(86,564)	(86,564) b.2)	1,084,925	-
Granfaith and Zhongshan Unicizers	Nanchong Unicizers	Manufacturing and selling of DEHP and PA	US$ 62,000 thousand	b	922,434	-	-	922,434	100.00	(251,995)	(251,995) b.2)	1,238,198	-
Faithouse	Sichung Logistics	Logistics	US$ 5,000 thousand	b	-	-	-	-	100.00	4,160	4,160 b.2)	146,474	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Amount of Investment Stipulated by the Investment Commission, MOEA
$11,385,631 (Note 3)	$13,821,311 (US$461,017.7 thousand) (Note 4)	(Note 5)

Note 1. The investment types are as follows:

a. Direct investment.
b. Indirect investment in Mainland China through a subsidiary in a third region (refer to the table above for investor companies in the third region).
c. Others-direct investment from Zhenjiang Union Chemical.

Note 2. In the column of investment income or loss as of December 31, 2019:

a. If there is no investment income or loss yet resulting from preparation, please indicate.

b. The basis of recognition of investment income or loss as follow:

1) Financial statements that were audited by international accounting firms which are in a cooperation with R.O.C accounting firm.
2) Financial statements that were audited by the CPAs of the parent company in Taiwan.
3) Others: Financial statements that were not audited.

Note 3. Excluded (1) the investment amount of $934,394 thousand due to the remittance of funds from Taiwan outward to regions of Mainland China in the prior years, and the investor company liquidates after the end of operation; (2) Investment of $3,502,208 thousand that is remittance of company - owned funds from the third region of Mainland China.

Note 4. The exchange rate on December 31, 2019 is US$1=NT$29.980.

Note 5. As the Company has been qualified with operations headquarters certification issued by Industrial Development Bureau on Oct. 1, 2018, the amount of investment in Mainland China is not limited.

(Concluded)

TABLE 9

UPC TECHNOLOGY CORP.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Transaction of sales

Investee Company	Activities in the Third Area	Price and Payment Terms Comparison with Normal Transactions	Sales		Unrealized Gain on Sale	Ending Notes/Trade Receivable	
			Price	%		Balance	%
Zhenjiang Union Chemical	-	The terms of transaction are the same as general business practices	$ 59,138	1.28	$ -	$ 12,183	2.91
Panjin Union Chemical	-	〃	81,304	1.76	-	51,338	12.28
Zhuhai Unicizers	-	〃	49,473	1.07	-	17,361	4.15
Zhongshan Unicizers	-	〃	3,661	0.08	-	-	-

2. Transaction of purchase

Investee Company	Activities in the Third Area	Price and Payment Terms Comparison with Normal Transactions	Purchases		Ending Notes/Trade Payable	
			Price	%	Balance	%
Panjin Union Chemical	-	The terms of transaction are the same as general business practices	$ 173,081	4.58	$ -	-
Zhuhai Unicizers	-	〃	97,194	2.57	2,231	0.61
Taizhou Union Chemical	-	〃	2,597	0.06	-	-
Zhenjiang Union Chemical	-	〃	1,029	0.03	-	-

3. Transactions of endorsements/guarantees (refer to Note 28 and Table 2)

UPC TECHNOLOGY CORP.

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UPC TECHNOLOGY CORP.

STATEMENT OF CASH
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount
Cash on hand	$ 167
Demand deposits	153,526
Foreign currency deposits - mainly including US$1,778 thousand (Note)	53,310
Checking accounts	30,249
	$ 237,252

Note: US$1=NT$29.980.

UPC TECHNOLOGY CORP.

STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Customer Number	Amount
029	$ 51,338
007	40,902
Others (Note)	300,518
Less: Allowance for impairment loss	(4,107)
	$ 388,651

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

UPC TECHNOLOGY CORP.

STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Finished goods	$ 483,944	$ 531,581
Semi-finished goods	98,682	122,046
Work in progress	21,513	23,079
Raw materials	287,763	304,626
Supplies	25,772	27,386
Merchandise inventory	-	3,529
Inventory in transit	278,397	295,834
	1,196,071	$ 1,308,081
Less: Allowance for loss	(7,945)	
	$ 1,188,126	

UPC TECHNOLOGY CORP.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2019		Additions in Investment (Note 2)		Decrease in Investment (Note 3)		Unrealized Gain (Loss) on Financial Assets at Fair value	Balance, December 31, 2019		
Investees	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Amount	Collateral
Domestic listed companies										
Lien Hwa Industrial Holdings Corp.	101,836	$ 3,019,433	5,092	$ -	-	$ -	$ 931,544	106,928	$ 3,950,977	Nil
MiTAC Holdings Corporation	77,486	1,910,042	11,623	-	-	-	674,132	89,109	2,584,174	Nil
Taita Chemical Company, Limited	793	7,903	16	-	-	-	1,324	809	9,227	Nil
		4,937,378		-		-	1,607,000		6,544,378	
Domestic unlisted companies										
Lienhwa United LPG	4,923	56,070	-	-	-	-	1,182	4,923	57,252	Nil
Harbinger Venture Capital Corp.	345	3,406	-	-	(338)	(3,384)	194	7	216	Nil
Harbinger VI Venture Capital Corp.	4,648	56,753	-	-	(903)	(9,030)	(4,506)	3,745	43,217	Nil
		116,229		-		(12,414)	(3,130)		100,685	
		$ 5,053,607		$ -		$ (12,414)	$ 1,603,870		$ 6,645,063	

Note 1: A par value is $10.

Note 2: Additions in investment was issuance of share dividends.

Note 3: Decrease in investment was cash refund capital reduction.

UPC TECHNOLOGY CORP.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2019		Additions in Investment (Note 2)		Decrease in Investment (Note 3)		Share of Profit and Loss	Exchange Differences on Translating the Financial Statements	Other Comprehensive Income (Loss)	Balance, December 31, 2019			Market Value or Net Assets Value
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount				Shares (In Thousands)	%	Amount	
Unlisted companies													
CHL	416,304	$ 21,667,919	45,000	$ 1,391,548	-	$ -	$ (376,735)	$ (865,547)	$ (6,996)	461,304	100.00	$21,810,189	$21,810,189
Glory Ace	50,605	2,096,514	-	-	(50,000)	(1,546,198)	38,232	(4,124)	-	605	100.00	584,424	584,424
UVC	22,701	258,444	-	-	-	(13,416)	5,311	(995)	103,568	22,701	100.00	352,912	352,912
WCI	16,000	211,953	-	-	-	(21,612)	11,899	-	11,149	16,000	100.00	213,389	213,389
TUI	73,500	911,508	5,219	-	-	(200,200)	17,654	-	136,158	78,719	100.00	865,120	865,120
		$ 25,146,338		$ 1,391,548		$ (1,781,426)	$ (303,639)	$ (870,666)	$ 243,879			$23,826,034	$23,826,034

Note 1: A par value is $10, except for CHL and Glory Ace, whose par value is US$1.

Note 2: Additions in investment was increase in investment.

Note 3: Decrease in investment was cash dividends paid and cash refund capital reduction.

UPC TECHNOLOGY CORP.

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Number	Amount
L	$ 145,198
B	59,474
S	43,178
U	35,299
Y	25,930
Others (Note)	58,165
	$ 367,244

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

UPC TECHNOLOGY CORP.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Quantities (Metric Tons)	Amount
Sale of Goods		
Plasticizers	86,851	$ 3,519,196
Anhydrides	27,746	840,628
Others	5,485	255,061
Gross sales		4,614,885
Less: Sales return and allowance		(3,304)
Net sales		$ 4,611,581

UPC TECHNOLOGY CORP.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Raw materials, beginning of year - including inventory in transit	$ 710,198
Raw material purchased	3,194,457
Raw material sold	(8,738)
Others	(629)
Raw materials, end of year - including inventory in transit	(566,159)
	3,329,129
Direct labor	56,315
Manufacturing expenses	395,837
Manufacturing cost	3,781,281
Work in progress and semi-finished goods, beginning of year	171,274
Work in progress and semi-finished goods, end of year	(120,195)
Cost of finished goods	3,832,360
Finished goods, beginning of year	555,395
Finished goods purchased	291,977
Others	974
Finished goods, end of year	(483,944)
	4,196,762
Unallocated fixed production overhead	47,528
Inventory write - downs reversed	1,529
Cost of raw material sold	8,738
Revenue from sale of scraps	(173)
Cost of goods sold	$ 4,254,384

UPC TECHNOLOGY CORP.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Total
Salaries - including bonuses, employee benefits and pension	$ 6,159	$ 116,060	$ 122,219
Labor and health insurance	628	8,925	9,553
Remuneration of directors	-	6,260	6,260
Exporting expense - including export ocean freight charge, harbor construction fee and customs clearance fee	87,339	-	87,339
Inland freight charge	40,184	-	40,184
Depreciation and amortization	193	16,465	16,658
Professional fee	-	13,856	13,856
Others (Note 2)	6,901	32,781	39,682
	$ 141,404	$ 194,347	$ 335,751

Note 1: The calculation basis of this statement is consistent with the basis of employee benefits expense.

Note 2: Expected credit loss was included.