



SHINKONG SYNTHETIC FIBERS CORPORATION

Year 2018
Annual Report

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I. Letter to Shareholders

Looking back on 2018, the US-China trade war was intensifying and the uncertainty of the global economy was increasing. The Shinkong Synthetic Fibers Corporation adhered to the belief that "an organized small group of people can conquer the world" and continues to reinforce the endeavor in the industries of polyester, optronics and financing securities. With the support of all shareholders and the concerted efforts of all employees, the Shinkong Synthetic Fibers Corporation outperformed its competitors with a number of operational indicators and delivered a bright result. The consolidated sales was NT\$42.49 billion, with an annual growth rate of 16.30%, and the earning per share reached a new high in more than 20 years.

In the polyester industry, due to the advance of the industrial smartization (Industry 4.0) in the past 3 years and the continuous integration and upgrade of the existing software and hardware resources, the preliminary results have been demonstrated in term of the increase of production capacity, product quality and the decrease of production cost. Together with various favorable external competitive conditions, the net income successfully exceeded the forecast target. Meanwhile, in terms of expanding production capacity, the new production line of the engineering plastics smoothly joined the production in March, which doubled the production capacity of the engineering plastics and greatly enhanced the supply energy and production flexibility of engineering plastics.

In the optronics industry, in order to well survive and develop in a fiercely competitive market, the structure of the current products has transformed from large-size TVs to the use of the small-sized mobile and in-vehicle. The quality of the products has been improved simultaneously in order to enhance the products' profitability and the competitiveness in the market.

In the industry of the financing securities, we continuously develop forward to the pattern of small and beautiful. Taking Shinkong International Securities Co., Ltd as an example, it not only won many awards in the ETF trading competition, but also the EPS was at the top of the national brokerages. Moreover Taipei Star Bank and Taipei Rapid Transit Corporation jointly issued the first Debit Card combined with the function of Easy Card in the industry, officially stepped into the micro payment market from traditional financing.

Looking forward to 2019, the US-China trade friction continues to spread and the prospects of the oil price market is unclear, so the overall economy is "conservative and cautious with expectations". However, as a good management team, there's no rights to be pessimistic. We must be always filled with vigorous and adventurous ambition and constantly create new business opportunities in order to pursue better profit for the company. The sales of the polyester industry has exceeded 75% of the consolidated sales of the Shinkong Synthetic Fibers Corporation. Therefore, in order to raise up the overall growth energy, it's still necessary to reply on the differentiated products this year. In terms of plastic products, the engineering plastics will increase the production capacity on various polyester elastomers. We will aggressively endeavor to enter into the market of the electric vehicle materials and the expansion plan for polyester chip will also be taken action in Thailand. In terms of PET fiber products, because the demand of the recycled fibers continues to grow, the plans of

replacement and the expansion of the new production lines will be implemented continually at Pingzhen factory and Guanyin factory. Meanwhile, we will endeavor to evaluate the expansion of oversea production bases.

Finally, thanks to all customers, suppliers and shareholders for the trust and support to the Shinkong Synthetic Fibers Corporation so that we are able to maintain stable growth in a fiercely competitive environment.

2018 Business Report

(1) Operation Result:

Shinkong Synthetic Fibers Corporation has constantly adjusted its product mix in recent years, focuses on the increase of high value-added products proportion, expands the application of the products and continues to move forward new products. The sales of main divisions and operation result are as follows:

1. Polyester Division

The sales of this division in the year was NT\$32,715,782 thousand, which was ahead of previous year by NT\$4,471,050 thousand or 15.83%. The profit before-tax of this division in the year was NT\$3,092,272 thousand, which was ahead of previous year by NT\$1,488,649 thousand or 92.83%.

2. Financing Securities Division

The sales of this division in the year was NT\$2,728,019 thousand, which was ahead of previous year by NT\$293,671 thousand or 12.06%. The profit before-tax of this division in the year was NT\$850,078 thousand, which was ahead of previous year by NT\$156,968 thousand or 22.65%.

3. Optronics Business Division

The sales of this division in the year was NT\$6,873,394 thousand, which was ahead of previous year by NT\$1,129,494 thousand or 19.66%. The loss before-tax of this division in the year was NT\$268,964 thousand, which reduced by NT\$399,856 thousand of loss, or 59.79%, compared with last year.

(2) Analysis of Financial Position and Performance

1. Financial Position

This year, the net cash inflow from the consolidated operating activities was NT\$4,754,352 thousand, net cash outflow from investing activities was NT\$1,309,200 thousand and net cash outflow from financing activities was NT\$3,499,709 thousand. The cash and equivalent cash for this year increased by NT\$35,743 thousand.

2. Profitability Analysis

The consolidated sales of the year was NT\$42,493,927 thousand, which was ahead of previous year by NT\$5,956,584 thousand. Total expenditure was NT\$38,858,219 thousand, which increased by NT\$3,895,385 thousand, compared with previous year. Profit before-tax from continuing operations was NT\$3,635,708 thousand,



which was ahead of previous year by NT\$2,061,199 thousand. Net income was NT\$2,862,093 thousand, which was ahead of previous year by NT\$1,732,387 thousand. EPS was NT\$1.52, which was ahead of previous year by NT\$0.92 or 153.33%.

(3) Research and Development status:

The R&D division of the Group sticks with the original spirit that "maintaining status quo means dropping back and research and development can move toward the progress" to constantly invest in new products' development. The production lines of the Company and its subsidiaries include fiber, plastic and various type of films for different applications. The covered industries include textiles, packaging materials, 3C, automobiles, medical and optronics. In recent years, the demands from the industries of the customers are changing rapidly and the cycle of the products are gradually shortening. In order to meet the customers' demands and maintain the stability of the operation profits, we will constantly develop the differentiated and high value-added products as well as explore the scope of the production application that are our developing direction in the future.

1. The major R&D items in 2018 include:

(1). Plastic new products

New Products: New generation antimony-free eco-friendly polyester resin, Solid-state-polymerizable PETG resin, TPEE for footwear materials and Matte PLA 3D printing filament etc.

(2). Fiber new products

2X DRY(2.0) quick-drying fiber, Shinfit elasticity & fit series, Shale yarn, Fluorine-free water-repellent fiber, Cationic-dyeable TPEE fiber, Moisture management fiber, PET deodorizing fiber and Solarcool near IR reflection HTY etc.

(3). Optronics new products

Multi-wavelength Resistant Window Film, Flame Retardant Film, Polarizer Protective base Film, in-vehicle View angle tuning and weather resistant multifunctional prism film, Anti-shatter film for car uses, Quantum dot film and fifth Generation Plain TAC film etc.

2. The main products which have been mass-produced in 2018 include:

- (1). Solid-state-polymerizable PETG resin
- (2). Matte PLA 3D printing filament
- (3). 2X DRY(2.0) quick-drying fiber
- (4). G2 version/ TCD melange yarn
- (5). High Gains Multi-Optical Prism base Film
- (6). Anti-interference base film for Touch Panel

Overview of the business plans in 2019

(1) Business strategy in 2019

Green energy, environmental protection and carbon reduction.
Non-toxic production and sustainable development.
Innovation, changes and response quickly.
Enhance quality and cost control.

(2) Operation targets and the important policies for production and sales in 2019

1. Operation targets

The Group constantly adjusts the product mix and sales strategy. The expected operational targets are as follows: 450,000 tons of polyester chip, 50,000 tons of polyester filament, 100,000 tons of engineering plastics, 30,000 tons of industrial yarn, 50,000 tons of PET film and 10 million square meters of coating processing film etc.

2. The important policies for production and sales

- (1) Strengthening the energy of research and development, mastering key technologies, constantly developing the advantage on new fiber.
- (2) Creating product characteristics, quickly responding the market changes and strengthening risk management and control.
- (3) Customer-oriented, constantly improving quality and striving for the recognition from the target market.

Future development strategy

Since its inception, Shinkong Synthetic Fibers Corporation adheres the proclamation by the founder, Mr. Wu Ho-su, that "maintaining status quo means dropping back and research and development can move toward the progress", and the expectation from the chairman of Mr. Tong Sheng Wu to constantly enhance the various core strengths, constantly request ourselves to innovate, transcend and implement the core value of "seeking truth from facts, moving forward step by step, fairness and transparency and mutual trust team" in order to achieve the Group's vision and motto.

In response to the challenges one after the other, Shinkong Synthetic Fibers Corporation has launched a series of vitality reconstruction projects of "Shinkong 21" since 2005. For internal re-organization, we no longer adopt the production-oriented organization only. We have transformed into different business groups based on market and product attributes, continuously carry out the training programs of the industry-academy optimization project and broaden to foster the middle generation's business professionals so that organizational and managerial talents are able to respond to the rapid changes in the market and further enhance the overall competitiveness. Therefore the vision of the sustainable business is able to be fulfilled.



Shinkong Synthetic Fibers Corporation is going to step into 50th anniversary. In order to meet the next new 50 years, we have aggressively pushed a series of activities of "Shinkong 2020" and "Shinkong 5 strategies (Intellectualization, Automatization, Efficientization, Vitalization, Rationalization)" in the past 3 years. In terms of business operation, it expects to enhance production efficiency, product quality and employee working efficiency and reduce various manpower and material cost. In terms of business responsibility, it wishes Shinkong Synthetic Fibers Corporation become a friendly company with "sustainable growth, environmental protection, green energy and sincerely care".

Meanwhile, in order to reach the goal of timely response to the market and customer service, except for improving the production and marketing capabilities on existing overseas operational entities, the global deployment shall also be strengthened. Therefore, in addition to the existing markets in Europe, US, Japan and China, our marketing has been touching the nearby emerging countries such as ASEAN's Vietnam and India, and even successfully entering the Russian and Turkish markets.

From product point of view, we continue to adopt the production strategy of diversification and differentiation, integrate R&D Technology and innovate product structure so that overall products' competitiveness and added-value can be risen up. Currently we have successfully developed a variety of healthy functional fibers, industrial fibers and recycled functional fibers. Meanwhile, optical grade film and engineering plastics have also developed high value-added products and become an excellent leading brands in the market.

In terms of group's transformation, in addition to the application of our solid core technologies accumulated in polyester and film materials, we also cooperate with the outside to deploy into the optical materials in the LCD industry step by step and extend the product line to high value-added fields including automobiles, optoelectronics, electronics, medical and environmental protection. In addition, the Group has also diversified the operation in recent years and has successively stepped into financing service industry to establish financing securities division and cross to real estate and leasing business in order to expand the scale and increase sales for the Group.

The impact of external competition, regulatory environment and macroeconomic environment

1. The impact of external competition and macroeconomic environment

Looking around macroeconomic environment, international oil prices and raw materials fluctuate greatly. Although the US economy is anticipated to be stable, the new policies still have the risks on international trading deployment. The Europe's economy is stable, but there's new risk for political situation because of populism. And it's coupled with the uncertain risks from the capital risk of interest rate rising in the US and the US-China trade war. Facing with the foregoing environmental challenges, in addition to maintain the policy with consistently high quality, Shinkong Synthetic Fibers Corporation does not use price competition as a strategy. With the main strategy of "high Tech - high value of products, High Touch - high satisfaction of service", we continue to enhance product quality and strengthen R&D capabilities. Meanwhile, by combining different industries, we can jointly develop new products and extend product value chain to deal with the challenge in the future.

2. The impact of regulatory environment

In terms of regulatory environment, in addition to respond to the increasingly stringent domestic and international regulations for environmental protection and consumer's rights, it's also necessary to carefully comply with international "The Money Laundering Control Act", "Personal Data Protection Act" and the applicable intellectual property laws. We not only constantly input resources, maintain the working safety and environmental protection, improve the production flow, strive for green production environment and develop green products, but also pay attention to the increasingly stringent international regulations and take the related actions.

Chairman

Tong Sheng Wu



II. Company Profile

1. Date of Incorporation

Date of Incorporation: The Company was founded on March 17, 1967

Date of Registration: The Company was officially registered on April 25, 1967

2. Company History

- 1967 - Shinkong Synthetic Fibers Corporation was founded by a group of entrepreneurs including Mr. Ho-Su Wu, who was elected Chairman.
- 1968 - Japanese companies Toray Industries, Inc. and Mitsubishi Corporation invested into the Company.
- 1969 - Commenced construction of the filament plant.
- 1970 - The filament plant completed its trial run and commenced official production.
- 1971 - Production activities commenced at the yarn plant.
- 1973 - Shares of Shinkong Synthetic Fibers Corporation were approved for listing, and were assigned stock code: 1409.
- 1974 - Commenced production of partial oriented yarn (POY) and woven fabric.
- 1976 - Commenced production of polyester staple fiber.
- 1980 - Founded Pan Asian Plastics Corp. (PAP) that specializes in the research, development, manufacturing and sale of packaging materials such as PET preform and PET bottle.
- 1981 - Obtained approval from Intellectual Property Office for the Chinese trademark of PET bottle.
- 1983 - Commenced production activities at the polyester chip plant.
- 1985 - Completed construction of POY high-speed false twisting equipment with a daily capacity of 65 tonnes; completed expansion of polyester chip and polyester staple fiber production capacity to 80 tonnes and 120 tonnes per day, respectively.
- 1986 - Chairman Ho-Su Wu passed away and the Chairman position was succeeded by Mr. Tung Chin Wu.
- 1987 - Founded Bade Plant commenced production of nylon filaments.
- 1988 - Completed construction of polyester staple fiber plant, textured yarn plant, and spin drawn yarn (SDY) plant with 150 tonnes, 18 tonnes and 7 tonnes of daily capacity, respectively.
 - Completed construction of Taoyuan Plant and commenced production of PET film.
- 1989 - Signed a collaborative agreement with Idemitsu Petrochemical Co. Ltd. from Japan to construct a PC plant.
 - Completed construction of POY equipment with a daily capacity of 20 tonnes, 7000-tonne wastewater purification equipment, and three 17000KWH power generators.

- 1990 - Invested NT\$1 billion to the construction of continuous polymerization equipment and yarn-spinning equipment with daily capacity totaling 300 tonnes and 72 tonnes, respectively.
- 1992 - The fourth set of continuous polyester chip equipment with daily capacity of 70 tonnes commenced production.
 - Won the first ROC Enterprises Environmental Protection Award.
- 1983 - Invested in 5 automated POY production lines and 4 high-speed draw twisters for a total capacity of 72 tonnes per day.
 - Commenced production of 12-tonne/day PET film plant.
 - Commenced construction of Guanyin Plant.
 - To maximize production advantage, the Company founded Hangjhou Huachun Chemical Fiber Co., Ltd. (HZC), an overseas production facility, in Hangjhou, China that specializes in the production of POY, polyester textured yarn, and industrial yarn.
- 1994 - Completed construction of Guanyin Plant.
 - Founded Thai Shinkong Industry Corporation Ltd. in Thailand to construct a 100,000-tonne/year polyester chip plant.
- 1995 - Guanyin Plant commenced production of fine denier yarn and conjugate yarn.
- 1997 - Thai Shinkong Industry Corporation Ltd. commenced production. Implemented profit center.
- 1998 - Hangjhou Huachun Chemical Fiber commenced production.
- 2000 - Won Excellence in Stationary Pollution Source Control from Taoyuan County Department of Environmental Protection.
- 2001 - Completed expansion of industrial yarn production by 18,000 tonnes per year.
 - Constructed the 4th engineering plastics production line and increased annual capacity by 13,000 tonnes.
- 2002 - Expanded production of PBT BASE POLYMER by 36,000 tonnes per year at Guanyin Plant (CP-8).
 - Expanded production of polyester chip by 72,000 tonnes per year at Zhongli Plant (CSP-6).
 - Constructed the 5th engineering plastics production line and increased annual capacity by 13,000 tonnes.
 - Added 10 false twisting machines at Hangjhou Huachun Chemical Fiber.
 - Promoted e-commerce and digital transformation within the industry.
 - Won Energy Conservation Industrial Excellence Award from the MOEA.
- 2003 - Founded Shinkong Industry (Hangjhou) Co., Ltd. (SKI) in Hangjhou, China to specialize in the production of engineering plastics and A-PET sheets.
 - Shinkong Synthetic Fibers Corporation has been actively introducing manufacturing technologies and procedures for optical grade films as a means to support its vision of becoming a "sustainable and growing high-tech polyester manufacturer." In support of this vision, the Company founded UBright Optronics Corp. (UBO) that specializes in the design and production of prism films, a critical material for TFT-LCD backlight modules.
 - Implemented balanced scorecard and performance management system.



- 2004 - Mr. Tong Sheng Wu succeeded as Chairman.
 - Shinkong Synthetic Fibers Corporation had more than 28 years of PET film manufacturing experience and technology, which the Company decided to transfer to a new company called Shinkong Polyester Film Corp., Ltd. (SPF) that specializes in the research, development, production and sale of PET films.
 - Commenced construction of the 3rd PET film production line with a capacity of 1,500 tonnes per month.
 - Shinkong Synthetic Fibers Corporation acquired ownership in Shinkong International Securities Co., Ltd.
- 2005 - "Shinkong 21" was implemented. The program introduced a number of improvements involving re-organization, enhanced authorization, variable cost accounting, individual business AO performance assessment, amendment of performance bonus policy, and enhancement of downstream process.
 - Completed expansion of industrial yarn production at Zhongli Plant.
 - Completed expansion of industrial yarn production at Hangzhou Huachun Chemical Fiber.
 - Completed expansion of engineering plastics and A-PET sheet production at Shinkong Industry (Hangzhou) Co., Ltd.
 - Won Energy Conservation Industrial Excellence Award from the MOEA.
- 2006 - Completed expansion of HMLS yarn production by 8,400 tonnes/year at Zhongli Plant and optical grade film production by 18,000 tonnes/year at Taoyuan Plant.
 - Invested in ShinBright Optronics Corp. (SOC) to specialize in the production of optical grade PET and development of functional films.
 - Founded TacBright Optronics Corporation that specializes in the research, development, manufacturing and sale of optical grade TAC film, a critical material for polarizers.
 - Won Energy Conservation Outstanding Innovation Award from the Bureau of Energy, MOEA.
 - Won Energy Conservation Industrial Excellence Award from the MOEA.
- 2007 - UBright Optronics Corporation commenced mass production of luminance enhancement film.
 - ShinBright Optronics Corporation commenced factory construction.
 - The National Development Fund, Executive Yuan, invested NT\$1 billion in TacBright Optronics Corporation.
 - Industrial Voluntary Greenhouse Gas Emission Reduction Excellence Award from Industrial Development Bureau, MOEA.
 - Won Energy Conservation Industrial Excellence Award from the MOEA.
 - Approval was granted to re-organize "Limited Liability First Credit Cooperative of Taipei City" into "First Capital Commercial Bank," and list for trading on the Emerging Stock Market.
- 2008 - Shinkong Corporate University was founded and an industry-academia collaboration agreement was signed with Chung Yuan Christian University.
 - TacBright Optronics Corporation commenced factory construction.
 - ShinBright Optronics Corporation completed factory construction and

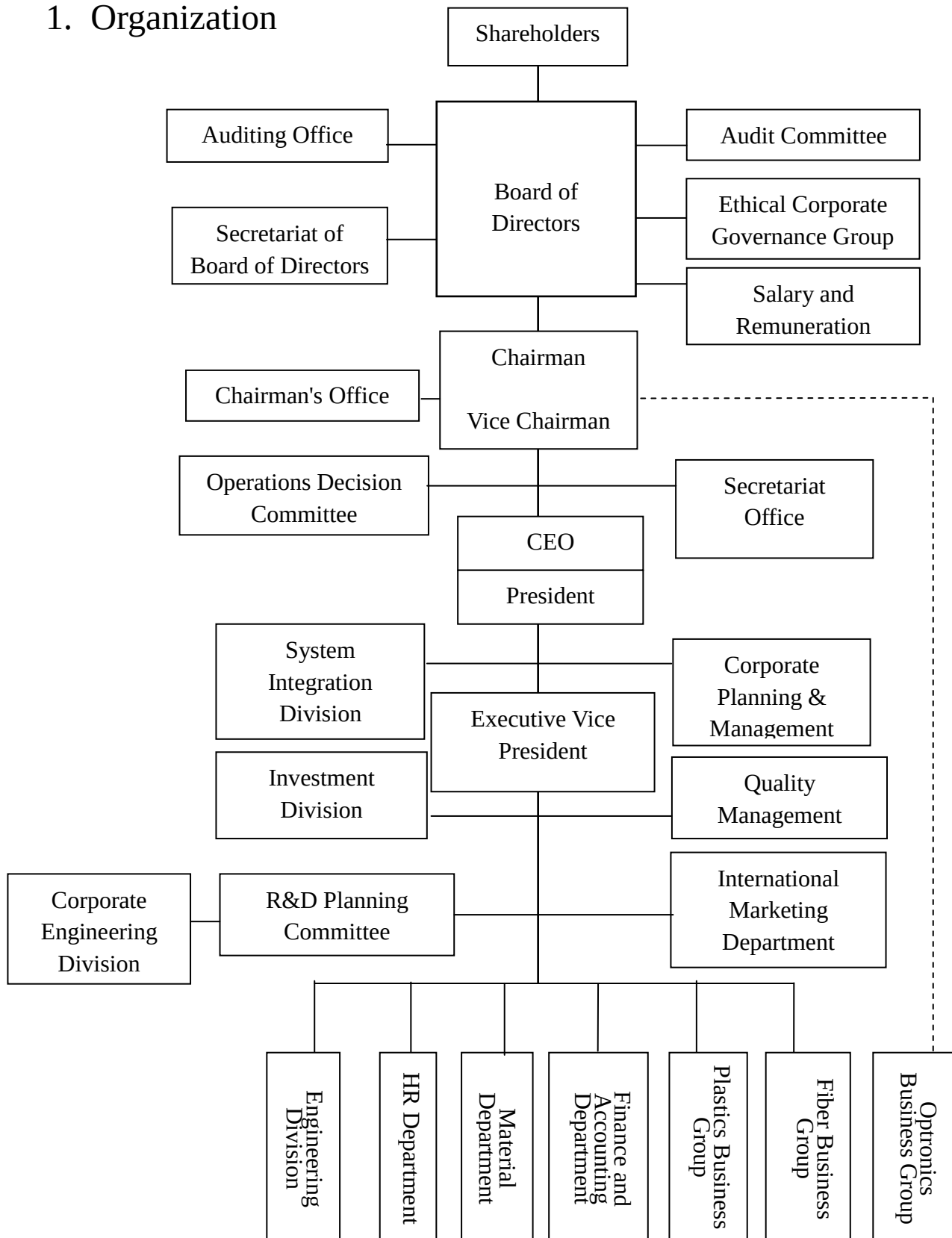
- commenced production activities.
- Guanyin Plant won Energy Conservation Industrial Excellence Award from the MOEA.
- Shinkong International Securities Co., Ltd. completed public offering and commenced operation of Taichung Branch.
- 2009 - TacBright Optronics Corporation completed factory construction and commenced production activities.
- Won 2009 Industrial Excellence Award from the Industrial Development Bureau, MOEA.
- Won Taoyuan County Ever Green Enterprise Excellence Award.
- Won Industrial Benchmark Award from the Industrial Development Bureau, MOEA.
- "First Capital Commercial Bank" was officially renamed "Taipei Star Bank."
- Shinkong International Securities Co., Ltd. commenced operation of its Kaohsiung Branch and Hsinchu Branch.
- 2010 - Completed expansion of film and engineering plastics production at Zhongli Plant.
- Completed expansion of engineering plastics production at Shinkong Industry (Hangzhou) Co., Ltd.
- Won Energy Conservation Service Group Award from the MOEA.
- Won Energy Conservation Outstanding Industry Award from the MOEA.
- Won Energy Conservation Excellence Award from the MOEA.
- 2011 - Completed expansion of polyester chip production line at Zhongli Plant (CSP-8).
- Completed expansion of the 4th PET film production line at Taoyuan Plant.
- Shinkong International Securities Co., Ltd. commenced operations of its Tainan Branch
- 2013 - Shinpont Industry Inc. modified its PH4 #21 12 END production line.
- UBright Optronics Corporation won the first Taiwan Mittelstand Award from MOEA.
- Won Energy Conservation Excellence Award from the MOEA.
- "Bank of Taipei" changed its name to "Taipei Star Bank."
- Taipei Star Bank commenced operation of its Taoyuan Branch.
- 2014 - PH5 expansion completed at Shinpont Industry Inc.
- TacBright Optronics Corporation invested NT\$3 billion into phase 2 expansion.
- Zhongli Plant underwent a factory renewal (Fang 1).
- 2015 - Zhongli Plant and Guanyin Plant jointly renewed 16 false twisting machines.
- Zhongli Plant completed expansion of new film production line.
- Shinkong International Securities Co., Ltd. commenced operation of its Taoyuan Branch.
- Founded Shin Kong International Leasing Corp. (SKIL)
- 2016 - Invested NT\$2 billion into the expansion of engineering plastics (CP-9) production at Guanyin Plant, with a production capacity of 70,000 tonnes/year.
- Commenced expansion of fine denier yarn production at Zhongli Plant (HTY).
- Completed PH5 expansion at Shinpont Industry Inc.



- TacBright Optronics Corporation completed phase 2 expansion.
- 2017 - A System Integration Division and an CIO were introduced to enhance application of smart technologies in the industry.
- A Quality Management Division and a CQO were introduced to oversee quality management, customer complaint tracking and improvement throughout the Company.
- 2018 - Completed the expansion of engineering plastics (CP-9) production at Guanyin Plant and started production.
- 2019 - Completed the construction of solar system at Thai Shinkong Industry Corporation Ltd. in Thailand.
- Expanded and replaced the production equipments for spinning.
- Continued to deepen, optimize and integrate the industrial smartization.

III. Corporate Governance Report

1. Organization





Introduction of Department Duties

Department	Responsibilities
Auditing Office	1. Establishes and executes internal control and internal audit systems. 2. Plans and assists internal departments in the development and implementation of internal control self-assessment practices. 3. Recommends improvements to the various controls and procedures adopted by internal departments. 4. Ensures compliance with regulations and administrative orders.
Corporate Planning & Management Department	1. Responsible for the establishment, review and coordination of internal control and internal audit systems across various business groups (including domestic and overseas subsidiaries). 2. Planning and execution of IT operations.
System Integration Division	1. Responsible for the establishment of information strategies and policies for the entire company. 2. Responsible for the planning and implementation of information systems within the Company.
Investment Division	1. Development, assessment and execution of investment projects. 2. Post-investment project management, business consolidation and performance evaluation.
Quality Management Division	1. Collectively oversees product quality management, ongoing improvement of the quality management system, and provides supervision. 2. Review, improvement and tracking of customer complaints.
International Marketing Department	Establishment of market exploration, product promotion and marketing strategies.
R&D Planning Committee	1. Establishment and execution of product development strategies and plans. 2. Gathering and analysis of market information and current technologies. 3. New product promotion and customer development.
Corporate Engineering Division	1. Investment project review and verification and development of production technologies. 2. Gathering, introduction and R&D of engineering technologies. 3. Establishment, implementation and examination of engineering management system and maintenance/repair system. 4. Establishment and implementation of engineering safety and environmental protection policies. 5. Establishment, execution and supervision of factory management policies.

Engineering Division	1.Planning, design, supervision and trial run of new factory construction, expansion and improvement projects. 2.Operation and supply of equipment used at various plant sites. 3.Operation, maintenance and servicing of electrical systems, production equipment and instrumentation systems used at various plant sites.
HR Department	Establishment, execution and supervision of human resource management policies.
Material Department	Establishment, execution and supervision of materials management policies.
Financial Department	1. Establishment, execution and supervision of finance, accounting, credit management and external investment policies. 2. Statistical analysis of product cost.
Plastics Business Group	Production and sale of polyester chips and engineering plastics.
Fiber Business Group	Production and sale of differentiated products including polyester chip, conventional polyester filament, polyester staple fiber, SDY, industrial yarn, POY, and polyester textured yarn.
Optronics Business Group	Production and sale of optical grade TAC base film, hard coat optical film material, prism film material and optical grade PET.

2. Directors, Supervisors and Management Team

(1) Directors and independent directors

1. Directors' and independents' background

March 31, 2019

Title	Nation ality Or register ed place	Name	Gend er	Date onboard	Ser vice term	The date first elected	Shareholding when elected Shares held		Current No. of shares held		Shares the spouse and minor children held		Shares held under the names of other parties.		Main career (academic) achievements	Concurre nt duties in the Company and in other companie s	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads		
							Shares held	Share holdin gs percen tage	Shares held	Share holdin gs percen tage	Shares held	Shareh olding percent age	Shares held	Shareh olding percent age			Title	Name	Relat ions hip
Chairman	The Republic of China	Shin Kong Development Co., Ltd.	Male	2017.5.26	3 years	2008.6.13	2,794,213	0.17	2,794,213	0.17	3,514,692	0.22	-	-	Harvard University Ph.D of Law	Note 1	-	-	-
		Representative: Tong Sheng Wu					9,659,041	0.60	10,011,587	0.62									
Vice Chairman	The Republic of China	Shin Kong Development Co., Ltd.	Male	"	"	2008.6.13	2,794,213	0.17	2,794,213	0.17	200,000	0.01	-	-	Master of Accounting, Western Illinois University	Note 2	-	-	-
		Representative: Tung Ming Wu					111,999	0.01	112,000	0.01									
Director	The Republic of China	Shin Kong Co., Ltd.	Male	"	"	1984.5.8	84,414,691	5.22	84,414,691	5.22	-	-	-	-	MBA Program, Case Western Reserve University	Note 3	-	-	-
		Representative: Steve Hong					-	-	-	-									
"	The Republic of China	Chin Shan Investment Corporation Ltd.	Male	"	"	1996.5.4	4,885,058	0.30	4,885,058	0.30	-	-	-	-	Post-graduate Program of Materials Science, UCLA	Note 4	-	-	-
		Representative: Hsing-En Wu					-	-	-	-									
"	The Republic of China	Shin Kong Wu Ho-Su Cultural & Educational Foundation	Male	"	"	2005.6.20	60,442	0.00	60,442	0.00	11,040	0.00	-	-	Department of Administration, National Chung Hsing University	Note 5	-	-	-
		Representative: Jung-Chi, Liu					1,633	0.00	1,633	0.00									
"	The Republic of China	Tay Way Enterprise Co., Ltd.	Male	"	"	2008.6.13	1,200,043	0.07	1,200,043	0.07	6,000	0.00	-	-	Department of International Trade, Feng Chia University	Note 6	-	-	-
		Representative: Huoo Tzau Shih					41,561	0.00	41,561	0.00									

Title	Nation ality Or register ed place	Name	Gend er	Date onboard	Ser vice ter m	The date first elected	Shareholding when elected Shares held		Current No. of shares held		Shares the spouse and minor children held		Shares held under the names of other parties.		Main career (academic) achievements	Concurre nt duties in the Company and in other companie s	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads		
							Shares held	Share holdin gs percen tage	Shares held	Share holdin gs percen tage	Shares held	Shareh olding percent age	Shares held	Shareh olding percent age			Title	Name	Relat ions hip
"	The Repub lic of China	Tay Way Enterprise Co., Ltd.	Male	"	"	"	1,200,043	0.07	1,200,043	0.07	5,277	0.00	-	-	Department of Chemical Engineering, National Taiwan University	Note 7	-	-	-
		Representative: Hsien Chung Ho					1,351,697	0.08	1,663,101	0.10									
"	The Repub lic of China	Mian Hao Industry Co., Ltd.	Male	"	"	2002.6.20	1,226,456	0.08	1,226,456	0.08	-	-	-	-	Department of Mechanical Engineering, National Cheng Kung University	Note 8	-	-	-
		Representative: Sun-Mo Ni					22,489	0.00	22,489	0.00									
"	The Repub lic of China	Shin Kong Development Co., Ltd.	Fema le	2017.6.5	3 yea rs	2008.6.13	2,794,213	0.17	2,794,213	0.17	-	-	-	-	Ph.D of Graduate Institute of Management, National Taiwan University of Science and Technology	Note 9	-	-	-
		Representative: Hsiu-Mei, Wang Chen					-	-	-	-									
Independ ent director	The Repub lic of China	Hsien Der Chiu	Male	2017.5.26	"	2014.5.29	0	0.00	0	0.00	1,290	0.00	-	-	Department of Law, National Taiwan University		-	-	-
Independ ent director	The Repub lic of China	Jung Cheng Tseng	Male	"	"	"	0	0.00	0	0.00	-	-	-	-	Night Class of Law Diploma, National Taiwan University		-	-	-
Independ ent director	The Repub lic of China	Yung Ching Tsai	Male	"	"	"	0	0.00	0	0.00	-	-	-	-	Department of Insurance and Financial Management, Takming University of Science and Technology		-	-	-

Note: 1. UBright Optronics Corporation - Chairman; Shinkong Polyester Film Co., Ltd. - Chairman; TacBright Optronics Corporation - Chairman; The Great Taipei

- Gas Corporation - Director; Taiwan Cement Corporation - Director; Shinkong Insurance Co. Ltd. - Director; Shin Kong Mitsukoshi Department Store Co., Ltd. - Supervisor; Shinkong International Leasing Corp. - Chairman; Shin Kong Technologies. Co. Ltd. - Chairman.
2. FUHBIC System Integration Corporation Ltd. - Chairman.
 3. Halin Construction Co., Ltd. - Chairman; Shin Kong Co., Ltd. - Director; Shinkong Insurance Co. Ltd. - Director
 4. Shinkong Textile Co., Ltd. - Chairman; Shinkong Asset Management Co., Ltd. - Chairman.
 5. Shin Kong Wu Ho-Su Memorial Hospital - Consultant.
 6. ShinBright Optronics Corporation - Chairman; TacBright Optronics Corporation - President; UBright Optronics Corporation - Director; Shinkong Polyester Film Co., Ltd. - Director.
 7. Shinkong Engineering Co., Ltd. - Director; Dayspring Ltd. (Dayspring) - Chairman; Shinkong Polyester Film Co., Ltd. - Director; Shinpont Industry Inc. - Chairman; TacBright Optronics Corporation - Director; Hangzhou Huachun Chemical Fiber Co. Ltd. - Chairman.
 8. Shin Kong Wu Ho-Su Memorial Hospital - Consultant.
 9. UBright Optronics Corporation - Vice Chairman.

2. Major shareholders of corporate shareholders

March 31, 2019

Name of corporate shareholder	Major shareholders of corporate shareholders	
	Name	Shareholding Percentage
Shin Kong Development Corp.	Te Liang Co., Ltd. Te Shih Enterprise Co., Ltd. Tong Sheng Wu	49.86% 49.81% 0.33%
Chin Shan Investment Corporation Ltd.	Hsin Cheng Investment Co., Ltd. Liang Yue Investment Co., Ltd. Chi Chen Co., Ltd. Bo Rui Co., Ltd. Chia Hao Co., Ltd. Tzi Ching Co., Ltd. Yi Huan Co., Ltd.	25% 25% 24.8% 24.6% 0.3% 0.2% 0.1%
Shin Kong Co., Ltd.	Hsin Sheng Co., Ltd. Lian Sui Enterprise Co., Ltd. Swiss Grand Hotel Co., Ltd. Lin Teng-Shan Social Welfare Foundation Hsin Cheng Investment Co., Ltd. Chi Chen Co., Ltd. Tung Hsing Investment Co., Ltd. Hung Chi Co., Ltd. Yi Huan Co., Ltd. Yuan Hao Industrial Co. Ltd.	42.65% 4.75% 4.66% 3.95% 3.51% 3.39% 3.37% 3.34% 2.88% 2.53%
Tay Way Enterprise Co., Ltd.	Hung Chieh Investment Co., Ltd. Tong Sheng Wu Hsing-Hua Ho Hsin-Chieh Wu Hsin-Yue Wu	99.70% 0.04% 0.04% 0.04% 0.18%
Mian Hao Industry Co., Ltd.	Tung Chin Wu Tung Yue Enterprise Co., Ltd. Hsin Yun Enterprise Co., Ltd. Hsin Lung Chemical Co., Ltd. Peng Lai Co., Ltd.	26.58% 19.80% 19.80% 19.80% 11.67%
Shin Kong Wu Ho-Su Cultural & Educational Foundation	Not Applicable	-



3. Key shareholders of major corporate shareholders

Name of corporate entity	Corporate entity's major shareholders	
	Name	Shareholding percentage
Te Liang Co., Ltd.	Te Chieh Co., Ltd.	90.88%
	Tong Sheng Wu	0.49%
	Hsing-Hua Ho	0.87%
	Hsin-Chieh Wu	6.79%
	Hsin-Yue Wu	0.97%
Te Shih Enterprise Co., Ltd.	Tay Way Enterprise Co., Ltd.	90.24%
	Tong Sheng Wu	0.07%
	Hsing-Hua Ho	0.07%
	Hsin-Chieh Wu	0.10%
	Hsin-Yue Wu	9.52%
Hsin Cheng Investment Co., Ltd.	Tung Chin Wu	99.93%
	Hsin-Tung Wu	0.07%
Liang Yue Investment Co., Ltd.	Te Shih Enterprise Co., Ltd.	98.50%
	Tong Sheng Wu	0.75%
	Hsing-Hua Ho	0.75%
	Hsin-Yue Wu	0.00%
Chi Chen Co., Ltd.	Tung-Hsien Wu	12.86%
	Cheng Cheng Co., Ltd.	25.61%
	Cheng Chien Co., Ltd.	24.27%
	Tzi Ching Co., Ltd.	18.25%
	Ruo-Nan Sun	13.01%
	Hsin- Hong Wu	3.00%
	Hsin- En Wu	3.00%
Bo Rui Co., Ltd.	Ching Wei Co., Ltd.	51.92%
	Hsin-Wei Wu	24.04%
	Hsin-Hao Wu	24.04%
Chia Hao Co., Ltd.	Thomas T.L. Wu	98.97%
	Hsueh-Fen Peng	1.03%
Tzi Ching Co., Ltd.	Ruo-Nan Sun	92.59%
	Tung-Hsien Wu	7.41%
Yi Huan Co., Ltd.	Thomas T.L. Wu	97.26%
	Hsueh-Fen Peng	2.74%
Hsin Sheng Co., Ltd.	Hsin Cheng Investment Co., Ltd.	10.80%
	Yi Kuang Enterprise Co., Ltd.	10.38%
	Lian Sui Enterprise Co., Ltd.	8.44%
	Chi Chen Co., Ltd.	7.92%
	Wen-Liang Hung	7.17%

Name of corporate entity	Corporate entity's major shareholders	
	Name	Shareholding percentage
	Shin Kong International Investment Co., Ltd.	7.03%
	Hung Chi Co., Ltd.	6.67%
	Te Shan Education Foundation	6.56%
	Jiou Bing Enterprise Co., Ltd.	6.37%
	Chia Hao Co., Ltd.	3.61%
	Yi Huan Co., Ltd.	3.61%
Lian Sui Enterprise Co., Ltd.	Tung-Shen Wu	19.46%
	Hsin-Yen Wu	13.76%
	Mei-Fen Lu	13.49%
	Tung-Chuan Wu	7.80%
	Li-Fang Wei	7.40%
	Hsin-Tung Wu	7.36%
	Ming-Ying Wu Wang	7.18%
	Hsin-Rong Wu	7.12%
	Hsin-Mao Wu	6.70%
	Hsin-Hua Wu	3.04%
Swissotel	Yuan Hao Industrial Co. Ltd.	20.71%
	Tung Hsing Investment Co., Ltd.	16.32%
	Hsin Ming Enterprise Co., Ltd.	12.11%
	Hsin Pei Enterprise Co., Ltd.	12.11%
	Ru-Hsing Wu	8.04%
	Ru-Hsueh Wu	8.04%
	Ru-Shu Li Wu	8.04%
	Yuan Chi Investment Co., Ltd.	4.56%
	Hsing Yuan Investment Co., Ltd.	2.63%
	Hsing Yun Investment Co., Ltd.	2.63%
	Hsing Chi Investment Co., Ltd.	2.63%
Tung Hsing Investment Co., Ltd.	Hsing Yuan Investment Co., Ltd.	18.77%
	Hsing Yun Investment Co., Ltd.	18.77%
	Hsing Chi Investment Co., Ltd.	18.77%
	Crown Tree Enterprise Co., Ltd.	11.78%
	Tung-Hsing Wu	8.09%
	Yin-Fang Wu-Peng	7.41%
	Xin-Da Wu	4.84%
	Xin-Yang Wu	4.84%
	Xin-Chang Wu	4.84%
	Yu-Fei Li	1.89%
Hung Chi Co., Ltd.	Shih-Chi Hung	47.50%
	Shih-Ching Hung	7.50%



Name of corporate entity	Corporate entity's major shareholders	
	Name	Shareholding percentage
	Shih-Ling Hung	7.50%
	Shih-Hsin Hung	7.50%
Chuan Wen International Co., Ltd.	Shih-Chi Hung	70.00%
	Pei-Wen Wu	30.00%
Yuan Song Enterprise Co. Ltd.	Zhexun Limited.	100.00%
Hung Chieh Investment Co., Ltd.	Te Shih Enterprise Co., Ltd.	90.14%
	Tong Sheng Wu	2.81%
	Hsing-Hua Ho	1.41%
	Hsin-Chieh Wu	2.82%
	Hsin-Yue Wu	2.82%
Tung Yue Enterprise Co., Ltd.	Hsin Yun Enterprise Co., Ltd.	19.95%
	Mian Hao Industry Co., Ltd.	19.95%
	Hsin Huo Enterprise Co., Ltd.	19.95%
	Po Feng Enterprise Co., Ltd.	9.34%
	Hung Tai Investment Co., Ltd.	10.61%
	Po Wei Investment Co., Ltd.	12.63%
	Ying Ying Investment Co., Ltd.	7.57%
Hsin Yun Enterprise Co., Ltd.	Hsin Huo Enterprise Co., Ltd.	19.80%
	Hsin Lung Chemical Co., Ltd.	19.80%
	Hung Hsin Enterprise Co., Ltd.	19.80%
	Tung Chin Wu	19.80%
	Peng Lai Co., Ltd.	17.20%
	Thomas T.L. Wu	2.00%
	Tung-Hsien Wu	0.94%
	Tung Ming Wu	0.60%
Hsin Lung Chemical Co., Ltd. (HLC)	Pan Asian Plastics Corp.	61.80%
	Tung Chin Wu	27.81%
	Chao-Nan Ku	6.20%
	Huoo Tzau Shih	2.19%
	Hsien Chung Ho	2.00%
Peng Lai Co., Ltd.	Ying Ying Investment Co., Ltd.	99.9125%
	Tung Chin Wu	0.0875%

4. Directors' and independent directors' expertise, knowledge and independence

March 31, 2019

Criteria Name	Having more than 5 years work experience and the following qualifications			Compliance of independence (Note 1)										Number of positions as independent director in other public companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, prosecutor, lawyer, accountant, or holder of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Chairman Tong Sheng Wu			✓							✓		✓		0
Vice Chairman Tung Ming Wu			✓	✓	✓	✓	✓			✓	✓	✓		0
Director Steve Hong			✓	✓	✓	✓	✓			✓	✓	✓		0
Director Hsing-En Wu			✓	✓	✓	✓	✓			✓	✓	✓		0
Director Sun-Mo Ni			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Director Jung-Chi, Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Director Hsien Chung Ho			✓			✓	✓	✓		✓	✓	✓		0
Director Huoo Tzau Shih			✓			✓	✓	✓		✓	✓	✓		0
Director Hsiu-Mei, Wang Chen			✓			✓	✓	✓		✓	✓	✓		0
Independent Director Hsien Der Chiu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Jung Cheng Tseng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Yung Ching Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: A “✓” is placed in the box if the director or supervisor met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of any of the company's related companies (this restriction does not apply to independent director positions in the company, its parent company or subsidiary, which have been appointed in accordance with local laws or laws of the registered country).
- (3) Does not hold more than 1% of the company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the company.
- (4) Not a spouse, relative of second degree or closer, or direct kinship of third degree or closer to any person listed in the three preceding criteria.
- (5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the company; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
- (7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the company or its affiliates, nor is an owner, partner, director, supervisor or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, this excludes members of the Remuneration Committee who have been appointed to exercise duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse or relative of second degree or closer to any other directors.
- (9) Does not meet any of the conditions stated in Article 30 of The Company Act.
- (10) Not elected as a government or corporate representative, as described in Article 27 of The Company Act.

(2) Information of Presidents, Vice Presidents, Assistant Managers, and the heads of various departments and branches

March 31, 2019

Title	Nationality	Name	Gender	Onboard Date	Shares held		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) achievements	Current positions in the company and other companies 其他公司	Spouse or relatives of second degree or closer acting as managers		
					Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage			Title	Name	Relationship
President	The Republic of China	Shyr Shyuan Luo	Male	2014.06.12	902,799	0.06%	-	-	-	-	Bachelor of Applied Chemistry, Feng Chia University	Note 1	-	-	-
Vice President and Chief Secretary of Board of Directors	The Republic of China	Chih Min Yang	Male	2005.01.10	171,118	0.01%	-	-	-	-	Master of Business Management, Dayeh University	Note 2	-	-	-
Executive Vice President and Head of Material Department	The Republic of China	Chin-Chang Cheng	Male	2015.01.01	131,218	0.01%	-	-	-	-	Master of Textile Engineering, Feng Chia University	Note 3	-	-	-
Vice President of Investment Division	The Republic of China	Chih Lung Hsiao	Male	2016.02.01	—	—	-	-	-	-	MBA in Finance, National Taipei University	Note 4	-	-	-
CTO, Chairman's Office	The Republic of China	Kou Tai, Tiou	Male	2016.02.16	27,609	0.00%	-	-	-	-	Doctor in School of Polymer Science and Textile, Clemson University	Note 5	-	-	-
Assistant Vice President, Human Resource Department	The Republic of China	H.I.Tseng	Male	2014.09.01	31,640	0.00%	8,117	0.00%	-	-	Bachelor of mechanical engineering, Chinese culture university	-	-	-	-
Senior Assistant Vice President, Plastics Business Group	The Republic of China	Yao-ding Lee	Male	2015.01.01	100,457	0.01%	5,277	0.00%	-	-	Master of Human Resource Development, Pittsburg Sstate University	Note 6	-	-	-
Senior Assistant Vice President, Fiber Business Group	The Republic of China	Bryan Chen	Male	2015.01.01	42,592	0.00%	-	-	-	-	MBA, National Chiao Tung University, Taiwan	Note 7	-	-	-
General Engineer and Director of Factory	The Republic of China	Chin-Ta Ou	Male	107.02.14	35,332	0.00%	-	-	-	-	Master of Mechanical Engineering, National Central University	-	-	-	-
Assistant Vice President, Engineering Division	The Republic of China	Chin Tarnng Huang	Male	2015.01.01	86,502	0.01%	-	-	-	-	Bachelor of Electrical Engineering, National Kaohsiung Institute of Technology	Note 8	-	-	-

Assistant Vice President, PET Resin Division	The Republic of China	Chao Jung Hsu	Male	2015.01.01	90,725	0.01%	-	-	-	-	MBA, University of Mississippi	-	-	-	-
Assistant Vice President, Financial Department	The Republic of China	Chen Chia Wen	Fem ale	2015.05.12	67,204	0.00%	-	-	-	-	Master of MIS, University of Texas	Note 9	-	-	-
Head of Production Technology, Corporate Engineering Division	The Republic of China	Chun Shu Peng	Male	2017.07.16	62,173	0.00%	-	-	-	-	Bachelor of Chemical Engineering, National Taiwan University	-	-	-	-

Note 1: Pan Asian Plastics Corp. - Chairman; Shinkong Engineering Co., Ltd. - Chairman; Thai Shinkong Industry Corporation Ltd. - Director; DaySpring Limited - Director; Hangjhou Huachun Chemical Fiber Co., Ltd. - Director; Shinpont Industry Inc. (SPI) - Supervisor.

Note 2: Hsingshing Investment Co., Ltd. - Chairman; Hsinshin Asset Management Co., Ltd. - Chairman; Shin Chiun Industrial Co., Ltd. - Chairman; Shin Kong International Leasing Co., Ltd. - Supervisor.

Note 3: Shinpont Industry Inc. (SPI) - Director; DaySpring Limited - Director; Hangjhou Huachun Chemical Fiber Co., Ltd. - Director.

Note 4: Hsingshing Investment Co., Ltd. - Director; Hsinshin Asset Management Co., Ltd. - Director; Shin Kong International Leasing Co., Ltd. - Director; Shin Chiun Industrial Co., Ltd. - Director; Hsin Lung Chemical Co., Ltd. - Supervisor; Qbright Materials Inc. (QBM) Co., Ltd. - Supervisor.

Note 5: ShinBright Optronics Corporation - Director.

Note 6: Thai Shinkong Industry Corporation Ltd. - Director; Pan Asian Plastics Corp. - Director.

Note 7: Shinpont Industry Inc. - Director.

Note 8: Shin Kong Technologies. Co. Ltd. - Director; Shinkong Engineering Co., Ltd. - Director

Note 9: Shin Chiun Industrial Co., Ltd. - Director; Shinkong Engineering I Co., Ltd. - Supervisor; Hsinshin Asset Management Co., Ltd.- Supervisor; Hsingshing Investment Co., Ltd.- Supervisor; Hsin Lung Chemical Co., Ltd.- Director; Shin Kong Technologies. Co. Ltd.-Supervisor.

(3) Remuneration paid to directors, independent directors, the President, and vice presidents in the last year

1. Director remuneration

Unit: NTD thousands; %

Title	Name	Director remuneration								The sum of A, B, C and D as a percentage of net income		Remuneration received as employee								The sum of A, B, C, D, E, F, and G as a percentage of net income		Remuneration from invested businesses other than subsidiaries
		Compensation (A)		Pension (B)		Director remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc (E)		Pension (F)		Employee remuneration (G)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
Cash Amount	Shares Amount															Cash Amount	Shares Amount					
Director	Mian Hao Enterprise Co., Ltd. representative: Sun-Mo Ni	3,815	3,815	85	85	-	-	3,987	4,095	0.3209	0.3253	15,364	20,458	1,263	1,371	999	-	999	-	1.0380	1.2540	None
Director	Shin Kong Development Corp. representative: Tong Sheng Wu																					
Director	Shin Kong Development Corp. representative: Tung Ming Wu																					
Director	Taiwan Shin Kong Co., Ltd. representative: Steve Hong																					
Director	Shin Kong Development Corp. representative: Hsiu-Mei, Wang Chen																					
Director	Tay Way Enterprise Co., Ltd. representative: Hsien Chung Ho																					
Director	Tay Way Enterprise Co., Ltd. representative: Huoo Tzau Shih																					
Director	Chin Shan Investment Corporation Ltd. representative: Hsing- En Wu																					
Director	Shin Kong Wu Ho-Su Cultural & Educational Foundation representative: Jung-Chi, Liu																					
Independent Director	Hsien Der Chiu																					
Independent Director	Jung Cheng Tseng																					
Independent Director	Yung Ching Tsai																					

Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: 0

Note: The compensation for 4 drivers was NT\$3,489 thousand.

Remuneration brackets table

Range of remuneration paid to the Company's directors	Name of director			
	Sum of the first 4 items (A + B + C + D)		Sum of the first 7 items (A + B + C + D + E + F + G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Below NT\$2,000,000	Tong Sheng Wu, Hsien Chung Ho, Sun-Mo Ni, Steve Hong, Jung-Chi, Liu, Hsing- En Wu, Huoo Tzau Shih, Hsien Der Chiu, Jung Cheng Tseng, Yung Ching Tsai, Hsiu-Mei, Wang Chen	Same as shown on the left	Sun-Mo Ni, Steve Hong, Jung-Chi, Liu, Hsing- En Wu, Huoo Tzau Shih, Hsien Der Chiu, Jung Cheng Tseng, Yung Ching Tsai, Hsiu-Mei, Wang Chen	Sun-Mo Ni, Steve Hong, Jung-Chi, Liu, Hsing- En Wu, Hsien Der Chiu, Jung Cheng Tseng, Yung Ching Tsai, Hsiu-Mei, Wang Chen
NT\$ 2,000,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)	Tung Ming Wu	Same as shown on the left	Tung Ming Wu	Tung Ming Wu, Huoo Tzau Shih
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)			Hsien Chung Ho	Hsien Chung Ho
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)			Tong Sheng Wu	Tong Sheng Wu
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)				
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)				
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>

2. Remuneration to the President and vice presidents

Unit: NTD thousands; %

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances etc. Bonuses and allowances (C)		Employee remuneration (D)				Sum of A, B, C and D as a percentage of net income (%)		Remuneration from invested businesses other than subsidiaries
		The Company	All companies included in the financial statements	The Compan y	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
CEO	Tong Sheng Wu	14,739	14,979	3,017	3,017	19,816	22,471	1,610	-	1,610	-	1.5941	1.7119	None
Executive Vice Chairman	Hsien Chung Ho													
President	Shyr Shyuan Luo													
Executive Vice President	Chin-Chang Cheng													
Vice President	Chih Min Yang													
Vice President	Chih Lung Hsiao													
CTO	Kou Tai, Tiou													

Note: Total compensation for 4 drivers was NT\$3,423 thousand.

Remuneration bracket table

Range of remuneration to the Company's President and vice presidents	Name of President and vice presidents	
	The Company	All companies included in the financial statements
Below NT\$2,000,000	Chih Lung Hsiao	
NT\$ 2,000,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)	Chih Min Yang, Kou Tai, Tiou	Chih Min Yang, Chih Lung Hsiao, Kou Tai, Tiou
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	Tong Sheng Wu, Hsien Chung Ho, Shyr Shyuan Luo, Chin-Chang Cheng	Tong Sheng Wu, Hsien Chung Ho, Shyr Shyuan Luo, Chin-Chang Cheng
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)		
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)		
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)		
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	7	7

Names of managers who received employee remuneration:

	Title	Name	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
Manager	CEO	Tong Sheng Wu	-	3,306	3,306	0.1345
	Executive Vice Chairman	Hsien Chung Ho				
	President	Shyr Shyuan Luo				
	Executive Vice President and head of Material Department	Chin Chang Cheng				
	Vice President and Chief Secretary of Board of Directors	Chih Min Yang				
	Vice President of Investment Division	Chih Lung Hsiao				
	CTO, Chairman's Office	Kou Tai Tiou				
	Senior Assistant Vice President, Fiber Business Group	Bryan Chen				
	Senior Assistant Vice President, Plastics Business Group	Yao-ding Lee				
	Assistant Vice President, PET Resin Division	Chao Jung Hsu				
	Supervisor of Chief Engineer, and factory engineering director	Chin-Ta Ou				
	Assistant Vice President, Human Resource Department	H.I.Tseng				
	Assistant Vice President, Financial Department	Chen Chia Wen				
	Head of Production Technology, Corporate Engineering Division	Chun Shu Peng				
	Deputy Manager of Accounting Department	Hsin Chang Lin				



- (4) Amount of remuneration paid in the last 2 years by the company and all companies included in the consolidated financial statements to the company's directors, supervisors, President, and vice presidents, and their respective percentages to standalone net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance:

Remuneration paid to the Company's directors, supervisors, President and vice presidents in the last 2 years, and percentages relative to standalone net income:

Item Title	Year 2018		Year 2017	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Director	0.32	0.33	0.79	0.80
Supervisor	-	-	-	-
President and Vice President	1.59	1.71	3.30	3.77

1. Remuneration to the Chairman and directors is determined based on their participation and contribution to the Company's operations, with reference to local and foreign peers, which is subject to review by the Salary and Remuneration Committee and the board of directors. Director remuneration is proposed according to the Articles of Incorporation, presented for review by the Salary and Remuneration Committee and board of directors, and raised for acknowledgment during shareholders' meetings.
2. Compensations paid to the Company's President and vice presidents comprise salary, bonus, and employee remuneration. Salary and bonus are determined according to the Company's human resource policy and are subject to review by the Salary and Remuneration Committee and the board of directors, whereas employee remuneration is distributed according to the Articles of Incorporation and is subject to review by the Salary and Remuneration Committee and the board of directors, and acknowledgment during shareholder meeting.

3. Implementation of Corporate Governance

(1) Functionality of board of directors

There're 6 board of director meetings in the most recent year. The attendance of the directors is as follows:

Title	Name	Attendance in Person (B)	Proxy attendance	Attendance in Person (%) 【 B / A 】	Remarks
Chairman	Shin Kong Development Co., Ltd. Representative: Tong Sheng Wu	6	0	100%	Re-elected on May 26, 2017
Vice Chairman	Shin Kong Development Co., Ltd. Representative: Tung Ming Wu	6	0	100%	Re-elected on May 26, 2017
Director	Shin Kong Development Co., Ltd. Representative: Hsiu-Mei, Wang Chen	6	0	100%	Re-elected on May 26, 2017, re-assigned the representative on June 5, 2017
Director	Shin Kong Co., Ltd. Representative: Steve Hong	5	1	83%	Re-elected on May 26, 2017
Director	Chin Shan Investment Corporation Ltd. Representative: Hsing- En Wu	4	2	67%	Re-elected on May 26, 2017
Director	Mian Hao Industry Co., Ltd. Representative: Sun-Mo Ni	5	1	83%	Re-elected on May 26, 2017
Director	Shin Kong Wu Ho-Su Cultural & Educational Foundation Representative: Jung-Chi, Liu	6	0	100%	Re-elected on May 26, 2017
Director	Tay Way Enterprise Co., Ltd. Representative: Hsien Chung Ho	5	1	83%	Re-elected on May 26, 2017
Director	Tay Way Enterprise Co., Ltd. Representative: Huoo Tzau Shih	2	4	33%	Re-elected on May 26, 2017
Independent Director	Hsien Der Chiu	6	0	100%	Re-elected on May 26, 2017
Independent Director	Jung Cheng Tseng	6	0	100%	Re-elected on May 26, 2017
Independent Director	Yung Ching Tsai	4	2	67%	Re-elected on May 26, 2017
★Other relevant details:					
1. For board of directors' meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the company has responded to such opinions:					
(1). The listed items on Article 14-3 of the Security and Exchange Act: Approved by all independent directors. (The details refer to page 61 to 64 in the annual report.)					
(2). Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above: None					



2. For the implementation and state of directors' recusal for conflicts of interests, the directors' name, topic discussed, reasons for the required recusal, and participation in the voting process: the proposal for performance bonus for managerial staff was discussed on the 6th meeting, the 9th meeting and the 12th meeting of the 17th board of director meeting. The proposal for the distribution of Employee and director remuneration was discussed on the 7th meeting of the 17th and the 13th meeting of the 17th board of director meeting. Tong Sheng Wu, Tung Ming Wu and Hsien Chung Ho are stakeholders and require recusal for conflicts of interests and do not participate in the voting.
3. Enhancements to the functionality of the board of directors in the current and the most recent year (*e.g.* establishment of an Audit Committee, improvement of information transparency etc), and the progress of such enhancements: Independent directors, Audit Committee and Salary and Remuneration Committee have been created to support the authority's efforts in promoting corporate governance. For the operation of the board of director and the implementation of the resolutions, please refer to page 61 to 64.

The attendance of independent directors in 2018 and 2019

* : By proxy V : Attend in persons ★ : No attend

Year 2018	17-6	17-7	17-8	17-9	17-10	17-11
Hsien Der Chiu	V	V	V	V	V	V
Jung Cheng Tseng	V	V	V	V	V	V
Yung Ching Tsai	V	V	*	*	V	V
Year 2019	17-12	17-13	The attendance of the independent directors on board of director meeting in 2018 and 2019 (the 13th meeting of the 17th term as of March 25, 2019) is as follows.			
Hsien Der Chiu	V	V				
Jung Cheng Tseng	V	V				
Yung Ching Tsai	V	V				

(2) Functions of the Audit Committee:

There are 5 audit committee meeting in the most recent year. The attendance of the independent directors is as follows:

Title	Name	Attendance in person (B)	Proxy attendance Count	Attendance in Person (%) (B/A)(Note)	Remarks
Independent Director	Hsien Der Chiu	5	0	100%	Re-elected on May 26, 2017
Independent Director	Jung Cheng Tseng	5	0	100%	Re-elected on May 26, 2017
Independent Director	Yung Ching Tsai	4	1	80%	Re-elected on May 26, 2017

Other relevant information:

- For Audit Committee meetings that meet any of the following descriptions, state the date and session of board of directors meeting held, the discussed topics, the Audit Committee's resolution, and how the company has responded to Audit Committee's opinions.
 (1) Items listed on Article 14-5 of the Security and Exchange Act: Approved by all members of the audit committee (Please refer to the annual report page 65 to 66.)
 (2) Other than those described above, any resolutions not approved by the Audit Committee but passed by more than two-thirds of directors: None.
- Avoidance of involvements in interest-conflicting discussions by independent directors; state the names of concerned independent directors, the discussions, the nature of conflicting interests, and the voting process: None.
- Communication between Independent Directors, internal audit supervisor and CPAs (shall include the significant issues on finance and operation, methods and results etc.): Except for the discussion with CPA s in audit committee meeting, the internal audit supervisors also irregularly communicate with independent directors relating to the Company's audit status, financial conditions and key audit matters for the updated financial statement. The communication was good.
- For the annual key tasks of the audit committee and its operations, please refer to page 65 to 66 on the annual report.



(3) Functions of the Salary and Remuneration Committee

1. Information of Salary and Remuneration Committee members

Identity (Note 1)	Criteria Name	Having more than 5 years work experience and the following qualifications			Compliance of independence (Note 2)								The Scope of the Duty (Note 3)		Number of positions as Salary and Remuneration Committee member in other public companies	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	1	2		
Independent Director	Hsien Der Chiu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Jung Cheng Tseng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Yung Ching Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Position is specified as director, independent director, or others.

Note 2: Members who meet the following conditions at any time during active duty and two years prior to the date of appointment will have a "✓" placed in the corresponding boxes.

- (1) Not employed by the Company or by any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies. This restriction does not apply to independent director positions in the company, its parent company or subsidiary, who have been appointed in accordance with local laws or laws of the registered country.
- (3) Does not hold more than 1% of the Company's outstanding shares in their own name or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, a relative of second degree or closer, or a direct kin of third degree or closer to anyone listed in the three preceding criteria.
- (5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Company; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.
- (7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.
- (8) Does not meet any of the conditions stated in Article 30 of The Company Act.

Note 3: The scope of the duty, type "✓" in the following blank.

- (1) Establish and regularly review the performance appraisal and remuneration system, standard and structure for directors and managers.
- (2) Regularly evaluate and setup the remuneration of directors and managers.

2. Functions of the Salary and Remuneration Committee

(1) The Company's Salary and Remuneration Committee consists of 3 members.

(2) The term of the members: from May 26, 2017 to May 25, 2020.

The remuneration committee held 3 meeting (A) in the most recent year. The qualification of members and the status of attendance are as follows:

Title	Name	Actual attendance (B)	Proxy attendance Count	Attendance in Person (%) (B/A)(Note)	Remarks
Convener	Hsien Der Chiu	3	0	100%	
	Jung Cheng Tseng	3	0	100%	
	Yung Ching Tsai	2	1	67%	
Other relevant information:					
1. In the event where the Salary and Remuneration Committee's proposal is rejected or amended in a board of directors' meeting, please describe the date and session of the meeting, details of the topics discussed, the board's resolution, and how the company had handled the Salary and Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Salary and Remuneration Committee): None.					
2. Should any member object or express qualified opinions to the resolution made by the Salary and Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the topics discussed, the entire members' opinions, and how their opinions were addressed: None.					
3. For the Functions of the Salary and Remuneration Committee, please refer to page 66-67 on the annual report.					

(4) Deviation and causes of deviation of the Company's actual governance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"		✓	The Company has not yet established the corporate governance principles, but the Company applies those principles for its governance operations.	Not meet
2. Shareholding structure and shareholders' interests (1) Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?		✓	(1) The spokesperson of the Company is the main communication window with shareholders. Shareholders can reach the stock transfer agent or the contact methods disclosed on the Company's website for any doubts or opinions. The Company does not have any disputes or litigation with shareholders.	Not meet Complied Complied
(2) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(2) The Company monitors its shareholders through the shareholder registry provided by the stock transfer agent. The Company also maintains interaction with major shareholders to establish the identity of its ultimate controller.	Complied
(3) Has the company established and implemented	✓		(3) The Company has implemented credit limits on	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
risk management practices and firewalls for companies it is affiliated with? (4) Has the company established internal policies that prevent insiders from trading securities against non-public information?	✓		sales activities in accordance with management policies to control risks. The Company also has a "Related Party, Company and Group Transaction Policy" in place to manage activities between related enterprises. (4) The Company has a set of "Insider Trading Prevention Policy" that prohibits employees from trading securities against insider information.	
3. Assembly and obligations of the board of directors (1) Has the board devised and implemented policies to ensure diversity of its members?	✓		(1) The Company's "Director Election Policy" has been established to take into account the diversity of business activities involved, and to guide director elections so that the right candidates are chosen given the Company's operations and development needs. Independent directors are elected from candidates of suitable professional background using the cumulative single-registry method. And the relevant information will be disclosed on its website.	<u>Complied</u>
(2) Apart from the Salary and Remuneration Committee and Audit Committee, has the		✓	(2) The Company has already assembled a Salary and Remuneration Committee and an Audit Committee	To be established in the future

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
company assembled other functional committees at its own discretion?			and may establish other functional committees in the future to accommodate the organization's development.	
(3) Has the company established a set of policies and assessment tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis?		✓	(3) The Company has not established a board of directors performance assessment policy; however, the board of directors and the Salary and Remuneration Committee do determine individual director's remuneration based on performance and peer levels.	To be established in the future
(4) Are external auditors' independence assessed on a regular basis?	✓		(4) The accounting department of the Company evaluates the independence of the CPAs once a year. The latest result has reported to the audit committee on January 22, 2019 and has passed by the board of director on the same day. According to the assessment conducted by the Accounting Department, CPA Wang, Chin-Yen and CPA Shih, Chin-Chuan of Deloitte & Touche have both satisfied the Company's independence criteria (Note 1) and are deemed adequate to serve as the Company's financial statement auditors. A declaration of independence was also issued by the	<u>Complied</u>

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			accounting firm (Note 2).	
4. Where the company is a TWSE/TPEX listed company, has the company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc)?	✓		In the first half of this year, the Company will setup one department and manager to specialize (or involve) in corporate governance affairs. Before setting up, there have be the dedicated persons to be in charge of corporate governance affairs including providing directors the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc..	The setup will be completed by the first half of this year.
5. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	✓		The Company has established communication channels for stakeholders. A stakeholder section has been created on the Company's website to address corporate social responsibility issues that are of the highest concern to stakeholders.	<u>Complied</u>
6. Does the company engage a share administration agency to handle shareholder meeting affairs?	✓		Appoint Shinkong International Securities Co., Ltd. (SKIS) to handle the shareholder meeting affairs.	<u>Complied</u>

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
7. Information disclosure				
(1) Has the company established a website that discloses financial, business and corporate governance-related information?	✓		The Company has established its website that discloses its business performance, financial statement and corporate governance etc. so that the investors are able to search and review. Dedicated personnel have been appointed to make disclosures according to rules. Information is updated on a regular basis.	Complied
(2) Has the company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	✓		(2) The Company has assigned a dedicated spokesperson to communicate and disclose information to the outside world.	Complied
8. Does the company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements,	✓		(1) The Company has human resource policies and incentive systems in place, and devotes significant attention to issues such as employees' rights, self-governing organization and activities. The Company also takes pro-active steps toward realizing its vision of zero accident, zero hazard, and environmental protection. (2) The Company has rigorous systems in place to	Complied

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
implementation of customer policy, and insuring against liabilities of company directors and supervisors)?			control the procurement process, factory affairs and finance. Issues such as selection of suppliers, job rotation and persons of acting duty have all been clearly addressed in internal policies. (3) All directors have completed their 6-hour training requirement for the year. (4) The Company will insure the liabilities insurance for the board of director, directors and managers by the first half of this year.	
9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: (1) The disclosed content of the Company's external website has gradually improved and has provided the annual report, handbook and financial statement and information in English. (2) Enforcement of corporate social responsibilities will be the priority in the Company's future improvement efforts.				

Note 1: CPAs' independence assessment criteria

Assessment	Assessment results	Compliance of independence
1. Whether or not the CPAs are directly or indirectly related to the Company.	No	Yes
2. Are the CPAs involved in any financing or guarantee arrangement with the Company or its directors	No	Yes
3. Do the CPAs have any close commercial relationship or potential employment relationship with	No	Yes

the Company		
4. Whether the CPAs and audit team members currently or previously assumed role as the Company's director, manager, or any position that may significantly affect the audit in the last two years	No	Yes
5. Whether or not the CPAs provide any non-audit services to the Company that may directly affect the outcome of the audit task	No	Yes
6. Whether or not the CPAs serve as any form of intermediary to the shares or stock options issued by the Company	No	Yes
7. Whether or not the CPAs serve as defense attorneys for the Company, or represent the Company in mediating any conflict with a third party	No	Yes
8. Whether or not the CPAs are related to the Company's directors, managers or any person that is significant to the audit task	No	Yes

Note 2: Please refer to page 2 of the attached file (Attached file - The Statement of Independence from CPA)

**Deloitte & Touche**

20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel : +886 (2) 2725-9988

Fax : +886 (2) 4051-6888

Receiver: Shinkong Synthetic Fibers Corp.

Subject: We accepted the entrustment to audit the financial statement of the Company for the year of 2018. In accordance with the regulations of "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 - Integrity, Objectivity and Independence" published by CPA Associations R.O.C (Taiwan), the audit team members stated that we have complied with the following norms and have not violated the independence.

Description:

1. The members of the audit team and their spouses and dependents do not have the following matters:
 - (1) Hold the significant financial interest of the Company directly or indirectly.
 - (2) Have commercial relationship with the Company or its directors, supervisors and managers to influence the independence.
2. During the audit period, the members of the audit team and their spouses and dependents did not serve as the Company's directors, supervisors, managers or other positions that have direct and significant influence on the audit work.
3. The audit team members and the Company's directors, supervisors or managers have no relationship of spouses, direct blood relatives, direct in-law relatives or within second-degree of collateral blood relatives.
4. The members of the audit team do not receive the gifts with significant value from the Company or its directors, supervisors, managers or main shareholders (the value does not exceed the general social etiquette standards).
5. The members of the audit team have implemented the necessary procedures of independence and interest conflict and have not found any violation of the independence or unresolved conflict of interest.

Deloitte & Touche

CPA: Wang, Chin-Yen (Signature)

Note 2: Please refer to page 2 of the attached file (Attached file - The Statement of Independence from CPA)



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Description:

1. The members of the audit team and their spouses and dependents do not have the following matters:
 - (1) Hold the significant financial interest of the Company directly or indirectly.
 - (2) Have commercial relationship with the Company or its directors, supervisors and managers to influence the independence.
2. During the audit period, the members of the audit team and their spouses and dependents did not serve as the Company's directors, supervisors, managers or other positions that have direct and significant influence on the audit work.
3. The audit team members and the Company's directors, supervisors or managers have no relationship of spouses, direct blood relatives, direct in-law relatives or within second-degree of collateral blood relatives.
4. The members of the audit team do not receive the gifts with significant value from the Company or its directors, supervisors, managers or main shareholders (the value does not exceed the general social etiquette standards).
5. The members of the audit team have implemented the necessary procedures of independence and interest conflict and have not found any violation of the independence or unresolved conflict of interest.

Deloitte & Touche

CPA: Shih, Chin-Chuan. (Signature)

(5) Fulfillment of social responsibilities:

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Sound corporate governance				
(1) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	✓		(1) The Company has complied with the rules of the Financial Supervisory Commission (being an entity with paid-up capital exceeding NT\$10 billion) and completed the preparation of its first corporate social responsibility report before the end of 2015. This report has been uploaded to the Market Observation Pose System (MOPS).	No material deviation is found
(2) Does the company organize social responsibility training on a regular basis?	✓		(2) The Company conveys its environmental protection practices and values with employees through orientation, training and meeting. The Company duly enforces waste reduction, sorting, recycling and reuse measures.	No material deviation is found
(3) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?		✓	(3) Shinkong Synthetic Fibers Corporation assembled a "Corporate Social Responsibility Promotion Committee" in early 2015 to coordinate and promote corporate social responsibility practices within the organization. In the future, the Company may consider establishing a new unit	To be established in the future

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(4) Has the company implemented a reasonable remuneration system that associates employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?	✓		that is specialized (or involved) in the matter and will keep the board of directors informed of future progress. (4) The Company has setup a group agreement which contains the reasonable compensation policy and appraisal system, and establishes the system of reward and punishment. Article 32 of the Article of Incorporate stipulates that if there's any profit for the Company, it shall reserve no less than 1% for employee's compensation. In addition, the group agreement with the employee also clearly specifies that the employee's performance bonus shall base on the achievement of the Company's annual profit to calculate.	No material deviation is found
2. Fostering a sustainable environment (1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		(1) The efficiency of resources utilization and the use of renewable materials that produce less damage on the environment. 1. For the industrial waste reduction, we strengthen the process of waste polymer and recyclin, and cooperate with downstream to recycle the packaging materials of the paper boxes and paper	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	✓		tube. 2. For the reduction of VOCs, we pipe the VOCs into the combustion with the boiler equipment. This has obtained great effective. 3. In terms of energy efficiency, the Company won the excellent awards from 2005 to 2009 from the selection of energy-saving high-quality manufacturers held by Ministry of Economics Affairs. In 2010, we were further awarded the outstanding manufactures. We also held energy-saving visit in 2011. In 2013, we were again won the excellent awards. 4. Constantly phasing out the low efficiency and old boilers and updating them to enhance the energy efficiency. 5. Polymerized boiler fuel that originally used the heavy oil was changing to the natural gas that applies for the cleaning production fuel. In 2016, the natural gas is fully used. (2) The Company obtained the certification of Environmental Management System ISO14001, Safety and Health Verification OHSAS 18001 and Sony GP(Green Partner), and implemented	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies						
	Yes	No	Summary							
(3) Is the company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emissions and energy use?	✓		according to the above environmental management system. (3) The policies are as follows. 1. The Company has setup the dedicated department (environmental protection team) and persons to be in charge of environmental management. 2. In response to the climate change, the greenhouse gases emission management is a global issue. The energy saving and carbon reduction have been combined with the sustainable environmental development of the Company. The external verification of the greenhouse gas emission in the past 2 years is as follows: <table><tr><td>Year</td><td>2017</td><td>2018</td></tr><tr><td>Unit: Tonne CO2e</td><td>306,785</td><td>290,798</td></tr></table> In addition, the replacement of heat medium boiler fuel was set into actions in whole factory by changing fuel to gas in order to improve the air quality. And we acquired the registration of the “Measures for the Management of	Year	2017	2018	Unit: Tonne CO2e	306,785	290,798	No material deviation is found
Year	2017	2018								
Unit: Tonne CO2e	306,785	290,798								

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			Greenhouse Gas Replacement Projects” from EPA in February 2015. In response to the government's greenhouse gas reduction, in 2018 we voluntarily joined the reduction measures of the greenhouse gas emission and finished the declaration in January 2019. A total of 46 voluntary reductions were reported, with an annual electricity saving of 4,480,749 KWH and carbon reduction of 2,482.3 tonnes. In line with 1% of electricity saving regulated by the Bureau of Energy, the average saving in 2018 was 1.03% which declaration was finished. The Company strives to environmental protection, energy saving and carbon reduction. In addition to research, develop and produce the environmental protection's products, we have acquired the green mark, use the energy-saving lamps, green and energy-saving products and promote the computerization of the document form for paperless process in order to achieve the goal of energy-saving and carbon-reduction. 3. During 2012 to 2016, we transformed 5 sets of boilers from the use of heavy oil to the cleaner gas boiler. It has significantly reduced air	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			pollutants such as Sox & NOx and particulate etc. In 2017, the Company participated in the appraisal for the reduction of air pollutants in public and private places in Taoyuan City and won the first prize. 4. In the future, the old equipment with heavy energy consumption will be replaced in order to achieve the goal of energy- saving.	
3. Preserving public welfare (1) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights? (2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly? (3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓ ✓ ✓		(1) The Company has established human resource management policies based on prevailing labor regulations and international human rights conventions. (2) The Company has channels and systems in place to resolve employees' complaints. (3) The Company provides a safe and healthy working environment, including the establishment of employee protection facilities, the safety manuals for machinery and equipment operation, first-aid facilities, cooperative doctors and dedicated	No material deviation is found No material deviation is found No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(4) Does the company have means to communicate with employees on a regular basis, and inform them of operational changes that may be of significant impact?	✓		nursing staff etc.. And we also regularly arrange the work safety training, health examination and health seminar. (4) Labor-management meetings, welfare committee meetings, and pension supervisory committee meetings are being organized on a regular basis to facilitate communication between the Company and its employees. Information platforms have been made available for employees to express opinions and for the Company to announce changes in operations.	No material deviation is found
(5) Has the company implemented an effective training program that helps employees develop skills over their career?	✓		(5) The Company organizes orientation, internal/external training, and offers courses through the corporate university.	No material deviation is found
(6) Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	✓		(6) The Company has implemented a customer complaint and allowance system, and assigned business and customer service departments to resolve customers' issues in the utmost promptitude should they arise.	No material deviation is found
(7) Has the company complied with laws and international standards with regards to the	✓		(7) All products and services are offered in accordance with relevant regulations local and abroad.	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
marketing and labeling of products and services?				
(8) Does the company evaluate suppliers' environmental and social conducts before commencing business relationships?	✓		(8) Before commencing business dealing with a supplier, the Company would instruct the supplier to provide detailed information, and will reject business relationship if there is any history of adverse environmental or social impact.	No material deviation is found
(9) Is the company entitled to terminate supply agreements at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or society?	✓		(9) The Company specifically requires its main suppliers to refrain from violating their corporate social responsibilities, including any direct or indirect payment of, or commitment to pay, commission, compensation, kickback, bribe, refund or any other gain to any party or intermediary arranged by the Company's employees, whether in cash or items of equivalent value. The Company is entitled to demand compensation from suppliers that violate this requirement. Should a main supplier violate its corporate social responsibilities and cause significant impacts to the environment or the society, the underlying	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			supply contract can be terminated with the consent of both parties.	
4. Enhancing information disclosure (1) Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	✓		The corporate social responsibility report has been disclosed on the Company's website.	No material deviation is found
5. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No material deviation is found.				
6. Other important information that helps to understand the operation of corporate social responsibility: (1) Awarded the excellent enterprise of green purchase by EPA in 2018. (2) The study plan of "Hope, Newborn" for vulnerable students. (3) Hsin Chien's business incubators cooperates with Chung Yuan Christian University to arrange various educational programs and EMBA programs. (4) Adopted sponsorship for Athletic Class at Taoyuan City Song-Wu Elementary school. (5) The annual sponsorship for caring location at Guangren Village. (6) The annual sponsorship for Neighborhood Watch Team at Yimin Village. (7) Sponsored the activity of "LOHAS 99, Health and Elderly Veneration" for Double Nine Festival at Guangren Village. (8) Sponsored the activity for the promotion of "Festival's Elderly Veneration and Community Welfare" at Pingsing Village. (9) Sponsored the activity for the promotion of "Festival's Elderly Veneration and Community Welfare" at Song-Wu Village. (10) Sponsored the activity for Neighborhood Watch Team at Yimin Village. (11) Sponsored the activity of the "Moon Festival's Evening Party" at Sinrong Village.				

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(12) Sponsored the activity of the "Moon Festival's Evening Party" at Zhenxing Village.				
(13) Sponsored the activity of the "Lantern Festival Riddle"at Yimin Village.				
(14) Sponsored the training and party for Neighborhood Watch Team at Yimin Village.				
7. Describe the criteria undertaken by any institution to certify the company's CSR report:				
The Company's CSR report has not been certified by any institution, but will continue to be prepared in accordance with regulations in the future.				

(6) Business integrity management

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Establishment of integrity policies and solutions				
(1) Has the company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	✓		(1) The board of directors has passed an "Anti-bribery Policy" and a "Business Integrity Code of Conduct" that prohibit employees from committing any dishonest or illegal conduct. Furthermore, a set of "Business Integrity Procedures and Behavioral Guidelines" has been implemented to serve as compliance guidelines for employees' daily practices.	No deviation was found
(2) Does the company have any measures against dishonest conduct? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	✓		(2) The Company's "Business Integrity Procedures and Behavioral Guidelines" have outlined the relevant code of conduct and designated a specialized unit to oversee implementation.	No deviation was found
(3) Has the Company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" or business conducts that are prone to integrity	✓		(3) The Company's "Business Integrity Procedures and Behavioral Guidelines" specifically prohibit employees from offering, committing requesting or accepting any inappropriate gain, whether through themselves or through a third party. The Company also has a whistleblowing system in	No deviation was found

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
risks?			place, and encourages report of dishonest and inappropriate conducts.	
2. Enforcing ethical management				
(1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		(1) The Company's Anti-bribery Policy contains a "commission prohibition clause." Business Integrity Code of Conduct has also been implemented to guide employees' compliance.	No deviation was found
(2) Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	✓		(2) The Company has assembled an Ethical Corporate Governance Group to supervise implementation of "Business Integrity Procedures and Behavioral Guidelines." The Ethical Corporate Governance Group coordinates with internal audit units to prevent acts of bribery, and reports progress to the board of directors.	No deviation was found
(3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	✓		(3) Any conflict of interest can be reported through the complaint hotline or raised using the complaint log.	No deviation was found
(4) Has the company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are	✓		(4) The Company's accounting policy, internal control system and internal audits have been carried out according to rules, and are duly reported to the	No deviation was found

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
these systems reviewed by internal or external auditors on a regular basis?			board of directors.	
(5) Does the company organize internal or external training on a regular basis to maintain business integrity?	✓		(5) Regular held or held when necessary - Briefing to senior executives and the department's heads each year. In this year, the "Prevention of Insider Trading" promoted by governing institution is also included.	No deviation was found
3. Whistle blowing system				
(1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	✓		(1) The Company has an "Anti-bribery Policy," an anti-bribery hotline and an anti-bribery mailbox in place for insiders and outsiders to report bribery and illegal conduct.	No deviation was found
(2) Has the Company implemented any standard procedures or confidentiality measures for handling reported misconducts?		✓	(2) The Company will implement investigation procedures and confidentiality measures in the future to ensure that all reported misconducts are investigated in a factual, fair and transparent manner in the utmost justice and objectivity.	No deviation was found
(3) Has the Company provided proper whistleblower protection?	✓		(3) The Company protects all informants and ensures that they are not retaliated in any way for reporting misconduct.	No deviation was found

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
4. Enhancing information disclosure (1) Has the company disclosed its integrity principles and progress onto its website and MOPS?	✓		The Company has already disclosed integrity-related information over the internal knowledge exchange platform for employees' access, and over the official portal for public inquiries. All employees of the Company have been able to perform duties in compliance with relevant rules.	No deviation was found
5. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established a set of "Business Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines." Employees' current practices are indifferent from the above principles.				
6. Other information relevant to understanding the Company's business integrity (e.g. review of business integrity principles): None. The Company's "Business Integrity Procedures and Behavioral Guidelines" have outlined the relevant code of conduct and designated a specialized unit to oversee implementation.				

(7) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The Company's "corporate governance-related policies" are accessible on the website.

(8) Other important information materials to the understanding of corporate governance within the Company:
None.

(9) Internal Control System Execution Status

Shinkong Synthetic Fibers Corp.
Statement of Internal Control System

Date: March 25, 2019

1. The Board of Directors and management of the Company are responsible for establishing, implementing, and maintaining an adequate internal control system. The purpose of our internal control is to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets); reliability, timeliness and transparency of our reporting and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the aforesaid three objectives. Moreover, the effectiveness of an internal control system may be subject to the changes of environment or circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms and the Company takes immediate remedial actions in response to any deficiencies identified.
3. The Company evaluates the design and operational effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations divide into five key components based on the process of management: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. For the aforesaid items, please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned above, the Company believes that, as of December 31, 2018, its internal control system (including the supervision and management of its subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of the reporting; and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
6. This Statement will be the main content of the Company’s Annual Report

and Prospectus, and will be publicly disclosed. Any falsehood, concealment or other illegality in the aforesaid public content will be liable for legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.

7. This Statement has been passed by the Board of Directors on March 25, 2019, with the attendance of 10 directors who include 2 attendance by proxy, 0 Directors expressing objectives and the remainder all affirming the content of this Statement.

Shinkong Synthetic Fibers Corp.

Chairman: ***Tong Sheng Wu***

President: ***Shyr Shyuan Luo***

2. If the internal control system was reviewed by an external CPA, the result of such review must be disclosed: None.

(10) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system; describe areas of weakness and any corrective actions taken: None.

(11) Significant resolutions made in shareholder meetings, board of directors meetings, and Audit Committee meetings.

1. Shareholder Meeting

Year of meeting	Time of meeting	Significant resolutions and implementation status
2018	2018/5/29	1、Passing the 2017 business report and financial statement. 2、Passing the earnings appropriation proposals for the year of 2017. Implementation: Cash dividend baseline date was September 3, 2018 and the payment date was September 21, 2018. (Cash dividend was NT\$0.5 per share.)

2. Board of Director

Meeting session	Time of meeting	Significant resolutions
6th meeting of the 17 th Board of Directors	2018/1/25	1. Distribution of 2017 performance bonus for managerial staff Resolution: The independent directors expressed no opinion. Recusal for conflicts of interests for Tong Sheng Wu and Tung Ming Wu to avoid participating in voting, all of the remaining attending directors approved. 2. Distribution of 2017 year-end bonus 3. Approval of 2018 audit remuneration 4. To determine the date and venue for the Company's 2018 annual general meeting, and details concerning shareholders' rights of motion proposal 5. Addition and renewal of endorsement/guarantee limit 6. Addition and renewal of bank credit limit Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors.

Meeting session	Time of meeting	Significant resolutions
7th meeting of the 17 th Board of Directors	2018/3/26	1. The 2017 "Internal Control System Self Assessment" report and "Declaration of Internal Control System" 2. Amendment to the Company's "annual audit plan" 3. The Company's 2017 financial reports and consolidated financial reports Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors. 4. 2017 employee and director remuneration Resolution: The independent directors expressed no opinion. Recusal for conflicts of interests for Tong Sheng Wu, Tung Ming Wu and Hsien Chung Ho to avoid participating in voting, all of the remaining attending directors approved. 5. The Company's 2017 earnings appropriation 6. Addition and renewal of endorsement/guarantee limit 7. Addition and renewal of bank credit limit Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors.
The 8th meeting of the 17th Board of Directors	2018/5/11	1. Addition and renewal of endorsement/guarantee limit 2. Addition and renewal of bank credit limit Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors.
The 9th meeting of the 17th Board of Directors	2018/7/26	1. Distribution of performance bonus for managerial staff for the first half of 2018 Resolution: The independent directors expressed no opinion. Recusal for conflicts of interests for Tong Sheng Wu and Hsien Chung Ho to avoid participating in voting, all of the remaining attending directors approved. 2. Addition and renewal of bank credit limit Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors.
The 10th meeting of the 17th Board of Directors	2018/8/10	1. Amendment to the Company's "annual audit plan" 2. Based on the long-term business development, propose to change the accounting manager. 3. Setting 2017 cash dividend baseline date 4. Addition and renewal of endorsement/guarantee limit 5. Addition and renewal of bank credit limit Resolution: The independent directors expressed no opinion to the



Meeting session	Time of meeting	Significant resolutions
		above. Passed unanimously by all attending directors.
The 11th meeting of the 17th board of director	2018/11/12	1. The third amendment to 2018 audit plan 2. 2018 audit plan 3. In response to the implementation of IFR16, the internal control process is adjusted correspondingly. 4. Proposal for buying the private placement of unsecured ordinary corporate bond from TacBright Optronics Corporation 5. Addition and renewal of endorsement/guarantee limit 6. Addition and renewal of bank credit limit Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors.
The 12th meeting of the 17th Board of Directors	2019/1/22	1. Base on the operation plan, plan to change the audit managerial staff. 2. Distribution of 2018 performance bonus for managerial staff Resolution: The independent directors expressed no opinion. Recusal for conflicts of interests for Tong Sheng Wu, Tung Ming Wu and Hsien Chung Ho to avoid participating in voting, all of the remaining attending directors approved. 3. Distribution of 2018 year-end bonus 4. Amendment to parts of the "Articles of Incorporation" 5. Amendment to the "Asset Acquisition and Disposal Procedures" 6. Amendment to the "Rules of Procedure for Shareholders' Meeting" 7. Amendment to the "Insider Trading Prevention Policy" 8. Determine the date and venue for the Company's 2019 annual shareholder meeting, and receive the shareholders' proposal related matters 9. Proposal for 2019 audit fee 10. Addition and renewal of endorsement/guarantee limit 11. Addition and renewal of bank credit limit Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors.
13rd meeting of 17th Board of Directors	2019/3/25	1. The 2018 "Internal Control System Self Assessment" report and "Declaration of Internal Control System". 2. The Company's 2018 financial reports and consolidated financial reports. Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors. 3. The distribution of 2018 Employee and director remuneration.

Meeting session	Time of meeting	Significant resolutions
		Resolution: The independent directors expressed no opinion. Recusal for conflicts of interests for Tong Sheng Wu, Tung Ming Wu and Hsien Chung Ho to avoid participating in voting, all of the remaining attending directors approved. 4. The distribution of 2018 earning. 5. Amendment to parts of the "Articles of Incorporation". 6. Amendment to the procedure of "Lending Funds to Other Parties". 7. Amendment to the procedure of "Endorsement and Guarantee". 8. Adding agendas for 2019 annual shareholder meeting. 9. Providing the supporting letter for the Company's subsidiary. 10. Addition and renewal of endorsement/guarantee limit 11. Addition and renewal of bank credit limit Resolution: The independent directors expressed no opinion to the above. Passed unanimously by all attending directors.

3. Audit Committee

Meeting session	Time of meeting	Significant resolutions
3rd meeting of the 2nd Audit Committee	2018/1/25	1. Approval of 2018 audit remuneration 2. Addition and renewal of endorsement/guarantee limit Resolution: Passed unanimously by all members of the Audit Committee.
4th meeting of the 2nd Audit Committee	2018/3/26	1.The 2017 "Internal Control System Self Assessment" report and "Declaration of Internal Control System" 2. Amendment to the Company's "annual audit plan" 3.The Company's 2017 financial reports and consolidated financial reports 4. Addition and renewal of endorsement/guarantee limit 5. The Company's 2017 earnings appropriation Resolution:Passed unanimously by all members of the Audit Committee.
5th meeting of the 2nd Audit Committee	2018/5/11	1. Addition and renewal of endorsement/guarantee limit Resolution: Passed unanimously by all members of the Audit Committee.
6th meeting of the 2nd Audit Committee	2018/8/10	1. The consolidated financial statement of second quarter of 2018. 2. Establishment of the Company's "annual audit plan" 3.Changing the Company's accounting manager based on the longterm business development. 4. Addition and renewal of endorsement/guarantee limit Resolution: Passed unanimously by all members of the Audit Committee.
7th meeting of the 2nd Audit Committee	2018/11/12	1.The third amendment to 2018 audit plan 2.2018 audit plan 3.In response to the implementation of IFR16, the internal control process is adjusted correspondingly. 4.Proposal for buying the private placement of unsecured ordinary corporate bond from TacBright Optronics Corporation 5. Addition and renewal of endorsement/guarantee limit Resolution: Passed unanimously by all members of the Audit Committee.

Meeting session	Time of meeting	Significant resolutions
8th meeting of the 2nd Audit Committee	2019/1/22	1. Base on the operation plan, plan to change the audit managerial staff. 2. Amendment to the "Asset Acquisition and Disposal Procedures" 3. Amendment to the "Insider Trading Prevention Policy" 4. 2019 audit fee 5. Addition and renewal of endorsement/guarantee limit Resolution: Passed unanimously by all members of the Audit Committee.
9th meeting of the 2nd Audit Committee	2019/3/25	1. The 2018 "Internal Control System Self Assessment" report and "Declaration of Internal Control System". 2. The Company's 2018 financial reports and consolidated financial reports. 3. Distribution of 2018 earnings. 4. Amendment to the procedure of "Lending Funds to Other Parties". 5. Amendment to the procedure of "Endorsement and Guarantee". 6. Providing the supporting letter for the Company's subsidiary. 7. Addition and renewal of endorsement/guarantee limit Resolution: Passed unanimously by all members of the Audit Committee.

4. The Remuneration Committee

Meeting session	Time of meeting	Significant resolutions
2nd meeting of the 3rd Remuneration Committee	2018/1/25	1. Distribution of 2017 performance bonus for managerial staff 2. Distribution of 2017 year-end bonus Resolution: Approved by all members of the remuneration committee.
3rd meeting of the 3rd Remuneration Committee	2018/3/26	1. Review 2017 employee compensation for managers and remuneration for directors. Resolution: Approved by all members of the remuneration committee.
4th meeting of the 3rd Remuneration Committee	2018/7/26	1. Distribution of performance bonus for managerial staff for 1st half of 2018 Resolution: Approved by all members of the remuneration committee.
5th meeting of the 3rd Remuneration Committee	2019/1/22	1. Distribution of 2018 performance bonus for managerial staff 2. Distribution of 2018 year-end bonus Resolution: Approved by all members of the remuneration committee.



6th meeting of the 3rd Remuneration Committee	2019/3/25	1. Review 2018 employee compensation for managers and remuneration for directors. Resolution: Approved by all members of the remuneration committee.

(12) Documented opinions or written declarations made by directors or supervisors against board resolutions: None.

(13) Resignation or discharge of the employees relating to financial report(including chairperson, president and managerial staffs of accounting, finance, internal audit and research and development etc.):

March 31, 2019

Title	Name	On-board date	Discharged date	Reasons for resignation or discharge
Accounting managerial staff	Wen-Xing Liao	2015/05/12	2018/08/10	Position adjustment
Accounting managerial staff	Hsin-Chang Lin	2018/08/10	-	Position adjustment
Internal audit managerial staff	Yu-lin, Xu	2014/07/10	2019/01/22	Position adjustment
Internal audit managerial staff	Yan-song, Weng	2019/01/22	-	Position adjustment

4. Information Regarding the Company's Audit Fee and Independence

Name of accounting firm	Name of CPA		Audit period	Remarks
Deloitte & Touche	Wang, Chin-Yen	Shih, Chin-Chuan	2018/01/01~2018/12/31	

Unit: NTD thousands

Fee category (standalone) Amount range		Audit fee	Non-audit fee	Total
1	Below NT\$ 2,000,000		V	V
2	NT\$ 2,000,000 (inclusive) ~ NT\$ 4,000,000			
3	NT\$ 4,000,000 (inclusive) ~ NT\$ 6,000,000			
4	NT\$ 6,000,000 (inclusive) ~ NT\$ 8,000,000			
5	NT\$ 8,000,000 (inclusive) ~ NT\$ 10,000,000	V		V
6	NT\$ 10,000,000 and above			

- (1) Disclosure of audit fee, non-audit fee and details of non-audit services, if the sum of non-audit fee paid to the auditor, accounting firm and affiliated companies amounts to more than one-quarter of total audit fee.
- (2) Change of accounting firm that resulted in the reduction of audit fee from the previous year; disclose audit fee before and after the change and the cause of such change: None.
- (3) Any reduction in audit fee by more than 15% compared to the previous year; state the amount, the percentage and reason of such variation: None

5. Change of CPA: None.

6. The Company's Chairman, President, or any managers involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company in the last year: None.



7. Details of shares transferred or pledged by directors, managers, or shareholders with more than 10% ownership interest in the last year up till the publication date of this annual report.

Changes in shareholding of directors, managers and major shareholders

Title	Name	Year 2018		As of March 31 in the current year	
		No. of shares held Net Change in Shares Pledged	Net Change in Shares Pledged	No. of shares held Net Change in Shares Pledged	Net Change in Shares Pledged
Chairman	Shin Kong Development Co., Ltd. Representative: Tong Sheng Wu	0	0	0	0
Vice Chairman	Shin Kong Development Co., Ltd. Representative: Tung Ming Wu	0	0	0	0
Director	Shin Kong Development Co., Ltd. Representative: Hsiu-Mei, Wang Chen (Note 3)	0	0	0	0
Director	Shin Kong Co., Ltd. Representative: Steve Hong	0	0	0	0
Director	Tay Way Enterprise Co., Ltd. Representative: Hsien Chung Ho, Huoo Tzau Shih	0	0	0	0
Director	Chin Shan Investment Corporation Ltd. Representation: Hsing- En Wu	0	0	0	0
Director	Mian Hao Industry Co., Ltd. representative: Sun-Mo Ni	0	(1,200,000)	0	0
Director	Shin Kong Wu Ho-Su Cultural & Educational Foundation Representative: Jung-Chi, Liu	0	0	0	0
Independent Director	Hsien Der Chiu	0	0	0	0
Independent Director	Jung Cheng Tseng	0	0	0	0
Independent Director	Yung Ching Tsai	0	0	0	0
CEO	Tong Sheng Wu	0	0	352,546	0
President	Shyr Shyuan Luo	0	0	351,947	0

Vice President	Chih Min Yang	0	0	0	0
Vice President	Chin-Chang Cheng	0	0	(21,807)	0
Vice President	Chih Lung Hsiao	0	0	0	0
Vice President	Kou Tai, Tiou	0	0	27,609	0
Assistant Vice President	Chin-Ta Ou	0	0	34,541	0
Assistant Vice President	Chun Shu Peng	0	0	23,065	0
Assistant Vice President	H.I.Tseng	0	0	(197)	0
Assistant Vice President	Chao Jung Hsu	200,000	0	(109,275)	0
Assistant Vice President	Bryan Chen	0	0	11,443	0
Assistant Vice President	Yao-ding Lee	0	0	42,022	0
Assistant Vice President	Chin Tarng Huang	0	0	21,666	0
Assistant Vice President	Chen Chia Wen	0	0	7,541	0
Accounting managerial staff	Wen-Xing Liao was (released the position on August 10, 2018)	(2,000)	0	—	—
Accounting managerial staff	Hsin-Chang Lin (New on-board on August 10, 2018)	0	0	5,526	0

Note 1: The Company does not have shareholders who hold more than 10% of shareholding.

Note 2: The counterparties of the share-transfer or shareholding pledge are not the related parties.

Note 3: On May 26, 2017, the entire directors are re-elected at general shareholder meeting (including independent directors). On June 5, 2017, institution director, Shin Kong Development Corp., reassigned the representative.

8. Relationships among top-10 shareholders:

March 31, 2019

Name	Itself Shares held		Shares held by spouse and underage children		Number of shares held under another person's name		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other.		Remarks
	Shares held	Shareholding percent age	Shares held	Shareholding percent age	Shares held	Shareholding percent age	Name	Relationship	
Shin Kong Life Insurance Co., Ltd.	93,964,029	5.81%	-	-	-	-	1. Ruei Hsing Enterprise Co., Ltd., Yuan Pao Co., Ltd., Gillian Investment Co., Ltd.	Both parties' chairmans are second-degree of kinship.	
Representative: Tung Chin Wu	4,290,113	0.27%							
Shin Kong Co., Ltd.	84,414,691	5.22%	-	-	-	-	-	-	
Representative: Tung-Hsing Wu	475,841	0.03%							
Newrise Investment Co., Ltd.	80,710,027	4.99%	-	-	-	-	-	-	
Representative: Chih Min Yang	171,118	0.01%							
Hwatai Bank Trust Property Account	75,428,369	4.66%	-	-	-	-	-	-	

Name	Itself Shares held		Shares held by spouse and underage children		Number of shares held under another person's name		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other.		Remarks
	Shares held	Shareholding percent age	Shares held	Shareholding percent age	Shares held	Shareholding percent age	Name	Relationship	
Shinkong Textile Co., Ltd.	56,104,285	3.47%	-	-	-	-	1.Shinkong Insurance Co. Ltd.	Both parties' chairmans are second-degree of kinship.	
Representative: Hsing- En Wu	0	0.00%							
Shinkong Insurance Co. Ltd.	49,162,144	3.04%	-	-	-	-	1. Shinkong Textile Co., Ltd.	Both parties' chairmans are second-degree of kinship.	
Representative: Hsing-Hong Wu	0	0.00%							
Gillian Investment Co., Ltd.	38,302,938	2.37%	-	-	-	-	1. Ruei Hsing Enterprise Co., Ltd., Yuan Pao Co., Ltd. 2. Shin Kong Life Insurance Co., Ltd.	Chairperson is the same.	
Representative: Tong Sheng Wu	10,011,587	0.62%						Both parties' chairmans are second-degree of kinship.	
Toray Industries, Inc.	35,629,145	2.20%	-	-	-	-	-	-	
Yuan Pao Co., Ltd.	35,289,255	2.18%	-	-	-	-	1. Gillian Investment Co., Ltd., Ruei Hsing Enterprise Co., Ltd. 2. Shin Kong Life Insurance Co., Ltd.	Chairperson is the same.	
Representative: Tong Sheng Wu	10,011,587	0.62%						Both parties' chairmans are second-degree of kinship.	

Name	Itself Shares held		Shares held by spouse and underage children		Number of shares held under another person's name		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other.		Remarks
	Shares held	Shareholding percent age	Shares held	Shareholding percent age	Shares held	Shareholding percent age	Name	Relationship	
Ruei Hsing Enterprise Co., Ltd.	32,106,538	1.98%	-	-	-	-	1. Gillian Investment Co., Ltd., Yuan Pao Co., Ltd.,	Chairperson is the same.	
Representative: Tong Sheng Wu	10,011,587	0.62%					2. Shin Kong Life Insurance Co., Ltd.	Both parties' chairmans are second-degree of kinship.	

9. Aggregate shareholding percentage

Unit: shares; %
December 31, 2018

Invested businesses (Note 1)	Held by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate ownership interest	
	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage	Shares held	Shareholding Percentage
Pan Asian Plastics Corp. (PAP)	50,569,938	100.00	-	=	50,569,938	100.00
Hsingshing Investment Co., Ltd. (HSI)	152,100,000	100.00	-	=	152,100,000	100.00
Shinkong Engineering Co., Ltd. (SKE)	38,543,818	100.00	-	=	38,543,818	100.00
Shinpont Industry Inc. (SPI)	25,245,000	49.99	5,000	0.01	25,250,000	50.00
Shin Chiun Industrial Co., Ltd. (SEC)	71,500,000	100.00	=	=	71,500,000	100.00
Maxima Pacific Ltd. (MPL) (MPL)	<u>1</u>	100.00	=	=	1	100.00
SSFC Investment Ltd. (SSFC) (SSFC)	<u>1</u>	100.00	=	=	1	100.00
UBright Optronics Corp. (UBO)	38,695,828	50.44	3,660,453	4.77	42,356,281	55.21
Shinkong Polyester Film Corp., Ltd. (SPF)	68,857,106	80.07	7,014,197	8.16	75,871,303	88.23
Taijin Investment Co., Ltd.	1,111,315	48.57			1,111,315	48.57
Shinkong International Securities Co., Ltd. (SKIS)	114,633,265	77.98	=	=	114,633,265	77.98
ShinBright Optronics Corp. (SOC)	12,000,000	100.00	=	=	12,000,000	100.00
TacBright Optronics Corporation (TBO)	263,586,455	56.86	13,969,486	3.01	277,555,941	59.87
Taipei Star Bank	83,213,000	27.06	7,454,732	2.43	90,667,732	29.49
Chi Jian Human-Resource & Management Co., Ltd. (CJH)	Note 2	100.00			Note 2	100.00
Hsinshin Asset Management Co., Ltd. (HAM)	5,370,000	100.00			5,370,000	100.00
Shin Kong International Leasing Corp. (SKIL)	40,000,000	100.00			40,000,000	100.00

Note 1: Long-term investment accounted by the Company using the equity method.

Note 2: The entity is a limited liability company; shareholding percentage is calculated based on capital contribution.



IV. Capital Overview

1. Capital and Shares

(1) Source of capital

1. Formation of share capital in the last 5 years

Year	Month	Issue price (NTD)	Authorized capital		Paid-up capital		Remarks		
			Shares held (thousand shares)	Amount (\$,000)	Shares held (thousand shares)	Amount (\$,000)	Sources of share capital (\$,000)	Paid in properties other than cash	Others
56	3	10	9,000	90,000	2,250	22,500	Incorporation	-	
101	09	10	2,300,000	23,000,000	1,760,484	17,604,840	Buyback of the Company's shares and capital reduction 677,230	-	Note 1
103	07	10	2,300,000	23,000,000	1,725,797	17,257,970	Buyback of the Company's shares and capital reduction 346,870	-	Note 2
103	09	10	2,300,000	23,000,000	1,715,797	17,157,970	Buyback of the Company's shares and capital reduction 100,000	-	Note 3
103	12	10	2,300,000	23,000,000	1,663,461	16,634,613	Buyback of the Company's shares and capital reduction 523,357	-	Note 4
104	01	10	2,300,000	23,000,000	1,659,282	16,592,823	Buyback of the Company's shares and capital reduction 41,790	-	Note 5
104	11	10	2,300,000	23,000,000	1,618,409	16,184,093	Buyback of the Company's shares and capital reduction 408,730	-	Note 6
105	12	10	2,300,000	23,000,000	1,618,409	16,184,093	Merge of 100%-owned subsidiary	-	Note 7

Note 1: Approved under Letter No. Jing-Shou-Shang-10101189860 dated 2012.09.11.

Note 2: Approved under Letter No. Jing-Shou-Shang-10301148650 dated 2014.07.24.

Note 3: Approved under Letter No. Jing-Shou-Shang-10301195490 dated 2014.09.18.

Note 4: Approved under Letter No. Jing-Shou-Shang-10301247150 dated 2014.12.26.

Note 5: Approved under Letter No. Jing-Shou-Shang-10401018510 dated 2015.01.30.

Note 6: Approved under Letter No. Jing-Shou-Shang-10401250260 dated 2015.11.30.

Note 7: Approved under Letter No. Jing-Shou-Shang-10501287790 dated 2016.12.27.

2. Share categories

Share Category	Authorized capital					Remarks
	Outstanding shares			Unissued shares	Total	
	Listed	Unlisted	Total			
Common share	1,618,409,291	-	1,618,409,291	681,590,709	2,300,000,000	

The Company did not offer securities using the aggregate reporting system.

(2) Shareholders structure

March 31, 2019

Shareholders Count	Government institutions	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and individuals	Total
Count	6	12	199	116,574	257	117,048
No. of shares held	3,191,173	157,393,605	566,027,941	569,111,839	322,684,733	1,618,409,291
Shareholding percentage	0.20%	9.73%	34.97%	35.16%	19.94%	100%

(3) Ownership diversity

March 31, 2019

Shareholding range	Number of shareholders	No. of shares held	Shareholding percentage
1 to 999	72,150	15,281,428	0.94%
1,000 to 5,000	30,060	64,873,738	4.01%
5,001 to 10,000	6,855	48,392,777	2.99%
10,001 to 15,000	3,139	36,734,959	2.27%
15,001 to 20,000	1,189	21,233,058	1.31%
20,001 to 30,000	1,418	34,141,585	2.11%
30,001 to 40,000	589	20,311,664	1.25%
40,001 to 50,000	328	14,987,834	0.93%
50,001 to 100,000	632	43,917,727	2.71%
100,001 to 200,000	318	43,962,816	2.72%
200,001 to 400,000	133	36,702,591	2.27%
400,001 to 600,000	54	27,042,117	1.67%
600,001 to 800,000	24	16,514,985	1.02%
800,001 to 1,000,000	19	17,443,215	1.08%
1,000,001 to 999,999,999	140	1,176,868,797	72.72%
Total	117,048	1,618,409,291	100.00%



(4) List of major shareholders

March 31, 2019

Shares Name of major shareholder	Shares held (shares)	Shareholding percentage (%)
Shin Kong Life Insurance Co., Ltd.	93,964,029	5.81%
Shin Kong Co., Ltd.	84,414,691	5.22%
Newrise Investment Co., Ltd.	80,710,027	4.99%
Hwatai Bank Trust Property Account	75,428,369	4.66%
Shinkong Textile Co., Ltd.	56,104,285	3.47%
Shinkong Insurance Co. Ltd.	49,162,144	3.04%
Gilgamesh Investment Co., Ltd.	38,302,938	2.37%
Toray Industries, Inc.	35,629,145	2.20%
Sourcetek Co., Ltd.	35,289,255	2.18%
Ruixin Investment Co., Ltd.	32,106,538	1.98%

(5) Market price, net worth, earnings, and dividends per share

Year Item		2017	Year 2018	As of the current year's March 31, 2019	
Per-share market price	High	11.10	14.40	14.35	
	Low	8.76	8.83	11.20	
	Average	9.49	11.24	13.17	
Per-share net worth	Before distribution	16.92	17.77	18.17	
	After distribution	16.42	Note 1	Note1	
Per-share earnings	Weighted average outstanding shares (in thousands)	1,613,729	1,613,729	1,613,729	
	Per-share earnings	0.60	1.52	0.20	
Per-share Dividend	Cash dividend		0.50	Note1	-
	Stock	-	-	-	-
	Dividend	-	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of investme nt returns	P/E ratio		15.82	7.39	65.85
	Price to dividends ratio		18.98	Note 1	-
	Cash dividend yield		0.05	Note 1	-

Note 1: Not yet resolved in a shareholders' meeting.

(6) Dividend policy and execution

1. Dividend policy:

The Company operates in a growing industry, and shall set dividends at levels that conform with the prevailing economic environment and the Company's goals toward sustainability and long-term growth. The board of directors shall emphasize on maintaining stability and growth of dividends when making earnings appropriation proposals. Depending on the availability of capital, dividends can be distributed in cash and (or) in shares, with cash dividends amounting to no less than 20% of total common share dividends for the current year.

Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve; however, no further provisioning is needed when legal reserves have accumulated to the same amount as paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserve, as the laws or business activities may require. The residual balance is then added to undistributed earnings carried from previous years and distributed as cash dividends to preferred shareholders followed by common shareholders, which shall be resolved in a shareholder meeting.

2. Execution:

The distribution of 2018 earnings has been made by the board of director as follows:

Common share dividends: Cash dividend is NT\$0.85 per share and stock dividend is NT\$0 per share.

Cash dividend baseline date will be determined once the resolution is passed during shareholder meeting.



Shinkong Synthetic Fibers Corp.
Earnings Appropriation Chart
From January 1, 2018 to December 31, 2018

Unit: NTD

Item	Amount
Opening undistributed earnings	2,680,123,791
The impact of retrospective application	232,386,406
Adjusted opening undistributed earnings	2,912,510,197
Adjustment to retained earnings in relation to equity-accounted investments	(2,869,397)
Adjustment to retained earnings in relation to re-measurement of defined benefit plans	(17,972,418)
Disposal of equity instruments investment measured at fair value through other comprehensive income - accumulated profit or loss directly transfer to retained earnings	(85,832,321)
Adjusted undistributed earnings	2,805,836,061
Current net income	2,457,936,602
10% provision for legal reserve	(245,793,660)
Current distributable earnings	5,017,979,003
Distributions:	
Cash dividend	(1,375,647,897)
Closing undistributed earnings	3,642,331,106

(7) The impact of stock dividend distributions on company operating performance and earnings per share: Not applicable.

(8) Employee and director remuneration

1. Percentage or range of employee/director remuneration stated in the Articles of Incorporation:

Annual profits concluded by the Company are subject to employee remuneration of no less than 1%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet certain criteria are also entitled to receive remuneration. Up to 5% of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be raised for resolution during shareholder meetings. Profits must first be taken to offset against cumulative losses, if any, before the

remainder can be distributed as employee/director remuneration in the above percentages.

2. Basis of calculation for employee/director remuneration and share-based compensations, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

According to the Articles of Incorporation, the Company provides for employee remuneration at no less than 1%, and director remuneration at no more than 5%, of current year's pre-tax profit (before employee and director remuneration). The estimate of NT\$28,419 thousand of employee compensation and NT\$0 thousand of director remuneration in 2018 were based on aforesaid 1% and 0% of profit before-tax respectively.

If the amount changes after the standalone financial statements are approved and announced to the public, the difference will be treated as a change in accounting estimate and recognized as a gain or loss in the following year.

3. In 2019 the board of director approved the distribution of 2018 employee compensation and director remuneration.

(1) NT\$28,419 thousand of employee compensation and NT\$0 thousand of director remuneration were resolved.

(2) Percentage of employee remuneration paid in shares, relative to net income and total employee remuneration shown in stand alone financial statements: Not applicable.

4. Allocation of employee and director remuneration from previous year's earnings:

The shareholding meeting's resolution of NT\$12,151 thousand of 2017 employee compensation was in line with the amount recognized on the financial statement with no difference.

(9) Shares re-purchased by the company: None.

2. Disclosure relating to corporate bonds: None.



3. Preferred Shares: None.
4. Global Depository Receipts: None.
5. Employee Stock Options: None.
6. New Issuance Of Employee Restricted Shares: None.
7. Names of Managers Having Acquired Employee Stock Options and Names of Employees Ranking Top Ten in Convertible Shares as at the Publication Date of this Annual Report: None.
8. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.
9. Financing Plans And Implementation:
 - (1) Incomplete offering or private placement of securities from previous periods: None.
 - (2) Offering or private placement of securities completed in the last 3 years that have yet to achieve significant benefit: None.

V. Operational Highlights

1. Business Activities

(1) Scope of business

1. Principal business activities:

- (1). C301010 Yarn Spinning Mills
- (2). C302010 Knit Fabric Mills
- (3). C303010 Non-woven Fabrics Mills
- (4). C306010 Outerwear Knitting Mills
- (5). C801100 Synthetic Resin & Plastic Manufacturing
- (6). C801120 Manmade Fiber Manufacturing
- (7). C805050 Industrial Plastic Products Manufacturing
- (8). CB01010 Machinery and Equipment Manufacturing
- (9). CC01120 Data Storage Media Manufacturing and Duplicating
- (10). F501060 Restaurants
- (11). F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
- (12). F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
- (13). F105050 Wholesale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
- (14). F205040 Retail Sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
- (15). F113050 Wholesale of Computing and Business Machinery Equipment
- (16). F213030 Retail sale of Computing and Business Machinery Equipment
- (17). G202010 Parking Garage Business
- (18). H701040 Specialized Field Construction and Development
- (19). H701060 New County and Community Construction and Investment
- (20). I103060 Management Consulting Services
- (21). I501010 Product Designing
- (22). J701020 Amusement Parks
- (23). J701040 Recreational Activities grounds and Facilities
- (24). J801010 Golf Driving Range
- (25). J801030 Athletics and Recreational Sports Stadium
- (26). J901020 Hotels and Motels
- (27). JE01010 Rental and Leasing Business
- (28). ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval



2. Business activities ratios:

Unit: NT\$ thousand

Department	Year 2017		Year 2018	
	Amount of business activities	Weight of business activities (%)	Amount of business activities	Amount of business activities(%)
Polyester Division	28,244,732	77.3%	32,715,782	77.0%
Optronics Business Division	5,743,900	15.7%	6,873,394	16.2%
Financing Securities Division	2,434,348	6.7%	2,728,019	6.4%
Others	114,363	0.3%	176,732	0.4%

3. Products and services offered by the Company and new products planned:

- (a).PET fibers products: include polyester chip, polyester staple fiber, Polyester filament, polyester textured yarn and HTY. New developing products include 2X DRY(2.0) quick-drying fiber, Shinfit elasticity & fit series, Shale yarn, Fluorine-free water-repellent fiber, Cationic-dyeable TPEE fiber, Moisture management fiber, PET deodorizing fiber and Solarcool near IR reflection HTY etc..
- (b).Plastics products: Polyester chip, PET sheet, PET bottle and engineering plastics. New developing products include New generation antimony-free eco-friendly polyester resin, Solid-state-polymerizable PETG resin, TPEE for footwear materials and Matte PLA 3D printing filament etc..
- (c).Optronics products: Prism film and TAC film for TFT-LCD display, and PET film for various purposes. New developing products include Multi-wavelength Resistant Window Film, Flame Retardant Film, Polarizer Protective base Film, in-vehicle View angle tuning and weather resistant

multifunctional prism film, Anti-shatter film for car uses and Quantum dot film etc..

- (d).Financial services: Commercial banking, securities service, life insurance agency, and non-life insurance agency services.
- (e).Others: Mainly include construction sub-contracting, real estate development, leasing, information and software services.

(2) Industry overview

1. Current and future industry prospects

(1). PET fibers

The man-made fiber industry is the critical material of the upstream that drives the development of the textile industry in Taiwan. And Taiwan's chemical fiber industry still plays a decisive role in the global market, especially the production capacity of the polyester is third largest in the global market. With years of efforts by various manufactures to transform their products and invest in research and development, except being capable of supplying the high-quality, functional and eco-friendly materials to middle-stream and down-stream for cloth and garments in the domestics fiber industry, there's also partial capacities to supply export market. For instance, in 2018 FIFA World Cup, major sports brands adopted the football clothes made by "Taiwanese functional and eco-friendly yarns". Its basic material is the eco-friendly yarns which are 100% produced by the recycled PET bottles and also has the functions of moisture absorption, quick drying, light, keeping warm, elasticity and even UV resistance.

In facing with the rise of the chemical fiber industry in China and Southeast Asia, the chemical fiber industry in Taiwan shall aggressively integrate vertically from upstream to downstream, endeavor to create value and avoid price



competition. At this moment, the high value on Taiwanese textiles and the capability of research and development have been recognized by international market. Hence, the fiber industry in Taiwan shall connect from chemical fiber raw materials, weaving and dyeing, and integrate with brands, actively invest in the innovation, research and development in the potential markets with functional, eco-friendly / recycling and fashionable characteristics, to develop into a complete textile industry value chain.

(2). Plastics

The estimated global demand in the polyester chip for the use of bottle is around 27,000,000 tonnes in 2018 with around 7% of growth rate. It's mainly used in the manufacture of PE bottles for sodas, mineral water, tea and functional drinks etc.. The global production and sales volume of PBT resin in 2018 was around 2,000,000 tonnes which keeps around 4% to 5% of annual growth rate in the recent years. It's mainly used in the manufacture of engineering plastics, industrial and clothing fibers etc..

Currently the plastic product business faces the issues with eco-friendly, national protectionism, oversupply and competition etc.. How to break through the current situation and find out new development strategy is the main course for the industry to maintain the profitability.

(3). Optronics Products

Optronics products are mainly used for TFT-LCD display device, so TV, mobile phone and notebook with large, medium and small size are the application of optronics products. The relevant industries' status is as follows:

The prism film: The demand on monitor brightness is getting higher and higher due to the global energy-saving, carbon reduction, green energy, environmental protection and the

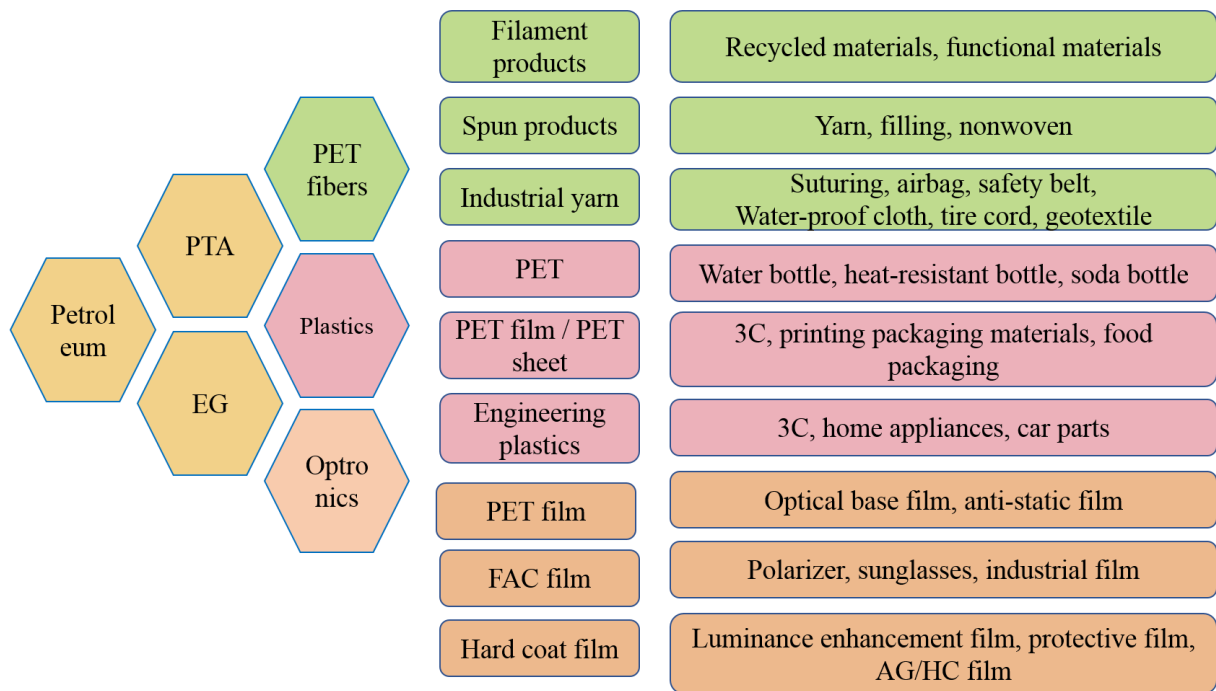
increase on monitor quality from the prior FHD to the current UHD and high definition of 4K and 8K. Therefore, how to effectively utilize the light source, reduce energy consumption and meet the brightness demand on monitor are the key factors to drive the market demand of Ultra-high luminance brightness enhancement film. Meanwhile, in response to the continuously decreasing price, the development of the prism product with low-cost and high-performance has also become our concentration. Traditional brightness enhancement film will be gradually replaced by multi-function brightness enhancement film and double-fit or multiple-fit products. These products will cover all types of monitors, from small-size mobile phone, medium-size notebook and MNT to large-size TV.

TAC film: China has been frenziedly expanding its LCD panel manufacturers in the recent years. It further boosts the investment on the production of the relevant key raw materials in China, especially the investment of polarizer and luminance enhancement film is the most significant. It is anticipated that after the end of 2020, the global new production capacity on polarizer will be launched in succession and will further push up the requirement of key raw materials for polarizer.

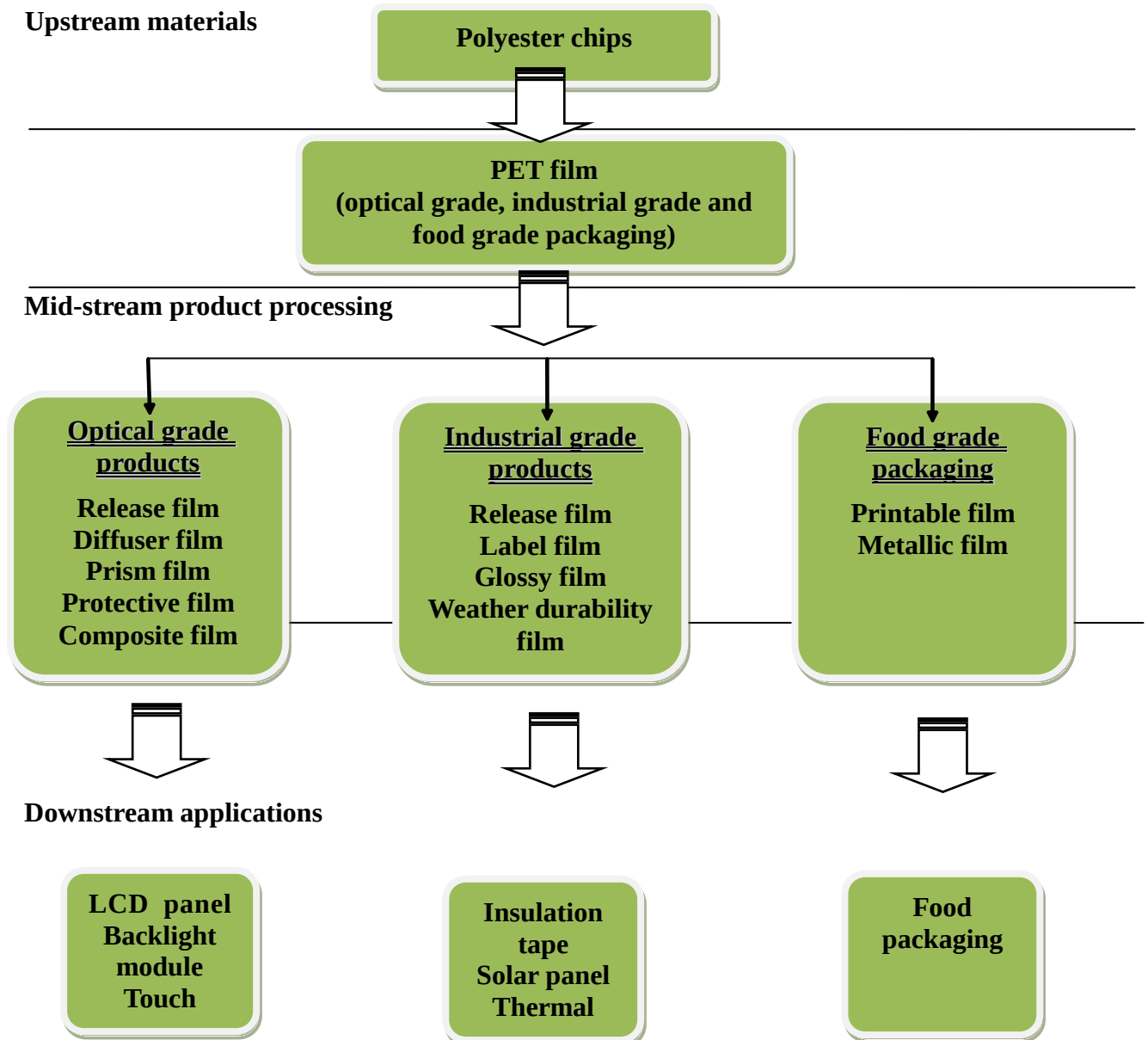


2. Association between upstream, midstream and downstream manufacturing participants

(1). Polyester industry (Relationship chart of chemical fiber industry and plastics industry)

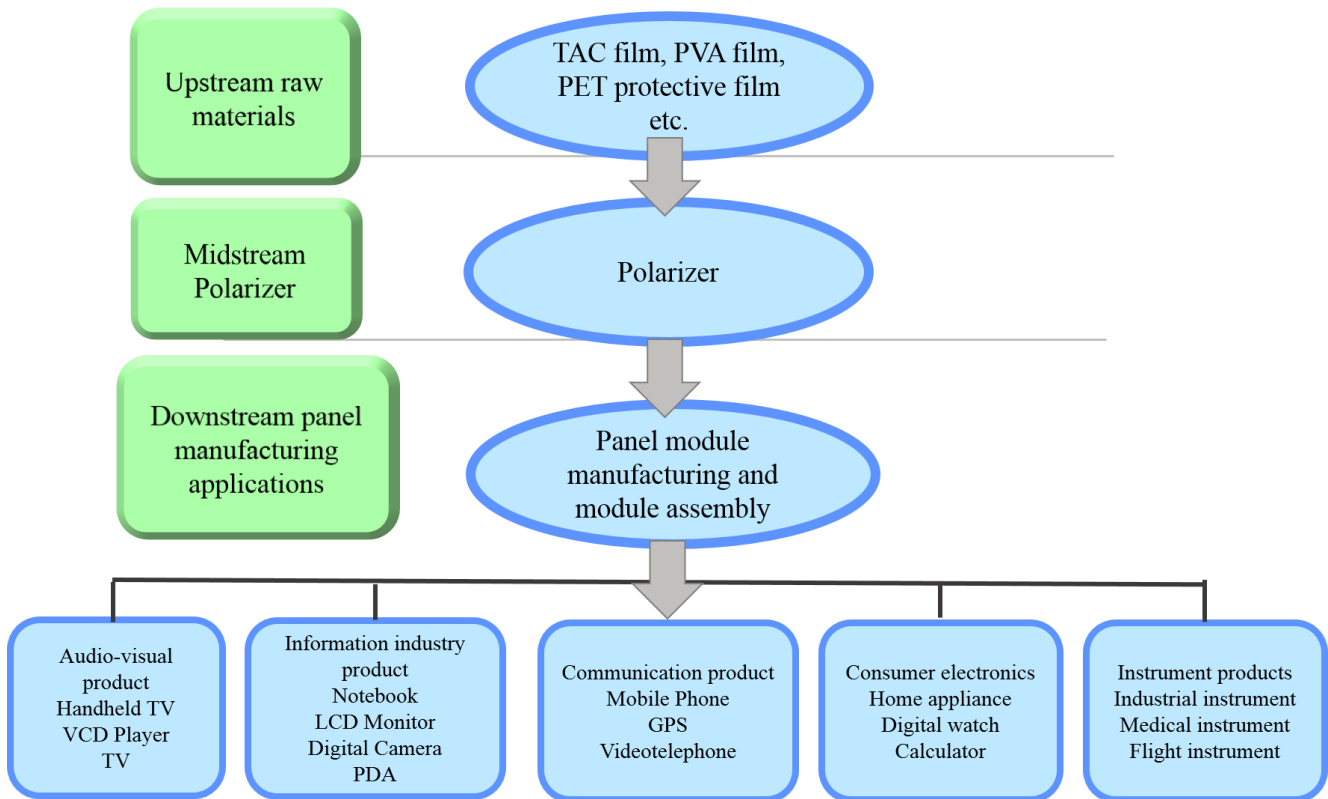


(2). Industry association chart for optronics - PET film and prism film





Industry association chart for optronics - TAC film



3. Product development tendency and competition

(1). PET fibers

The polyester fiber market is effected by imbalance supply and demand from overcapacity in China, disruption of market order from Sino-US trade war, increasing anti-dumping cases from the international trade protectionism. Threats and competitions are increasing day by day. Moreover, the effect of regional economic FTA has also gradually affected the competition of Taiwan. Looking forward to the future, PET fibers will focus on the characteristics of functionality and eco-friendly, expand overseas sales markets, shorten the delivery and respond quickly in order to reduce the trade barriers and the risk of

regional competition.

(2). Plastics

(a).Polyester chip:

Because of the characteristics of transparency, unbreakable, non-toxicity, light weight and recyclability, PET has gradually become the preferred packaging materials for food, beverages and utensils. There's 6% to 8% of growth rate in recent years. However, because its entry threshold is not high, it has attracted a number of vertically integrated fiber manufactures to enter this field, resulting in oversupply globally and serious competition with price cuts in the same industry. In particular, Chinese manufactures with rapidly expansion on their production capacity in the recent years are the most.

(b).Engineering plastics:

Engineering plastics are mainly used in electronic components, of which the proportion of automotive electronics is getting higher. The development of electric vehicles is getting matured in the recent years, so the estimate of the demand for various plastics on vehicles will rise up simultaneously. In the future, engineering plastics will grow with the industry of new energy automobile.

(c).PET sheet:

PET sheet is mainly used in vacuum molding, which has the advantage of low cost and diversity of processing mold. In recent years, due to the rise of the awareness on environmental protection, the original use of PVC or PS for product packaging has been gradually changed to PET products with the advantage of eco-friendly. In addition to the original demand of electronic products derived from silicon free market, subsequently we've aggressively



introduced into the packaging for medical peripheral products, which correspondingly enhance the product quality and effectively increase profits.

(d).PET bottle:

PET bottle has the characteristics of good transparency, light weight, air-proof, resistance of acid and alkali, resistance of lash and not easy to break. With low energy consumption and recyclability, it meets the requirement of eco-friendly and is suitable for home use. Therefore, it is an excellent packaging vessel with eco-friendly and is widely used for bottling beverages of soda, tea, juice and mineral water etc..

(3). Optronics Products

(a).PET film:

With the improvement of technology on film-making and accumulation of experience, the Company's produced film has gradually obtained the certification from domestic and overseas customers. In order to avoid price competition from general-purpose imported products, we endeavor to develop the high-level products and have achieved remarkable results in the development of new products in recent year.

(b).Prism film:

Because the manufacturers from Taiwan, Korea and China have invested in production heavily, the overall prism market is oversupply and is in the price competition. Especially in recent years, with the rise of panel manufacturers in China, the prism manufacturers in China are increasing day by day. Relying on their local and resource advantage, they adopt low-price competition to obtain the market, resulting in cut-throat competition. In

recent years, most Taiwanese and Korean suppliers are in a weak competition and lose a lot of market shares. And this situation will expect to continue. For such bad market conditions, various optical film products for the backlight module are integrated in response to the tendency of cost reduction in the industry. Integrating other optical films into multi-functional film products is the trend in the future.

(c).TAC film:

Because LCD TVs' panel is getting large-sized, the materials with low vapor permeable and derivatized polarizer will become the mainstream. Traditional TAC manufacturers uses their existing production capacity to produce the ultra-thin TAC films. This has evolved TAC thickness from 40um in the past to 25um or even 20um. And the ultra-thin TAC is widely used in production of polarizer required by mobile phone. In addition, functional films are sold together in Japan and is dominated by TAC film suppliers. Therefore TAC film suppliers to integrate the sales of functional films will be main developing tendency in the future.

(3) Technological research and development

1. Research and Development Overview

In order to develop new products and enhance the profitability, the Group has invested considerable fund in various analytical instruments and testing equipment over years, as well as actively cultivates various professional talents and establishes R&D center for new materials' development. Except for our own resources, we often jointly develop new technologies and products with foreign brands' manufacturers and also irregularly cooperate with domestic research institutions in the industry, government and



academy to develop new products and new technologies, such as Taiwan Textile Federation, Taiwan Textile Research Institute, Industrial Technology Research Institute and Plastic Industry Development Center etc.. At the same time, we also have technical cooperation with well-known foreign manufacturers to jointly develop new products.

2. Research and Development expense

The research and development expenses in 2018 and first quarter of 2019 are NT\$355,649 thousand and NT\$78,943 thousand respectively.

3. Research and Development Results in the recent 3 years:

(1). PET fibers

PBT elastic fiber, Superfine/micro fiber, Shinhot thermal insulation PET fiber, Cool & dry pet fiber, Shincool high moisture absorption pet fiber, Shinfite elasticity& fit series, 2x dry(2.0) quick-drying fiber, Shale yarn, PET deodorizing fiber, Lightweight/fine denier textured yarn, T/CD melange yarn, Hemp-like textured yarn, G2 version/ tcd melange yarn, Sb-free pet fiber, Color yarn, Wear resistance HTY and Flame retardant HTY etc..

(2). Plastics

Antimony-free eco-friendly polyester resin, Low AA bottle grade polyester resin, Slow crystallization polyester resin, TPEE elastomer, Anti-static coating PET sheet, Conductive coating PET sheet, Alcohol resistant anti-static coating PET sheet, Easy Punching PET sheet, Hydrolysis resistant engineering plastics for car uses, Engineering plastic for health care and 3D printing filament etc.

(3). Optronics Products

In-vehicle View angle tuning and weather resistant multifunctional prism film, Ultra-high luminance light enhancement film for NB, tablet PC and Mobile phone, Ultra-thin prism-on-prism lamination product, Prism-diffuser

lamination product, Anti-shatter film for car uses and Quantum dot film.

(4) Long-term and Short-term Business Development Plan

1. Fiber Business Group

Due to the increasingly competitive market, especially the rise of Chinese and Southeastern manufacturers, the fiber industry in Taiwan is facing the most severe challenges in history. Domestic fiber manufacturers are also developing eco-friendly products. The Company has lots of competitors, so continuous innovation is extremely urgent. In order to enable fiber business to continue to survive in profit and sustainable development, the long-term and short-term plans are as follows:

(1). Short-term plans:

- (a). Continuously replace machines to enhance product quality.
- (b). Add new model of equipments to enhance products' competitiveness and market share.
- (c). Increase the proportion of differentiated products to raise the sales of profitable products.
- (d). Parts of eco-friendly raw materials are produced by ourselves to avoid shortages.
- (e). Explore domestic and overseas new customers to decentralize market.

(2). Long-term plans:

- (a). Increase sales percentage of fiber for industrial use and home decoration.
- (b). Establish strategic alliances with major brands and cooperate to develop new niche products.
- (c). Eliminate trade barriers and redress the anti-dumping



cases.

- (d). Promote industrial smartization to reduce manpower cost and enhance efficiency.
- (e). Expand overseas markets in response to market shifts, disperse the market and avoid the risk of high tariff.

2. Plastics Business Group

Because the demands of market have developed toward diversification, so the Company has also embarked on relevant plans to meet customers' demands:

(1). Short-term plans:

- (a). Strengthen products' differentiation to meet demand of customers and market.
- (b). Enhance products' added value to increase profit.
- (c). Disperse the market

(2). Long-term plans:

- (a). Strengthen to develop new products to enhance the profitability.
- (b). Explore new market to enhance market shares.
- (c). Strengthen customer service to raise the customer's satisfaction.

3. Optronics Business Group

(1). Short-term plans:

Meet the market demands to develop the most urgently products needed by customers and focus on cost control at the same time to reduce the total cost of the product and further increase competitiveness.

(2). Long-term plans:

Focus on developing new model of products, including the use of new materials, the development of new production and process technologies as well as the development of new model of nano materials and various special chemical products

2. Market and Sales Overview

(1) Market analysis

1. Fiber Business Group

- (1). The sales areas of the main products: mainly for domestic sales. The overseas sales areas include China, Hong Kong, Japan, US, Korea, Thailand, Vietnam, Europe, Central and South America, Malaysia, India, Indonesia, Pakistan, Bangladesh, Sri Lanka, Brazil, Germany, Spain, Italy, Canada, Australia and the Czech Republic etc.
- (2). Market share: Although the market share of the chemical fibers in the global market is not high, its product attributes are mainly high-value functional products to replace quantitative products and create high value-added fiber products.
- (3). Future supply, demand and growth: After largely expansion of chemical fiber production in China, in the recent years, general chemical fiber products are in an oversupply situation. Only the demand of the eco-friendly products are gradually growing year by year. The Company has deployed the eco-friendly products for more than 10 years. In the future, we will continue to focus on protecting the earth and increase the production capacity of eco-friendly products.
- (4). Competitive niche: Strong R&D team and continuously develop toward the differentiated and multi-functional products. Good production quality and management, excellent sales team, establish long-term partnership with major brands and raise the technical threshold to increase irreplaceability.
- (5). Favorable and unfavorable factors for future development and actions taken: The upstream and downstream in the existing industrial chain in Taiwan have mature technology, but the sales market is scattered. The Company has high proportion on differentiated and functional products which is derived from long-term cooperation with major domestic and foreign brand



suppliers. In addition, the manufacturers in the same industry constantly increase the eco-friendly products, so there's potential issue for raw materials shortage. We will aggressively invest in the production equipment for raw material, so part of them will be supplied by ourselves. Besides, because the continuous expansion from China and Southeast Asia has resulted in overcapacity, the Company will actively expand the overseas market and deploy into emerging markets.

2. Plastics Business Group

(1). The sales areas of the main products

Except for domestic sales, the main sales markets are Asia, America, Europe, Middle East, Africa and Central Asia etc..

(2). Market shares

The domestic market share for polyester chip is around 30%. The global market share for engineering plastics is around 6%.

(3). Future supply and demand in the market and its growth

In the future, solid polyester chips will continue to supply more than demand, with an annual growth rate of 6% to 8%. Engineering plastics are in an oversupply situation , with an annual growth rate of 5% to 7%.

(4). Competitive niche

Our plastics products have be cultivated for many years and its quality and brand have had a good word of mouth. In recent years, our operation has been in the direction of differentiated products. It has obtained the preliminary results and is leading in the industry. In the future, we will gradually expand the production capacity on differentiated products.

(5). Favorable and unfavorable factors for future development and actions taken

The quality and function of the solid polyester chip are gradually improved, such as energy-saving and the use of more human-friendly catalyst, even its characteristics of non-toxicity,

eco-friendly and recyclability. Therefore, the range of uses and applications of the products has also become broader. Because of the issues of the energy-saving and eco-friendly for electric vehicle, the demands of the engineering plastics will continue to grow in the future. Besides, due to the good plasticity and reasonable price, there's also a tendency to replace other products.

Plastic products are facing oversupply in the market. The main response shall move toward the differentiated products and strengthening the research and development for new uses.

3. Optronics Business Group

(1). PET film

(a). The sales areas of the main products

Except for domestic sales market, it's also exported to Asian countries.

(b). Market shares

PET films are mainly used in the package of electroplate, industrial grade and optical grade industry. Overall, the Company has become one of the major suppliers in the domestic market. Except for domestic market, we also endeavor to develop overseas markets. The Company has successively obtained the certifications from important foreign customers. We expect the market share will raise year by year.

(c). Future supply and demand in the market and its growth

The oversupply in the traditional film market has been more released in 2018 and the demand is still growing steadily. The industrial use of the products has grown rapidly in recent years and the demand is also continuously growing. Because of the demand from panel-related industries, the optical film is subject to large fluctuations in sales on large-sized TVs and mobile phones. However, the demand of optical grade film is still a market that every film manufacturer strives for. Although the main



competitors are still the manufacturers from Japan and Korea, the Chinese manufacturers has begun to rise in the low-level optical markets.

(d).Competitive niche

In the film industry, the applications of downstream are wide and each of the different uses belongs to different industries. Hence, it can reduce the impact and operational risks caused by fluctuations in the demand of specific industries or regional economic cycle. The Company has been engaged in film manufacture for more than 30 years and has successively obtained many international quality certifications, so the products are well affirmed by domestic and overseas customers. In the face of oversupply of traditional use films, we're still able to transform to other high-level markets and maintain stable profits.

(e).Favorable and unfavorable factors for future development and actions taken

The Group's affiliated entities have vertically integrated the supply of raw materials and application of the products in the industry. Regardless of the control of quality stability or new products development, it can yield twice the result with half the effort. Besides, the industrial chain for the relevant products in Taiwan is complete. Save for high employee quality, the related products sold to China currently enjoy the tariff preference. Under this circumstance, lots of the related downstream industries in Japan have also established the factories in Taiwan and the demand of PET film has also increased.

Because Taiwan is not a member of most of the world's trade organizations, Taiwanese products are easily prone to disadvantages. There may be in doubts about dumping for exporting to films production countries. Besides, the frenzied expansion in China has resulted in a serious overcapacity, which is a challenge in the future. In response to the above factors, the Company is actively exploring the markets with no doubt of anti-dumping and speeding up the development of differentiated products as well as certification of high-level optical film in order to

differentiate the market.

(2). Prism film

(a).The sales areas of the main products

In addition to supplying domestic market, it is also exported to Asia region.

(b).Market shares

The prism film is the key component of backlight module in LCD. Although the Company entered the market late, we have successfully developed a number of new products with the strong R&D capacity as well as sales team and strategic partners with sales experiences in the industry. These new products have been affirmed and widely used by the backlight module manufacturers. Some technologies and products are only owned domestically. We will continue to develop and promote the products with the high-performance and high price-performance ratio to enhance the market share.

(c).Future supply and demand in the market and its growth

Looking forward to 2019, IHS Markits estimated that large-size TFT panel shipment will continue to grow. Among the three major applications, monitor and notebook panel will grow by 5.3% and 6.6% respectively, compared with last year and the TV panel will grow 1%. The estimate of smart phone shipment was 1.459 billion pieces in 2018, which was almost zero growth compared with 1.458 billion pieces in 2017. And the estimate of global smart phone shipment in 2019 will be 1.423 billion pieces, a 2.5% decline compared with 2018. The shipment of global smart phone panel was 2.008 billion pieces in 2018, a 3% decline compared with 2.07 billion pieces in 2017. Although outlook of mobil phone shipment in 2019 is not optimistic, the panel manufacturers are still actively planning the shipment for the related products. The estimate shipment will be 2.093 billion pieces in 2019, more growth than 2018.

(d).Competitive niche

Excellent R&D capability, strong professional operation



team, self-owned patents, unique manufacturing technology, diversified products, self-made and localized processing equipment, certification by end customers, high market shares, stable quality, timely services, highly competitiveness of price, rooted in Taiwan and integration of cross-strait.

(e).Favorable and unfavorable factors for future development and actions taken

Favorable factors include: the global TFT-LCD industry is growing year by year and the active participation and promotion of both cross-strait government has driven the flourishing development of TFT-LCD related components. In addition, it also includes the self-made processing equipment and the enhancement of yield.

Unfavorable factors include: LCD market is beginning saturated and the growth is slowing down. In the meantime, the operation of most prism film manufacturers is getting difficult. The oversupply situation of prism product won't be changed in the short term. Besides, due to the cost control pressure of the panel manufacturers and intensified competition in the market, the price of prism film will continue to drop. The Company is actively introducing and developing self-made optical grade PET film jointly with strategic partners to reduce material cost, further enhance production technology and constantly improve yield and efficiency. So the gap with other competitors in the industry will be further widened. We will also continuously develop new products, lead the market trend and expand market share with the products of high performance and high price-performance ratio. Besides, the development of new products and the increase of products added value will enhance the application value

of the products.

(3). TAC film

(a).The sales areas of the main products

The Company's products are sold to the manufacturers of LCD polarizers and surface treatment. Domestic sales are the main market. The overseas customers are located in Korea, Japan and China.

(b).Market shares

TAC film is the key components of polarizers in LCD. Total global demand of polarizers is about 710 million square meters, of which the global market share of TacBright Optonics Corporation was about 3.6% in 2018.

(c).Future supply and demand in the market and its growth

The new production capacity of low vapor permeable optical grade film expanded by Japanese and Korean manufacturers for the demand of large-size LCD TVs will go into production during 2019 and 2020. This will inevitably impact the proportion of traditional TAC in polarizer of LCD TVs. Therefore, in addition to continuously establish the supply and demand relationship with existing customers, in response to the increase of LCD panels demand in China, we will actively develop the products together with existing customers for smaller size LCD TVs required by Chinese market. Under the tide of low vapor permeable materials, we hope we can find out the market segment and positioning that match our products. The above efforts have started mass production since 2018. At the same time, we are also actively expanding new models and new applications in Japanese market. The results have also been shown in succession. We expect the demand is still able to continue to grow in the future.

(d).Competitive niche

The Company's operation team and core technical team



have the experiences in manufacture and sales of optical film, hard coating technology, TFT-LCD component and module. Together with the assistance of physical facilities in Europe and US factories, it can greatly shorten the time of learning curve and respond the market demand timely. We also have the advantages of unique formula of manufacturing technology, optimization of processing integration, application of private patent and passing the certification from end-consumers, strengthening price, quality and delivery, exploring and increasing market share. We take root in Taiwan, integrating cross-strait and move towards internationalization. Besides, ODM cooperation with leading manufacturers will indirectly enhance our production technology and quality management level.

(e).Favorable and unfavorable factors for future development and actions taken

Favorable factors: The global TFT-LCD industry is growing year by year, driving the related the development of the related components. The new expansion of LCD panel factories in China has increased the production capacity. Estimated that the global polarizers volume will increase significantly by 2022. Our price advantage will help the growth of the upstream manufacturers.

Unfavorable factors: because of the pressure of cost reduction from panel manufacturers, the price is continuing to decline. The application of AMOLED in mobile phone is anticipated to increase greatly. At the same time, we are facing the uncertainty of Sino-US trade war. However, we are the only supplier in Taiwan with the ability of self-made TAC film. Currently we also actively develop raw materials to reduce material cost so that the gap with other foreign competitors can be widen. Besides, we will constantly raise market share and machine utilization rate, develop new products and increase products added-value so as to enhance the product application value.

(2). The important purposes and production process for the main products

1. PET fibers

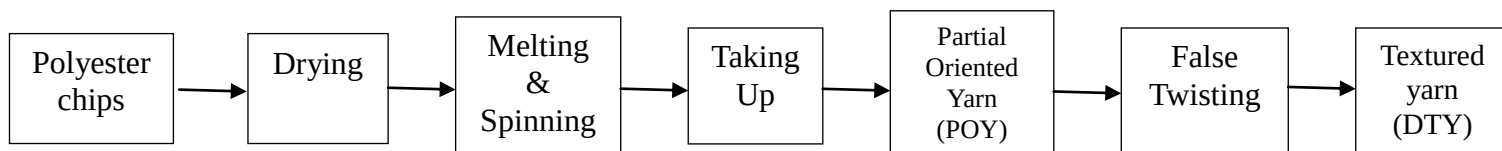
(1). Main products and purposes

Polyester chip: Spinning, bottle-making, molding. Polyester

filament: Garment, home furnishing, industrial use. Polyester

staple fiber: Clothing fabric, nonwoven, filling.

(2). Production processes of main products



2. Plastics

(1). Main products and purposes

Polyester chips: mainly for beverage bottle including soda, mineral water, juice and tea etc., and PET sheet.

Engineering plastics: engineering plastics injection molding for the parts of electric machine, electronics and automobile, and home appliances components.

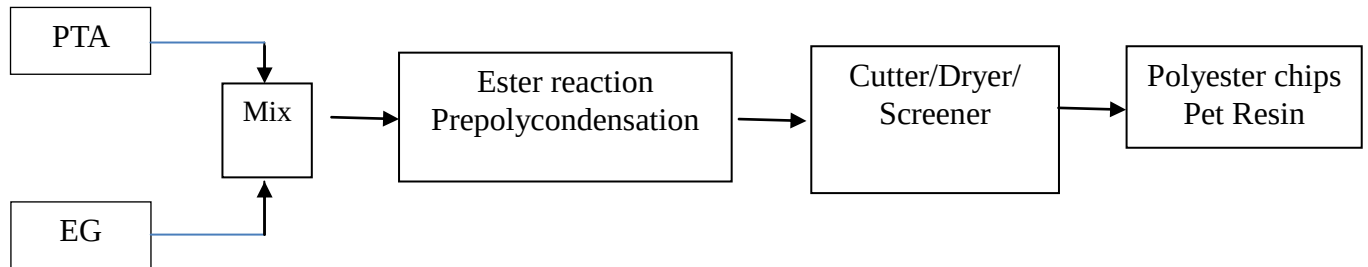
PET sheet: it's applied for packaging products on food and printing etc.. For electronics, it's mainly used for tray for electronic parts. The processing method is vacuum thermoforming that a tray or a packaging box is shaped according to the mold pattern. Recently it is actively developed for the packaging of medical peripheral products.

PET bottle: mainly for the packaging of soda, juice, soy sauce, plant oil, cosmetics, cleaner and general food.

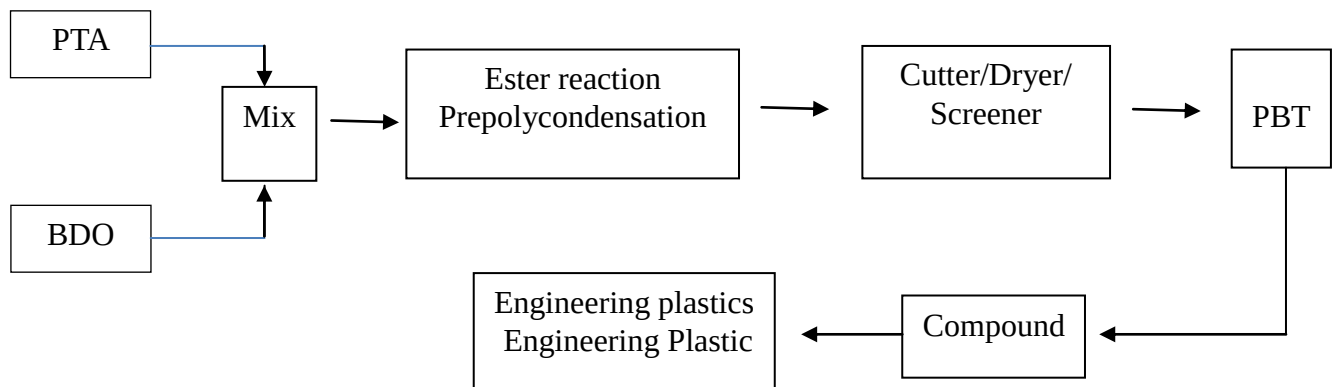


(2). Production processes of main products

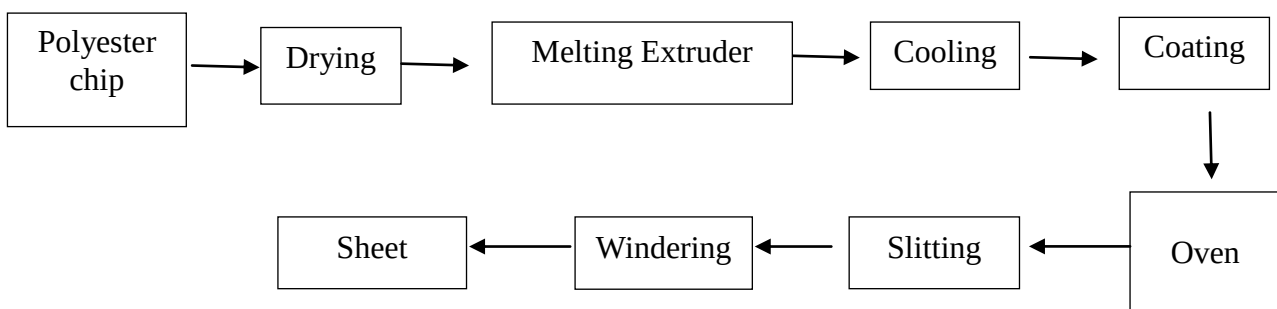
Polyester chips



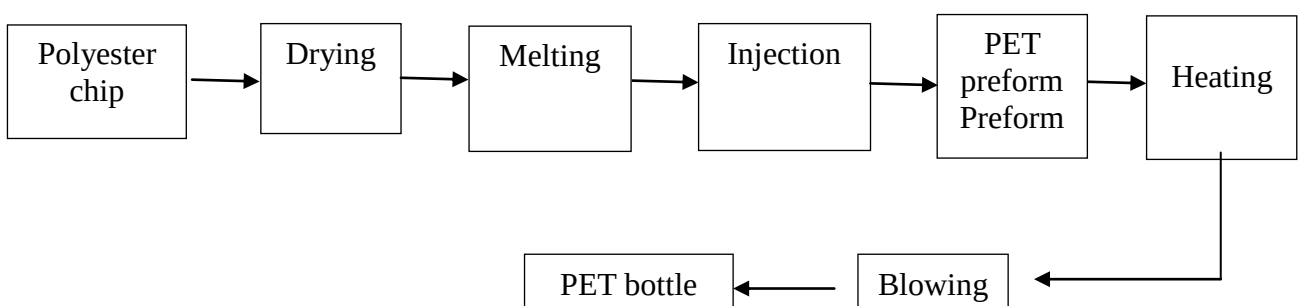
Engineering plastics



A-PET sheet



PET bottle



3. Optronics Products

(1). Prism film

(a). Main product applications

It's mainly applied for LCD's backlight module, which can concentrate the scattered light to the front side and achieve the purpose of enhancing the front brightness. And the unused light outside the viewing angle is recycled by the refraction of light to reduce the loss. The large size is used in LCD TV, notebook and monitor. The small size is used in mobile phone, digital camera, video camera, PDA, tablet, communication and consumer electronics.

(b). Production processes of main products

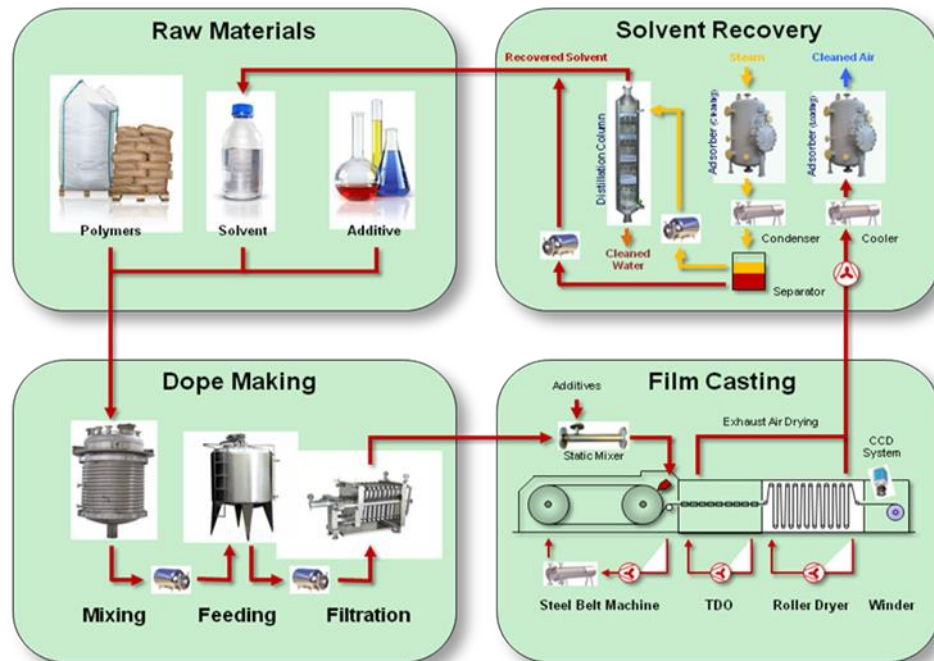


(2). TAC film

(a). Main product applications

TAC can be used as a protective film for the polarizer in an LCD display. Many optical characteristics have since been added to TAC films to increase their value and significance in the production of polarizers. Examples of such improvements include WV film, CV film, Transfer film and photographic film developed by Fuji Film. Except for its application on LCDs, TAC film can also be used in sunglasses, photographic equipment, filters, anti-glare goggles, car navigators, other polarizing microscope and special medical glasses.

(b). Production processes of main products

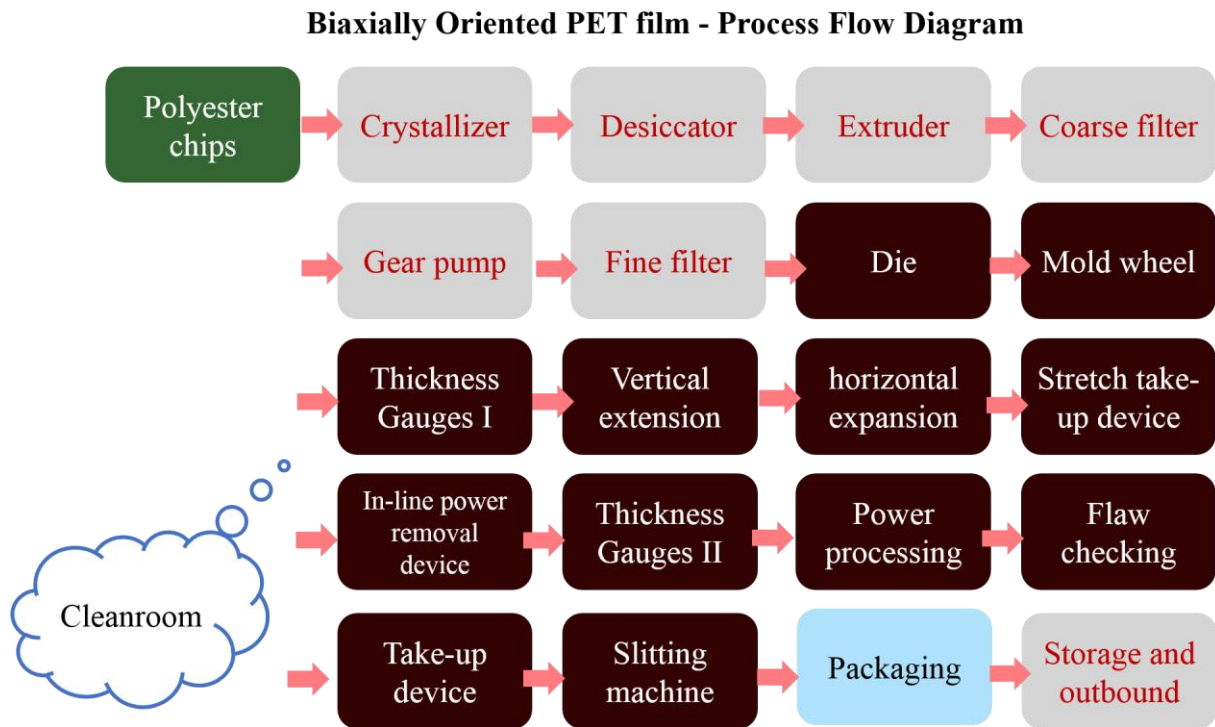


3).PET film

(a). Main product applications

The product has broad applications including: wires and cables, electrical insulation, transfer printing, embossing, conduction band, release agent, adhesive, flexible printed circuit, phototypesetting, window film, lamination, glitter powder, electroplating, label, decoration, optical base film, protective film, release film, general food packaging (FDA approval), sealing tape, insulation tape, metallic yarn, label film, release film, hot stamping, anti-static film, decoration, ink printing, and label.

(b). Production processes of main products



(3). Supply and demand of key materials:

Product category	Main materials	Primary provider	Secondary provider
PET fibers	PTA, EG	Taiwan	
Plastics	PTA, EG, BDO	Taiwan	Japan, China, Korea
Prism film	PET film	Japan, Taiwan	Korea
PET film	Polyester chips	Taiwan	
TAC film	Triacetate cellulose	USA	Japan, China

There is an abundant supply of raw materials local and abroad, hence no shortage of supply is expected.

(4) Name of trade partner representing more than 10% of total purchases (sales) in the last two years

Main suppliers in the last two years

Unit: NTD thousands

Year	Year 2017				Year 2018			
Item	Name	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer Relationship	Name	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer Relationship
1	A Company	6,086,396	24.39	Not related party	A Company	8,058,720	26.79	Not related party
2	B Company	3,536,379	14.17	Not related party	B Company	3,659,140	12.16	Not related party
	Others	15,331,192	61.44		Others	18,367,683	61.05	
	Net Purchases	24,953,967	100		Net Purchases	30,085,543	100	

Main customers in the last two years

Unit: NTD thousands

Year	Year 2017				Year 2018			
Item	Name	Amount	As a percentage of annual net sales	Relationship with the issuer Relationship	Name	Amount	As a percentage of annual net sales	Relationship with the issuer Relationship
1	A Company	4,469,961	13.29	Not related party	A Company	6,667,784	17.13	Not related party
	Others	29,153,122	86.71		Others	32,248,222	82.87	
	Net Sales	33,623,083	100		Net Sales	38,916,006	100	

(5) Production volume and value in the last two years

Unit: NTD thousands

Main products Production volume/value (or department)	Year 2017			Year 2018		
	Production n capacity	Producti on volume	Production value	Production capacity	Producti on volume	Production value
Polyester chips	968,900	896,821	25,750,949	960,751	909,732	30,453,362
Polyester filament	111,046	107,559	6,491,163	113,518	110,554	7,375,353
Polyester staple fiber	20,722	15,059	595,907	-	-	-
Engineering plastics	106,905	90,617	4,356,670	138,302	121,207	6,178,740
Elastic fiber	48,000	21,836	1,068,702	48,000	41,186	1,436,649
PET preform	60,000	48,748	2,603,479	60,000	54,015	3,112,275
PET bottle	9,525	8,433	958,452	9,525	7,915	884,120
PET sheet	343,687	202,390	242,774	322,581	202,648	295,815
PET film	25,200	23,742	1,076,149	25,900	25,484	1,240,430
TAC film	194,837	27,576	83,365	97,966	27,763	95,653
Prism film	58,800	33,261	2,594,100	58,800	30,190	2,531,652
Coating film	12,000	10,905	263,396	12,000	9,871	251,167
Filament				20	2	1,668
Total			46,085,106			53,856,884

Unit of production capacity and volume: polyester chips, polyester filament, polyester staple fiber, engineering plastics, elastic fiber, PET sheet and PET film are in tonnes. PET bottle and PET preform are in thousand pieces. TAC film, coating film, and prism film are in thousand square meters.

Including transferring to downstream for processing and selling to affiliates for production.

(6) Sales volume and value in the last two years

Unit: NTD thousands

Year Sales volume/value Main products	Year 2017				Year 2018			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Polyester chips	177,616	5,525,680	229,847	7,043,548	165,486	6,379,655	233,855	8,853,267
Polyester filament	55,206	4,053,837	35,401	3,195,224	58,121	4,473,597	35,978	3,444,162
Polyester staple fiber	5,411	267,029	13,281	542,729	462	34,098	73	6,381
Engineering plastics	23,725	1,396,447	52,217	2,897,492	28,996	1,717,116	61,446	3,457,830
Elastic fiber	13,435	640,707	9,690	482,226	13,607	695,744	12,037	638,384
PET bottle /Preform	151,641	277,497	26,288	43,070	154,014	291,512	39,927	68,114
PET film	17,732	1,167,491	22,044	938,311	20,350	1,283,005	27,428	1,489,215
TAC film	13,854	439,835	7,865	275,363	15,278	475,944	26,911	748,321
Coating film	2,844	119,329	825	66,754	3,350	140,630	432	29,646
Prism film (rolls)	18,289	1,474,040	13,754	1,027,348	19,551	1,692,713	10,633	841,402
Prism film (sheets)	2,476	13,205	21,452	165,046	2,193	14,339	10,951	82,505
Others	918	83,765	48,461	1,487,110	3	46,059	50,473	2,012,367
Total		15,458,862		18,164,221		17,244,412		21,671,594

Unit description: polyester chips, polyester filament, polyester staple fiber, engineering plastics, elastic fiber, PET sheet and PET film are in tonnes. PET bottle and PET preform are in thousand pieces. TAC film, coating film, and prism film (rolls) are in thousand square meters. Prism film (sheets) are in thousand pieces.

3. Human Resources

Employee information in the last 2 years up until the publication date of this annual report

Year		Year 2017	Year 2018	As of the current year's March 31, 2019
Number of employee	Staff	2911	2899	2934
	Local Operator	696	681	673
	Foreign Worker	650	660	684
	Total	4257	4240	4291
Average ages (excluding foreign worker)		39.2	39.6	40.0
Average years of services (excluding foreign worker)		11.0	11.1	11.1
Education distribution percentage	Ph.D.	0.19%	0.20%	0.19%
	Master's	5.06%	5.10%	5.15%
	College & University	53.59%	54.66%	54.65%
	Senior High School	28.88%	28.73%	28.72%
	Junior High School and below	12.28%	11.31%	11.29%

4. Environmental Protection Expenditure

(1) Losses and fines incurred due to pollution of environment in the last year up until the publication date of this annual report

Item \ Year	Year 2018	As of printed date of 2019
Pollution status (type and degree)	Dyeing water outflow from Guanyin Plant	None
Compensation object or punishment institution	Department of Environmental Protection, Taiyuan City Government	

Compensation amount or penalty amount	NT\$132,000	
Other loss	None	

(2) Responsive strategies and possible expenses

"Compliance With Regulation, Energy-Saving and Waste-Reduction, Pollution Prevention and Continuous Improvement" is the Company's environmental policy. We will constantly endeavor to improve the performance of environmental protection. With the changes of quality requirement for production line, the content of process confirmation permission shall be changed accordingly. Besides, we will strengthen the process control to prevent abnormal incidents on environmental protection. We constantly implement various emission reduction, energy saving and carbon reduction, waste recycling, noise prevention and effluents quality control etc., as well as add new and improved environment projects, including refrigerator replacement, centrifugal air compressor renewal, boilers replacement, dehydrator renewal, generator chimney overhaul, generator maintenance, retrieve marsh gas of steam boiler, purchase of IA 700HP air compressor, filter tank renewal and replacement of heat dissipation materials for cooling tower etc.. The budget for the above plans is NT\$116 million.

5. Labor Relations

(1) Availability and execution of employee welfare, education, training and retirement policies; elaborate on the agreement between employer and employees, and protection of employees' rights

1. Employee welfare measures:

- (1) The Company assembled an Employee Welfare Committee on April 20, 1982 that collectively oversees the welfare and work activities of all employees within the Company. The committee arranges the following benefits: overseas travel subsidy, domestic group tour, year-end gathering and lucky draw, subsidy

of club activities, factory celebrations, wedding/funeral subsidies, festive cash, birthday cash, children's tuition aid, sport competitions, and lifestyle seminars that cater for employees' physical as well as mental health. The committee convenes timely meetings to discuss its activities and to supervise budget use.

- (2) All employees of the Company are covered by labor insurance and national health insurance, whereas managerial staff are covered by additional group accident insurance and life insurance. All insurance premiums are borne by the Company.
- (3) Complimentary dormitories are provided at factories for employees from remote areas.

2. Pension system:

- (1) The Company established the "Supervisory Committee of Workers' Retirement Preparation Fund" on December 25, 1986 and entrusted the Bank of Taiwan to handle the operation of deposit or withdraw retirement fund. The 2nd-tier new labor pension plan was applied from July 1, 2005.
- (2) In accordance with the Labor Standard Laws and the Labor Pension Act, we established the employee retirement policy to specify employee retirement qualification, pension application method, payment standard / calculation and payment method etc..

3. Employee education and training:

The Company founded Shinkong Corporate University as a means to help employees adapt to the ongoing globalization and develop competitiveness as an individual and as a group. Shinkong Corporate University advocates life-long education, total participation, mutual learning/growth, career development, knowledge transfer, professional skill development, enhancement of competitive advantage, and innovative capability. It provides the ongoing education needed to improve employees' work performance and accomplish the organization's goals. Shinkong Corporate

University also organizes courses on foreign language, professional skills, safety, etc on a regular and unscheduled basis to enhance employees' work capacity.

4. Work environment, employee safety and protection measures:

The Company cares for its employees' health, the environment they work in, and impact of their work activities on the environment. To accommodate customers' rising environmental awareness, the Company has adopted a green policy and continues to enforce ISO14001 - Environmental Management System and OHSAS 18001 - Occupational Safety and Health Management System within the organization. Medical practitioners are being engaged to provide service at plant sites according to the "Employee Health Protection Rules:" their presence not only helps prevent occupational illness, but also contributes toward employees' safety and health awareness and a safe work environment. As a result, they play a key role in the Company's strive towards "Green Factory."

5. Other material agreements:

The Company has signed a 3-year "collective bargaining agreement" with the union that began from January 1, 2017 and ends on December 31, 2019. This agreement mainly covers issues such as leave of absence, performance appraisal and salary adjustment.

(2) Actual or estimated losses arising as a result of employment dispute in the last year up till the publication date of this annual report, and any response measures taken.

- The Company has good labor relationship and there's no loss due to labor disputes.
- The estimated amount that may occur at present and in the future and the actions taken: None.

6. Important Contracts

Nature of Contract	Parties involved	Contract start/end date	Main contents	Restrictive clauses
Engineering Service Contract	Liangfeng Industrial Limited	108.01.01~108.12.31	General Business Waste Clearance Contract	None
Joint Credit Contract	Taipei Fubon Commercial Bank	104.11.17~109.11.16	Syndicated Loan	Maintain a certain percentage of assets, liabilities and net worth
Commercial Paper Joint Guaranty Issuance Agreement	Mizuho Bank, Ltd. etc.	105.10.21~110.10.21	Syndicated Loan	Maintain a certain percentage of assets, liabilities and net worth
technical cooperation	Plastic Industry Development Center	105.10 ~ 108.09	Development and application of polymer additive printing material	Non-transfer
technical cooperation	Industrial Technology Research Institute	107.02 ~ 108.02	Derivative application evaluation technology of Cyclobutane-1, 2,3,4-tetracarboxylic dianhydride (CBDA)	Non-transfer
Industry-Academy Cooperation	Feng Chia University	107.11 ~ 108.04	Study on the analysis technology of fabric surface characteristics	Non-transfer
Lease contract	Shinkong Textile Co., Ltd.	99/01/01~110/12/31 99/10/15~111/10/14 100/9/1~112/8/31 102/5/1~114/4/30 107/3/1-112/2/28	Land Lease	None
patent licensing	Industrial Technology Research Institute	96/7/3-112/7/24	patent licensing	None

VI. Financial Information

1. Summary balance sheet, statement of comprehensive income, auditors and audit opinions for the last 5 years

(1) Summary consolidated balance sheet - IFRS-compliant

Unit: NTD thousands

Year Item		Financial information for the last 5 years					As of the current year's Financial information as of March 31, 2019 (Note 4)
		2014	2015	2016	2017	2018	
Current assets		91,258,194	88,735,735	79,370,624	88,708,993	87,456,519	91,491,496
Property, plant, and equipment		19,897,763	21,321,494	21,418,138	21,230,695	20,186,685	19,829,859
Intangible assets		620,078	300,135	294,404	292,919	293,889	293,062
Other assets		18,440,927	19,156,809	29,937,745	34,223,204	35,927,233	37,676,584
Total assets		130,216,962	129,514,173	131,020,911	144,455,811	143,864,326	149,291,001
Current liabilities	Before distribution	84,477,565	87,001,126	86,993,893	99,396,820	97,191,482	100,507,399
	After distribution	85,174,464	87,405,728	87,398,495	100,206,025	Note 2	-
Non-current liabilities		11,270,027	9,796,026	10,342,598	9,690,486	9,707,662	11,046,120
Total liabilities	Before distribution	95,747,592	96,797,152	97,336,491	109,087,306	106,899,144	111,553,519
	After distribution	96,444,491	97,201,754	97,741,093	109,896,511	Note 2	-
Equity attributable to parent company shareholders		25,879,598	24,552,494	25,621,124	27,376,931	28,751,153	29,411,932
Share capital		16,634,613	16,184,093	16,184,093	16,184,093	16,184,093	16,184,093
Capital reserve		1,475,689	1,532,987	1,575,533	1,575,732	1,575,677	1,574,677
Retained	Before	6,425,862	6,447,181	6,762,547	7,295,821	9,070,265	9,390,169

Financial Information

earnings	distribut ion						
	After distribut ion	5,728,963	6,042,579	6,357,945	6,486,616	Note 2	-
Other equity items		1,406,520	418,067	1,128,785	2,351,119	1,950,952	2,292,827
Treasury stock		(63,086)	(29,834)	(29,834)	(29,834)	(29,834)	(29,834)
Non-controlling equity		8,589,772	8,164,527	8,063,296	7,991,574	8,214,029	8,325,550
Equity Total	Before distribut ion	34,469,370	32,717,021	33,684,420	35,368,505	36,965,182	37,737,482
	After distribut ion	33,772,471	32,312,419	33,279,818	34,559,300	Note 2	-

Note 1: Figures after dividend distribution, as shown above, were determined after shareholder meeting resolutions of the following year.

Note 2: Earnings appropriation proposals for the year of 2018 has been passed by board of director and pending for the approval of shareholder meeting.

Note 3: All yearly financial information presented above has been audited.

Note 4: Financial information dated on March 31, 2019 has not yet been audited.

(2) Summary standalone balance sheet - IFRS-compliant

Unit: NTD thousands

Year Item		Financial information for the last 5 years					As of the current year's Financial information as of March 31, 2019 (Note 4)
		2014	2015	2016	2017	2018	
Current assets		6,807,963	6,689,093	6,793,786	7,895,256	8,551,695	8,793,281
Property, plant, and equipment		6,977,712	7,115,195	7,370,125	7,663,461	7,467,077	7,543,291
Intangible assets							
Other assets		26,791,073	24,761,190	25,658,781	26,463,625	26,855,417	27,351,375
Total assets		40,576,748	38,565,478	39,822,69	42,022,342	42,874,189	43,687,947
Current liabilities	Before distribution	5,878,341	5,786,332	6,038,5	7,127,248	6,937,782	7,177,383
	After distribution	6,575,240	6,190,934	6,443,168	7,936,453	Note 2	-
Non-current liabilities		8,818,809	8,226,652	8,163,0	7,518,163	7,185,254	7,098,632
Liabilities Total	Before distribution	14,697,150	14,012,984	14,201,568	14,645,411	14,123,036	14,276,015
	After distribution	15,394,049	14,417,586	14,606,170	15,454,616	Note 2	-
Share capital		16,634,613	16,184,093	16,184,09	16,184,093	16,184,093	16,184,093
Capital reserve		1,475,689	1,532,987	1,575,5	1,575,732	1,575,677	1,574,677
Retained earnings	Before distribution	6,425,862	6,447,181	6,762,547	7,295,821	9,070,265	9,390,169
	After distribution	5,728,963	6,042,579	6,357,945	6,486,616	Note 2	-
Other equity items		1,406,520	418,067	1,128,785	2,351,119	1,950,952	2,292,827
Treasury stock		(63,086)	(29,834)	(29,834)	(29,834)	(29,834)	(29,834)
Equity Total		25,879,598	24,552,494	25,216,522	27,376,931	28,751,153	29,411,932

Financial Information

	on						
	After distributi on	25,182,699	24,147,892	24,8115,920	26,567,726	Note 2	-

Note 1: Figures after dividend distribution, as shown above, were determined after shareholder meeting resolutions of the following year.

Note 2: Earnings appropriation proposals for the year of 2018 has been passed by board of director and pending for the approval of shareholder meeting.

Note 3: All yearly financial information presented above has been audited.

Note 4: Financial information dated on March 31, 2019 has not yet been audited.

(3). Summary consolidated statement of comprehensive income -
IFRS-compliant

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years					As of the current year's Financial information as of March 31, 2019 (Note 1)
	2014	2015	2016	2017	2018	
Total revenues	44,350,318	36,971,097	34,435,310	36,537,343	42,493,927	9,871,285
Total expenses	42,314,303	35,894,046	33,176,612	34,962,834	38,858,219	9,352,309
Pre-tax profit	2,036,015	1,077,051	1,258,698	1,574,509	3,635,708	518,976
Net income from continuing operations	1,722,988	813,749	954,566	1,129,706	2,862,093	399,790
Current net income						
Current net income (loss)	1,722,988	813,749	954,566	1,129,706	2,862,093	399,790
Other current comprehensive income (net, after tax)	(153,274)	(1,083,636)	689,612	1,144,297	(498,921)	369,339
Total current comprehensive income	1,569,714	(269,887)	1,644,178	2,274,003	2,363,172	769,129
Net income attributable to parent company shareholders	1,365,358	748,989	748,248	964,726	2,457,937	322,028
Net income attributable to non-controlling shareholders	357,630	64,760	206,318	164,980	404,156	77,762
Comprehensive income attributable to parent company shareholders	1,269,587	(270,235)	1,430,686	2,160,210	1,956,753	662,961
Comprehensive income attributable to non-controlling shareholders	300,127	348	213,492	113,793	406,419	106,168
Per-share earnings	0.81	0.46	0.46	0.60	1.52	0.20

Note 1: Financial information dated on March 31, 2019 has not yet been audited.

Note 2: All annual financial information presented above has been audited.

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(4) Summary stand alone statement of comprehensive income - IFRS-compliant

Unit: NTD thousands

Year Item	Financial information for the last 5 years					Financial information as of March 31, 2019 (Note 1)
	2014	2015	2016	2017	2018	
Operating revenues	23,820,198	20,800,919	19,507,907	21,034,161	24,885,692	5,586,510
Gross profit	1,339,165	1,542,013	1,574,747	1,712,640	2,431,408	435,845
Operating profit	437,530	690,375	718,033	816,542	1,454,322	221,115
Non-operating income and expenses	983,329	142,338	150,698	319,657	1,313,324	155,495
Pre-tax profit	1,420,859	832,713	868,731	1,136,199	2,767,646	376,610
Net income from continuing operations	1,365,358	748,989	748,248	964,726	2,457,937	322,028
Current net income						
Loss from discontinued operations						
Current net income (loss)	1,365,358	748,989	748,248	964,726	2,457,937	322,028
Other comprehensive income for the current period (net, after-tax)	(95,771)	(1,019,224)	682,438	1,195,484	(501,184)	340,933
Total current comprehensive income	1,269,587	(270,235)	1,430,686	2,160,210	1,956,753	662,961
Per-share earnings	0.81	0.46	0.46	0.60	1.52	0.20

Note 1: Financial information dated on March 31, 2019 has not yet been audited.

Note 2: All annual financial information presented above has been audited.

(3) Names of financial statement auditors in the last 5 years and audit opinions

Year	2014	2015	2016	2017	2018
Certifying Accountant	Wang, Chin-Yen Shih, Chin-Chuan	Wang, Chin-Yen Shih, Chin-Chuan	Wang, Chin-Yen Shih, Chin-Chuan	Wang, Chin-Yen Shih, Chin-Chuan	Wang, Chin-Yen Shih, Chin-Chuan

CPAs issued the audit reports with the modified unqualified opinions in 2014 and 2015 and the unqualified opinions in 2016, 2017 and 2018.

2. Financial ratio analysis for the last 5 years

(1) Consolidated financial analysis - IFRS-compliant

Analysis \ Year		Financial analysis for the last 5 years					As of the current year's March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Financial position (%)	Debt to assets ratio	73.53	74.74	74.29	75.52	74.31	74.72
	Long-term capital to property, plants and equipment	216.89	199.39	205.56	212.24	231.21	246.01
Solvency %	Current ratio	108.03	101.99	91.24	89.25	89.98	91.03
	Quick ratio	101.02	96.15	85.83	84.69	84.10	85.31
	Interest coverage ratio	3.71	2.40	2.95	3.27	5.54	3.38
Operating efficiency	Receivables turnover (times)	5.68	5.39	5.03	4.61	4.96	4.51
	Average cash collection days	64	68	73	79	74	81
	Inventory turnover (times)	6.19	5.32	5.50	6.31	6.35	5.37
	Payables turnover (times)	9.09	10.27	8.83	6.84	7.05	6.55
	Average inventory turnover days	59	69	66	58	57	68
	Property, plant and equipment turnover (times)	1.99	1.61	1.48	1.58	1.93	1.84
	Total asset turnover (times)	0.30	0.26	0.24	0.23	0.27	0.24
Profitability	Return on assets (%)	1.85	1.12	1.14	1.24	2.43	1.57
	Return on equity (%)	5.02	2.42	2.88	3.27	7.91	4.28
	Pre-tax profit to paid-up capital (%)	12.24	6.65	7.78	9.73	22.46	12.83
	Net profit margin (%)	4.35	2.37	3.01	3.36	7.35	4.38
	Earnings per share (NTD)	0.81	0.46	0.46	0.60	1.52	0.20
Cash flow	Cash flow ratio (%)	2.21	5.35	16.05	2.78	4.89	3.19
	Cash flow adequacy ratio (%)	111.41	128.24	281.00	264.35	198.90	244.73
	Cash reinvestment ratio (%)	1.92	6.82	20.34	3.48	5.58	4.58
Degree of leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.00
	Financial leverage	1.30	1.36	1.35	1.32	1.23	1.37
Note 1: Financial information dated on March 31, 2019 has not yet been audited.							
		1、Interest coverage ratio: due to the increase of before-tax profit in 2018 compared with 2017.					
		2、Return on assets (%): due to the increase of net income in 2018 compared with 2017.					
		3、Return on equity: due to the increase of net income in 2018 compared with 2017.					
		4、Pre-tax profit to paid-up capital (%): due to the increase of before-tax profit in 2018 compared with 2017.					

Financial Information

	5、Net profit margin (%): due to the increase of net income in 2018 compared with 2017. 6、Earnings per share increased due to the increase of net income in 2018. 7、Cash flow ratio increased mainly due to the increase of cash inflow from operating activities in 2018 compared with 2017 and current liabilities reduced compared with 2017. 8、Cash reinvestment ratio increased mainly due to the increase of cash inflow from operating activities in 2018 compared with 2017. 9、Pre-tax profit to paid-up capital (%) increased due to the increase of before-tax profit in 2018. 10、Cash flow adequacy ratio declined mainly due to the increase in cash dividends in 2018.

1. Financial position

(1) Debt to asset ratio = total liabilities/ total assets.

(2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.

(3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating efficiency

(1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).

(2) Average cash collection days = 365 / receivables turnover.

(3) Inventory turnover = cost of sales/average inventory balance.

(4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).

(5) Average inventory turnover days = 365 / inventory turnover.

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.

(7) Total asset turnover = net sales/average total assets.

4. Profitability

(1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.

(2) Return on equity = net income / average shareholders' equity.

(3) Net profit margin = net income / net sales.

(4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

(1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.

(2) Degree of financial leverage = operating profit / (operating profit - interest expense).

(2) Standalone financial analysis - IFRS-compliant

Analysis \ Year		Financial analysis for the last 5 years					As of the current year's March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Financial position (%)	Debt to assets ratio	36.22	36.34	35.66	34.85	32.94	32.68
	Long-term capital to property, plants and equipment	497.27	460.69	458.39	455.34	481.26	484.01
Solvency %	Current ratio	115.81	115.60	112.51	110.78	123.26	122.51
	Quick ratio	66.57	71.47	71.50	79.70	76.40	74.95
	Interest coverage ratio	10.51	6.80	8.17	10.92	23.16	13.31
Operating efficiency	Receivables turnover (times)	8.25	7.55	8.09	8.00	9.14	7.92
	Average cash collection days	44	48	45	46	40	46
	Inventory turnover (times)	8.23	7.12	7.13	8.36	8.27	6.12
	Payables turnover (times)	20.01	18.45	12.70	11.29	13.16	10.75
	Average inventory turnover days	44	51	51	44	44	60
	Property, plant and equipment turnover (times)	3.41	2.92	2.65	2.74	3.33	2.96
	Total asset turnover (times)	0.59	0.54	0.49	0.50	0.58	0.51
Profitability	Return on assets (%)	3.71	2.19	2.17	2.59	6.03	3.20
	Return on equity (%)	5.27	2.97	2.98	3.64	8.76	4.43
	Pre-tax profit to paid-up capital (%)	8.54	5.15	5.37	7.02	17.10	5.46
	Net profit margin (%)	5.73	3.60	3.84	4.59	9.88	5.76
	Earnings per share (NTD)	0.81	0.46	0.46	0.60	1.52	0.20
Cash flow	Cash flow ratio (%)	10.07	37.08	29.26	12.42	20.47	-
	Cash flow adequacy ratio (%)	51.45	66.23	120.21	100.80	84.26	66.11
	Cash reinvestment ratio (%)	-	3.30	3.01	1.03	1.29	-
Degree of leverage	Operating leverage	14.71	9.58	8.43	7.74	4.55	6.74
	Financial leverage	1.52	1.26	1.20	1.16	1.09	1.16

Financial Information

	Note 1: Financial information dated on March 31, 2019 has not yet been audited. 1. Interest coverage ratio: due to the increase of before-tax profit in 2018 compared with 2017. 2. Return on equity: due to the increase of net income in 2018 compared with 2017. 3. Pre-tax profit to paid-up capital (%): due to the increase of before-tax profit in 2018 compared with 2017. 4. Earnings per share increased due to the increase of net income in 2018. 5. Cash flow ratio increased mainly due to the increase of cash inflow from operating activities in 2018 compared with 2017. 6. Cash reinvestment ratio increased mainly due to the increase of cash inflow from operating activities in 2018 compared with 2017.

1. Financial position

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

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating efficiency

- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average cash collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of sales/average inventory balance.
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
- (7) Total asset turnover = net sales/average total assets.

4. Profitability

- (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
- (2) Return on equity = net income / average shareholders' equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross

property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

(1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.

(2) Degree of financial leverage = operating profit / (operating profit - interest expense).

3. Audit Committee's Report in the Most Recent Year

Shinkong Synthetic Fibers Corp. Audit Committee Report

This is to certify that

The consolidated and parent company only financial statements for the year of 2018 that were audited by independent auditors, Wang, Chin-Yen and Shih, Chin-Chuan, of Deloitte & Touche with independent auditors' reports issued, as well as the business report and earnings appropriation proposals for the year of 2018 have been reviewed and determined to be accurate by the Audit Committee. According to Article 36 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Please
proceed with the approval

For

Shinkong Synthetic Fibers Corp. 2019 Annual Shareholder Meeting

Members of Audit Committee:

Hsien Der Chiu

Yung Ching Tsai

Jung Cheng Tseng

March 25, 2019

4. Latest Financial Statements

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2018, as provided in International Financial Reporting Standards 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SHINKONG SYNTHETIC FIBERS CORPORATION

By

March 25, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Shinkong Synthetic Fibers Corporation

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2018 are as follows:

Assessment of Impairment Loss of Inventories

Changes in technology may result in slow-moving or obsolete inventories, or cause the net realizable value of inventories to be lower than the cost due to the decline in selling price. Since the balance of inventories is significantly large in the consolidated financial statements for the year ended December 31, 2018 and assessment of impairment involves management's judgment, the assessment of impairment loss of inventories has been deemed as a key audit matter.

We understood the effectiveness of the following internal control operations:

1. Whether the loss on impairment of inventory was recognized according to the Group's policy regularly.
2. Whether the assessment on impairment of inventory was reviewed by responsible personnel.

We obtained the data on the assessment of impairment of inventories to check whether the policy of Shinkong Synthetic Fibers Corporation is complied with and whether the calculations were reasonable. We sampled the inventory list on the balance sheet date to verify the selling price data used to evaluate the net realizable value. We evaluated the reasonableness of inventory impairment by performing physical inspection, testing the inventory aging, and comparing the historical levels of write-offs against the amounts stated.

For other relevant disclosures, refer to Note 4(f): Summary of significant accounting policies, Note 5(c): Critical accounting judgments and key sources of estimation uncertainty and Note 16.

Allowance for Expected Credit Loss on Loans

Taipei Star Bank, the financial securities department of the Group, measures the allowance for expected credit loss on loans to reflect the estimation of expected credit loss, and takes into consideration whether credit risk has increased significantly since initial recognition and the impact of the default rate and default loss rate estimated using observable data and historical default experience data. The balance of allowance for expected credit loss on loans as of December 31, 2018 was \$561,585 thousand, representing 1.17% of total loans, and the gain on reversal of expected credit loss recognized in the consolidated statements of comprehensive income was \$29,085 thousand for the year ended December 31, 2018. Since the assessment of allowance for expected credit loss of loans involves management's significant judgments such as estimates and assumptions, the allowance for expected credit loss on loans was deemed to be a key audit matter.

We understood the internal controls related to the assessment of allowance for expected credit loss on loans.

We identified companies that might default on loan payments by reviewing publicly

available information and confirmed if such companies are the counterparties of Shinkong Synthetic Fibers Corporation and if they have been individually assessed. With respect to individually assessed expected credit losses on loans, we sampled the loans with significant expected credit losses and assessed the reasonableness of estimates of future expected cash flows. With respect to collectively assessed expected credit losses on loans, we assessed the reasonableness of significant assumptions and inputs used in the calculation of expected credit loss, whether they are in line with the actual situation and historical experience. We also sampled and examined the appropriateness of classification of loans and assessed if the calculation of the allowance for expected credit loss on loans was in accordance with related laws and rules from the authorities.

For other relevant disclosures, refer to Notes 17 and 45.

Other Matter

We did not audit the financial statements of Shinpont Industry Inc., a subsidiary included in the consolidated financial statements of the Group, as of and for the year ended December 31, 2017, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for Shinpont Industry Inc., is based solely on the report of other auditors. As of December 31, 2017, the total assets of Shinpont Industry Inc. was \$1,144,958 thousand, representing 0.79% of consolidated total assets, and total liabilities was \$176,556 thousand, representing 0.16% of consolidated total liabilities. For the year ended December 31, 2017, total comprehensive income was \$292,722 thousand, representing 12.87% of consolidated total comprehensive income.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the 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 consolidated financial statements.

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

entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with 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 consolidated financial statements for the year ended December 31, 2018 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 Chin-Yen Wang and Chin-Chuan Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

Notice to Readers

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

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

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4, 6 and 40)	\$ 6,707,050	5	\$ 6,671,307	5
Due from the Central Bank and call loans to other banks (Note 7)	2,954,330	2	3,178,949	2
Financial assets at fair value through profit or loss - current (Notes 3, 4, 8 and 40)	1,512,211	1	1,840,699	1
Financial assets at fair value through other comprehensive income - current (Notes 3, 4, 9, 40 and 42)	3,296,399	2	-	-
Available-for-sale financial assets - current (Notes 3, 4, 11, 40 and 42)	-	-	3,776,991	3
Financial assets at amortized cost - current (Notes 3, 4, 10, 40 and 42)	1,128,594	1	-	-
Financial assets measured at cost - current (Notes 3, 4 and 14)	-	-	-	-
Bills and bonds purchased under resale agreements (Notes 4 and 12)	5,170,276	4	6,884,863	5
Other financial assets - current (Notes 40 and 42)	140,480	-	1,100,354	1
Notes receivable, net (Notes 3, 4, 5, 15, 40 and 41)	749,034	-	675,415	-
Trade receivables, net (Notes 3, 4, 5, 15, 40 and 41)	6,782,797	5	7,499,561	5
Other receivables (Notes 3, 4, 5, 15, 40 and 41)	770,094	1	475,925	-
Margin loans receivable	3,362,119	2	4,811,546	3
Customer margin accounts	650,258	-	530,141	-
Inventories (Notes 4, 5, 16 and 24)	5,396,381	4	3,972,773	3
Prepayments	319,769	-	560,814	-
Other current assets (Note 24)	1,114,002	1	806,081	1
Discounts and loans, net (Notes 17 and 41)	<u>47,402,725</u>	<u>33</u>	<u>45,923,574</u>	<u>32</u>
Total current assets	<u>87,456,519</u>	<u>61</u>	<u>88,708,993</u>	<u>61</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4, 9, 40 and 42)	6,721,618	5	-	-
Available-for-sale financial assets - non-current (Notes 3, 4, 11, 40 and 42)	-	-	6,676,086	5
Held-to-maturity financial assets - non-current (Notes 3, 4, 13, 40 and 42)	-	-	21,195,933	15
Financial assets at amortized cost - non-current (Notes 3, 4, 10, 40 and 42)	22,788,498	16	-	-
Financial assets measured at cost - non-current (Notes 3, 4 and 14)	-	-	244,023	-
Investments accounted for using the equity method (Notes 4, 19 and 41)	966,326	1	888,952	1
Other financial assets - non-current (Notes 40 and 42)	143,116	-	-	-
Property, plant and equipment (Notes 4, 20 and 42)	20,186,685	14	21,230,695	15
Investment properties (Notes 4, 21 and 42)	2,127,997	1	2,142,375	1
Goodwill (Notes 4 and 22)	280,248	-	279,945	-
Other intangible assets (Note 4)	13,641	-	12,974	-
Deferred tax assets (Notes 4 and 35)	382,820	-	421,072	-
Other non-current assets (Notes 24 and 42)	2,502,279	2	2,350,816	2
Operating deposits and settlement funds (Note 23)	<u>294,579</u>	<u>-</u>	<u>303,947</u>	<u>-</u>
Total non-current assets	<u>56,407,807</u>	<u>39</u>	<u>55,746,818</u>	<u>39</u>
TOTAL	<u>\$ 143,864,326</u>	<u>100</u>	<u>\$ 144,455,811</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 25, 40 and 42)	\$ 5,864,128	4	\$ 4,433,225	3
Short-term bills payable (Notes 25 and 40)	2,289,412	2	4,443,967	3
Bills and bonds sold under repurchase agreements (Notes 4 and 12)	3,714,367	3	4,929,245	4
Financial liabilities at fair value through profit or loss - current (Notes 4, 8 and 40)	12,890	-	6,858	-
Other financial liabilities - current (Notes 27 and 40)	20,209	-	19,249	-
Due to the Central Bank and other banks	6,129,929	4	6,086,687	4
Notes payable (Notes 28 and 40)	236,990	-	312,480	-
Trade payables (Notes 28 and 40)	4,325,239	3	4,936,502	4
Other payables (Notes 30 and 40)	2,006,876	1	1,815,968	1
Securities financing refundable deposits (Note 4)	935,069	1	904,425	1
Deposits payable for securities financing (Note 4)	1,013,811	1	974,010	1
Futures traders' equity	649,712	-	529,744	-
Current tax liabilities (Note 35)	389,366	-	276,979	-
Current portion of long-term borrowings and bonds payable (Notes 4, 25, 40 and 42)	1,282,051	1	1,835,385	1
Other current liabilities (Notes 4 and 30)	492,025	-	473,086	-
Deposits and remittances (Notes 29 and 41)	<u>67,829,408</u>	<u>47</u>	<u>67,419,010</u>	<u>47</u>
Total current liabilities	<u>97,191,482</u>	<u>67</u>	<u>99,396,820</u>	<u>69</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 26 and 40)	1,330,000	1	1,000,000	1
Long-term borrowings (Notes 25, 40 and 42)	6,392,629	4	6,576,192	4
Other financial liabilities - non-current (Notes 27 and 40)	5,207	-	25,416	-
Provisions - non-current (Notes 4 and 31)	665,002	1	910,009	1
Guarantee deposits received (Note 30)	53,752	-	48,341	-
Other non-current liabilities (Notes 4 and 30)	27,719	-	36,119	-
Deferred tax liabilities (Notes 4 and 35)	<u>1,233,353</u>	<u>1</u>	<u>1,094,409</u>	<u>1</u>
Total non-current liabilities	<u>9,707,662</u>	<u>7</u>	<u>9,690,486</u>	<u>7</u>
Total liabilities	<u>106,899,144</u>	<u>74</u>	<u>109,087,306</u>	<u>76</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 33)				
Share capital	<u>16,184,093</u>	<u>11</u>	<u>16,184,093</u>	<u>11</u>
Capital surplus	<u>1,575,677</u>	<u>1</u>	<u>1,575,732</u>	<u>1</u>
Retained earnings				
Legal reserve	1,082,892	1	986,420	1
Special reserve	2,723,600	2	2,723,600	2
Unappropriated earnings	<u>5,263,773</u>	<u>3</u>	<u>3,585,801</u>	<u>2</u>
Total retained earnings	<u>9,070,265</u>	<u>6</u>	<u>7,295,821</u>	<u>5</u>
Other equity	<u>1,950,952</u>	<u>2</u>	<u>2,351,119</u>	<u>2</u>
Treasury shares	<u>(29,834)</u>	<u>-</u>	<u>(29,834)</u>	<u>-</u>
Total equity attributable to owners of the Company	28,751,153	20	27,376,931	19
NON-CONTROLLING INTERESTS	<u>8,214,029</u>	<u>6</u>	<u>7,991,574</u>	<u>5</u>
Total equity	<u>36,965,182</u>	<u>26</u>	<u>35,368,505</u>	<u>24</u>
TOTAL	<u>\$ 143,864,326</u>	<u>100</u>	<u>\$ 144,455,811</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
REVENUE (Notes 4, 19, 34, 41 and 44)				
Interest income	\$ 1,693,900	4	\$ 1,459,427	4
Fee income	855,099	2	662,765	2
Share of profit of associates and joint ventures	59,782	-	38,342	-
Gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	18,785	-	33,984	-
Realized gain on available-for-sale financial assets	-	-	135,027	1
Realized gain on financial assets at fair value through other comprehensive income	18,952	-	-	-
Net sales	38,916,006	92	33,623,083	92
Rental income	139,434	-	109,512	-
Net gain on disposal of financial assets	6,512	-	-	-
Gain on disposal of property, plant and equipment	-	-	8,824	-
Gain on disposal of investment properties	2,301	-	11,951	-
Gain on foreign currency exchange	218,205	1	-	-
Other revenue	555,154	1	453,639	1
Gain on sale of collaterals assumed	9,797	-	789	-
Total revenues	42,493,927	100	36,537,343	100
EXPENSES (Notes 4, 16, 20, 34, 41 and 44)				
Interest expense	800,934	2	692,488	2
Bad debt expense, commitments and guarantee liability provisions	(30,374)	-	-	-
Cost of goods sold	34,570,808	81	30,737,555	84
Rental cost	21,277	-	16,978	-
Operating expenses				
Selling and marketing expenses	761,031	1	747,218	2
General and administrative expenses	2,081,214	5	1,816,400	5
Research and development expenses	355,649	1	371,407	1
Total operating expenses	3,197,894	7	2,935,025	8
Loss on disposal of financial assets	-	-	8,467	-
Loss on disposal of property, plant and equipment	37,524	-	-	-
Other expenses	224,493	1	205,721	1
Impairment loss	-	-	28,419	-
Expected credit loss	35,663	-	-	-
Loss on foreign currency exchange	-	-	338,181	1
Total expenses	38,858,219	91	34,962,834	96

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 3,635,708	9	\$ 1,574,509	4
INCOME TAX EXPENSE (Notes 4 and 35)	<u>773,615</u>	<u>2</u>	<u>444,803</u>	<u>1</u>
NET PROFIT FROM CONTINUING OPERATIONS	<u>2,862,093</u>	<u>7</u>	<u>1,129,706</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>2,862,093</u>	<u>7</u>	<u>1,129,706</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 3, 4, 33 and 35)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(29,438)	-	(32,476)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(335,810)	(1)	-	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(22,935)	-	260	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,456)</u>	<u>-</u>	<u>5,557</u>	<u>-</u>
	<u>(390,639)</u>	<u>(1)</u>	<u>(26,659)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(99,743)	-	(70,662)	-
Unrealized gain on available-for-sale financial assets	-	-	967,783	2
Loss on investments in debt instruments at fair value through other comprehensive income	(8,539)	-	-	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	<u>-</u>	<u>-</u>	<u>273,835</u>	<u>1</u>
	<u>(108,282)</u>	<u>-</u>	<u>1,170,956</u>	<u>3</u>
Other comprehensive income (loss) for the year	<u>(498,921)</u>	<u>(1)</u>	<u>1,144,297</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,363,172</u>	<u>6</u>	<u>\$ 2,274,003</u>	<u>6</u>

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,457,937	6	\$ 964,726	3
Non-controlling interests	<u>404,156</u>	<u>1</u>	<u>164,980</u>	<u>-</u>
	<u>\$ 2,862,093</u>	<u>7</u>	<u>\$ 1,129,706</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,956,753	5	\$ 2,160,210	6
Non-controlling interests	<u>406,419</u>	<u>1</u>	<u>113,793</u>	<u>-</u>
	<u>\$ 2,363,172</u>	<u>6</u>	<u>\$ 2,274,003</u>	<u>6</u>
EARNINGS PER SHARE (Note 36)				
Basic	<u>\$ 1.52</u>		<u>\$ 0.60</u>	
Diluted	<u>\$ 1.52</u>		<u>\$ 0.60</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

(Concluded)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											
						Other Equity			Treasury Shares	Total	Non-controlling Interests	Total Equity
						Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings							
			Legal Reserve	Special Reserve								
BALANCE AT JANUARY 1, 2017	\$ 16,184,093	\$ 1,575,533	\$ 911,595	\$ 2,723,600	\$ 3,127,352	\$ 67,829	\$ 1,060,956	\$ -	\$ (29,834)	\$ 25,621,124	\$ 8,063,296	\$ 33,684,420
Appropriation of 2016 earnings												
Legal reserve	-	-	74,825	-	(74,825)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(404,602)	-	-	-	-	(404,602)	-	(404,602)
Other changes in capital surplus												
Actual partial acquisition of interests in subsidiaries	-	199	-	-	-	-	-	-	-	199	(199)	-
Net profit for the year ended December 31, 2017	-	-	-	-	964,726	-	-	-	-	964,726	164,980	1,129,706
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(26,850)	(68,974)	1,291,308	-	-	1,195,484	(51,187)	1,144,297
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	937,876	(68,974)	1,291,308	-	-	2,160,210	113,793	2,274,003
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(185,316)	(185,316)
BALANCE AT DECEMBER 31, 2017	16,184,093	1,575,732	986,420	2,723,600	3,585,801	(1,145)	2,352,264	-	(29,834)	27,376,931	7,991,574	35,368,505
Effect of retrospective application	-	-	-	-	232,386	-	(2,352,264)	2,346,799	-	226,921	138,816	365,737
BALANCE AT JANUARY 1, 2018 AS RESTATED	16,184,093	1,575,732	986,420	2,723,600	3,818,187	(1,145)	-	2,346,799	(29,834)	27,603,852	8,130,390	35,734,242
Appropriation of 2017 earnings												
Legal reserve	-	-	96,472	-	(96,472)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(809,205)	-	-	-	-	(809,205)	-	(809,205)
Other changes in capital surplus												
Changes in percentage of ownership interest in subsidiaries	-	(55)	-	-	(4)	-	-	-	-	(59)	59	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	-	(188)	-	-	-	-	(188)	-	(188)
Net profit for the year ended December 31, 2018	-	-	-	-	2,457,937	-	-	-	-	2,457,937	404,156	2,862,093
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(20,332)	(91,087)	-	(389,765)	-	(501,184)	2,263	(498,921)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	2,437,605	(91,087)	-	(389,765)	-	1,956,753	406,419	2,363,172
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(322,839)	(322,839)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income/associates' and joint ventures' disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(86,150)	-	-	86,150	-	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 16,184,093	\$ 1,575,677	\$ 1,082,892	\$ 2,723,600	\$ 5,263,773	\$ (92,232)	\$ -	\$ 2,043,184	\$ (29,834)	\$ 28,751,153	\$ 8,214,029	\$ 36,965,182

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017****(In Thousands of New Taiwan Dollars)**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,635,708	\$ 1,574,509
Adjustments for:		
Depreciation expenses	1,840,850	1,748,617
Amortization expenses	4,133	3,671
Expected credit loss recognized on trade receivables	5,289	-
Net gain on fair value changes of financial assets at fair value through profit or loss	(18,785)	(33,984)
Finance costs	800,934	692,488
Interest income	(1,693,900)	(1,459,427)
Share of profit of associates and joint ventures	(59,782)	(38,342)
Loss (gain) on disposal and retirement of property, plant and equipment	37,524	(8,824)
Gain on disposal of investment properties	(2,301)	(11,951)
Net gain on disposal of financial assets	(25,464)	(126,560)
Impairment loss recognized on financial assets	-	28,419
Impairment loss recognized on property, plant and equipment	10,996	73,925
Net (gain) loss on foreign currency exchange	(49,217)	294,092
Gain on disposal of collaterals assumed	(9,797)	(789)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	224,619	320,956
Financial assets at fair value through profit or loss	526,238	(792,319)
Notes and trade receivables	726,184	(2,312,553)
Margin loan receivables	1,449,427	(1,603,907)
Customer margin accounts	(120,117)	(90,702)
Inventories	(1,461,925)	281,189
Prepayments	262,485	(93,928)
Other current assets	(269,604)	(636,449)
Discounts and loans	(1,450,066)	(1,910,879)
Due to the Central Bank and other banks	43,242	483,572
Other payables	(491,196)	1,438,832
Securities financing refundable deposits	30,644	253,884
Deposits and remittances	410,398	4,051,255
Deposits payable for securities financing	39,801	269,425
Futures traders' equity	119,968	90,651
Other current liabilities	5,506	(127,045)
Employee benefits provisions	(265,241)	(108,930)
Cash generated from operations	4,256,551	2,248,896
Interest received	1,775,669	1,534,008
Interest paid	(790,995)	(674,927)
Income tax paid	(486,873)	(342,175)
Net cash generated from operating activities	<u>4,754,352</u>	<u>2,765,802</u>

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (1,479,940)	\$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	2,602,179	-
Return of capital on financial assets at fair value through other comprehensive income	152	-
Purchase of financial assets at amortized cost	(99,785,341)	-
Proceeds from sale of financial assets at amortized cost	96,528,558	-
Purchase of available-for-sale financial assets	-	(1,090,952)
Proceeds from sale of available-for-sale financial assets	-	1,618,954
Return of capital on available-for-sale financial assets	-	2,609
Purchase of held-to-maturity financial assets	-	(95,027,924)
Proceeds from sale of held-to-maturity financial assets	-	92,004,129
Purchase of financial assets measured at cost	-	(4,159)
Acquisition of associates	(45,000)	-
Payments for property, plant and equipment	(1,073,428)	(1,638,343)
Proceeds from disposal of property, plant and equipment	4,254	35,307
Increase in operating deposits	-	(1,068)
Decrease in operating deposits	9,368	-
Decrease in refundable deposits	126	13,846
Payments for intangible assets	(4,800)	-
Payments for investment properties	-	(112)
Proceeds from disposal of investment properties	6,199	62,971
Increase in bills and bonds purchased under resale agreements	-	(1,499,897)
Decrease in bills and bonds purchased under resale agreements	1,714,587	-
Increase in other receivables	(270,380)	-
Decrease in other receivables	-	21,290
Decrease in other financial assets	763,470	318,831
Increase in other assets	(283,489)	(98,262)
Dividends received from associates and joint ventures	4,285	3,650
Net cash used in investing activities	(1,309,200)	(5,279,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,430,903	383,879
Increase in short-term bills payable	-	2,050,698
Decrease in short-term bills payable	(2,154,555)	-
Proceeds from issuance of corporate bonds	330,000	500,000
Increase in other borrowings	-	421,989
Decrease in other borrowings	(736,897)	-
Increase in bills and bonds sold under repurchase agreements	-	1,895,462
Decrease in bills and bonds sold under repurchase agreements	(1,214,878)	-
Increase in guarantee deposits received	5,411	-
Decrease in guarantee deposits received	-	(16,380)

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017****(In Thousands of New Taiwan Dollars)**

	2018	2017
Increase in other financial liabilities	\$ -	\$ 44,665
Decrease in other financial liabilities	(19,249)	-
Decrease in other non-current liabilities	(8,400)	(9,820)
Dividends paid to owners of the Company	(809,205)	(404,602)
Changes in non-controlling interests	<u>(322,839)</u>	<u>(185,316)</u>
Net cash generated from (used in) financing activities	<u>(3,499,709)</u>	<u>4,680,575</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>90,300</u>	<u>(132,360)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,743	2,034,887
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,671,307</u>	<u>4,636,420</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,707,050</u>	<u>\$ 6,671,307</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

(Concluded)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Shinkong Synthetic Fibers Corporation (“SSF” or “the Company”) was established in the Republic of China (ROC) in 1967 with an initial capital of \$22,500 thousand. As of December 31, 2018, SSF’s paid-in capital had increased to \$16,184,093 thousand. SSF manufactures and sells polyester polymers, polyester staple fibers, polyester textured yarns, polyester chips, pre-oriented yarns, polyester flat yarns, polyethylene terephthalate (PET) resins used in PET bottles and polyester base films. The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since August 1973.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 25, 2019.

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 Financial Supervisory Commission (FSC)

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

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

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

Financial Information

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 6,671,307	\$ 6,671,307	d)
Convertible Bond Asset Swap	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	913,592	913,592	-
Derivatives	Held-for-trading	Mandatorily at FVTPL	1,306	1,306	-
Equity securities	Held-for-trading	Mandatorily at FVTPL	56,086	56,086	-
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	7,809,381	8,178,261	a)
Mutual funds	Available-for-sale	Mandatorily at FVTPL	160,421	160,421	b)
Debt securities	Held-for-trading	Mandatorily at FVTPL	869,715	869,715	-
	Available-for-sale	Mandatorily at FVTPL	6,000	6,000	c)
	Available-for-sale	FVTOCI - debt instruments	2,721,298	2,721,298	c)
	Held-to-maturity	FVTOCI - debt instruments	584,149	586,095	c)
	Held-to-maturity	Amortized cost	20,611,784	20,606,695	c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	8,650,901	8,650,901	d)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Non-controlling Interests Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ 1,840,699							
Add: Reclassification from available-for-sale (IAS 39)	-	\$ 166,421	\$ -					
Required reclassification	<u>1,840,699</u>	<u>166,421</u>	<u>-</u>	\$ 2,007,120	\$ 15,571	(\$ 15,571)	\$ -	b), c)
<u>FVTOCI</u>	-							
Debt instruments								
Add: Reclassification from held-to-maturity (IAS 39)	-	584,149	1,946					
Add: Reclassification from available-for-sale (IAS 39)	-	2,721,298	-					
Equity instruments								
Add: Reclassification from available-for-sale (IAS 39)	-	7,809,381	368,880					
<u>Amortized cost</u>	-	<u>11,114,828</u>	<u>370,826</u>	11,485,654	218,192	10,106	142,528	a), c)
Add: Reclassification from held-to-maturity (IAS 39)	-	20,611,784	(5,089)					
Add: Reclassification from loans and receivables (IAS 39)	-	15,322,208	-					
	-	35,933,992	(5,089)	35,928,903	(1,377)	-	(3,712)	c), d)
Investments accounted for using the equity method	<u>888,952</u>	<u>-</u>	<u>-</u>	<u>888,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	e)
	<u>\$ 2,729,651</u>	<u>\$ 47,215,241</u>	<u>\$ 365,737</u>	<u>\$ 50,310,629</u>	<u>\$ 232,386</u>	<u>(\$ 5,465)</u>	<u>\$ 138,816</u>	

- a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of \$2,073,189 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$368,880 thousand was recognized in financial assets at FVTPL, and an increase of \$227,772 thousand and \$141,108 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and in non-controlling interests, respectively, on January 1, 2018.

The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$218,484 thousand and \$32 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and in non-controlling interests, respectively, and an increase of \$218,484 thousand

and \$32 thousand in retained earnings and in non-controlling interests, respectively, on January 1, 2018.

- b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of \$15,709 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and an increase of \$15,709 thousand in retained earnings on January 1, 2018.
- c) Corporate bond investments previously classified as available-for-sale financial assets under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because on January 1, 2018, the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of \$138 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and a decrease of \$138 thousand in retained earnings on January 1, 2018.

Debt investments previously classified as available-for-sale financial assets under IAS 39 were classified mandatorily as at FVTOCI under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As a result of retrospective application, the related adjustments comprised an increase in other equity - unrealized gain (loss) on available-for-sale financial assets of \$292 thousand and a decrease in retained earnings of \$292 thousand on January 1, 2018.

Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. As a result of retrospective application, the related adjustments comprised an increase in the loss allowance of \$5,089 thousand, and a decrease in retained earnings of \$1,377 thousand and a decrease in non-controlling interests of \$3,712 thousand on January 1, 2018.

Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As a result of retrospective application, the related adjustments comprised an increase in other equity - unrealized gain (loss) on financial assets at FVTOCI of \$526 thousand and an increase in non-controlling interests of \$1,420 thousand on January 1, 2018.

- d) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- e) As a result of the retrospective application of IFRS 9 by associates, other equity - unrealized gain (loss) on available-for-sale financial assets of \$296,134 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

Financial Information

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

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

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

For a sale with a right of return, the Group recognizes a refund liability (i.e. other liabilities) and a right to recover a product (i.e. other assets) when recognizing revenue. Prior to the application of IFRS 15, return provisions and inventories - return receivables were recognized when recognizing revenue.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018 was not material.

- c. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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

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

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

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

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

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

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued expenses. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

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

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

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The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Property, plant and equipment	\$ 20,186,685	\$ (51,236)	\$ 20,135,449
Prepayments	319,769	(1,947)	317,822
Other assets - prepayments for leases	1,202,732	(1,202,732)	-
Right-of-use assets	<u>-</u>	<u>2,778,045</u>	<u>2,778,045</u>
Total effect on assets	<u>\$ 21,709,186</u>	<u>\$ 1,522,130</u>	<u>\$ 23,231,316</u>
Lease liabilities - current	\$ -	\$ 253,824	\$ 253,824
Lease liabilities - non-current	-	1,301,627	1,301,627
Other financial liabilities - current	20,209	(20,209)	-
Other financial liabilities - non-current	5,207	(5,207)	-
Other liabilities	<u>492,025</u>	<u>(3,647)</u>	<u>488,378</u>
Total effect on liabilities	<u>\$ 517,441</u>	<u>\$ 1,526,388</u>	<u>\$ 2,043,829</u>
Retained earnings	<u>\$ 5,263,773</u>	<u>\$ (4,258)</u>	<u>\$ 5,259,515</u>
Total effect on equity	<u>\$ 5,263,773</u>	<u>\$ (4,258)</u>	<u>\$ 5,259,515</u>

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

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

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

Note 2: The Group shall apply these amendments to business combinations for which the

acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

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, are described as follows:

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and

Financial Information

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

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

d. Basis of consolidation

- Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Before 2018, the fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of available-for-sale financial assets or financial assets at fair value through profit or loss or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture. Starting from 2018, the fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

See Note 18 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries, associates, and branches in other countries that use currencies which are different from the currency of the Company) 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 the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

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

f. Inventories

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

g. Investment in associates and joint ventures

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

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive

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income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates and joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture 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 Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

h. 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. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

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

Investment properties under construction are measured at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditure

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 40.

ii. 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 and cash equivalents, time deposits with original maturities of more than 3 months, notes receivable, trade receivables and other receivables at amortized cost, margin loans receivable, securities purchased and sold under resale and repurchase agreements and overdue receivables, 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.

Financial Information

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.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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 Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

For securities purchased under resale agreements, the actual amount paid to the counterparty is treated as a financing transaction. For securities sold under repurchase agreements, the actual amount received from the counterparty and the related interest revenue or interest expense is recognized on an accrual basis.

Margin loans pertain to provision of funds to customers for them to buy securities. Margin loans receivable represents the amount loaned to customers. The securities bought by customers are used to secure these loans and are recorded through memo entries as "collateral securities." The collateral securities are returned when the loans are repaid.

2017

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on such a financial asset. Fair value is determined in the manner described in Note 40.

Investments in equity instruments under financial assets at FVTPL that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii. Held-to-maturity investments

Domestic and foreign corporate debentures, financial debentures and government debentures, which have credit ratings above a specific credit rating and which the Group has a positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii. Available-for-sale financial assets

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

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

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

Financial Information

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

iv. Loans and receivables

Loans and receivables (including trade receivables, margin loans receivable, securities purchased and sold under resale and repurchase agreements, cash and cash equivalents, debt investments with no active market, and overdue receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

For securities purchased under resale agreements, the actual amount paid to the counterparty is treated as a financing transaction. For securities sold under repurchase agreements, the actual amount received from the counterparty and the related interest revenue or interest expense is recognized on the accrual basis.

Margin loans pertain to provision of funds to customers for them to buy securities. Margin loans receivable represents the amount loaned to customers. The securities bought by customers are used to secure these loans and are recorded though memo entries as “collateral securities.” The collateral securities are returned when the loans are repaid.

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

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

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

In addition, the MOF regulations also require that credit assets be classified as normal assets, assets that require special mention, substandard assets, assets with doubtful collection, and assets on which there is loss, and the minimum allowance for credit losses and reserve for losses on guarantees for these assets should be 1%, 2%, 10%, 50%, and 100% of outstanding credits, respectively. According to FSC Rule No. 10010006830, the minimum allowance for credit losses and reserve for losses on guarantees for the normal assets should be 1%. According to FSC Rule No. 10300329440, allowance for doubtful accounts should not be lower than 1.5%.

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

2017

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

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

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

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

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

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

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

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In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

In accordance with the regulations issued by the Ministry of Finance (MOF), Taipei Star Bank provides for an allowance for losses on loans that is based on the risk of loss on particular loans and the risk of loss on the overall loans portfolio (excluding particular loans). The risk of loss on particular loans is evaluated on the basis of the borrowers'/clients' financial conditions and delinquency record on interest payments. After assessing the value of collaterals provided for certain loans, the recoverability of credit assets is assessed.

The MOF regulations also require that credit assets be classified as normal assets, assets that require special mention, substandard assets, assets with doubtful collection, and assets on which there is loss, and the minimum allowance for credit losses and reserve for losses on guarantees for these assets should be 1%, 2%, 10%, 50%, and 100% of outstanding credits, respectively. According to FSC Rule No. 10010006830, the minimum allowance for credit losses and reserve for losses on guarantees for the normal assets should be 1%. According to FSC Rule No. 10300329440, allowance for doubtful accounts should not be less than 1.5%.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss 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 a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 40.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, cross-currency swap contracts and convertible bonds assets swap.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instruments is negative, the derivative is recognized as a financial liability.

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Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, 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.

n. Collaterals assumed

Collaterals assumed by Taipei Star Bank are recorded at the book value and evaluated at fair value at the end of the period. An impairment loss is recognized when the book value of collaterals exceeds the fair value. According to the Rules of the FSC, collaterals are not disposed until the end of statutory holding period, but they must be evaluated for impairment loss.

o. Securities financing guarantee deposits-in and payable for securities financing guarantee

SKIS provides financing to customers for short sale of pledged securities on margin loans or short sale of securities borrowed from securities finance companies. The proceeds from short sale of securities borrowed by customers, net of commissions and securities transaction tax, are retained by SKIS and recorded as “deposit payable for securities financing.” In addition, the SFB requires that customers should make guarantee deposits to the Corporation or provide securities in lieu of cash deposits, which are recorded as “securities financing guarantee deposits.” The securities borrowed by the customers are recorded by memo entry. The guarantee deposit and the proceeds from short sale of securities will be returned to the customers as the customers redeem their credit.

p. Provisions

Provisions, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

q. Revenue recognition

2018

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of goods. Sales of goods 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. Trade receivables are recognized concurrently.

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

2) Revenue from the rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized with reference to the stage of completion of the contract.

3) Dividend and interest income

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

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

4) Revenue from the finance and securities segment

SKIS, SKIC, SKIA, and SKPIA identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue of Taipei Star Bank is recognized as follows:

a) Interest income

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

b) Service fees

Service fees are recorded as income upon receipt and substantial completion of activities involved in the earnings process.

c) Dividend income

Dividend income on investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to Taipei Star Bank and the amount of income can be measured reliably.

2017

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

Financial Information

1) Revenue from the sale of goods

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

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

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

Revenue from the sale of property in the ordinary course of business is recognized when the construction is completed and the property is transferred to the buyer. Until such revenue is recognized, deposits and installment payments received from sales of properties are carried in the consolidated balance sheets under current liabilities.

2) Revenue from the rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized with reference to the stage of completion of the contract.

3) Dividend and interest income

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

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

Revenue recognition of SKIS, SKIC, SKIA, and SKPIA:

- a) Brokerage commission is recognized on the trading day.
- b) Interest on margin loans and bonds purchased under resale agreements are accrued according to the term stated in the financing and trading contract.
- c) Purchasing commission is recognized when the commission is received; underwriting commission is recognized at the completion of the underwriting contracts.
- d) Gain on sale of investment is recognized on negotiable securities' disposal day.

- e) Insurance commission is recognized according to the contract.
- f) Consulting revenue is recognized when the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenue recognition of Taipei Star Bank:

a) Interest income

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

b) Service fees

Service fees are recorded as income upon receipt and substantial completion of activities involved in the earnings process.

c) Dividend income

Dividend income on investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to Taipei Star Bank and the amount of income can be measured reliably.

r. Leasing

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

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rentals are recognized as income in the period in which they are incurred.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term. Contingent rentals are recognized as expenses in the period in which they are incurred.

Financial Information

s. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

t. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

u. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as 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 Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

v. Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best 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.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

w. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures 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 and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current tax and deferred tax for the period

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

x. Treasury shares

When the Company acquires its outstanding shares that have not been disposed of or retired, treasury shares are stated at cost and shown as a deduction in stockholders' equity. When treasury shares are sold, if the selling price is above the carrying value, the differences should be credited to the capital surplus - treasury stock transactions. If the selling price is below the carrying value, the differences should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The carrying value of treasury stock is calculated using the weighted-average approach in accordance with the purpose of the acquisition.

When the Company's treasury shares are retired, the treasury stock account should be credited, and the capital surplus - premium on stock and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury shares in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 40. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 926,639	\$ 561,739
Checking accounts and demand deposits	3,087,747	3,465,024
Cash equivalents (investments with original maturities not exceeding 3 months)		
Checks for clearance	377,772	483,518
Due from banks	1,018,592	1,055,270
Time deposits	1,183,696	925,853
Commercial papers	49,863	59,990
Repurchase agreements collateralized by bonds	<u>62,741</u>	<u>119,913</u>
	<u>\$ 6,707,050</u>	<u>\$ 6,671,307</u>

The market rate intervals of bank deposits, commercial papers, and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2018	2017
Bank deposits	0.001%- 3.45%	0.001%- 2.2434%
Commercial papers	0.50%	0.30%-0.45%
Repurchase agreements collateralized by bonds	2.60%	1.55%-1.75%

7. DUE FROM CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2018	2017
Deposit reserve account A	\$ 937,015	\$ 1,245,300
Deposit reserve account B	1,916,826	1,832,598
Financial Information Service Center settlement account	<u>100,489</u>	<u>101,051</u>
	<u>\$ 2,954,330</u>	<u>\$ 3,178,949</u>

The deposit reserves are determined monthly at prescribed rates based on the average balances of customers' deposits. The deposit reserve account B is subject to withdrawal restrictions, but other accounts can be withdrawn anytime.

Financial Information

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Convertible bonds assets swap	\$ -	\$ 913,592
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	-	624
Foreign exchange contracts (b)	-	682
Non-derivative financial assets		
Domestic listed shares	-	38,402
Emerging market shares	-	17,684
Short-term transactions instruments	-	869,715
	<u>-</u>	<u>1,840,699</u>
Financial assets mandatorily classified as at FVTPL		
Convertible bonds assets swap	839,966	-
Convertible bonds	2,540	-
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	2,025	-
Foreign exchange contracts (b)	1,613	-
Non-derivative financial assets		
Domestic listed shares	31,012	-
Emerging market shares	44,148	-
Mutual funds	127,034	-
Overseas bonds	14,660	-
Short-term transactions instruments	449,213	-
	<u>1,512,211</u>	<u>-</u>
	<u>\$ 1,512,211</u>	<u>\$ 1,840,699</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts (a)	\$ 354	\$ 2,954
Foreign exchange contracts (b)	10,966	3,904
Cross-currency swap contracts (c)	<u>1,570</u>	<u>-</u>
	<u>\$ 12,890</u>	<u>\$ 6,858</u>

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Sell	USD/NTD	2019.01.04-2019.01.2 2	USD4,500/NTD138,474
Sell	EUR/NTD	2019.01.25-2019.04.1	EUR383/NTD13,483

		0	
Sell	USD/THB	2019.01.28-2019.03.0	USD3,000/THB98,191
		4	
Buy	NTD/JPY	2019.01.08-2019.01.1	JPY53,750/NTD14,521
		1	
Buy	NTD/USD	2019.01.11-2019.01.2	USD7,000/NTD215,170
		5	
Buy	NTD/EUR	2019.04.25-2019.05.0	EUR2,000/NTD70,147
		8	
			(Continued)
	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2017</u>			
Sell	USD/NTD	2018.01.05-2018.01.1	USD3,080/NTD92,296
		6	
Sell	EUR/NTD	2018.01.05-2018.04.1	EUR1,836/NTD65,423
		1	
Sell	USD/THB	2018.03.21	USD1,500/THB49,022
Buy	NTD/CNY	2018.01.19	CNY5,000/NTD22,573
Buy	NTD/JPY	2018.01.05-2018.06.0	JPY264,160/NTD70,111
		4	
Buy	NTD/USD	2018.01.12-2018.04.2	USD19,300/NTD577,548
		5	
			(Concluded)

- b. At the end of the reporting period, outstanding foreign exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Buy	USD	2019.01.07-2019.03.2	
	HKD	11	\$ 30,204
		-	-
Sell	JPY	2019.01.07-2019.01.2	
		8	1,463,264
		2019.01.07-2019.01.1	
	EUR	4	6,000
	GBP	2019.01.18	100
	HKD	2019.01.18	5,160
	AUD	2019.01.18	2,200
	USD	-	-
<u>December 31, 2017</u>			
Buy	USD	2018.01.11-2018.01.3	
	HKD	1	20,552
		2018.01.31	781

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Sell	JPY	2018.01.16-2018.01.31	
		1	1,355,695
	EUR GBP HKD AUD USD	2018.01.11-2018.01.11	
		9	3,000
		-	-
		-	-
		-	-
		2018.01.31	100

- c. At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows: The Group did not enter into any cross-currency swap contracts during 2017.

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
<u>December 31, 2018</u>			
US\$13,500	2019.01.16-2019.03.21	0%-0.68%	2.65%-3.6%

The Group entered into cross-currency swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
<u>Current</u>	
Investments in equity instruments at FVTOCI	\$ 971,747
Investments in debt instruments at FVTOCI	<u>2,324,652</u>
	<u>\$ 3,296,399</u>
<u>Non-current</u>	
Investments in equity instruments at FVTOCI	<u>\$ 6,721,618</u>
a. Investments in equity instruments at FVTOCI	
	December 31, 2018
<u>Current</u>	
Domestic investments	
Listed shares and emerging market shares	\$ 923,817
Unlisted shares	<u>47,930</u>

\$ 971,747

Non-current

Domestic investments

Listed shares and emerging market shares \$ 5,255,409

Unlisted shares 1,454,798

Foreign investments

Unlisted shares 11,411

\$ 6,721,618

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes; refer to Table 14 for details of the investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 11 and 14 for information relating to their reclassification and comparative information for 2017.

During 2018, the Group sold its shares in domestic investments in order to manage credit concentration risk. The sold shares had a fair value of \$213,145 thousand and the Group transferred a loss of \$85,745 thousand from other equity to retained earnings.

Refer to Note 42 for information relating to investments in equity instruments at FVTOCI pledged as security.

b. Investments in debt instruments at FVTOCI

**December 31,
2018**

Current

Domestic investments

Government bonds \$ 301,956

Corporate bonds 1,462,464

Financial debentures 560,232

\$ 2,324,652

- 1) The government bonds, corporate bonds, and financial debentures were classified as available-for-sale financial assets and held-to-maturity financial assets under IAS 39. Refer to Notes 3, 11 and 13 for information relating to their reclassification and comparative information for 2017.
- 2) The investments in debt instruments at FVTOCI under repurchase agreements as of December 31, 2018 amounted to \$250,000 thousand.
- 3) During 2018, the expected credit loss reversed on debt instruments of \$260 thousand was recognized after the Group evaluated expected credit loss on investments in debt instruments at FVTOCI.
- 4) Refer to Note 45 for information relating to their credit risk management and impairment.

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- 5) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.

10. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Domestic investments

Time deposits with original maturities of more than 3 months (a) \$ 1,128,594

Non-current

Domestic investments

Government bonds (b) \$ 5,674,877

Corporate bonds (b) 5,725,067

Financial bonds (b) 2,467,220

Bills (b) 8,925,000

22,792,164

Less: Allowance for impairment loss (3,666)

\$ 22,788,498

- a. The interest rates for time deposits with original maturities of more than 3 months ranged from 0.12% to 2.4% as at the end of the reporting period. The time deposits were classified as other financial assets under IAS 39. Refer to Note 3 for information relating to their reclassification and comparative information for 2017.
- b. The government bonds, corporate bonds, financial bonds, and bills were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 13 for information relating to their reclassification and comparative information for 2017.
- c. The investments in debt instruments at amortized cost under repurchase agreements as of December 31, 2018 amounted to \$3,552,488 thousand.
- d. The investments in debt instruments at amortized cost used as reserves for trust fund compensation provision as of December 31, 2018 amounted to \$50,000 thousand.
- e. During 2018, the expected credit loss reversed on debt instruments of \$1,429 thousand was recognized after the Group evaluated expected credit loss on investments in debt instruments at amortized cost.
- f. Refer to Note 45 for information relating to their credit risk management and impairment assessment.
- g. Refer to Note 42 for information relating to investments in financial assets at amortized cost pledged as security.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

**December 31,
2017**

Current

Listed shares and emerging market shares	\$ 921,991
Mutual funds	127,702
Government bonds	431,699
Corporate bonds	1,643,499
Financial bonds	<u>652,100</u>
	<u>\$ 3,776,991</u>

Non-current

Listed shares and emerging market shares	\$ 5,572,199
Unlisted shares	1,071,168
Mutual funds	<u>32,719</u>
	<u>\$ 6,676,086</u>

Refer to Note 42 for information relating to available-for-sale financial assets pledged as security.

12. BILLS AND BONDS PURCHASED UNDER RESALE AGREEMENTS

Bills and Bonds Purchased under Resale Agreements

	December 31	
	2018	2017
Notional amounts	\$ 5,170,276	\$ 6,884,863
Interest rate	0.61%-0.65%	0.42%-0.44%
Agreed resale price	\$ 5,171,289	\$ 6,885,786

Bills and Bonds Issued under Redemption Agreements

	December 31	
	2018	2017
Notional amounts	\$ 3,714,367	\$ 4,929,245
Interest rate	0.44%-3.35%	0.34%-2.32%
Agreed redemption price	\$ 3,719,582	\$ 4,932,498

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13. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

**December 31,
2017**

Non-current

Domestic investments

Government bonds	\$ 3,858,133
Bills	8,075,000
Corporate bonds	6,559,918
Financial bonds	<u>2,702,882</u>

\$ 21,195,933

Held to maturity corporate bonds, government bonds and financial bonds under repurchase agreements as of December 31, 2017 amounted to \$4,665,982 thousand.

As of December 31, 2017, held-to-maturity government bonds used as reserves for trust fund compensation provision was \$50,000 thousand.

Refer to Note 42 for information relating to held-to-maturity financial assets pledged as security.

14. FINANCIAL ASSETS MEASURED AT COST - 2017

**December 31,
2017**

Current

Domestic unlisted ordinary shares	<u>\$ -</u>

Non-current

Domestic unlisted ordinary shares	<u>\$ 244,023</u>

Classified according to financial asset measurement categories

Available-for-sale financial assets	<u>\$ 244,023</u>

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Group evaluated the above unlisted equity investments and recognized \$28,419 thousand in impairment loss on financial assets for the year ended December 31, 2017.

15. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 753,619	\$ 680,000
Less: Allowance for impairment loss	<u>(4,585)</u>	<u>(4,585)</u>
	<u>\$ 749,034</u>	<u>\$ 675,415</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 6,896,905	\$ 7,586,115
Less: Allowance for impairment loss	<u>(114,108)</u>	<u>(86,554)</u>
	<u>\$ 6,782,797</u>	<u>\$ 7,499,561</u>
<u>Other receivables</u>		
Loan receivables - fixed rate	\$ 79,800	\$ -
Others	<u>690,294</u>	<u>475,925</u>
	<u>\$ 770,094</u>	<u>\$ 475,925</u>

a. Trade receivables

In 2018

Credit periods are typically provided in the Group's sales agreements. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit limits and scores attributed to customers are reviewed regularly.

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

The Group 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 trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix 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 and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is 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 past due. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Financial Information

The following table details the loss allowance of trade receivables based on the Group's credit classification matrix.

December 31, 2018

	Credit Classification - Type A	Credit Classification - Type B	Credit Classification - Type C	Credit Classification - Type D	Credit Classification - Type E	Total
Expected credit loss rate	0%-2%	4%	15%	50%	100%	-
Gross carrying amount	\$ 2,914,208	\$ 337,031	\$ 13,554	\$ 2,034	\$ -	\$ 3,266,827
Loss allowance (Lifetime ECLs)	<u>(41,877)</u>	<u>(13,481)</u>	<u>(2,033)</u>	<u>(1,017)</u>	<u>-</u>	<u>(58,408)</u>
Amortized cost	<u>\$ 2,872,331</u>	<u>\$ 323,550</u>	<u>\$ 11,521</u>	<u>\$ 1,017</u>	<u>\$ -</u>	<u>\$ 3,208,419</u>

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

December 31, 2018

	Up to 60 Days	61 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%-23.03%	0%-100%	100%	-
Gross carrying amount	\$ 3,614,475	\$ -	\$ 15,603	\$ 3,630,078
Loss allowance (Lifetime ECL)	<u>(40,097)</u>	<u>-</u>	<u>(15,603)</u>	<u>(55,700)</u>
Amortized cost	<u>\$ 3,574,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,574,378</u>

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

	2018
Balance at January 1, 2018 per IAS 39	\$ 91,139
Adjustment on retrospective application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	91,139
Add: Net remeasurement of loss allowance	27,617
Foreign exchange losses	<u>(63)</u>
Balance at December 31, 2018	<u>\$ 118,693</u>

In 2017

The Group applied the same credit policy in 2018 and 2017. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. 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 Group assesses the potential customer's credit quality and defines its credit limits. Credit limits and scores attributed to customers are reviewed regularly.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ -	\$ 87,584	\$ 87,584
Add: Impairment losses recognized on receivables	-	3,647	3,647
Foreign exchange translation losses	<u>-</u>	<u>(92)</u>	<u>(92)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 91,139</u>	<u>\$ 91,139</u>

The aging of receivables was as follows:

	December 31	
	2018	2017
Not past due	\$ 6,237,585	\$ 6,950,833
Past due 1- 90 days	634,399	601,965
Past due 91-180 days	9,429	21,473
Past due 181-360 days	3,382	118
Past due over than 360 days (Note)	<u>12,110</u>	<u>11,726</u>
	<u>\$ 6,896,905</u>	<u>\$ 7,586,115</u>

Note: The above aging schedule was based on the number of past due days from the end of the credit term.

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2017
Up to 30 days	\$ 15,397
31-60 days	11,373
61-90 days	7,552
91-120 days	<u>53,570</u>
	<u>\$ 87,892</u>

The above aging schedule was based on the number of past due days from the invoice date.

b. Other receivables - loans receivable

The interest rates and the amounts due on contractual maturity dates of fixed rate loans receivable were as follows:

	December 31	
	2018	2017
Fixed rate		
Less than one year	<u>\$ 79,800</u>	<u>\$ -</u>

Financial Information

The ranges of effective interest rates of loans receivable which are the same as coupon rates were as follows:

	December 31	
	2018	2017
Fixed rate	4%	-

16. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 3,122,138	\$ 2,076,120
Work in progress	535,406	390,593
Raw materials	1,342,719	1,172,931
Semi-finished goods	184,686	186,530
Inventory in transit	3,705	51,228
Construction in progress	<u>207,727</u>	<u>95,371</u>
	<u>\$ 5,396,381</u>	<u>\$ 3,972,773</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$34,570,808 thousand and \$30,737,555 thousand, respectively. The cost of goods sold included inventory write-downs of \$27,023 thousand and reversals of inventory write-downs of \$(28,067) thousand. The reversals of previous write-downs for the year ended December 31, 2017 resulted from increased selling prices in certain markets.

17. DISCOUNTS AND LOANS

	December 31	
	2018	2017
Overdrafts	\$ 17,223	\$ -
Short-term secured overdrafts	1,572,036	1,486,176
Short-term loans	478,045	2,061,860
Short-term secured loans	1,868,815	2,538,395
Medium-term loans	1,490,210	1,296,896
Medium-term secured loans	22,223,620	17,999,624
Long-term loans	27,522	21,084
Long-term secured loans	20,150,173	21,066,180
Nonperforming loans	<u>130,416</u>	<u>19,220</u>
	47,958,060	46,489,435
Add: Premium adjustment	6,250	12,451
Less: Allowance for impairment loss	<u>(561,585)</u>	<u>(578,312)</u>
	<u>\$ 47,402,725</u>	<u>\$ 45,923,574</u>

- a. The nonperforming loans of Taipei Star Bank in the amounts of \$130,416 thousand and \$19,220 thousand as of December 31, 2018 and 2017, respectively, were no longer generating interest revenue.

- b. All unpaid credit extensions of Taipei Star Bank have been prosecuted as of December 31, 2018 and 2017.
- c. The movements of the loss allowance of loans for the years ended December 31, 2018 and 2017 were as follows:

In 2018

	12- month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Individually Assessed)	Lifetime ECLs (Non- Purchased or Originated Credit- impaired Financial Assets)	Difference of Impairment Loss Recognized	Total
Balance at January 1, 2018	\$ 34,462	\$ -	\$ 207	\$ 8,819	\$ 534,824	\$ 578,312
Changes in financial instruments recognized at the beginning of the current year						
Transferred to						
Lifetime ECLs	(3)	-	3	-	-	-
Credit-impaired financial assets	(105)	-	-	105	-	-
12-month ECLs	458	-	(182)	(276)	-	-
Derecognition of financial assets in the current year	(19,909)	-	(25)	(4,248)	-	(24,182)
New financial assets purchased or originated	21,135	-	2	738	-	21,875
Difference of impairment loss recognized under regulations	-	-	-	(2,236)	(25,542)	(26,778)
Write-offs	-	-	-	(4,417)	-	(4,417)
Recovery of written-off receivables	-	-	-	16,657	-	16,657
Change in exchange rates or others	(2,307)	-	2	2,423	-	118
Balance at December 31, 2018	<u>\$ 33,731</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 17,565</u>	<u>\$ 510,282</u>	<u>\$ 561,585</u>

In 2017

	Allowance on Particular Loans	Allowance on Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance at January 1, 2017	\$ 54,300	\$ 485,383	\$ 539,683
Provision for (reversal of) doubtful accounts	(60,457)	73,805	13,348
Collections	25,377	-	25,377
Impact of exchange rate	-	(96)	(96)
Balance at December 31, 2017	<u>\$ 19,220</u>	<u>\$ 559,092</u>	<u>\$ 578,312</u>

Financial Information

d. The loans of Taipei Star Bank classified by credit risk as of December 31, 2017 are as follows:

Items		December 31, 2017	
		Discounts and Loans	
		Loans	Allowance for Doubtful Accounts
Objective evidence showing individual impairment	Assessed for impairment on an individual basis	\$ 70,571	\$ 4,836
	Assessed for impairment on a collective basis	26,680	4,694
No objective evidence showing individual impairment	Assessed for impairment on a collective basis	46,392,184	29,648
Total		\$ 46,489,435	\$ 39,178

The allowance for doubtful accounts according to IAS 39 was calculated and disclosed by credit risk. However, the amount was less than the amount calculated under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans.” Thus, the allowance for doubtful accounts estimated under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans” was recognized. According to FSC Rule No. 10010006830, allowance for doubtful accounts should be more than 1%; and comply with the FSC Rule No. 10300329440 since December 2014, the property mortgage allowance rate should be more than 1.5%, thus the allowance for doubtful accounts was \$578,312 thousand as of December 31, 2017.

18. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2018	2017	
Shinkong Synthetic Fibers Corporation (SSF)	Pan Asian Plastics Corp. (PAP)	Manufacturing and sale of polyester pellets and polyester preforms	100.00	100.00	
SSF	Hsingshing Investment Co., Ltd. (HSI)	Investment in and construction of business and public housing	100.00	100.00	
SSF	Shinkong Engineering Co., Ltd. (SKE)	Contracting for various projects such as air pollution prevention, piping engineering and machine installation	100.00	100.00	
SSF and PAP	Shinpont Industry Inc. (SPI)	Manufacturing of synthetic fibers, wholesale and retail sale of textiles	50.00	50.00	2)
SSF	Shin Chiun Industrial Co., Ltd. (SEC)	Construction of incinerators	100.00	100.00	3)
SSF	Maxima Pacific Ltd. (MPL)	Investment	100.00	100.00	
SSF	SSFC Investment Ltd. (SSFC)	Investment	100.00	100.00	
SSF, SKE and SEC	UBright Optronics Corp. (UBO)	Precision chemical materials and mold manufacturing wholesale, etc.	53.86	53.86	2)
SSF, HSI and HAM	Shinkong Polyester Film Corp., Ltd. (SPF)	Electronic parts and components manufacturing	85.02	85.01	
SSF	Shinkong International Securities Co., Ltd. (SKIS)	Consignment trading of securities and futures	77.98	77.98	
SSF	ShinBright Optronics Corp. (SOC)	Precision chemical materials and electronic parts and components manufacturing	100.00	100.00	
SSF and SEC	Tac Bright Optronics Corp. (TBO)	Precision chemical materials - synthetic resin and plastic manufacturing	59.06	59.06	2)
SSF	Taipei Star Bank	Commercial bank	27.06	27.06	2)
SSF	Hsinshin Asset Management Co., Ltd. (HAM)	Housing and building development for sale and rental	100.00	100.00	
SSF	Shin Kong International Leasing Corp. (SKIL)	Leasing	100.00	100.00	
MPL	Formosa Victory International Ltd. (Formosa)	Investment	100.00	100.00	
MPL	Thai Shinkong Industry Corporation Ltd. (TSI)	Manufacturing and sales of plastic, polyester film, and PET	90.38	90.38	
SSFC	Dayspring Ltd. (Dayspring)	Investment	92.11	92.11	
SSFC	Shinkong Industry (Hangzhou) Co., Ltd. (SKI)	Manufacturing and sales of plastic, polyester film, and PET	100.00	100.00	
Dayspring	Hangzhou Huachun Chemical Fiber Co., Ltd. (HZC)	Chemical fiber weaving, printing and dyeing	100.00	100.00	
TBO	Maxpro Ltd. (MPO)	Investment	100.00	100.00	
MPO	Lofo Holding GmbH (LFHO)	Investment	100.00	100.00	
SSF	Chi Jian Human-Resource & Management Co., Ltd. (CJH)	Human resources management consulting	100.00	100.00	1)

(Continued)

Financial Information

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
SKIS	Shin Kong Investment Consultant Co., Ltd. (SKIC)	Securities investment consulting	100.00	100.00	
SKIS	Shin Kong Insurance Agent Co., Ltd. (SKIA)	Life insurance agent	100.00	100.00	
SKIS	Shin Kong Property Insurance Agency Co., Ltd. (SKPIA)	Property insurance agent	100.00	100.00	
PAP	Hsin Lung Chemical Co., Ltd. (HLC)	Manufacturing of magnetic tapes for recording and video disks and polyester film	59.80	59.80	
SEC	Intelligent Medical Big Data Co., Ltd. (IMBD)	Consulting, biotechnology research and development services	83.33	83.33	
SEC	Shin Kong Technologies Corporation (SKT)	Electronic information software business	100.00	100.00	
UBO	Qbright Materials Inc. (QBM)	Precision chemical materials manufacturing and wholesale materials	75.00	75.00	

(Concluded)

Remarks:

- 1) Company which is an immaterial subsidiary; its financial statements have not been audited. Management believes there will be no material impact if the financial statements of the Company were to be audited.
 - 2) Company which is a subsidiary that has material non-controlling interests.
 - 3) On January 24, 2017, Shinkong Envirotech Corp. registered the change in its company name to Shin Chiun Industrial Co., Ltd.
- b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2018	2017
Shinpont Industry Inc. (SPI)	50.00%	50.00%
UBright Optronics Corp. (UBO)	46.14%	46.14%
Tac Bright Optronics Corp. (TBO)	40.94%	40.94%
Taipei Star Bank	72.94%	72.94%

See Table 6 for information on places of incorporation and principal places of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Tac Bright Optronics Corp. (TBO)	\$ (112,800)	\$ (209,424)	\$ 987,967	\$ 1,100,779
UBright Optronics Corp. (UBO)	63,667	12,824	1,447,094	1,401,674
Shinpont Industry Inc. (SPI)	167,170	146,361	519,646	484,201
Taipei Star Bank	138,717	142,267	3,914,792	3,842,773
Others	<u>147,402</u>	<u>72,952</u>	<u>1,344,530</u>	<u>1,162,147</u>
	<u>\$ 404,156</u>	<u>\$ 164,980</u>	<u>\$ 8,214,029</u>	<u>\$ 7,991,574</u>

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

TBO and TBO's subsidiaries

	December 31	
	2018	2017
Current assets	\$ 536,012	\$ 405,948
Non-current assets	4,542,701	4,817,116
Current liabilities	(2,127,700)	(1,566,506)
Non-current liabilities	<u>(620,934)</u>	<u>(1,050,924)</u>
Equity	<u>\$ 2,330,079</u>	<u>\$ 2,605,634</u>
Equity attributable to:		
Owners	\$ 1,342,112	\$ 1,504,855
Non-controlling interests	<u>987,967</u>	<u>1,100,779</u>
	<u>\$ 2,330,079</u>	<u>\$ 2,605,634</u>
	For the Year Ended December 31	
	2018	2017
Revenue	<u>\$ 1,230,918</u>	<u>\$ 721,161</u>
Loss for the year	\$ (275,527)	\$ (511,541)
Other comprehensive income (loss) for the year	<u>(28)</u>	<u>311</u>
Total comprehensive loss for the year	<u>\$ (275,555)</u>	<u>\$ (511,230)</u>

(Continued)

Financial Information

	For the Year Ended December 31	
	2018	2017
Loss attributable to:		
Owners	\$ (162,727)	\$ (302,117)
Non-controlling interests	<u>(112,800)</u>	<u>(209,424)</u>
	<u>\$ (275,527)</u>	<u>\$ (511,541)</u>
Total comprehensive loss attributable to:		
Owners	\$ (162,743)	\$ (301,933)
Non-controlling interests	<u>(112,812)</u>	<u>(209,297)</u>
	<u>\$ (275,555)</u>	<u>\$ (511,230)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 114,648	\$ (114,066)
Investing activities	(152,786)	(289,572)
Financing activities	<u>40,592</u>	<u>391,851</u>
Net cash inflow (outflow)	<u>\$ 2,454</u>	<u>\$ (11,787)</u> (Concluded)

UBO and UBO's subsidiaries:

	December 31	
	2018	2017
Current assets	\$ 2,712,047	\$ 2,391,059
Non-current assets	760,590	982,806
Current liabilities	(459,510)	(450,404)
Non-current liabilities	<u>(2,998)</u>	<u>(42)</u>
Equity	<u>\$ 3,010,129</u>	<u>\$ 2,923,419</u>
Equity attributable to:		
Owners	\$ 1,563,035	\$ 1,521,745
Non-controlling interests	1,445,970	1,400,494
Non-controlling interests of subsidiaries	<u>1,124</u>	<u>1,180</u>
	<u>\$ 3,010,129</u>	<u>\$ 2,923,419</u>

	For the Year Ended December 31	
	2018	2017
Revenue	<u>\$ 2,631,679</u>	<u>\$ 2,679,965</u>
Profit for the year	\$ 138,060	\$ 28,217
Other comprehensive income (loss) for the year	<u>29</u>	<u>(2,628)</u>
Total comprehensive income for the year	<u>\$ 138,089</u>	<u>\$ 25,589</u>
Profit (loss) attributable to:		
Owners	\$ 74,393	\$ 15,393
Non-controlling interests	63,723	13,185
Non-controlling interests of subsidiaries	<u>(56)</u>	<u>(361)</u>
	<u>\$ 138,060</u>	<u>\$ 28,217</u>
Total comprehensive income (loss) attributable to:		
Owners	\$ 74,409	\$ 13,977
Non-controlling interests	63,736	11,973
Non-controlling interests of subsidiaries	<u>(56)</u>	<u>(361)</u>
	<u>\$ 138,089</u>	<u>\$ 25,589</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 527,744	\$ 539,426
Investing activities	(143,770)	(133,548)
Financing activities	<u>(61,253)</u>	<u>(103,566)</u>
Net cash inflow	<u>\$ 322,721</u>	<u>\$ 302,312</u>

SPI

	December 31	
	2018	2017
Current assets	\$ 822,072	\$ 675,486
Non-current assets	458,170	469,472
Current liabilities	(240,524)	(176,556)
Non-current liabilities	<u>(426)</u>	<u>-</u>
Equity	<u>\$ 1,039,292</u>	<u>\$ 968,402</u>
Equity attributable to:		
Owners	\$ 519,646	\$ 484,201
Non-controlling interests	<u>519,646</u>	<u>484,201</u>
	<u>\$ 1,039,292</u>	<u>\$ 968,402</u>

Financial Information

	For the Year Ended December 31	
	2018	2017
Revenue	<u>\$ 1,371,000</u>	<u>\$ 1,446,337</u>
Profit for the year	\$ 334,340	\$ 292,722
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 334,440</u>	<u>\$ 292,722</u>
Profit attributable to:		
Owners	\$ 167,170	\$ 146,361
Non-controlling interests	<u>167,170</u>	<u>146,361</u>
	<u>\$ 334,340</u>	<u>\$ 292,722</u>
Total comprehensive income attributable to:		
Owners	\$ 167,170	\$ 146,361
Non-controlling interests	<u>167,170</u>	<u>146,361</u>
	<u>\$ 334,340</u>	<u>\$ 292,722</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 372,063	\$ 305,830
Investing activities	(81,946)	(114)
Financing activities	<u>(258,450)</u>	<u>(281,101)</u>
Net cash inflow	<u>\$ 31,667</u>	<u>\$ 24,615</u>

Taipei Star Bank

	December 31	
	2018	2017
Current assets	\$ 61,738,217	\$ 63,581,916
Non-current assets	25,136,859	23,586,250
Current liabilities	(79,847,015)	(80,550,839)
Non-current liabilities	<u>(1,654,978)</u>	<u>(1,342,986)</u>
Equity	<u>\$ 5,373,083</u>	<u>\$ 5,274,341</u>
Equity attributable to:		
Owners	\$ 1,458,291	\$ 1,431,568
Non-controlling interests	<u>3,914,792</u>	<u>3,842,773</u>
	<u>\$ 5,373,083</u>	<u>\$ 5,274,341</u>

	For the Year Ended December 31	
	2018	2017
Revenue	<u>\$ 1,317,750</u>	<u>\$ 1,175,141</u>
Profit for the year	\$ 190,189	\$ 195,044
Other comprehensive income (loss) for the year	<u>14,164</u>	<u>(67,657)</u>
Total comprehensive income for the year	<u>\$ 204,353</u>	<u>\$ 127,387</u>
Profit attributable to:		
Owners	\$ 51,472	\$ 52,777
Non-controlling interests	<u>138,717</u>	<u>142,267</u>
	<u>\$ 190,189</u>	<u>\$ 195,044</u>
Total comprehensive income attributable to:		
Owners	\$ 55,305	\$ 34,467
Non-controlling interests	<u>149,048</u>	<u>92,920</u>
	<u>\$ 204,353</u>	<u>\$ 127,387</u>
Net cash (outflow) inflow from:		
Operating activities	\$(1,015,063)	\$ 4,311,920
Investing activities	(1,283,964)	(2,774,043)
Financing activities	<u>172,679</u>	<u>447,982</u>
Net cash (outflow) inflow	<u>\$(2,126,348)</u>	<u>\$ 1,985,859</u>

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in associates	\$ 779,583	\$ 712,021
Investments in joint ventures	<u>186,743</u>	<u>176,931</u>
	<u>\$ 966,326</u>	<u>\$ 888,952</u>

a. Investments in associates

	December 31	
Name of Associate	2018	2017
Unlisted companies		
Tai Jin Investment Co., Ltd.	\$ 5,845	\$ 5,876
Tai Shin Leasing & Financial Co., Ltd.	541,759	528,970
Da Chun Universe Investment Co., Ltd.	7,389	7,538
Far Trust International Finance Co., Ltd.	<u>224,590</u>	<u>169,637</u>
	<u>\$ 779,583</u>	<u>\$ 712,021</u>

Financial Information

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

Name of Associate	December 31	
	2018	2017
Tai Jin Investment Co., Ltd.	48.57%	48.57%
Tai Shin Leasing & Financial Co., Ltd.	30.00%	30.00%
Da Chun Universe Investment Co., Ltd.	45.00%	45.00%
Far Trust International Finance Co., Ltd.	29.05%	25.01%

Refer to Table 6 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the associates.

Summarized financial information in respect of the Group’s associates is set out below:

	For the Year Ended December 31	
	2018	2017
The Group’s share of:		
Profit for the year	\$ 49,593	\$ 29,812
Other comprehensive income (loss)	<u>(22,935)</u>	<u>274,095</u>
Total comprehensive income for the year	<u>\$ 26,658</u>	<u>\$ 303,907</u>

During 2018, the Group’s associates disposed of its shares in equity instruments at FVTOCI and the Group’s share of unrealized loss of \$405 thousand was transferred from other equity to retained earnings.

In August 2018, the Group subscribed for an additional 3,600 thousand shares of Far Trust International Finance Co., Ltd. for \$45,000 thousand at a percentage different from its existing ownership percentage, increasing its continuing interest from 25.01% to 29.05%.

b. Investments in joint ventures

Name of Joint Venture	December 31	
	2018	2017
Shinkong Excelsior Medical Asset Management Co., Ltd. (SEM)	<u>\$ 186,743</u>	<u>\$ 176,931</u>

Name of Joint Venture	December 31	
	2018	2017
Shinkong Excelsior Medical Asset Management Co., Ltd. (SEM)	51%	51%

Refer to Table 6 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the joint ventures.

On December 31, 2018 and 2017, the Group held 51% of the issued share capital of SEM and controls 51% of the voting power in the general meeting. However, under SEM’s Articles and the shareholders’ agreement, the Group does not control SEM. SEM is still considered as a joint venture of the Group since the Group does exercise significant influence over it.

The joint venture is accounted for using the equity method.

The summarized financial information below represents the amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Shinkong Excelsior Medical Asset Management Co., Ltd. (SEM)

	December 31	
	2018	2017
Current assets	\$ 22,527	\$ 24,076
Non-current assets	777,717	774,407
Current liabilities	(45,900)	(42,089)
Non-current liabilities	<u>(388,181)</u>	<u>(409,471)</u>
Equity	<u>\$ 366,163</u>	<u>\$ 346,923</u>
Proportion of the Group's ownership	51%	51%
Equity attributable to the Group	<u>\$ 186,743</u>	<u>\$ 176,931</u>
Carrying amount	<u>\$ 186,743</u>	<u>\$ 176,931</u>
	For the Year Ended December 31	
	2018	2017
Operating revenue	<u>\$ 38,660</u>	<u>\$ 33,965</u>
Depreciation expense and amortization expense	<u>\$ (2,335)</u>	<u>\$ (2,254)</u>
Interests income	<u>\$ 5,466</u>	<u>\$ 5,393</u>
Interests expense	<u>\$ (5,674)</u>	<u>\$ (5,877)</u>
Income tax expense	<u>\$ (4,741)</u>	<u>\$ (3,069)</u>
Net profit for the year	\$ 19,978	\$ 16,727
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 19,978</u>	<u>\$ 16,727</u>
Dividends received from SEM	<u>\$ 377</u>	<u>\$ 348</u>

Except for Da Chun Universe Investment Co., Ltd., investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have been audited. Management believes there will be no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income if the financial statements of the Company were to be audited.

Financial Information

20. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Equipment under Finance Leases	Property under Construction	Transportation Equipment	Other Equipment	Office Equipment	Total
Cost									
Balance at January 1, 2017	\$ 6,323,235	\$ 7,717,825	\$ 28,421,654	\$ 44,115	\$ 2,991,069	\$ 178,999	\$ 581,401	\$ 202,132	\$ 46,460,430
Additions	121,371	3,526	126,240	59,244	1,439,347	15,987	1,568	9,597	1,776,880
Disposals	-	-	(215,189)	(3,129)	-	(10,635)	(595)	(3,835)	(233,383)
Effect of foreign currency exchange differences	-	(5,925)	(16,359)	-	680	(515)	(3,492)	(997)	(26,608)
Reclassified	(2,441)	475,703	2,352,523	20,892	(3,023,279)	15,829	8,220	14,016	(138,537)
Balance at December 31, 2017	<u>\$ 6,442,165</u>	<u>\$ 8,191,129</u>	<u>\$ 30,668,869</u>	<u>\$ 121,122</u>	<u>\$ 1,407,817</u>	<u>\$ 199,665</u>	<u>\$ 587,102</u>	<u>\$ 220,913</u>	<u>\$ 47,838,782</u>
Accumulated depreciation and impairment									
Balance at January 1, 2017	\$ -	\$ 4,308,411	\$ 19,920,893	\$ 23,140	\$ -	\$ 108,034	\$ 529,953	\$ 151,861	\$ 25,042,292
Disposals	-	-	(190,564)	(3,129)	-	(9,273)	(595)	(3,339)	(206,900)
Impairment losses	-	3,295	70,630	-	-	-	-	-	73,925
Depreciation expenses	-	292,274	1,376,886	11,752	-	23,065	15,160	16,445	1,735,582
Effect of foreign currency exchange differences	-	(4,429)	(26,266)	-	-	(1,157)	(3,500)	(1,460)	(36,812)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 4,599,551</u>	<u>\$ 21,151,579</u>	<u>\$ 31,763</u>	<u>\$ -</u>	<u>\$ 120,669</u>	<u>\$ 541,018</u>	<u>\$ 163,507</u>	<u>\$ 26,608,087</u>
Carrying amounts at December 31, 2017	<u>\$ 6,442,165</u>	<u>\$ 3,591,578</u>	<u>\$ 9,517,290</u>	<u>\$ 89,359</u>	<u>\$ 1,407,817</u>	<u>\$ 78,996</u>	<u>\$ 46,084</u>	<u>\$ 57,406</u>	<u>\$ 21,230,695</u>
Cost									
Balance at January 1, 2018	\$ 6,442,165	\$ 8,191,129	\$ 30,668,869	\$ 121,122	\$ 1,407,817	\$ 199,665	\$ 587,102	\$ 220,913	\$ 47,838,782
Additions	-	20,942	51,082	937	946,845	12,413	8,285	16,987	1,057,491
Disposals	-	-	(996,123)	(3,728)	-	(11,115)	(19,647)	(9,567)	(1,040,180)
Effect of foreign currency exchange differences	-	(41,274)	(488,748)	-	(39,556)	(11,474)	(18,363)	(7,608)	(607,023)
Transfers to investment properties	(1,452)	(585)	-	-	-	-	-	-	(2,037)
Reclassified	34	328,808	1,787,472	(20,892)	(2,122,233)	15,131	21,392	6,225	15,937
Balance at December 31, 2018	<u>\$ 6,440,747</u>	<u>\$ 8,499,020</u>	<u>\$ 31,022,552</u>	<u>\$ 97,439</u>	<u>\$ 192,873</u>	<u>\$ 204,620</u>	<u>\$ 587,769</u>	<u>\$ 226,950</u>	<u>\$ 47,262,970</u>
Accumulated depreciation and impairment									
Balance at January 1, 2018	\$ -	\$ 4,599,551	\$ 21,151,579	\$ 31,763	\$ -	\$ 120,669	\$ 541,018	\$ 163,507	\$ 26,608,087
Disposals	-	-	(955,696)	(2,218)	-	(11,273)	(19,647)	(9,568)	(998,402)
Impairment losses	-	10,301	695	-	-	-	-	-	10,996
Depreciation expenses	-	255,469	1,506,613	11,989	-	25,875	11,480	16,996	1,828,422
Effect of foreign currency exchange differences	-	(23,617)	(325,400)	-	-	(2,191)	(18,186)	(3,335)	(372,729)
Transfers to investment properties	-	(89)	-	-	-	-	-	-	(89)
Reclassified	-	-	2,042	(2,042)	-	-	-	-	-
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 4,841,615</u>	<u>\$ 21,379,833</u>	<u>\$ 39,492</u>	<u>\$ -</u>	<u>\$ 133,080</u>	<u>\$ 514,665</u>	<u>\$ 167,600</u>	<u>\$ 27,076,285</u>
Carrying amounts at December 31, 2018	<u>\$ 6,440,747</u>	<u>\$ 3,657,405</u>	<u>\$ 9,642,719</u>	<u>\$ 57,947</u>	<u>\$ 192,873</u>	<u>\$ 71,540</u>	<u>\$ 64,104</u>	<u>\$ 59,350</u>	<u>\$ 20,186,685</u>

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

Buildings	3-55 years
Machinery equipment	2-17 years
Transportation equipment	2-7 years
Office equipment	3-18 years
Other equipment	3-15 years
Equipment held under finance leases	5 years

- b. Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 42.
- c. As a result of the declining sale in the market, the estimated future cash flows expected to arise from the related equipment was decreased. The Group carried out a review of the recoverable amount of that related equipment and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of \$10,966 thousand and \$73,925 thousand, which was recognized in cost of goods sold for the years ended December 31, 2018 and 2017, respectively. The Group determined the recoverable amount of the relevant assets on the basis of their value in use. The discount rates used in measuring the value in use were 8.833% and 7.472% per annum.

21. INVESTMENT PROPERTIES

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2017	\$ 2,355,133
Additions	112
Disposals	<u>(53,081)</u>
Balance at December 31, 2017	<u>\$ 2,302,164</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2017	\$ (148,815)
Disposals	2,061
Depreciation expenses	<u>(13,035)</u>
Balance at December 31, 2017	<u>\$ (159,789)</u>
Carrying amounts at December 31, 2017	<u>\$ 2,142,375</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 2,302,164
Disposals	(4,073)
Transferred from property, plant and equipment	<u>2,037</u>
Balance at December 31, 2018	<u>\$ 2,300,128</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ (159,789)
Disposals	175
Transferred from property, plant and equipment	(89)
Depreciation expenses	<u>(12,428)</u>
Balance at December 31, 2018	<u>\$ (172,131)</u>
Carrying amounts at December 31, 2018	<u>\$ 2,127,997</u>

Investment properties were depreciated using the straight-line method over their estimated useful lives of 30 to 50 years.

The fair value of the Group's investment properties as of December 31, 2018 and 2017 was \$2,866,898 thousand and \$3,257,748 thousand, respectively. Management of the Group used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's investment property was held under freehold interests. The investment properties pledged as collateral for bank borrowings are set out in Note 42.

Financial Information

22. GOODWILL

	For the Year Ended December 31	
	2018	2017
<u>Cost</u>		
Balance at January 1	\$ 279,945	\$ 280,736
Effect of foreign currency exchange differences	<u>303</u>	<u>(791)</u>
Balance at December 31	<u>\$ 280,248</u>	<u>\$ 279,945</u>

The Group did not recognize any impairment loss on goodwill for the years ended December 31, 2018 and 2017.

23. OPERATING DEPOSITS AND SETTLEMENT FUNDS

	December 31	
	2018	2017
Operating deposits	\$ 226,500	\$ 226,500
Settlement funds	<u>68,079</u>	<u>77,447</u>
	<u>\$ 294,579</u>	<u>\$ 303,947</u>

a. Operating deposits

As stipulated in the Rules Governing Securities Firms, underwriters, dealers, and brokers should provide \$40 million, \$10 million and \$50 million, respectively, in the form of cash, government bonds, and/or bank notes as operating deposits to be placed in designated banks. For each additional branch, the Company should place \$5 million in designated banks.

As stipulated in the Regulations Governing Margin Purchase and Short Sale of Securities by Securities Firms, securities firms should have operating deposits of \$50 million.

As stipulated in the Rules Governing Futures Commission Merchants, futures dealers should have operating deposits of \$25 million for registration purposes and \$5 million for each of its branches.

- b. SKIA and SKPIA both placed guarantee deposit of \$1.5 million calculated by the sales revenue in the prior fiscal year as stipulated in the Regulation Governing Deposit of Bond for Acquirement of Insurance by Insurance Agents, Insurance Brokers and Insurance Surveyors.
- c. SKIC has deposited \$5 million as the operating deposit for establishment according to the ROC securities and investing trust association and investment consulting operating deposit regulations.
- d. Settlement funds

As stipulated in the Rules Governing Securities Firms, all brokers should place \$15 million as settlement funds with the Taiwan Stock Exchange before starting trading transactions in the first year of trading and contribute a certain percentage of the transaction amounts to the fund within 10 days after the end of each quarter. In the second year, the settlement funds need to reach only \$3.5 million including the previous year's contribution. If the funds accumulated until the previous year are more or

less than \$3.5 million, the brokers can claim a refund from the Taiwan Stock Exchange or submit the shortage, respectively, at the end of January each year.

Securities firms are required to deposit \$3 million as settlement fund to the Taiwan Stock Exchange before each additional branch starts trading operations, and this deposit will be reduced to \$0.5 million from the second year.

As stipulated in the Taipei Exchange Rules for Administration of the Joint Responsibility System Clearing and Settlement Fund, securities brokers will need to deposit to the settlement fund \$1.5 million for main institution, and an extra \$0.25 million for every new branch established, and an extra \$2 million for dealers of securities listed in exchange institution. In addition, the Taipei Exchange will calculate an amount using the total buy and sell dollar value for the last year multiplied by a fixed percentage for the securities brokers to deposit or withdraw the settlement fund every year.

As stipulated in the Taiwan Futures Exchange Corporation Criteria for clearing membership, before carrying out clearing and settlement operations, the clearing member shall make a deposit to the clearing and settlement fund equal to 20% of its paid-in capital or designated operating funds.

24. OTHER ASSETS

	December 31	
	2018	2017
<u>Current</u>		
Right to recover a product	\$ 38,316	\$ -
Loans receivable from the securities department	964,220	637,863
Others	<u>111,466</u>	<u>168,218</u>
	<u>\$ 1,114,002</u>	<u>\$ 806,081</u>
<u>Non-current</u>		
Refundable deposits	\$ 47,833	\$ 47,959
Overdue receivables	69,488	70,688
Loss Allowance of overdue receivables	(69,488)	(70,688)
Prepaid rents (land use rights)	1,202,732	1,224,172
Long-term receivables	767,726	554,980
Foreclosed real estate, net	-	17,002
Others	<u>483,988</u>	<u>506,703</u>
	<u>\$ 2,502,279</u>	<u>\$ 2,350,816</u>

In the first quarter of 2014, the Group obtain, the superficies by signed the contract of setting national non-public use land superficies with Northern Region Branch, National Property Administration, MOF, and pay the royalty \$1,234,568 thousand. Duration of superficies is 70 years. In the duration, the Group could construct buildings on superficies land under the rule of contract.

The royalty payment above is recognized in prepaid rents, and amortized as expenses in the duration, besides when the building under construction, amortized cost has to record in "Inventory - Construction in progress".

Financial Information

25. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
<u>Secured borrowings</u>		
Bank loans	\$ 580,000	\$ 450,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>5,284,128</u>	<u>3,983,225</u>
	<u>\$ 5,864,128</u>	<u>\$ 4,433,225</u>

The range of weighted average effective interest rate on bank loans was 0.82%-4.493% and 0.80%-2.92% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	December 31	
	2017	2017
Commercial paper	\$ 2,290,000	\$ 4,445,000
Less: Unamortized discount on bills payable	<u>(588)</u>	<u>(1,033)</u>
	<u>\$ 2,289,412</u>	<u>\$ 4,443,967</u>

Outstanding short-term bills payable were as follows:

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Ta Ching Bills Finance Corporation	\$ 180,000	\$ 128	\$ 179,872	0.49%-0.95%	None
China Bills Finance Corporation	670,000	147	669,853	0.49%-0.95%	None
Taiwan Finance Corporation	35,000	-	35,000	0.49%-0.95%	None
Mega Bills Finance Corporation	215,000	145	214,855	0.49%-0.95%	None
Taiwan Cooperative Bills Finance Corporation	250,000	15	249,985	0.49%-0.95%	None
International Bills Finance Corporation	100,000	-	100,000	0.49%-0.95%	None
Grand Bills Finance Corporation	100,000	-	100,000	0.49%-0.95%	None
The Shanghai Commercial & Savings Bank	150,000	-	150,000	0.49%-0.95%	None
KGI Bank	120,000	-	120,000	0.49%-0.95%	None
Bank SinoPac	370,000	153	369,847	0.49%-0.95%	None
Mega Bank	<u>100,000</u>	<u>-</u>	<u>100,000</u>	0.49%-0.95%	None
	<u>\$ 2,290,000</u>	<u>\$ 588</u>	<u>\$ 2,289,412</u>		

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
International Bills Finance Corporation	\$ 670,000	\$ 35	\$ 669,965	0.30%-0.89%	None
Ta Ching Bills Finance Corporation	460,000	171	459,829	0.30%-0.89%	None
China Bills Finance Corporation	830,000	317	829,683	0.30%-0.89%	None
Taiwan Finance Corporation	460,000	124	459,876	0.30%-0.89%	None
Mega Bills Finance Corporation	855,000	147	854,853	0.30%-0.89%	None
Grand Bills Finance Corporation	300,000	17	299,983	0.30%-0.89%	None
Taiwan Cooperative Bills Finance Corporation	350,000	147	349,853	0.30%-0.89%	None
Dah Chung Bills Finance Corporation	190,000	6	189,994	0.30%-0.89%	None
Mega Bank	200,000	38	199,962	0.30%-0.89%	None
The Shanghai Commercial & Savings Bank	80,000	-	80,000	0.30%-0.89%	None
KGI Bank	<u>50,000</u>	<u>31</u>	<u>49,969</u>	0.30%-0.89%	None
	<u>\$ 4,445,000</u>	<u>\$ 1,033</u>	<u>\$ 4,443,967</u>		

c. Long-term borrowings

	<u>December 31</u>	
	2018	2017
Taiwan Bank (1)	\$ 1,950,000	\$ 1,950,000
Taiwan Bank (2)	100,000	100,000
Taiwan Bank (3)	-	10,000
Taiwan Bank (4)	100,000	10,000
Bangkok Bank	400,000	400,000
The Export - Import Bank of the ROC	-	220,000
Hua Nan Bank	150,000	100,000
KGI Bank	1,170,000	1,200,000
Taiwan Business Bank (1)	150,000	150,000
Taiwan Business Bank (2)	100,000	-
Bank SinoPac (1)	550,000	350,000
Bank SinoPac (2)	100,000	100,000
Cathay United Bank	150,000	-
JihSun Bank (1)	-	400,000
JihSun Bank (2)	-	200,000
JihSun Bank (3)	-	200,000
JihSun Bank (4)	100,000	100,000
Mega Bank (1)	430,769	796,154
Mega Bank (2)	200,000	-
Fubon Bank	-	90,300
Fubon Bank (Syndicated Loan)	-	700,000
Far Eastern International Bank (1)	300,000	300,000
Far Eastern International Bank (2)	200,000	150,000
The Shanghai Commercial & Savings Bank	19,417	36,083
First Bank	-	50,000
Bank of Panhsin	103,200	-
Taiwan Cooperative Bank	2,000	-
Mizuho Bank	600,000	-
Mizuho Bank Commercial Paper (Syndicated Loan)	<u>800,000</u>	<u>800,000</u>
	7,675,386	8,412,537
Less: Current portions	(1,282,051)	(1,835,385)

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Less: Unamortized discounts on commercial papers	(706)	(960)
Long-term borrowings	<u>\$ 6,392,629</u>	<u>\$ 6,576,192</u>

As of December 31, 2018 and 2017, the weighted average effective interest rate of the bank borrowings was 0.6183%-2.75% and 0.6133%-2.095% per annum, respectively.

Refer to Note 42 for information relating to assets pledged to secure bank borrowings.

26. FINANCIAL DEBENTURES

	December 31	
	2018	2017
Secondary financial debentures	<u>\$ 1,330,000</u>	<u>\$ 1,000,000</u>

Taipei Star Bank issued their first primary financial debenture on June 24, 2016, which was approved under ruling reference No. 10500122720 issued by the Banking Bureau of the FSC on May 24, 2016. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$500,000 thousand.
- b. Principal issued: \$500,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: 7 years with maturity on June 24, 2023.
- e. Nominal interest rate: Fixed interest rate, 1.9%.
- f. Repayment: The financial debenture will be paid on the maturity date.
- g. The interest will be paid annually from the issuance date.

Taipei Star Bank issued their first, second, third and fourth financial debentures on June 19, June 30, August 18, September 29, 2017, respectively, which were approved under ruling reference No. 10600104680 issued by the Banking Bureau of the FSC on May 11, 2017. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$500,000 thousand.
- b. Principal issued:
 - 1) 2017 first term: \$200,000 thousand.
 - 2) 2017 second term: \$100,000 thousand.
 - 3) 2017 third term: \$100,000 thousand.
 - 4) 2017 fourth term: \$100,000 thousand.
- c. Denomination:
 - 1) 2017 first term: \$10,000 thousand, issued at par.
 - 2) 2017 second term: \$10,000 thousand, issued at par.
 - 3) 2017 third term: \$10,000 thousand, issued at par.
 - 4) 2017 fourth term: \$10,000 thousand, issued at par.

d. Period:

- 1) 2017 first term: 7 years with maturity on June 19, 2024.
- 2) 2017 second term: 7 years with maturity on June 30, 2024.
- 3) 2017 third term: 7 years with maturity on August 18, 2024.
- 4) 2017 fourth term: 7 years with maturity on September 29, 2024.

e. Nominal interest rate:

- 1) 2017 first term: Fixed interest rate, 1.90%.
- 2) 2017 second term: Fixed interest rate, 1.85%.
- 3) 2017 third term: Fixed interest rate, 1.85%.
- 4) 2017 fourth term: Fixed interest rate, 1.85%.

f. Repayment: The financial debenture will be paid on the maturity date.

g. The interest will be paid annually from the issuance date.

Taipei Star Bank made its first and second issues of financial debentures with no maturity dates on September 17 and December 24, 2018, respectively, which were approved under ruling reference No. 10701122210 issued by the Banking Bureau of the FSC on July 30, 2018. Details of the financial debenture issuance are summarized as follows:

a. Total approved principal: \$600,000 thousand.

b. Principal issued:

- 1) 2018 first term: \$200,000 thousand.
- 2) 2018 second term: \$130,000 thousand.

c. Denomination:

- 1) 2018 first term: \$10,000 thousand, issued at par.
- 2) 2018 second term: \$10,000 thousand, issued at par.

d. Period:

- 1) 2018 first term: No maturity date.
- 2) 2018 second term: No maturity date.

e. Nominal interest rate:

- 1) 2018 first term: Fixed interest rate, 4.00%.
- 2) 2018 second term: Fixed interest rate, 4.00%.

f. Repayment: The financial debenture can be redeemed after 5 years from the issuance date

g. The interest will be paid annually from the issuance date.

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27. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Lease payables - current	\$ 20,209	\$ 19,249
Lease payables - non-current	<u>5,207</u>	<u>25,416</u>
	<u><u>\$ 25,416</u></u>	<u><u>\$ 44,665</u></u>

Information on the lease payables:

	December 31	
	2018	2017
<u>Minimum lease payments</u>		
Not later than 1 year	\$ 21,000	\$ 21,000
Later than 1 year and not later than 5 years	<u>5,250</u>	<u>26,250</u>
	26,250	47,250
Less: Future finance charges	<u>(834)</u>	<u>(2,585)</u>
Present value of minimum lease payments	<u><u>\$ 25,416</u></u>	<u><u>\$ 44,665</u></u>
<u>Present value of minimum lease payments</u>		
Not later than 1 year	\$ 20,209	\$ 19,249
Later than 1 year and not later than 5 years	<u>5,207</u>	<u>25,416</u>
	<u><u>\$ 25,416</u></u>	<u><u>\$ 44,665</u></u>

Taipei Star Bank leased some of its operating equipment under finance leases for three years. The Group will take the ownership of the equipment at the end of the leasing term and the lease payments have been settled. Interest rate underlying all obligations under finance leases which was fixed at the contract date was 4.87% for the years ended December 31, 2018 and 2017.

28. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
<u>Notes payable</u>		
Operating	\$ 236,990	\$ 310,372
Non-operating	<u>-</u>	<u>2,108</u>
	<u><u>\$ 236,990</u></u>	<u><u>\$ 312,480</u></u>
<u>Trade payables</u>		
Operating	<u><u>\$ 4,325,239</u></u>	<u><u>\$ 4,936,502</u></u>

29. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Checking accounts	\$ 944,906	\$ 1,012,220
Demand deposits	6,222,001	5,271,465
Demand savings deposits	15,097,811	14,920,871
Time deposits	19,085,176	17,991,934
Time savings deposits	20,202,656	20,203,580
Negotiable certificates of deposit	6,276,300	8,017,300
Remittances	<u>558</u>	<u>1,640</u>
	<u>\$ 67,829,408</u>	<u>\$ 67,419,010</u>

30. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Current</u>		
Other payables		
Payables for purchase of equipment	\$ 47,684	\$ 62,272
Notes payable for exchange	377,772	483,518
Payables for salaries or bonuses	592,354	362,905
Others	<u>989,066</u>	<u>907,273</u>
	<u>\$ 2,006,876</u>	<u>\$ 1,815,968</u>
Other liabilities		
Refund liabilities	\$ 214,738	\$ -
Customer returns and rebates	-	178,111
Others	<u>277,287</u>	<u>294,975</u>
	<u>\$ 492,025</u>	<u>\$ 473,086</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits received	\$ 53,752	\$ 48,341
Others	<u>27,719</u>	<u>36,119</u>
	<u>\$ 81,471</u>	<u>\$ 84,460</u>

	Customer Returns and Rebates
Balance at January 1, 2017	\$ 240,857
Additional provisions recognized	146,157
Usage	(168,565)
Reversing un-unused balances	<u>(40,338)</u>
Balance at December 31, 2017	<u>\$ 178,111</u>

Financial Information

The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

31. PROVISIONS

	December 31	
	2018	2017
<u>Non-current</u>		
Employee retirement benefits (a)	\$ 664,513	\$ 909,555
Other employee benefits (b)	<u>489</u>	<u>454</u>
	<u>\$ 665,002</u>	<u>\$ 910,009</u>

- a. Refer to Note 32 for information related to employee retirement benefits.
- b. Other employee benefits refers to the preferential benefit deposit interest of retired employees.

32. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Company and SKE, HAM, SKIS, SKIC, SKIA, SKPIA, Taipei Star Bank, UBO, SPF, SOC, TBO, SPI, CJH, PAP, IMBD, HIS, SKT and SKIL of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China (SKI and HZC) are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

- b. Defined benefit plans

The defined benefit plan adopted by the Company and SKE, Taipei Star Bank, UBO and PAP of the Group 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 and SKE, Taipei Star Bank, UBO and PAP contribute amounts equal to 6% 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 1,389,880	\$ 1,381,286
Fair value of plan assets	<u>(725,367)</u>	<u>(471,731)</u>
Net defined benefit liabilities	<u>\$ 664,513</u>	<u>\$ 909,555</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2017	<u>\$ 1,424,462</u>	<u>\$ (432,779)</u>	<u>\$ 991,683</u>
Service cost			
Current service cost	17,991	-	17,991
Net interest expense (income)	<u>22,747</u>	<u>(6,782)</u>	<u>15,965</u>
Recognized in profit or loss	<u>40,738</u>	<u>(6,782)</u>	<u>33,956</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10)	(10)
Actuarial (gain) loss			
Changes in demographic assumptions	4	-	4
Changes in financial assumptions	8,894	2,244	11,138
Experience adjustments	<u>21,344</u>	<u>-</u>	<u>21,344</u>
Recognized in other comprehensive income	<u>30,242</u>	<u>2,234</u>	<u>32,476</u>
Contributions from the employer	-	(131,910)	(131,910)
Benefits paid	(114,333)	97,506	(16,827)
Exchange differences on foreign plans	<u>177</u>	<u>-</u>	<u>177</u>
Balance at December 31, 2017	<u>1,381,286</u>	<u>(471,731)</u>	<u>909,555</u>
Service cost			
Current service cost	14,535	-	14,535
Net interest expense (income)	<u>19,468</u>	<u>(6,644)</u>	<u>12,824</u>
Recognized in profit or loss	<u>34,003</u>	<u>(6,644)</u>	<u>27,359</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,714)	(13,714)
Actuarial (gain) loss			
Changes in demographic assumptions	(23)	-	(23)
Changes in financial assumptions	32,612	-	32,612
Experience adjustments	<u>10,563</u>	<u>-</u>	<u>10,563</u>
Recognized in other comprehensive income	<u>43,152</u>	<u>(13,714)</u>	<u>29,438</u>
Contributions from the employer	-	(298,194)	(298,194)
Benefits paid	(69,178)	64,916	(4,262)
Exchange differences on foreign plans	<u>617</u>	<u>-</u>	<u>617</u>
Balance at December 31, 2018	<u>\$ 1,389,880</u>	<u>\$ (725,367)</u>	<u>\$ 664,513</u>

Financial Information

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

- 1) Investment risk: The plan assets are invested in domestic 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 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 plan's 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	
	2018	2017
Discount rate(s)	0.8928%- 1.189%	0.952%- 1.4575%
Expected rate(s) of salary increase	0.75%-1.75%	0.75%-1.75%

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

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	<u>\$(35,206)</u>	<u>\$(36,108)</u>
0.25% decrease	<u>\$ 36,531</u>	<u>\$ 37,491</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 36,109</u>	<u>\$ 37,131</u>
0.25% decrease	<u>\$(34,968)</u>	<u>\$(35,923)</u>

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

	December 31	
	2018	2017
Expected contributions to the plan for the next year	<u>\$ 49,149</u>	<u>\$ 52,142</u>
Average duration of the defined benefit obligation	9-11.2 years	10-11.5 years

- c. MPL, SSFC, Dayspring, Formosa, MPO and LFHO do not have pension plans, as pension plans are not mandatory under the local government legislations.

- d. HLC, SEC and QBM have no full-time employees, and their investment activities are carried out by SSF; therefore, they have no pension plans.
- e. TSI's pension plan is a defined benefit plan. Pension benefits are calculated on the basis of the length of service and average salaries before retirement. TSI recognized \$340 thousand and \$241 thousand as pension expense for the years ended December 31, 2018 and 2017, and its pension liabilities amounted to \$17,964 thousand and \$15,391 thousand on December 31, 2018 and 2017, respectively.

33. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>2,800,000</u>	<u>2,800,000</u>
Shares authorized	<u>\$ 28,000,000</u>	<u>\$ 28,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,618,409</u>	<u>1,618,409</u>
Shares issued	<u>\$ 16,184,093</u>	<u>\$ 16,184,093</u>

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

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit distributed as <u>cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 272,247	\$ 272,247
Conversion of bonds	163,223	163,223
Treasury share transactions	275,547	275,547
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>414,904</u>	<u>414,904</u>
	<u>1,125,921</u>	<u>1,125,921</u>
<u>May be used to offset deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	<u>449,756</u>	<u>449,811</u>
	<u>\$ 1,575,677</u>	<u>\$ 1,575,732</u>

- 1) 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).
- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

Financial Information

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, 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, which should be first for distribution of dividends to preference shares shareholders, and then for distribution of dividends to ordinary shares shareholders, and the amount should be resolved in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 34-g.

The Company's Articles also stipulate a dividends policy whereby the issuance of stock dividends or the payment of cash dividends. In principle, cash dividends are limited to 20% of the total dividends distributed.

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 and Rule No. 1010047490 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 2017 and 2016 which were approved in the shareholders' meetings on May 29, 2018 and May 26, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2017	2016	2017	2016
Legal reserve	\$ 96,472	\$ 74,825	\$ -	\$ -
Cash dividends	809,205	404,602	0.50	0.25

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 25, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 245,794	\$ -
Cash dividends	1,375,648	0.85

The appropriations of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on May 29, 2019.

d. Special reserve

On first-time adoption of IFRSs, the Company appropriated for special reserve, the amounts that were the same as those of unrealized revaluation increment and cumulative translation differences transferred to retained earnings, which were \$1,673,314 thousand and \$392,143 thousand, respectively.

e. Other equity items

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ (1,145)	\$ 67,829
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	42,428	(200,918)
Share from subsidiaries and associates accounted for using the equity method	<u>(133,515)</u>	<u>131,944</u>
Balance at December 31	<u>\$ (92,232)</u>	<u>\$ (1,145)</u>

2) Unrealized gain (loss) on available-for-sale financial assets

Balance at January 1, 2017	\$ 1,060,956
Recognized for the year	
Unrealized gain arising on revaluation of available-for-sale financial assets	964,920
Share from subsidiaries and associates accounted for using the equity method	<u>326,388</u>
Balance at December 31, 2017	2,352,264
Adjustment due to retrospective application of IFRS 9	<u>(2,352,264)</u>
Balance at January 1, 2018 per IFRS 9	<u>\$ -</u>

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

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	\$ -
Adjustment due to retrospective application of IFRS 9	<u>2,346,799</u>
Balance at January 1 per IFRS 9	2,346,799
Recognized for the year	
Unrealized loss - equity instruments	(358,797)
Share from subsidiaries and associates accounted for using the equity method	<u>(30,968)</u>
Other comprehensive income recognized for the year	<u>(389,765)</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>86,150</u>
Balance at December 31	<u>\$ 2,043,184</u>

Financial Information

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1 per IAS 39	\$ 7,991,574	\$ 8,063,296
Adjustment on retrospective application of IFRS 9	<u>138,816</u>	<u>-</u>
Balance at January 1 per IFRS 9	8,130,390	8,063,296
Share in profit for the year	404,156	164,980
Other comprehensive income/(loss) during the year		
Exchange differences on translating the financial statements of foreign operations	(8,656)	(1,688)
Unrealized loss on available-for-sale financial assets	-	(49,690)
Unrealized gain on financial assets at FVTOCI	10,751	-
Remeasurement on defined benefit plans	245	226
Related income tax	(77)	(35)
Partial disposal of subsidiaries - UBO	62	-
Acquisition of non-controlling interests in subsidiaries - SPF	(5)	-
Acquisition of non-controlling interests in subsidiaries - TBO	-	(168)
Acquisition of non-controlling interests in subsidiaries - Taipei Star Bank	-	(386)
Dividends paid by subsidiaries	(315,527)	(205,399)
Others	<u>(7,310)</u>	<u>20,438</u>
Balance at December 31	<u>\$ 8,214,029</u>	<u>\$ 7,991,574</u>

g. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2017	-	-	4,680	4,680
Increase during the period	-	-	-	-
Decrease during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares at December 31, 2017	-	-	4,680	4,680
Increase during the period	-	-	-	-
Decrease during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares at December 31, 2018	<u>-</u>	<u>-</u>	<u>4,680</u>	<u>4,680</u>

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2018</u>			
Hsin Lung Chemical Co., Ltd.	4,680	<u>\$ 54,060</u>	<u>\$ 54,060</u>
<u>December 31, 2017</u>			
Hsin Lung Chemical Co., Ltd.	4,680	<u>\$ 47,039</u>	<u>\$ 47,039</u>

Hsin Lung Chemical Co., Ltd. acquired the Company's shares for investment purposes before the Company obtained control over Hsin Lung Chemical Co., Ltd.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

34. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Revenue from Contracts

Refer to Note 51 for detailed revenue information on contracts for the years ended December 31, 2018 and 2017.

b. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	\$ 215,685	\$ 186,683
Other interest expense	<u>23,363</u>	<u>16,456</u>
Total interest expense for financial liabilities measured at amortized cost	239,048	203,139
Interest due to the Central Bank and other banks	58,641	37,970
Interest on bills and bonds sold under repurchase agreements	35,122	21,206
Interest on deposits	468,123	422,311
Other finance costs	<u>-</u>	<u>7,862</u>
	<u>\$ 800,934</u>	<u>\$ 692,488</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	\$ 1,984	\$ 21,678
Capitalization rate	1.09%-1.2%	1.0%-1.6942%

Financial Information

c. Impairment losses recognized (reversed)

	For the Year Ended December 31	
	2018	2017
Investments in debt instruments at FVTOCI	<u>\$ 260</u>	<u>\$ -</u>
Financial assets at amortized cost	<u>\$ (8,306)</u>	<u>\$ 1,158</u>
Financial assets measured at cost	<u>\$ -</u>	<u>\$(28,419)</u>
Bad debt expense, commitments and guarantee liability provisions	<u>\$ 30,374</u>	<u>\$(14,419)</u>
Trade receivables	<u>\$(27,617)</u>	<u>\$ (3,647)</u>
Property, plant and equipment (included in operating costs)	<u>\$(10,996)</u>	<u>\$(73,925)</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 1,828,422	\$ 1,735,582
Investment property	12,428	13,035
Others	<u>4,133</u>	<u>3,671</u>
	<u>\$ 1,844,983</u>	<u>\$ 1,752,288</u>
An analysis of depreciation by function		
Operating costs	\$ 1,741,069	\$ 1,660,765
Operating expenses	<u>99,781</u>	<u>87,852</u>
	<u>\$ 1,840,850</u>	<u>\$ 1,748,617</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 4,133</u>	<u>\$ 3,671</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties that generated rental income	<u>\$ 21,277</u>	<u>\$ 16,978</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		

Defined benefit plans	\$ 27,359	\$ 33,956
Defined contribution plans	<u>99,041</u>	<u>93,594</u>
	<u>126,400</u>	<u>127,550</u>
Share-based payments		
Equity-settled	<u>9,873</u>	<u>20,438</u>
Total employee benefits expense	<u>\$ 136,273</u>	<u>\$ 147,988</u>

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of employee benefits expense by function		
Operating costs	\$ 67,689	\$ 69,209
Operating expenses	<u>68,584</u>	<u>78,779</u>
	<u>\$ 136,273</u>	<u>\$ 147,988</u>

(Concluded)

g. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and the remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which were approved by the Company's board of directors on March 25, 2019 and March 26, 2018, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	1%	1%
Remuneration of directors and supervisors	-	-

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Share	Cash	Share
Employees' compensation	\$ 28,419	\$ -	\$ 12,151	\$ -
Remuneration of directors and supervisors	-	-	-	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Financial Information

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 595,612	\$ 203,664
Foreign exchange losses	<u>(377,407)</u>	<u>(541,845)</u>
	<u>\$ 218,205</u>	<u>\$(338,181)</u>

35. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense (benefit) recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 607,923	\$ 385,968
Income tax on unappropriated earnings	3,281	37,257
Adjustments for prior years	(12,409)	(16,074)
Others	<u>465</u>	<u>4,762</u>
	<u>599,260</u>	<u>411,913</u>
Deferred tax		
In respect of the current year	193,069	32,890
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(18,714)</u>	<u>-</u>
	<u>174,355</u>	<u>32,890</u>
Income tax expense recognized in profit or loss	<u>\$ 773,615</u>	<u>\$ 444,803</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	<u>\$ 3,635,708</u>	<u>\$ 1,574,509</u>
Income tax expense calculated at the statutory rate (20% and 17% for 2018 and 2017 respectively)	\$ 727,142	\$ 267,667
Nondeductible expenses in determining taxable income	1,137	1,312
Deferred tax effect from earnings of subsidiaries	(236,729)	(67,502)
Tax-exempt income	(80,595)	(76,384)
Additional income tax under the Alternative Minimum Tax	-	6,436

Act		
Income tax on unappropriated earnings	3,281	37,257
Unrecognized loss carryforwards/deductible temporary differences/investment credits	171,517	203,911
Effect of tax rate changes	(18,714)	-
Adjustments for prior years' tax	(12,409)	(16,074)
Others	<u>218,985</u>	<u>88,180</u>
Income tax expense recognized in profit or loss	<u>\$ 773,615</u>	<u>\$ 444,803</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 3,633	\$ -
In respect of the current year:		
Fair value changes of financial assets at FVTOCI	(11,660)	-
Remeasurement of defined benefit plan	<u>5,571</u>	<u>5,557</u>
	<u>\$ (2,456)</u>	<u>\$ 5,557</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	<u>\$ 44,463</u>	<u>\$ 80,762</u>
Current tax liabilities		
Income tax payable	<u>\$ 389,366</u>	<u>\$ 276,979</u>

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, 2018

Financial Information

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Closing Balance
Temporary differences					
Property, plant and equipment	\$ 9,118	\$ 336	\$ -	\$ -	\$ 9,454
Fair value changes of financial assets	17,719	(5,994)	(11,660)	-	65
Inventory write-downs	118,547	8,009	-	(354)	126,202
Unrealized gross profit	40,372	8,984	-	-	49,356
Defined benefit obligation	110,215	11,242	9,204	-	130,661
Gain or loss on foreign currency exchange	7,007	(12,577)	-	-	(5,570)
Allowance for impairment loss of receivables	34,096	9,619	-	(31)	43,684
Others	<u>12,750</u>	<u>(11,257)</u>	<u>-</u>	<u>-</u>	<u>1,493</u>
	349,824	8,362	(2,456)	(385)	355,345
Loss carryforwards	<u>71,248</u>	<u>(43,773)</u>	<u>-</u>	<u>-</u>	<u>27,475</u>
	<u>\$ 421,072</u>	<u>\$ (35,411)</u>	<u>\$ (2,456)</u>	<u>\$ (385)</u>	<u>\$ 382,820</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Closing Balance
Temporary differences					
Property, plant and equipment	\$ 899,857	\$ 5,349	\$ -	\$ -	\$ 905,206
Others	<u>194,552</u>	<u>133,595</u>	<u>-</u>	<u>-</u>	<u>328,147</u>
	<u>\$ 1,094,409</u>	<u>\$ 138,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233,353</u>

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Closing Balance
Temporary differences					
Property, plant and equipment	\$ 7,130	\$ 1,988	\$ -	\$ -	\$ 9,118
Fair value changes of financial assets	21,561	(3,842)	-	-	17,719
Inventory write-downs	124,031	(5,291)	-	(193)	118,547
Unrealized gross profit	49,910	(9,538)	-	-	40,372
Defined benefit obligation	109,477	(4,819)	5,557	-	110,215
Gain or loss on foreign currency exchange	(6,738)	13,745	-	-	7,007
Allowance for impaired receivables	31,908	2,217	-	(29)	34,096
Others	<u>3,877</u>	<u>8,873</u>	<u>-</u>	<u>-</u>	<u>12,750</u>
	341,156	3,333	5,557	(222)	349,824
Loss carryforwards	<u>93,571</u>	<u>(22,323)</u>	<u>-</u>	<u>-</u>	<u>71,248</u>
	<u>\$ 434,727</u>	<u>\$ (18,990)</u>	<u>\$ 5,557</u>	<u>\$ (222)</u>	<u>\$ 421,072</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Closing Balance
Temporary differences					
Property, plant and equipment	\$ 908,925	\$ (9,068)	\$ -	\$ -	\$ 899,857
Others	<u>171,584</u>	<u>22,968</u>	<u>-</u>	<u>-</u>	<u>194,552</u>
	<u>\$ 1,080,509</u>	<u>\$ 13,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,094,409</u>

- e. Deductible temporary differences, and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2018	2017
Loss carryforwards		
Expiry in 2018	\$ -	\$ 35,121
Expiry in 2019	146,253	146,253
Expiry in 2020	437,119	381,979
Expiry in 2021	401,251	386,148
Expiry in 2022	169,015	220,575
Expiry in 2023	92,302	73,842
Expiry in 2024	152,601	123,903
Expiry in 2025	403,614	346,820
Expiry in 2026	656,401	625,052
Expiry in 2027	805,145	777,357
Expiry in 2028	<u>523,601</u>	<u>-</u>
	<u>\$ 3,787,302</u>	<u>\$ 3,117,050</u>
Deductible temporary differences		
Share of loss of associates and joint ventures	<u>\$ 4,002,637</u>	<u>\$ 3,941,934</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
\$ 146,253	2019
437,119	2020
480,481	2021
169,015	2022
92,302	2023
152,601	2024
461,758	2025
656,401	2026
805,145	2027
<u>523,601</u>	2028
<u>\$ 3,924,676</u>	

- g. Income tax assessments

The income tax returns of SSF through 2014 have been assessed by the tax authorities. The income tax returns of SPF and IMBD through 2015 have been assessed by the tax authorities. The income tax returns of UBO, Taipei Star Bank, SOC, TBO, SPI, SKIS, SKIA, SKIC, SKPIA, HSI, HLC, SKE, SEC, CJH, HAM, SKIL, SEM, SKT and PAP through 2016 have been assessed by the tax authorities. The income tax returns of SPKIA through 2017 have been assessed by the tax authorities.

36. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	<u>\$ 2,457,937</u>	<u>\$ 964,726</u>
Earnings used in the computation of diluted earnings per share from continuing operations	<u>\$ 2,457,937</u>	<u>\$ 964,726</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,613,729	1,613,729
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>2,764</u>	<u>1,407</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,616,493</u>	<u>1,615,136</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group 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 in the following year.

37. SHARE-BASED PAYMENT ARRANGEMENTS

UBO

Qualified employees of UBO were granted 500 options in December 2017, 3000 options in July 2017 and 4,000 options in May 2014. Each option entitles the holder to subscribe for one thousand ordinary shares of UBO. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of UBO's ordinary shares listed on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

The Plan of December 2016				
	2018		2017	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	500	\$ 21.00	500	\$ 22.25
Options granted	-	-	-	-
Options forfeited	(50)	-	-	-
Options exercised	-	-	-	-
Options expired	<u>-</u>	-	<u>-</u>	-
Balance at December 31	<u>450</u>	20.70	<u>500</u>	21.00
Options exercisable, end of period	<u>135</u>	20.70	<u>-</u>	-
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ -</u>	

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The Plan of July 2016				
	2018		2017	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	3,000	\$ 20.3	3000	\$ 21.50
Options granted	-	-	-	-
Options forfeited	(86)	-	-	-
Options exercised	(6)	20.0	-	-
Options expired	<u>-</u>	-	<u>-</u>	-
Balance at December 31	<u>2908</u>	20.0	<u>3,000</u>	20.30
Options exercisable, end of period	<u>869</u>	20.0	<u>-</u>	-
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ -</u>	

The Plan of May 2014				
	2018		2017	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	3,434	\$ 54.2	3,459	\$ 57.50
Options granted	-	-	-	
Options forfeited	(8)	-	(25)	
Options exercised	-	-	-	
Options expired	<u>-</u>	-	<u>-</u>	
Balance at December 31	<u>3,426</u>	53.4	<u>3,434</u>	54.20
Options exercisable, end of period	<u>3,426</u>	53.4	<u>2,080</u>	
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ -</u>	

Information on outstanding options as of December 31, 2018 and 2017 is as follows:

	December 31	
	2018	2017
Range of exercise price (NT\$)	\$20-\$53.4	\$20.3-\$54.2
Weighted-average remaining contractual life (in years)	0.33-2.92 years	1.33-3.92 years

Options granted in July 2016, December 2016 and May 2014 were priced using the binomial option pricing model and the inputs to the model are as follows:

	December 2016	July 2016	May 2014
Grant-date share price (\$)	\$22.25	\$22.75	\$70
Exercise price (\$)	\$22.25	\$22.75	\$70
Expected volatility	29.03%	41.81%	37.87%
Expected life (in years)	5 years	5 years	5 years
Risk-free interest rate	0.8561%	0.5020%	1.0558%

Expected volatility was based on the historical share price volatility over the past 1 year. To allow for the effects of early exercise, UBO assumed that employees would exercise their options after the vesting date when the share price was higher than the exercise price.

Compensation cost recognized were \$9,873 thousand and \$20,438 thousand for the years ended December 31, 2018 and 2017, respectively.

38. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year 2018, the Group subscribed for additional new shares of SPF at a percentage different from its existing ownership percentage, increasing its continuing interest from 85.01% to 85.02%.

For the year 2017, the Group subscribed for additional new shares of TBO at a percentage different from its existing ownership percentage, increasing its continuing interest from 59.05% to 59.06%.

For the year 2017, the Group subscribed for additional new shares of Taipei Star Bank at a percentage different from its existing ownership percentage, increasing its continuing interest from 27.056% to 27.063%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	For the Year Ended December 31, 2018	
	UBO	SPF
Cash consideration paid	\$ -	\$ (2)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>(62)</u>	<u>5</u>
Differences recognized from equity transactions	<u>\$ (62)</u>	<u>\$ 3</u>
<u>Line items adjusted for equity transactions</u>		
Capital surplus - changes in percentage of ownership interests in subsidiaries	\$ (58)	\$ 3
Retained earnings	<u>(4)</u>	<u>-</u>
	<u>\$ (62)</u>	<u>\$ 3</u>

Financial Information

	For the Year Ended December 31, 2017	
	TBO	Taipei Star Bank
Cash consideration paid	\$ (130)	\$ (225)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>168</u>	<u>386</u>
Differences recognized from equity transactions	<u>\$ 38</u>	<u>\$ 161</u>
<u>Line items adjusted for equity transactions</u>		
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>\$ 38</u>	<u>\$ 161</u>

39. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key Management personnel consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

40. FINANCIAL INSTRUMENTS

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

Except for financial instruments measured at fair value, management believes the carrying amounts of the financial instruments approximate their fair values.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 3,638	\$ -	\$ 3,638
Domestic investments - listed shares and emerging market shares	75,160	-	-	75,160
Convertible bonds with assets exchange	-	839,966	-	839,966
Convertible bonds	-	2,540	-	2,540
Mutual funds	127,034	-	-	127,034
Short-term transactions instruments	449,213	-	-	449,213
Foreign corporate bonds	<u>14,660</u>	<u>-</u>	<u>-</u>	<u>14,660</u>
	<u>\$ 666,067</u>	<u>\$ 846,144</u>	<u>\$ -</u>	<u>\$ 1,512,211</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic investments - listed shares and emerging market shares	\$ 6,179,226	\$ -	\$ -	\$ 6,179,226
Domestic investments - unlisted shares	-	1,414,709	88,019	1,502,728
Foreign investments	-	11,411	-	11,411
Investments in debt instruments at FVTOCI				
Bond investments	<u>1,809,929</u>	<u>514,723</u>	<u>-</u>	<u>2,324,652</u>
	<u>\$ 7,989,155</u>	<u>\$ 1,940,843</u>	<u>\$ 88,019</u>	<u>\$ 10,018,017</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 12,890</u>	<u>\$ -</u>	<u>\$ 12,890</u>

Financial Information

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 1,306	\$ -	\$ 1,306
Non-derivative financial assets held for trading	<u>908,117</u>	<u>931,276</u>	<u>-</u>	<u>1,839,393</u>
	<u>\$ 908,117</u>	<u>\$ 932,582</u>	<u>\$ -</u>	<u>\$ 1,840,699</u>
Available-for-sale financial assets				
Equity securities				
Listed shares and emerging market shares	\$ 6,494,190	\$ -	\$ -	\$ 6,494,190
Unlisted shares	-	1,071,168	-	1,071,168
Debt securities				
Domestic bond investments	2,255,268	466,030	-	2,721,298
Foreign bonds investments	6,000	-	-	6,000
Mutual funds	<u>160,421</u>	<u>-</u>	<u>-</u>	<u>160,421</u>
	<u>\$ 8,915,879</u>	<u>\$ 1,537,198</u>	<u>\$ -</u>	<u>\$ 10,453,077</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 6,858</u>	<u>\$ -</u>	<u>\$ 6,858</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

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

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018 (IAS 39)	\$ 7,172
Adjustment on retrospective application of IFRS 9	<u>62,937</u>
Balance at January 1, 2018 (IFRS 9)	70,109
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	<u>17,910</u>
Balance at December 31, 2018	<u>\$ 88,019</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted debt securities - ROC	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the reporting period.
Unlisted equity securities - ROC	Based on market observations, economic trends and industry characteristics, value multipliers that are highly relevant to the target are used as inputs for fair value calculation.

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted equity securities - ROC	Discounted cash flow. Future cash flows are estimated based on observable cash dividends at the end of the reporting period and other parameters, discounted at a rate that reflects the credit risk of various counterparties. Market Multiplier Based on the transaction prices of the shares in an active market of companies in comparable industries, the corresponding net value multiplier and taking into consideration the liquidity discount ratio, the fair value of the target is evaluated. The main significant unobservable input is the liquidity discount.

5) Sensitivity analysis of the reasonable possible alternative assumptions for Level 3 fair value measurement

The significant unobservable inputs of the income approach used by the Group are the discount rate, non-controlling equity discount rate and the liquidity discount ratio. The sensitivity analysis is as follows:

December 31, 2018		
Significant Unobservable Input	Range of Changes	Affected Amount
Discount rate	1% increase	\$ (4,230)
	1% decrease	5,973
Discount for lack of marketability	10% increase	(6,310)
	10% decrease	6,310

Financial Information

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ -	\$ 1,840,699
Mandatorily classified as at FVTPL	1,512,211	-
Held-to-maturity investments	-	21,195,933
Loans and receivables (1)	-	16,422,562
Available-for-sale financial assets (2)	-	10,453,077
Financial assets at amortized cost (3)	39,209,663	-
Financial assets at FVTOCI		
Equity instruments	7,693,365	-
Debt instruments	2,324,652	-

Financial liabilities

Financial liabilities at FVTPL		
Held for trading	12,890	6,858
Amortized cost (4)	21,895,454	23,738,095

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments, other financial assets, notes receivables, trade and other receivables.
- 2) The balances include the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, other financial assets, notes receivables, trade and other receivables.
- 4) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payables, trade and other payables, other financial liabilities, and bonds issued.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, bonds payable and borrowings. The Group'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 Group 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.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risk or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amount of monetary assets and monetary liabilities denominated in the non-functional currency at the balance sheet date (including monetary items denominated in non-functional currency that had reversed in the consolidated financial statements) and the carrying amount of derivatives exposed to exchange rate risk, please refer to Note 45.

The Group uses foreign exchange forward contracts to eliminate currency exposure. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the U.S. dollar. 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 is 5%. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the U.S. dollar. For a 5% strengthening of the New Taiwan dollar against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. This was mainly attributable to the exposure on outstanding receivables and payables in U.S. dollars, which were not hedged at the end of the reporting period.

	USD Impact	
	For the Year Ended December 31	
	2018	2017
Profit or loss	<u>\$ 209,793</u>	<u>\$ 254,051</u>

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

Financial Information

The carrying amounts of the Group's financial liabilities with exposure to interest rates at the end of the reporting periods were as follows:

	December 31	
	2018	2017
Fair value interest rate risk	\$ 3,620,000	\$ 5,445,000
Cash flow interest rate risk	13,564,930	12,890,427

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the each of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 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 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease/increase by \$33,912 thousand and \$32,226 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

c) Other price risk

The Group was exposed to equity price risk and commodity price risk through its investments in equity securities and mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by \$10,110 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$384,668 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2017 would have increased/decreased by \$2,804 thousand, as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the year ended December 31, 2017 would increase/decrease by \$386,289 thousand, as a result of the changes in fair value of available-for-sale shares.

The Group's sensitivity to investments in equity securities has not changed significantly from the prior year.

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 Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparties to discharge its obligation and due to the financial guarantees provided by the Group, could be arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group's had available unutilized bank loan facilities set out in (c) below.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band 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.

Financial Information

December 31, 2018

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 5,202,267	\$ -	\$ -	\$ -	\$ 5,202,267
Variable interest rate liabilities	7,268,293	5,492,636	905,200	-	13,666,129
Fixed interest rate liabilities	2,289,412	-	-	-	2,289,412
Financial debentures	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>830,000</u>	<u>1,330,000</u>
	<u>\$ 14,759,972</u>	<u>\$ 5,492,636</u>	<u>\$ 1,405,200</u>	<u>\$ 830,000</u>	<u>\$ 22,487,808</u>

December 31, 2017

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 5,675,600	\$ -	\$ -	\$ -	\$ 5,675,600
Variable interest rate liabilities	6,379,825	5,630,140	971,468	-	12,981,433
Fixed interest rate liabilities	4,443,967	-	-	-	4,443,967
Financial debentures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 16,499,392</u>	<u>\$ 5,630,140</u>	<u>\$ 971,468</u>	<u>\$ 1,000,000</u>	<u>\$ 24,101,000</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to pay should the counterparty of the contract demand payment of the full amount of the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be paid under the contracts.

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2018

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Net settled</u>					
Foreign exchange forward contracts	<u>\$ 1,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,671</u>
Foreign exchange contracts	<u>\$ (9,353)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,353)</u>
Cross-currency swap contracts	<u>\$ (1,570)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,570)</u>

December 31, 2017

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Net settled</u>					
Foreign exchange forward contracts	<u>\$ (2,330)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,330)</u>
Foreign exchange contracts	<u>\$ (3,222)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,222)</u>

c) Financing facilities

	December 31	
	2018	2017
Amount unused	<u>\$ 19,792,472</u>	<u>\$ 17,344,824</u>

41. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
INVISTA (Taiwan) Limited Taiwan Branch (H.K.)	Affiliated company of subsidiary's main shareholder
INVISTA	Affiliated company of subsidiary's main shareholder
Tai Shin Leasing & Financial Co., Ltd.	Associates
Shin Kong Bank Co., Ltd.	Related party in substance
Chairman Wu and related parties of Chairman Wu	Related party in substance
The Taipei Star Bank Cultural Foundation	Related party in substance
Shin Kong Textile Co., Ltd.	Related party in substance
Shin Kong Life Insurance Co., Ltd.	Related party in substance
Shin Kong Construction and Development Co., Ltd.	Related party in substance
Shin-Kong Life Real Estate Service Co., Ltd.	Related party in substance
Shinkong Co., Ltd	Related party in substance
Hwa Jian Human-Resource & Management Co., Ltd.	Related party in substance
Others	Key management personnel and others

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b. Sales of goods

Line Items	Related Party Categories/Name	For the Year Ended December 31	
		2018	2017
Sales	Affiliated company of subsidiary's investors main shareholder/others	<u>\$ 1,371,000</u>	<u>\$ 1,487,661</u>
	Related party in substance/others	<u>\$ 8,987</u>	<u>\$ 15,604</u>

c. Purchases of goods

Related Party Categories/Name	For the Year Ended December 31	
	2018	2017
Affiliated company of subsidiary's investors main shareholder/others	<u>\$ 2,712</u>	<u>\$ 23,602</u>

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

Line Items	Related Party Categories/Name	December 31	
		2018	2017
Trade receivables	Affiliated company of subsidiary's investors main shareholder/others	<u>\$ 330,179</u>	<u>\$ 263,856</u>
	Related party in substance/others	<u>\$ 2,230</u>	<u>\$ 169</u>
Notes receivable	Related party in substance/others	<u>\$ 762</u>	<u>\$ -</u>

e. Loans

For the Year Ended December 31, 2018							
Category	Number or Name of Related Party	Highest Balance	Ending Balance	Normal Loans	Non-Performing Loans	Type of Collateral	Differences in Transaction Terms Between Related and Nonrelated Parties
Employee consumer loans	8	\$ 3,499	\$ 2,441	\$ 2,441	\$ -	None	None
Self-used residential mortgage loans	15	125,647	103,616	103,616	-	Real estate	None
Secured loans	Key executives	15,169	4,500	4,500	-	Real estate	None
Secured loans	Others	35,559	34,766	34,766	-	Real estate	None
For the Year Ended December 31, 2017							
Category	Number or Name of Related Party	Highest Balance	Ending Balance	Normal Loans	Non-Performing Loans	Type of Collateral	Differences in Transaction Terms Between Related and Nonrelated Parties
Employee consumer loans	9	\$ 3,685	\$ 2,499	\$ 2,499	\$ -	None	None
Self-used residential mortgage loans	14	134,537	111,681	111,681	-	Real estate	None
Secured loans	Key executives	15,589	12,969	12,969	-	Real estate	None
Secured loans	Others	25,031	11,156	11,156	-	Real estate	None

In compliance with the Banking Law, except for consumer loans and government loans, credits extended by Taipei Star Bank to any related party were fully secured, and the other terms of these credits extended to related parties were similar to those for third parties.

f. Deposits from related parties

	For the Year Ended December 31					
	2018			2017		
	Ending Balance	Interest Rate %	Interest Expense	Ending Balance	Interest Rate %	Interest Expense
Related party in substance	\$ 603,037	0.00-1.06	\$ 1,783	\$ 723,814	0.00-1.70	\$ 4,819
Key executives	35,666	0.00-7.31	159	33,784	0.00-7.31	190
Others	<u>121,811</u>	1.00-7.31	<u>2,194</u>	<u>158,096</u>	0.00-7.31	<u>1,756</u>
	<u>\$ 760,514</u>		<u>\$ 4,136</u>	<u>\$ 915,694</u>		<u>\$ 6,765</u>

The terms of the transactions with related parties were similar to those for third parties, except for certain preferential interest rates, which was 7.31% as of both December 31, 2018 and 2017 for employees' savings and loans.

g. Others

1) Operating leases - lessor

Lessor	Object	Period	Rental Income	
			For the Year Ended	
			December 31	
			2018	2017
Related party in substance/others	Office and parking space	2017.03.01-2020.02.29	\$ 662	\$ 327

2) Operating leases - lessee

Lessee	Object	Period	Rental Expense	
			For the Year Ended	
			December 31	
			2018	2017
Related party in substance/others	Office and parking space	2017.01.01-2019.01.19 2016.01.20-2019.01.19 2017.01.16-2018.01.15 2018.01.16-2019.01.15 2018.01.01-2018.12.31	\$ 15,096	\$ 15,156
Substantive related parties/others	Land and plant	2006.03-2018.02.28	-	3,670
Associates	Rental cars	2017.08.25-2019.08.24	480	-

Financial Information

h. Acquisition of associates

In 2018, the Group subscribed for additional 36,000,000 new shares of Shinkong Excelsior Medical Asset Management Co., Ltd. for \$45,000 thousand, at a percentage different from its existing ownership percentage, increasing its continuing interest from 25.01% to 29.05%.

i. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefit	\$ 43,547	\$ 37,914
Post-employment benefit	3,210	3,083
Others	<u>6,907</u>	<u>7,302</u>
	<u>\$ 53,664</u>	<u>\$ 48,299</u>

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

42. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the tariff of imported raw materials guarantees:

		December 31	
		2018	2017
Other financial assets - current	Refundable deposits, time deposits, pledged time deposits and restricted demand deposits	\$ 140,480	\$ 1,047,066
Other financial assets - non-current	Pledged time deposits	143,116	-
Available-for-sale financial assets - current and non-current	Listed shares	-	3,574,710
Held-to-maturity financial assets	Trust fund compensation provision	-	52,555
Financial assets at fair value through other comprehensive income - current and non-current	Listed shares	3,205,492	-
Financial assets at amortized cost - current	Trust fund compensation provision	52,178	-
Property, plant and equipment and investment properties	Land, buildings and machineries	7,643,912	7,982,117
Land use rights	M4-1-1 land in Hangzhou	<u>27,379</u>	<u>28,998</u>
		<u>\$ 11,212,557</u>	<u>\$ 12,685,446</u>

As of December 31, 2018 and 2017, the interest rates for the pledged deposits ranged from 0.75% to 2.25% and 0.63% to 1.30%, respectively.

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

a. Letters of credit

Outstanding letters of credit not reflected in the accompanying consolidated financial statements as of December 31, 2018 and 2017 were as follows:

	December 31	
	2018	2017
EUR	\$ 3,956	\$ 908
JPY	410,236	237,235
USD	11,029	11,419
THB	-	150,000

b. Significant commitments and contingent liabilities of Taipei Star Bank

As of December 31, 2018 and 2017, the significant commitments and contingent liabilities of Taipei Star Bank were as follows:

	December 31	
	2018	2017
Unused loan commitments	\$ 16,085,920	\$ 15,196,224
Guarantees	460,740	576,281
Letters of credit	-	13,359
Liabilities trusted	9,911,093	9,642,074

c. Trust assets

According to Article 17 of the Enforcement Rules of the Trust Enterprise Act, the Bank discloses assets and liabilities of trust accounts and inventory of trust assets as follows:

Trust Account Balance Sheet			
December 31, 2018			
Trust Assets	Amount	Trust Liabilities	Amount
Bank deposit	\$ 254,746	Trust capital	
Short-term investments		Funds and investment	\$ 3,227,114
Mutual fund	3,059,751	Securities and investment	1,327,613
Securities	1,359,606	Real estate and investment	5,381,354
Real estate		Net loss	(107,377)
Land and buildings	<u>5,236,990</u>	Deferred income	<u>82,389</u>
	<u>\$ 9,911,093</u>		<u>\$ 9,911,093</u>

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Trust Account Statement of Income For the Year Ended December 31, 2018

Income from trust	
Dividend income	\$ 24,307
Rental income	7,477
Interest income	<u>124</u>
	<u>31,908</u>
Expense from trust	
Management fee	(4,049)
Insurance expense	(15,089)
Remittance charge	(248)
Tax expense	(71,179)
Interest expense	(33,875)
Exchange expense	(47)
Other expense	<u>(14,798)</u>
	<u>(139,285)</u>
Net loss before tax	(107,377)
Income tax expense	<u>-</u>
Net loss	<u><u>\$(107,377)</u></u>

The summary of trust assets as of December 31, 2018 is as follows:

	Type	Amount
Bank deposits		\$ 254,746
Mutual funds		3,059,751
Securities		1,359,606
Real estate		
Land and buildings		<u>5,236,990</u>
		<u><u>\$ 9,911,093</u></u>

Trust Account Balance Sheet December 31, 2017

Trust Assets	Amount	Trust Liabilities	Amount
Bank deposits	\$ 212,894	Trust capital	
Short-term investments		Funds and investment	\$ 2,752,521
Mutual funds	2,622,780	Securities and investment	1,322,148
Securities	1,326,736	Real estate and investment	5,623,058
Real estate		Net loss	(73,208)
Land and buildings	<u>5,479,664</u>	Deferred income	<u>17,555</u>
	<u><u>\$ 9,642,074</u></u>		<u><u>\$ 9,642,074</u></u>

Trust Account Statement of Income
For the Year Ended December 31, 2017

Income from trust	
Dividend income	\$ 18,204
Rental income	13,182
Interest income	<u>159</u>
	<u>31,545</u>
Expense from trust	
Management fee	(1,991)
Insurance expense	(36,785)
Remittance charge	(310)
Tax expense	(27,295)
Interest expense	(38,322)
Exchange expense	<u>(50)</u>
	<u>(104,753)</u>
Net loss before tax	(73,208)
Income tax expense	<u>-</u>
Net loss	<u>\$ (73,208)</u>

The summary of trust assets as of December 31, 2017 is as follows:

Type	Amount
Bank deposits	\$ 212,894
Mutual funds	2,622,780
Securities	1,326,736
Real estate	
Land and buildings	<u>5,479,664</u>
	<u>\$ 9,642,074</u>

44. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31			
	2018		2017	
	Foreign Currency (In Thousands)	Exchange Rate	Foreign Currency (In Thousands)	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 187,789	30.715	\$ 187,644	29.76
EUR	2,237	35.20	2,441	35.57
JPY	770,312	0.2782	365,878	0.2642
RMB	1,577	4.472	10,869	4.565

(Continued)

Financial Information

December 31				
2018			2017	
Foreign Currency (In Thousands)	Exchange Rate		Foreign Currency (In Thousands)	Exchange Rate
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 50,683	30.715	\$ 31,631	29.76
EUR	382	35.2	1,837	35.57
JPY	495,691	0.2782	372,485	0.2642
				(Concluded)

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were \$218,205 thousand and \$(338,181) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

45. DISCLOSURES ACCORDING TO REGULATIONS GOVERNING THE PREPARATION OF FINANCIAL REPORTS BY PUBLIC BANKS

a. Financial Instruments

1) Fair value of financial instruments not measured at fair value

Except as detailed in the following table, the management of Taipei Star Bank considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values, therefore, do not disclosure it fair value hierarchy.

	Carrying Amount	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost- debt instruments	\$ 22,788,498	\$ 10,473,221	\$ 12,333,417	\$ -	\$ 22,806,638
<u>Financial liabilities</u>					
Financial liabilities at amortized cost Financial debenture	1,330,000	-	1,355,320	-	1,355,320
	Carrying Amount	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Held-to-maturity investments	\$ 21,195,933	\$ 11,332,943	\$ 10,338,385	\$ -	\$ 21,671,328
<u>Financial liabilities</u>					
Financial debenture	1,000,000	202,336	815,820	-	1,018,156

The fair values of the financial assets and financial liabilities included in the Level 2 categories

above have been determined in accordance with income approaches based on a discounted cash flow analysis.

2) Fair value of financial instruments measured at fair value on a recurring basis

a) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 841,579	\$ -	\$ 841,579
Mutual funds	25,158	-	-	25,158
Short-term transactions instruments	<u>449,213</u>	<u>-</u>	<u>-</u>	<u>449,213</u>
	<u>\$ 474,371</u>	<u>\$ 841,579</u>	<u>\$ -</u>	<u>\$ 1,315,950</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI	\$ 285,576	\$ -	\$ 47,930	\$ 333,506
Investments in debt instruments at FVTOCI	<u>1,809,929</u>	<u>514,723</u>	<u>-</u>	<u>2,324,652</u>
	<u>\$ 2,095,505</u>	<u>\$ 514,723</u>	<u>\$ 47,930</u>	<u>\$ 2,658,158</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ (10,966)</u>	<u>\$ -</u>	<u>\$ (10,966)</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity securities	\$ 6,885	\$ -	\$ -	\$ 6,885
Debt securities	869,715	-	-	869,715
Derivative financial assets	<u>-</u>	<u>914,274</u>	<u>-</u>	<u>914,274</u>
	<u>\$ 876,600</u>	<u>\$ 914,274</u>	<u>\$ -</u>	<u>\$ 1,790,874</u>
<u>Available-for-sale financial assets</u>				
Equity securities	\$ 209,089	\$ -	\$ -	\$ 209,089
Debt securities	2,255,268	466,030	-	2,721,298
Mutual funds	<u>16,813</u>	<u>-</u>	<u>-</u>	<u>16,813</u>
	<u>\$ 2,481,170</u>	<u>\$ 466,030</u>	<u>\$ -</u>	<u>\$ 2,947,200</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ (3,904)</u>	<u>\$ -</u>	<u>\$ (3,904)</u>

Financial Information

There were no transfers between Levels 1 and 2 in the current and prior years.

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

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018 (IAS 39)	\$ 7,172
Adjustment on retrospective application of IFRS 9	<u>33,332</u>
Balance at January 1, 2018 (IFRS 9)	40,504
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	<u>7,426</u>
Balance at December 31, 2018	<u>\$ 47,930</u>

c) Valuation technique and assumptions used for fair value measurement

The fair values of financial assets and financial liabilities traded on active markets are determined with reference to quoted market prices. When market prices are not available, valuation techniques are applied. The estimates and assumptions used by Taipei Star Bank for financial instrument valuation is consistent with those used by other market participants in pricing of financial instruments. Fair values of derivatives that have no quoted market prices in an active market are calculated using the discounted cash flow method, the fair value of each individual contract is calculated based on the exchange rates quoted by Reuters on each settlement date.

d) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Based on the exchange rates quoted by Reuters on each settlement date
Derivatives - convertible bond asset swap	The value of convertible bond asset swap is the conversion price plus the fixed income value minus the conversion option value. The average price is input into the SYSTEX information system to calculate value of convertible bond asset swap and convertible option. The interbank overnight call loan rate, TAIBIR and IRS from Bloomberg are input into the SYSTEX information system to calculate the discounted fixed income
Investments in debt instruments	Based on market quoted prices or prices quoted by Bloomberg

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted equity securities - ROC	Discounted cash flow. Future cash flows are estimated based on observable cash dividends at the end of the reporting period and other parameters, discounted at a rate that reflects the credit risk of various counterparties.

- f) Sensitivity analysis of reasonable possible alternative assumptions for Level 3 fair value measurement

The significant unobservable inputs of the income approach used by Taipei Star Bank are the discount rate, non-controlling equity discount rate and the liquidity discount ratio. The sensitivity analysis is as follows:

December 31, 2018		
Significant Unobservable Input	Range of Changes	Affected Amount
Discount rate	1% increase	\$ (4,230)
	1% decrease	5,973
Discount for lack of marketability	10% increase	(6,310)
	10% decrease	6,310

3) Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 1,315,950	\$ 1,790,874
Held-to-maturity investments	-	21,195,933
Loans and receivables (a)	-	58,296,179
Available-for-sale financial assets (b)	-	2,954,372
Financial assets at FVTOCI	2,658,158	-
Financial assets at amortized cost (c)	80,539,372	-
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	10,966	3,904
Amortized cost (d)	79,669,829	80,223,075

- a) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, due from the Central Bank and call loans to other banks, bills and bonds purchased under resale agreements, trade receivables and discounts and loans.
- b) The balances include the carrying amount of available-for-sale financial assets measured at cost.
- c) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, due from the Central Bank and call loans to other banks, debt investments, bills and bonds purchased under resale agreements, trade receivables and discounts and loans.

Financial Information

- d) The balances include financial liabilities at amortized cost, which comprise due to the Central Bank and other banks, bills and bonds sold under repurchase agreements, trade payables, deposits and remittances, bonds issued and other financial liabilities.

b. Financial risk management objectives and policies

Taipei Star Bank has rules for risk management policies and risk control procedures, which include organizational structure, procedures, mechanism and information system. The rules had been approved by the board of directors (including credit risks, market risks, operation risks, liquidity risks and national risks).

Taipei Star Bank set Risk Management Committee and Risk Management Division, and takes the full responsibility for risk management in order to operate risk management effectively. Chief Executive Officer as the chairman of Risk Management Committee, and Vice Chief Executive Officer as substitute. Risk Management Committee takes charge of risk management as follows:

- 1) Monitoring capital adequacy.
- 2) Measurement and monitoring liquidity risks.
- 3) Risk management of every business segment.
- 4) Assessment of asset quality, classification and loss allowance.
- 5) Information security protection mechanism and emergency response plan.
- 6) Planning, proposal and assessment of risk management policies.
- 7) Reporting implementation status of risk management to the board of directors.
- 8) The Risk Management Committee can assign specialists who are responsible for specific risk tasks, in order to achieve the goals of risk management.

Member of Risk Management Committee sets risk management measurement index depend on their business, and report to Risk Management Committee as a reference for decision making.

1) Market risk

Fair value changes of Taipei Star Bank's fixed rate debt instruments, bills, loans and other financial instruments, when the market rate changes on the balance sheet date.

Sensitivity analysis

a) Interest rate risk

If interest rates had been 100 basis yield points higher and all other variables were held constant, the Taipei Star Bank pre-tax profit for the years ended December 31, 2018 and 2017 would decrease by \$957 thousand and \$633 thousand, respectively, and the pre-tax other comprehensive income for the year ended December 31, 2018 and 2017 would decrease by \$68,044 thousand and \$52,636 thousand, respectively.

b) Foreign currency risk

If exchange rates of USD/NTD and CNY/NTD strengthened by 3% and all other variables were held constant, the pre-tax profit of Taipei Star Bank for the years ended December 31, 2018 and 2017 would decrease by \$13,702 thousand and \$13,584 thousand, respectively, and the pre-tax other comprehensive income for the year ended December 31, 2018 and 2017 would decrease by \$16,146 thousand and \$18,830 thousand, respectively.

c) Equity price risk

If equity prices had been 15% higher and all other variables were held constant, the Taipei Star Bank pre-tax profit for the years ended December 31, 2018 and 2017 would decrease by \$0 thousand and \$1,033 thousand, respectively, and the pre-tax other comprehensive income for the year ended December 31, 2018 and 2017 would decrease by \$50,026 thousand and \$31,363 thousand, respectively.

d) Summarized sensitivity analysis

December 31, 2018			
Main Risk	Range of Changes	Impact Amounts	
		Equity	Profit/Loss
Interest rate risk	Interest rate yield higher 100BPS	\$(69,001)	\$ (957)
Interest rate risk	Interest rate yield lower 100BPS	69,001	957
Foreign currency risk	USD/NTD and CNY/NTD strengthen 3%	29,848	13,702
Foreign currency risk	USD/NTD and CNY/NTD weakening 3%	(29,848)	(13,702)
Equity price risk	Equity price higher 15%	50,026	-
Equity price risk	Equity price lower 15%	(50,026)	-

December 31, 2017			
Main Risk	Range of Changes	Impact Amounts	
		Equity	Profit/Loss
Interest rate risk	Interest rate yield higher 100BPS	\$(53,269)	\$ (633)
Interest rate risk	Interest rate yield lower 100BPS	53,269	633
Foreign currency risk	USD/NTD and CNY/NTD strengthen 3%	32,414	13,584
Foreign currency risk	USD/NTD and CNY/NTD weakening 3%	(32,414)	(13,584)
Equity price risk	Equity price higher 15%	32,396	1,033
Equity price risk	Equity price lower 15%	(32,396)	(1,033)

2) Credit risk

Credit risk refers to the Taipei Star Bank's exposure to financial losses due to inability of customers or counterparties to meet the contractual obligations on financial instruments. When offer loans, loan commitments and guarantees, Taipei Star Bank assess it cautious. Secured loans constituted 96% and 93% of all loans as of December 31, 2018 and 2017, respectively. Pledged assets are properties, cash, securities and other assets, when counterparties inability to meet the contractual obligations, Taipei Star Bank has the right to obtain pledged assets and reduce credit risk. However, the fair value of pledged assets is not consider in the disclosure of exposure amounts.

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a) Credit risk management procedures

The credit risk management procedures and measurement methods of Taipei Star Bank's main business are as follows:

i. Credit granting business

2018

The loss allowance on Taipei Star Bank's discounts and loans whose credit risk have not increased significantly since initial recognition is evaluated using 12-month ECLs; for the discounts and loans whose credit risk have increased significantly or have defaulted and financial assets that are credit-impaired, Lifetime ECLs are used to evaluate the loss allowance.

Determination that credit risk has increased significantly since initial recognition

At the end of each reporting period, Taipei Star Bank assesses the changes in risk of default over the expected lifetime of the discounts and loans to determine if credit risk has increased significantly since initial recognition. For this assessment, reasonable and corroborative information that indicates that credit risk has increased significantly is taken into consideration, the main indicators include:

Quantitative indicators

Past due for at least a certain number of days.

Qualitative indicators

- i) Significant changes in expected or actual operating results.
- ii) Current or expected worsening of debt payment ability due to unfavorable changes in operating, financial or economic conditions.

Definition of credit-impaired and defaulted financial assets

If one or more of the following conditions are met, Taipei Star Bank determines that the financial assets have defaulted and are credit-impaired.

Quantitative indicators

Loans that met the definition of overdue loans in accordance with "Non-performing loans from Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans".

Qualitative indicators

If there is evidence showing the inability of the borrower to repay the loan or showing that the borrower is in significant financial difficulties, such as the following:

- i) Borrower met the requirements of exemption from reporting in accordance with "Nonperforming loans from Regulations Governing the Procedures for Banking".
- ii) New payment schedule is negotiated so that the loan is not classified as non-performing.

iii) Do not belong to the aforementioned non-performing loans, but showing signs of significant financial difficulties or bad credit record such as the following:

- Reported a returned check issued by debtor or on a “No business transaction” list.
- There are cases of overdue loans of the borrower or its enterprise with other financial institutions.
- Businesses operated or invested in by the borrower or its affiliates have ceased operations.
- Returned check not make up or pledged shares account decrease from loans maintenance ratio to minimum notification recovery maintenance ratio, and did not return to the standard ratio within the specified period.
- Situations where the pledged collateral of the debtor is seized by another bank, receivables have been reclassified as overdue receivables by another financial institution, debtor has filed for bankruptcy, reorganization, or other debt clearance proceedings, or when the auditor has issued an opinion expressing material uncertainty over the Company’s ability to continue as a going concern.

The definition of defaulted and credit-impaired credit assets above is applicable to all financial assets of Taipei Star Bank, and are used in the model for impairment assessment.

Measurement of expected credit loss

For the measurement of expected credit loss, Taipei Star Bank classified the credit assets based on credit risk characteristics such as purpose of borrowings, industry characteristics, type of collateral, and borrowing status into the following groups:

Business	Type of Collateral	Credit Risk Group
State-owned enterprises		Pledged time deposits
		Small and medium enterprises - credit guaranteed
		Small and medium enterprises - non-credit guaranteed
		Non small and medium enterprises
		Non small and medium enterprises
Corporate banking	Corporate banking - secured borrowings	Small and medium enterprises - non-credit guaranteed
		Non small and medium enterprises
		Non small and medium enterprises
	Corporate Banking - Unsecured borrowings	Small and medium enterprises - non-credit guaranteed
		Non small and medium enterprises
		Non small and medium enterprises
	Consumer banking - secured borrowings	Property, plant and equipment
		Pledged Shares
		Others
	Consumer banking - unsecured borrowings	Check Financing
		Consumer credit
		Self-negotiating and resolving
		Consumer debt clearance
		Others

Taipei Star Bank adopted the 12-month ECL model to evaluate the loss allowance of financial instruments whose credit risk have not increased significantly since initial recognition, and adopted the lifetime ECL model to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or those that are credit-impaired.

Financial Information

Taipei Star Bank considers both the 12-month and lifetime probability of default (“PD”) of the borrower with the loss given default (“LGD”), multiplied by the exposure at default (“EAD”), as well as the impact of time value, to calculate the respective 12-month ECLs and lifetime ECLs.

“PD” refers to the borrower’s probability of default and “LGD” refers to losses caused by the default. Taipei Star Bank applies the “PD” and “LGD” to the credit business according to each group’s historical information (such as credit loss experience) from internal historical data, and adjusts the historical data based on current observable and forward-looking macroeconomic information, and calculates by the grouping and estimation method.

Taipei Star Bank estimates the account balance based on the grouping and estimation method. In addition, Taipei Star Bank estimates the 12-month ECLs and Lifetime ECLs of loan commitments by considering the portion of the loan commitments expected to be used within 12 months after the reporting date and within the expected lifetime based on the grouping and estimation method to determine the amount of “EAD” for calculating expected credit losses.

Forward-looking information

The Taiwan Corporate Credit Risk Index (TCRI) and unemployment rate announced by the government of the ROC are used as indicators to adjust the probability of default and are included in the evaluation of the loss allowance of financial instruments.

ii. Investments in debt instruments

Taipei Star Bank considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts when estimating 12-month or lifetime expected credit losses.

Determination that credit risk has increased significantly since initial recognition

At the end of each reporting period, Taipei Star Bank assesses the changes in risk of default over the expected lifetime of the discounts and loans to determine if credit risk has increased significantly since initial recognition. For this assessment, reasonable and corroborative information that indicates that credit risk has increased significantly is taken into consideration, the main indicators include:

Quantitative indicators

According to the changes in external credit ratings, Taipei Star Bank determines the investments in debt instruments whose credit risk has increased significantly since initial recognition at the end of the reporting period.

The three stages of impairment are as follows:

- i) Stage 1 (low-risk or no significant increase): No changes in external credit ratings or do not conform to the definition of Stage 2 and 3.
- ii) Stage 2 (significant increase in credit risk): Rating is over Baa3 on the initial recognition date, and rating is lower than Ba1, not including ratings of Ca-D on the measurement date; rating is Ba1-Ba3 on the initial recognition date, and rating is downgraded to B1-Caa3 on the measurement date; Rating is B1-Caa3 on the initial recognition date; rating provided by external credit agencies is Baa3/BBB-/BBB-.

- iii) Stage 3 (credit impaired): The rating is Ca-D on the measurement date or have defaulted.

Measurement of ECLs

- i) The measurement of ECLs of debt instruments will be done on a group basis based on the nature of the products.
- ii) At the end of the reporting period, Taipei Star Bank evaluates the risk of default occurring over the expected life of debt instruments, to determine if the credit risk has increased significantly since original recognition.
- Normal credit risk, based on the probability of default (PD) within one year.
 - Significant increase in credit risk, based on the probability of default (PD) over the full lifetime of the debt instruments, if cash flow can be assessed, the discounted cash flow method is used to measure ECLs.
 - Abnormal credit risk, probability of default (PD) is 100%, probability of default (PD) over the full lifetime of the debt instruments is not considered, only the recoverable amount is considered in the measurement of ECLs.
 - Taipei Star Bank assesses the PD of investments in debt instruments using data from external credit rating agencies to calculate the PD of different secured or unsecured repayment orders.
- b) Credit risk hedging or mitigation policies
- i. Collateral

Taipei Star Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is requesting for collateral from the borrowers. To secure the loans, Taipei Star Bank manages and assesses the collateral based on the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposal. In credit contracts, Taipei Star Bank stipulates the security mechanism for loans and the conditions and terms for collateral and offsetting to state clearly that Taipei Star Bank reserves the right to reduce the limit granted or to reduce the repayment period in order to reduce the credit risks.

Financial Information

Taipei Star Bank closely observes the value of collateral of financial assets and considers the financial assets that need to be recognized for impairment or those that are already impaired. The following table details the value of collateral of credit-impaired financial assets or those that need to be recognized for impairment.

	Gross Carrying Amount	Loss Allowance	Exposure (At Amortized Cost)	Collateral Fair Value
Credit-impaired financial assets:				
Receivables				
Credit card business	\$ -	\$ -	\$ -	\$ -
Others	253	(34)	219	-
Discounts and loans	<u>214,111</u>	<u>(27,959)</u>	<u>186,152</u>	<u>709,608</u>
 Total amount of credit-impaired financial assets	 <u>\$ 214,364</u>	 <u>\$ (27,993)</u>	 <u>\$ 186,371</u>	 <u>\$ 709,608</u>

ii. Credit risk concentration limits and control

To avoid over concentration of credit risks, Taipei Star Bank has included credit limits for a single counterparty and for a single group in its credit-related guidelines. Taipei Star Bank has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, Taipei Star Bank set credit limits by industry, conglomerate, country, transactions collateralized by shares, and other categories and integrated within one system the supervision of concentration of credit risk in these categories.

iii. Other credit enhancements

To reduce credit risk, Taipei Star Bank stipulates in its credit contracts the terms for offsetting which clearly defines that Taipei Star Bank reserves the right to offset the borrowers' debt against their deposits in Taipei Star Bank.

c) Credit risk exposure

Credit risk exposure is evaluated based on the positive fair value on the balance sheet date and off-balance loan commitments and other guaranteed commitments.

Except off-balance sheet credit risk exposure, the maximum credit risk exposures of various financial instruments held by the Taipei Star Bank are the same as the per book amounts.

i. Off-balance sheet credit risk exposure

	December 31	
	2018	2017
Commitments	\$ 16,085,920	\$ 15,196,224
Guarantees	460,740	576,281
Letters of credit	-	13,359

ii. Concentration of credit risk

Concentration of credit risk exists when the counterparty of financial transactions are concentrated on one individual or when there is more than one counterparty but they are engaged in similar business activities or have similar economic characteristics, which result in their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Taipei Star Bank did not have transactions involving a single customer or counterparty, but has transactions with counterparties with similar industries or geographical locations. The contract amounts of significant concentration of credit risk and their maximum amounts of credit risk are as follows:

Group or Industry	December 31	
	2018	2017
Natural person	\$ 33,952,929	\$ 34,143,080
Real estate	8,780,745	7,253,302
Manufacturing	615,616	1,294,476
Wholesale, retail and restaurants	874,751	1,316,566
Construction	726,826	193,158
Others	<u>3,467,933</u>	<u>2,878,493</u>
	<u>\$ 48,418,800</u>	<u>\$ 47,079,075</u>

Region	December 31	
	2018	2017
Domestic	\$ 47,693,648	\$ 46,534,983
Overseas	<u>725,152</u>	<u>544,092</u>
	<u>\$ 48,418,800</u>	<u>\$ 47,079,075</u>

d) Credit quality information

Some financial assets held by Taipei Star Bank, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, bills and bonds purchased under resale agreements and refundable deposits, are exposed to low credit risks because the counterparties have high credit ratings.

Financial Information

In addition to the above-mentioned assets, credit quality analyses on other financial assets were as follows:

December 31, 2018

i. Analysis of credit quality of discounts and loans

Discounts and Loans						
December 31, 2018						
		Stage 3				
				Lifetime ECLs (Non- purchased or Originated Credit- impaired Financial	Difference of Impairment Loss	
	Stage 1 12- month ECLs	Stage 2 Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Individually Assessed)	Assets)	Recognized	Total
Gross carrying amount	\$ 47,743,949	\$ -	\$ 5,206	\$ 208,905	\$ -	\$ 47,958,060
Loss allowance	(33,731)	-	(7)	(17,565)	-	(51,303)
Difference of impairment loss under regulations	-	-	-	-	(510,282)	(510,282)
	<u>\$ 47,710,218</u>	<u>\$ -</u>	<u>\$ 5,199</u>	<u>\$ 191,340</u>	<u>\$ (510,282)</u>	<u>\$ 47,396,475</u>
Trades receivable and Other Financial Assets						
December 31, 2018						
		Stage 3				
				Lifetime ECLs (Non- purchased or Originated Credit- impaired Financial	Difference of Impairment Loss	
	Stage 1 12- month ECLs	Stage 2 Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Individually Assessed)	Assets)	Recognized	Total
Gross carrying amount	\$ 8,196,302	\$ -	\$ 69	\$ 184	\$ -	\$ 8,196,555
Loss allowance	(40)	-	-	(62)	-	(62)
Difference of impairment loss under regulations	-	-	-	-	28	28
	<u>\$ 8,196,262</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 122</u>	<u>\$ 28</u>	<u>\$ 8,196,481</u>
Off-balance Sheet Commitments						
December 31, 2018						
		Stage 3				
				Lifetime ECLs (Non- purchased or Originated Credit- impaired Financial	Difference of Impairment Loss	
	Stage 1 12- month ECLs	Stage 2 Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Individually Assessed)	Assets)	Recognized	Total
Gross carrying amount	\$ 460,740	\$ -	\$ -	\$ -	\$ -	\$ 460,740
Loss allowance	(964)	-	-	-	-	(964)
Difference of impairment loss under regulations	-	-	-	-	(3,644)	(3,644)
	<u>\$ 459,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,644)</u>	<u>\$ 456,132</u>

ii. Analysis of credit quality of marketable securities

Credit quality of debt instruments

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

December 31, 2018	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 2,324,466	\$ 22,792,164
Loss allowance	<u>(817)</u>	<u>(3,666)</u>
Amortized cost	2,323,649	22,788,498
Adjustments to fair value	<u>1,003</u>	<u>-</u>
	<u>\$ 2,324,652</u>	<u>\$ 22,788,498</u>

Taipei Star Bank's current credit risk grading framework comprises the following categories:

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount
Stage 1 (low credit risk)	No changes in external credit ratings and do not conform to the definition of Stages 2 and 3.	12-month ECLs	0.00%-0.36%	\$ 25,116,630
Stage 2 (significant increase in credit risk)	The rating is over Baa3 on the initial recognition date, and the rating is lower than Ba1, not including ratings of Ca-D on the measurement date. The rating is Ba1-Ba3 on the initial recognition date, and the rating is downgraded to B1-Caa3 on the measurement date. B1-Caa3 on the initial recognition date.	Lifetime ECLs (not credit impaired)	-	-
Stage 3 (credit impaired)	The rating is Ca-D on the measurement date and defaulted.	Lifetime ECLs (credit impaired)	-	-

Financial Information

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost grouped by credit rating is summarized as follows:

	Credit Rating		
		Stage 2	Stage 3
		Lifetime ECLs	Lifetime ECLs
Allowance for Impairment Loss	Stage 1 12-month ECLs	Not Credit-impaired	Credit-impaired
Balance at January 1, 2018 under IAS 39	\$ -	\$ -	\$ -
Effect of retrospective application of IFRS 9	<u>6,166</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2018 under IFRS 9	6,166	-	-
New financial assets purchased	1,188	-	-
Derecognition	(1,319)	-	-
Change in exchange rates or others	<u>(1,552)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 4,483</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

i. Credit quality analysis on discounts, loans and receivables

December 31, 2017	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+(C)-(D)
	A	B	C	Subtotal (A)					
Available-for-sale financial assets									
Bonds	\$ 2,721,298	\$ -	\$ -	\$ 2,721,298	\$ -	\$ -	\$ 2,721,298	\$ -	\$ 2,721,298
Equities	209,089	-	-	209,089	-	-	209,089	-	209,089
Others	16,813	-	-	16,813	-	-	16,813	-	16,813
Held-to-maturity financial assets									
Bonds	21,195,933	-	-	21,195,933	-	-	21,195,933	-	21,195,933
Other financial assets									
Equities	-	-	7,172	7,172	-	42	7,214	(42)	7,172

ii. Credit quality analysis on discounts and loans neither past due nor impaired (based on credit ratings of clients)

December 31, 2017	Neither Past Due Nor Impaired					Total
	Level 1	Level 2	Level 3	Level 4	Level 5	
Consumer loans						
Residential mortgage	\$ 1,322,462	\$ 3,315,237	\$ 2,764,938	\$ 1,324,131	\$ 998,777	\$ 9,725,545
Petit credit	5,917	9,370	6,806	4,789	1,108	27,990
Others (secured)	5,195,457	8,363,479	5,911,069	3,363,713	1,358,295	24,192,013
Others (unsecured)	14,856	43,758	26,766	17,401	4,650	107,431
Corporate loans						
Secured	413,228	201,526	2,081,824	4,652,759	1,751,435	9,100,772
Unsecured	<u>655,718</u>	<u>710,004</u>	<u>892,405</u>	<u>870,306</u>	<u>110,000</u>	<u>3,238,433</u>
	<u>\$ 7,607,638</u>	<u>\$ 12,643,374</u>	<u>\$ 11,683,808</u>	<u>\$ 10,233,099</u>	<u>\$ 4,224,265</u>	<u>\$ 46,392,184</u>

Financial Information

iii. Credit quality analysis on securities

December 31, 2017	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+ (C)-(D)
	A	B	C	Subtotal (A)					
Available-for-sale financial assets									
Bonds	\$ 2,721,298	\$ -	\$ -	\$ 2,721,298	\$ -	\$ -	\$ 2,721,298	\$ -	\$ 2,721,298
Equities	209,089	-	-	209,089	-	-	209,089	-	209,089
Others	16,813	-	-	16,813	-	-	16,813	-	16,813
Held-to-maturity financial assets									
Bonds	21,195,933	-	-	21,195,933	-	-	21,195,933	-	21,195,933
Other financial assets									
Equities	-	-	7,172	7,172	-	42	7,214	(42)	7,172

3) Liquidity risk

Taipei Star Bank manages liquidity risk by maintaining adequate reserves, liquidity reserves ratio are 32% and 31% as of December 31, 2018 and 2017, respectively. The fund is sufficient to meet the needs of asset acquisition or debt repayment on maturity, therefore, there is no possibility of financial loss resulting from the shortage of funds. The liquidity risk is quite low due to there is minimum possibility of sell derivatives in a non-reasonable price.

The basic policy of Taipei Star Bank is to matching the maturity profiles of financial assets and liabilities, and managed non- matching gap. Due to the uncertainty of transaction details and types, the maturity profiles of financial assets and liabilities can not matching interest completely. This kinds of gap can generate potential profit or loss, Taipei Star Bank classified financial assets and liabilities into different groups by its nature and assessed its liquidity as follows:

Financial Instruments	December 31, 2018					
	Less than 1 Month	1-6 Months	6-12 Months	1-7 Years	Over 7 Years	Total
<u>Assets</u>						
Cash and cash equivalents	\$ 1,994,753	\$ -	\$ -	\$ -	\$ -	\$ 1,994,753
Due from the Central Bank and call loans to other banks	1,229,850	573,300	560,233	590,947	-	2,954,330
Financial assets at FVTPL	1,315,950	-	-	-	-	1,315,950
Bills and bonds purchased under resale agreements	5,170,276	-	-	-	-	5,170,276
Trade receivables	98,845	91,142	36,705	2,172	-	228,864
Discounts and loans	1,832,465	4,068,064	7,556,159	19,161,673	15,339,699	47,958,060
Financial assets at FVTOCI	61,439	61,334	281,894	2,055,443	198,048	2,658,158
Financial assets at amortized cost - debt investments	7,442,256	650,205	2,132,560	9,996,259	2,567,218	22,788,498
Total assets	19,145,834	5,444,045	10,567,551	31,806,494	18,104,965	85,068,889
<u>Liabilities</u>						
Due to the Central Bank and other banks	6,129,929	-	-	-	-	6,129,929
Financial liabilities at FVTPL	10,966	-	-	-	-	10,966
Bills and bonds sold under repurchase agreements	3,314,935	399,432	-	-	-	3,714,367
Trade payables	479,279	105,925	16,893	38,612	-	640,709
Deposits and remittances	6,953,704	20,724,316	18,789,133	21,362,255	-	67,829,408
Bonds	-	-	-	1,000,000	330,000	1,330,000
Other financial liabilities	1,646	8,335	10,228	5,207	-	25,416
Total liabilities	16,890,459	21,238,008	18,816,254	22,406,074	330,000	79,680,795
	\$ 2,255,375	\$ (15,793,963)	\$ (8,248,703)	\$ 9,400,420	\$ 17,774,965	\$ 5,388,094
Financial Instruments	December 31, 2017					
	Less than 1 Month	1-6 Months	6-12 Months	1-7 Years	Over 7 Years	Total
<u>Assets</u>						
Cash and cash equivalents	\$ 2,097,667	\$ -	\$ -	\$ -	\$ -	\$ 2,097,667
Due from the Central Bank and call loans to other banks	1,528,370	584,574	536,137	529,868	-	3,178,949
Financial assets at FVTPL	1,790,874	-	-	-	-	1,790,874
Bills and bonds purchased under resale agreements	6,884,863	-	-	-	-	6,884,863
Trade receivables	47,410	76,724	38,881	48,364	-	211,379
Discounts and loans	3,804,909	8,410,286	9,247,547	8,425,222	16,601,471	46,489,435
Available-for-sale financial assets	-	359,643	617,419	1,970,138	-	2,947,200
Held-to-maturity financial assets	7,454,250	544,391	2,199,313	9,736,157	1,261,822	21,195,933
Other financial assets	-	-	-	7,172	-	7,172
Total assets	23,608,343	9,975,618	12,639,297	20,716,921	17,863,293	84,803,472

(Continued)

Financial Information

Financial Instruments	December 31, 2017					
	Less than 1 Month	1-6 Months	6-12 Months	1-7 Years	Over 7 Years	Total
<u>Liabilities</u>						
Due to the Central Bank and other banks	6,086,687	-	-	-	-	6,086,687
Financial liabilities at FVTPL	3,904	-	-	-	-	3,904
Bills and bonds sold under repurchase agreements	4,543,094	386,151	-	-	-	4,929,245
Trade payables	577,586	111,421	13,429	41,032	-	743,468
Deposits and remittances	6,826,858	21,919,848	18,803,775	19,868,529	-	67,419,010
Bonds	-	-	-	1,000,000	-	1,000,000
Other financial liabilities	1,568	7,939	9,742	25,416	-	44,665
Total liabilities	<u>18,039,697</u>	<u>22,425,359</u>	<u>18,826,946</u>	<u>20,934,977</u>	<u>-</u>	<u>80,226,979</u>
	<u>\$ 5,568,646</u>	<u>\$ (12,449,741)</u>	<u>\$ (6,187,649)</u>	<u>\$ (218,056)</u>	<u>\$ 17,863,293</u>	<u>\$ 4,576,493</u>

(Concluded)

Analysis of cash outflows from nonderivative financial liabilities

Taipei Star Bank disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet date. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 6,129,929	\$ -	\$ -	\$ -	\$ -	\$ 6,129,929
Bills and bonds purchased under resale agreements	3,317,861	401,721	-	-	-	3,719,582
Trade payables	479,279	79,801	26,124	16,893	38,612	640,709
Deposits and remittances	6,953,704	9,603,079	11,121,237	18,789,133	21,362,255	67,829,408
Bonds	-	-	-	-	1,330,000	1,330,000
Other items of cash outflow on maturity	3,129	3,314	5,021	10,228	362,088	383,780

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 6,086,687	\$ -	\$ -	\$ -	\$ -	\$ 6,086,687
Bills and bonds purchased under resale agreements	4,543,094	389,404	-	-	-	4,932,498
Trade payables	577,586	85,609	25,812	13,429	41,032	743,468
Deposits and remittances	6,826,858	10,248,603	11,671,245	18,803,775	19,868,529	67,419,010
Bonds	-	-	-	-	1,000,000	1,000,000
Other items of cash outflow on maturity	1,623	3,156	4,783	11,388	390,677	411,627

Analysis of cash outflows from derivative financial liabilities

Derivative financial liabilities to be settled at gross amounts

Derivatives: Foreign exchange contracts

Taipei Star Bank assessed the maturity date of contracts to understand the basic elements of all derivative financial instruments shown in the consolidated balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivative						
Cash outflows	\$ 1,325,582	\$ 153,028	\$ -	\$ -	\$ -	\$ 1,478,610
Cash inflows	1,314,924	152,720	-	-	-	1,467,644
Subtotal of cash outflows	1,325,582	153,028	-	-	-	1,478,610
Subtotal of cash inflows	1,314,924	152,720	-	-	-	1,467,644
Net cash outflow (inflow)	\$ (10,658)	\$ (308)	\$ -	\$ -	\$ -	\$ (10,966)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivative						
Cash outflows	\$ 447,710	\$ 242,693	\$ -	\$ -	\$ -	\$ 690,403
Cash inflows	445,118	241,381	-	-	-	686,499
Subtotal of cash outflows	447,710	242,693	-	-	-	690,403
Subtotal of cash inflows	445,118	241,381	-	-	-	686,499
Net cash outflow (inflow)	\$ (2,592)	\$ (1,312)	\$ -	\$ -	\$ -	\$ (3,904)

4) Maturity analysis of off-balance sheet items

Taipei Star Bank conducted the maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet date. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments issued	\$ 665,957	\$ 1,331,914	\$ 1,997,871	\$ 3,995,743	\$ 8,094,435	\$ 16,085,920
Letters of credit issued and yet unused	-	-	-	-	-	-
Other guarantees	200,000	60,780	-	51,148	148,812	460,740
Total	\$ 865,957	\$ 1,392,694	\$ 1,997,871	\$ 4,046,891	\$ 8,243,247	\$ 16,546,660

Financial Information

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments issued	\$ 588,094	\$ 1,176,188	\$ 1,764,282	\$ 3,528,563	\$ 8,139,097	\$ 15,196,224
Letters of credit issued and yet unused	-	13,359	-	-	-	13,359
Other guarantees	217,500	258,200	13,000	53,798	33,783	576,281
Total	\$ 805,594	\$ 1,447,747	\$ 1,777,282	\$ 3,582,361	\$ 8,172,880	\$ 15,785,864

5) Cash flow risk of variable interest rate

The future cash flow of Taipei Star Bank's variable interest rate assets and variable interest rate liabilities can be fluctuation and have risk due to the change of market interest rate. After assessed by Taipei Star Bank, Taipei Star Bank decided to managed gap of cash flow to reduce risk from interest rate change.

c. Disclosure Requirement of Regulations Governing the Preparation of Financial Reports by Public Banks - Article 16

1) Asset quality

Period Items			December 31, 2018					December 31, 2017				
			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		\$ -	12,219,032	-	\$ 131,217	-	\$ 4,559	\$ 9,105,333	0.05%	\$ 99,774	2,188.51%
	Unsecured		-	1,786,099	-	20,063	-	2,589	3,241,022	0.08%	37,561	1,450.79%
Consumer Banking	Residential mortgage (Note 4)		34,518	8,671,934	0.40%	130,769	378.84%	28,757	9,754,303	0.29%	145,308	505.30%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		3,629	62,349	5.82%	4,217	116.20%	2,309	35,005	6.60%	7,088	306.97%
	Other (Note 6)	Secured	105,127	25,054,094	0.42%	273,600	260.26%	26,835	24,246,341	0.11%	287,367	1,070.87%
		Unsecured	-	164,552	-	1,719	-	-	107,431	-	1,214	-
Total loans			143,274	47,958,060	0.30%	561,585	391.97%	65,049	46,489,435	0.14%	578,312	889.04%

Period Items		December 31, 2018					December 31, 2017				
		Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards		\$ -	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	-
Accounts receivable factored without recourse (Note 7)		-	-	-	-	-	-	-	-	-	-

	December 31, 2018		December 31, 2017	
	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts (Note 8)	\$ -	\$ -	\$ -	\$ -
Amounts of executed debt-restructuring projects (Note 9)	-	-	1,608	-
Total	-	-	1,608	-

Financial Information

- Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).
- Note 2: Ratio of nonperforming loans: $\text{Nonperforming loans} \div \text{Outstanding loans balance}$. Ratio of nonperforming receivables: $\text{Nonperforming receivables} \div \text{Outstanding receivables balance}$.
- Note 3: Coverage ratio of loans: $\text{Allowance for possible losses for loans} \div \text{Nonperforming loans}$. Coverage ratio of receivables: $\text{Allowance for possible losses for receivables} \div \text{Nonperforming receivables}$.
- Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.
- Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.
- Note 6: Other consumers’ banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.
- Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.
- Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).
- Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Period	December 31, 2018			December 31, 2017		
Rank	Industry of Group Enterprise	Total Amount of Credit Endorsement or Other Transactions	Percentage of Equity	Industry of Group Enterprise	Total Amount of Credit Endorsement or Other Transactions	Percentage of Equity
1	Group A 016700 real estate development	\$ 829,000	15.43%	Group A 016700 real estate development	\$ 629,000	11.93%
2	Group B 016700 real estate development	538,275	10.02%	Group B 016700 real estate development	561,394	10.64%
3	Group C 016700 real estate development	531,300	9.89%	Group E 016811 real estate leasing	500,000	9.48%
4	Group D 014100 construction	523,210	9.74%	Group G 016700 real estate development	444,869	8.43%
5	Group E 016811 real estate leasing	500,000	9.31%	Group K 016812 real estate agencies activities	432,865	8.21%
6	Group F 015220 shipping agent	436,303	8.12%	Group F 015220 shipping agent	399,642	7.58%
7	Group G 016700 real estate development	414,659	7.72%	Group L 016700 real estate development	392,000	7.43%
8	Group H 015010 ocean transportation	374,477	6.97%	Group J 016499 other financial service	329,000	6.24%
9	Group I 016700 real estate development	312,000	5.81%	Group M 016700 real estate development	323,460	6.13%
10	Group J 016499 other financial service	308,000	5.73%	Group N 011112 man-made fiber spinning	320,000	6.07%

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

Financial Information

3) Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate - sensitive assets	\$ 58,316,681	\$ 639,880	\$ 4,326,480	\$ 13,648,238	\$ 76,931,279
Interest rate - sensitive liabilities	53,216,886	7,237,179	12,138,371	1,723,709	74,316,145
Interest rate sensitivity gap	5,099,795	(6,597,299)	(7,811,891)	11,924,529	2,615,134
Net worth					5,373,083
Ratio of interest rate - sensitive assets to liabilities					103.52%
Ratio of interest rate sensitivity gap to net worth					48.67%

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate - sensitive assets	\$ 60,265,620	\$ 1,006,906	\$ 4,785,724	\$ 11,223,546	\$ 77,281,796
Interest rate - sensitive liabilities	49,924,695	8,249,511	14,980,581	1,697,373	74,852,160
Interest rate sensitivity gap	10,340,925	(7,242,605)	(10,194,857)	9,526,173	2,429,636
Net worth					5,274,341
Ratio of interest rate - sensitive assets to liabilities					103.25%
Ratio of interest rate sensitivity gap to net worth					46.06%

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 56,927	\$ -	\$ 14,254	\$ 70,059	\$ 141,240
Interest rate-sensitive liabilities	130,113	8,129	19,539	-	157,781
Interest rate sensitivity gap	(73,186)	(8,129)	(5,285)	70,059	(16,541)
Net worth					65
Ratio of interest rate-sensitive assets to liabilities					89.52%
Ratio of interest rate sensitivity gap to net worth					(25,447.69%)

Interest Rate Sensitivity (U.S. Dollars)

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 32,814	\$ 10,003	\$ 19,241	\$ 77,233	\$ 139,291
Interest rate-sensitive liabilities	121,053	10,259	14,715	-	146,027
Interest rate sensitivity gap	(88,239)	(256)	4,526	77,233	(6,736)
Net worth					102
Ratio of interest rate-sensitive assets to liabilities					95.39%
Ratio of interest rate sensitivity gap to net worth					(6,603.92%)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

4) Profitability

Unit: %

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.25	0.26
	After income tax	0.22	0.23
Return on equity	Before income tax	4.05	4.13
	After income tax	3.57	3.73
Net income ratio		20.73	20.87

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on equity = Income before (after) income tax/Average equity.

Note 3: Net income ratio = Income after income tax/Total net revenues.

Note 4: Income before (after) income tax represents income from January to each period-end date.

Financial Information

5) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

December 31, 2018

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 81,918,770	\$ 11,833,227	\$ 6,037,431	\$ 2,453,839	\$ 2,894,101	\$ 10,129,533	\$ 48,570,639
Main capital outflow on maturity	97,819,771	4,748,524	10,365,713	10,452,429	12,790,523	23,398,700	36,063,882
Gap	(15,901,001)	7,084,703	(4,328,282)	(7,998,590)	(9,896,422)	(13,269,167)	12,506,757

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

December 31, 2017

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 82,476,960	\$ 15,973,040	\$ 6,368,076	\$ 3,648,948	\$ 5,940,328	\$ 12,081,752	\$ 38,464,816
Main capital outflow on maturity	97,624,526	6,137,235	10,172,009	11,013,494	13,038,091	22,903,380	34,360,317
Gap	(15,147,566)	9,835,805	(3,803,933)	(7,364,546)	(7,097,763)	(10,821,628)	4,104,499

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

December 31, 2018

	Total	Remaining Period to Maturity				
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year
Main capital inflow on maturity	\$ 173,446	\$ 36,179	\$ 7,637	\$ 207	\$ 14,163	\$ 115,260
Main capital outflow on maturity	165,116	83,238	34,660	9,050	21,280	16,888
Gap	8,330	(47,059)	(27,023)	(8,843)	(7,117)	98,372

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

December 31, 2017

	Total	Remaining Period to Maturity				
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year
Main capital inflow on maturity	\$ 161,738	\$ 36,126	\$ 6,486	\$ 5,219	\$ 19,174	\$ 94,733
Main capital outflow on maturity	212,122	80,586	33,539	16,216	26,538	55,243
Gap	(50,384)	(44,460)	(27,053)	(10,997)	(7,364)	39,490

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

Note 2: If foreign currency assets amounts constituted more than 10% of Bank's total assets, additional information will need to be disclosure.

46. CAPITAL MANAGEMENT

- a. Eligible capital of Taipei Star Bank meeting the requirements set by the authorities and should comply with the minimum ratio requested by authorities. This is the main objective of capital management of the Bank. The eligible capital and legal capital are calculated under the rule set by the authorities.

To ensure Taipei Star Bank is able to meet the capital needs of operating plan and the capital requirement, Taipei Star Bank sets business operating plan and budget report to assess the impact of business status with its capital adequacy, as well as to reach the optimization of capital allocation within the Bank.

- b. In order to meet capital adequacy requirements set by the authorities, Taipei Star Bank report it to the relevant regulatory agencies quarterly. The capital of the Bank is managed by the Risk Management Division, capital can classify into Tier 1 capital and Tier 2 capital under the “Regulations Governing the Capital Adequacy Ratio of Banks”.

- 1) Tier 1 capital: (including common equity and other tier 1 capital)

- a) Common equity including ordinary shares and its issuance surplus, capital collected in advance, capital surplus, legal reserve, special reserve, retained earnings, non-controlling interests and other equity items.
- b) Other tier 1 capital including non-cumulative perpetual preference shares and its issuance surplus, non-cumulative perpetual subordinated debts and the non-cumulative perpetual preference shares and its issuance surplus, and the non-cumulative perpetual subordinated debts which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

- 2) Tier 2 capital:

Tier 2 capital including cumulative perpetual preference shares and its issuance surplus; cumulative perpetual subordinated debts; convertible subordinated debts, long-term subordinated debts; non-perpetual preference shares and its issuance surplus when first time applying International Financial Reporting Standards in real estate and using the fair value or the re-estimated value method as the deemed cost, the difference in amount between the deemed cost and the book value recognized in retained earnings; the 45% of unrealized gains on changes in the fair value of investment properties using fair value method, as well as the 45% of unrealized gains on available-for-sale financial assets; operational reserves and loan-loss provisions; and the cumulative perpetual preference shares and its issuance surplus, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, and the non-perpetual preference shares and its issuance surplus, which are issued by banks subsidiaries, and are not directly or indirectly held by banks.

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c. Information on the Bank's CAR was as follows:

The eligible capital, risk-weighted assets and capital adequacy ratio are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks". Taipei Star Bank meet capital adequacy requirements as of December 31, 2018 and 2017, respectively.

(Unit: In Thousands of New Taiwan Dollars, %)

Analysis Items			Year	December 31, 2018	December 31, 2017
Eligible capital	Common equity			\$ 4,764,216	\$ 4,643,639
	Other Tier 1 capital			310,007	-
	Tier 2 capital			1,837,893	1,962,568
	Eligible capital			6,912,116	6,606,207
Risk-weighted assets	Credit risk	Standardized approach		48,392,631	48,235,745
		Internal rating - based approach		-	-
		Securitization		-	-
	Operational risk	Basic indicator approach		1,570,663	1,516,625
		Standardized approach/ alternative standardized approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		2,483,700	2,978,188
		Internal model approach		-	-
	Risk-weighted assets			52,446,994	52,730,558
Capital adequacy ratio (%)				13.18	12.53
Ratio of common equity to risk-weighted assets (%)				9.08	8.81
Ratio of Tier 1 capital to risk-weighted assets (%)				9.67	8.81
Leverage ratio (%)				5.71	5.20

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk - Weighted Assets of Banks."

Note 2: Consolidated financial statements for the years ended have to disclosure capital adequacy ratio with two comparative periods, and consolidated financial statements for the six months ended have to disclosure additional capital adequacy ratio for the last years ended except for two comparative periods.

Note 3: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of the common equity to risk-weighted assets = Common equity ÷

Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

47. DISCLOSURES ACCORDING TO REGULATIONS GOVERNING THE PREPARATION OF FINANCIAL REPORTS BY SECURITIES FIRMS

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

Except financial instruments measured at fair value, management of Shinkong International Securities Co., Ltd. (SKIS) believes the carrying amounts of consolidated financial statements approximate to their fair value.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Trading securities - dealing - Domestic emerging stocks	\$ 44,148	\$ -	\$ -	\$ 44,148
Trading securities - underwriting - Bonds	2,540	-	-	2,540
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic investments - unlisted shares	-	-	40,089	40,089
	<u>\$ 46,688</u>	<u>\$ -</u>	<u>\$ 40,089</u>	<u>\$ 86,777</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Trading securities - dealing - Domestic emerging stocks	<u>\$ 17,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,684</u>

Financial Information

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

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018 (IAS 39)	\$ -
Adjustment on retrospective application of IFRS 9	<u>29,605</u>
Balance at January 1, 2018 (IFRS 9)	29,605
Unrealized gain (loss) of financial assets at FVTOCI	<u>10,484</u>
Balance at December 31, 2018	<u>\$ 40,089</u>

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

The fair values of investments in domestic unlisted shares are measured using the market multiple valuation technique, which is based on the transaction prices of shares of comparable companies in an active market and the corresponding net value multiplier, taking into consideration the liquidity discount ratio. The main significant unobservable input value is the liquidity discount.

If possible reasonable change in the discount for lack of marketability assumptions will occur and all other inputs will remain constant, the fair value of the investments would increase (decrease) as follows:

December 31, 2018		
Significant Unobservable Input	Range of Changes	Affected Amount
Discount for lack of marketability	10% increase	\$(3,093)
	10% decrease	3,093

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ -	\$ 17,684
Mandatorily classified as at FVTPL	46,688	-
Loans and receivables (1)	-	10,035,572
Available-for-sale financial assets (2)	-	9,501
Financial assets at amortized cost (3)	8,162,086	-
Financial assets at FVTOCI		
Equity instruments	40,089	-
<u>Financial liabilities</u>		
Amortized cost (4)	5,613,455	7,714,747

1) The balances include loans and receivables measured at amortized cost, which comprise cash and

cash equivalents, margin loans receivable, customer margin accounts, trade receivables, securities business borrowing and lending, securities business borrowing and lending - unrestricted purposes, futures trading margin, other receivables, other financial assets-current, collected payment of shares underwritten, operating deposits, settlement funds and refundable deposits.

- 2) The balances include the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, margin loans receivable, customer margin accounts, trade receivables, securities business borrowing and lending, securities business borrowing and lending - unrestricted purposes, futures trading margin, other receivables, other financial assets-current, collected payment of shares underwritten, operating deposits, settlement funds and refundable deposits.
- 4) The balances include financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, securities financing refundable deposits, deposits payable for securities financing, future traders' equity, collection payable - collected payment of shares underwritten, trade and other payables (business tax not included).

d. Financial risk management objectives and policies

1) Risk management system

a) Risk management policies

The purpose of SKIS risk management policies is to build culture concern about risk management, and use qualitative and quantitative measurement results as a basis for business plan and risk management monitoring.

b) Risk management organization

The organizational structure of SKIS includes the board of directors, risk management committee, risk management department, and all other business departments.

The board of directors is the highest level in the risk management function and takes the full responsibility for risk management issues and to examine policies and standards and establish risk management system. In addition, every business department monitor, measure, and assesses various risks according to risk management standards. Law compliance department and internal auditing department is responsible for the independent review of risk management.

c) Risk management procedures

SKIS's risk management procedures, including risk identification, evaluation, monitoring and reporting, and takes appropriate measures to control. According to the risk management policies, SKIS make risk management procedures, which mainly include market risks, credit risks, liquidity risks, and operational risks (law risks). The principle of risks are as follows:

i. Market risk

According to the restrictions of the law and the authorization of the board of directors, the amount of the upper limit (e.g. dealing and underwriting) is set, and the early warning and stop loss mechanism are determined according to the characteristics of the products. Measure and monitor the risk according to the procedures of each business department. Through the after-hours analysis, control the transaction status of the transaction risk. In order to ensure complete and in-depth control of market risk, SKIS regularly conducts stress tests and implements risk management.

Financial Information

ii. Credit risk

Credit risk exposure by SKIS including issuer's credit risk and counterparty credit risk. The former is the risk that the financial institution which is deposit by SKIS may default, because SKIS dealing business with many domestic financial institutions which has good credit, and there is no significant concentration situation. The credit risk management is follow to rule. The latter mainly comes from the brokerage business, including credit risk arising from customers' failure to fulfill delivery obligations and securities lending or borrowing. If the market encounters sudden and serious incidents, resulting in insufficient market depth or disorder, and resulting in significant losses in the customer's holding portion, further implicating SKIS's direct or indirect risks. In order to prevent the above situation, SKIS has set up rules for the risk management of brokerage, supplemented by dynamic monitoring of the market, and regularly monitors.

In order to reduce the credit risk of the counterparty (customer), the business unit measures the financial and credit status of the counterparty before the transaction, and confirms the legality of the transaction. Then set the credit limit according to the customer's financial strength, and implement credit rating management. Regular or irregular inspection of customer credit portions after the transaction. Low liquidity shares, high risk shares and securities lending or borrowing warning indicators as the focus of credit risk control.

In addition, for counterparties, other than regularly reviewing their credit status, they also manage credit risk through the following measures: New credit exposure limit, credit limit shorten, add collateral to enhance credit.

iii. Liquidity risk

SKIS liquidity risk management covers the source of funds, capital utilization and gap management.

- i) For the source of funds, SKIS ensuring the stability and dispersion of the source of funds, maintaining a sufficient amount at any time, and effectively respond to the risk of fluctuations in unanticipated capital supply.
- ii) For the use of funds, SKIS assessing investment income, ensure its liquidity and safety to effectively respond to the unexpected needs of funds.
- iii) To manage the funding gaps of every period, SKIS arrangement of the source and use of funds, simulated the possible future funding gaps and capital planning, ensure that the sources of funds needed to maintain normal operations are safe.
- iv) The Finance Department prepares relevant management statements and inform the risk management unit in accordance with the operating rules for liquidity risk management. Which is to ensure the safety and stability of the operating funds.

iv. Legal and operational risk

Legal and operational risk management is divided into preventive control and post-clearance review based on nature and accountability. Preventive control can prevent irreparable damage, such as keep focus on the regulations modify and the impact for company. Post-clearance review whether the business unit performs business according to the operation regulations, and suggest improvements for each business, review loss of operational risk, and review the standard operating procedures of each unit.

SKIS managed by the internal regulations, which review and adjustment for the existing business regularly. If a new type of business is planned or the operating environment changes, the law will be followed and the risk management will modify and assessment.

2) Market risk analysis

Market risk is the uncertainty of changes in fair value of in- and off-balance-sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices, and commodity prices. Except listed shares, convertible bonds and emerging market shares hold by underwriting, and emerging market shares hold by dealing. In general, SKIS does not hold high portion of listed shares and convertible bonds, therefore, market risk is mainly derived from fluctuations in emerging market shares.

In order to control market risks, SKIS compliance with regulations and sets risk limits from board of directors. According to the analysis of the overall economy, industry and the financial status of individual companies, are provided for the investment decisions. Take into account the fundamentals and technical aspects of the stock market, and the supply and demand relationship of the market, also monitor the risk exposure through the mechanism of stop-loss of SKIS.

3) Credit risk analysis

SKIS's credit risk arises from derivatives transactions and securities investment, it can be divided into categories such as issuer risk and counterparty risk as follows:

- a) Issuer risk is the credit risk that stock issuers go into liquidation or are unable to pay back money when debt, bills and other securities mature.
- b) Counterparty risk is the credit risk that the counterparty undertaking derivatives or transactions are unable to fulfill settlement obligations.

SKIS's demand deposits, short-term bills payable, other refundable deposits and trade receivable have credit risk.

a) Credit risk concentration

SKIS is mainly engaged in brokerage business and the customers are scattered. To avoid the concentration of credit risks, SKIS controls the transaction risk of the brokerage business and controls the transaction amount according to the customer's financial status. For holding debt instruments or deposits, SKIS has already traded with a number of financial institutions to diversify risks and design monitor system for every financial institutions. Therefore, SKIS has not concentration of credit risk.

b) Credit risk quality

SKIS financial assets can be divided into categories including not past due and not impaired, past due but not impaired, impaired and impaired reserve.

Financial Information

As table below, all of SKIS financial assets are not past due and not impaired, which comprise cash and cash equivalents, customer margin accounts and other refundable deposits, Its credit risk is low risk, indicating that it can maintain its financial commitment performance ability even in the face of significant uncertainties or exposure to adverse conditions. For receivable, the proportion of trade receivables and margin loans receivable is relatively high, the credit risk of each financial asset is as follows:

i. Cash and cash equivalents

Which mainly comprise time deposits, checking accounts and demand deposits, and commercial papers.

ii. Customer margin accounts

According to the regulations of the authority, the customer margin accounts shall be deposited in banks with credit rating above a certain level, and separate accounts shall be set up and stored separately from their own assets.

iii. Other refundable deposits

Which mainly comprise operating deposits, settlement funds and refundable deposits. Operating deposits deposited in a bank with good credit. Settlement funds as stipulated in the Rules Governing Securities Firms, all brokers should place settlement funds with the Taiwan Stock Exchange.

iv. Other financial assets

Time deposits with original maturities of more than 3 months, deposited in a bank with good credit ratings.

v. Trade receivables

It is the creditor's rights arising from the securities business, including the transaction price of the sale of the operating securities, the financing interest receivable from the credit transaction, the receivables arising from the business of the securities being purchased and the purchase or holding by the customer. Securities are secured loans, etc.

vi. Margin loans receivable

vii. Securities business borrowing and lending - unrestricted purposes

Credit Risk Quality of Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2018

Financial Assets	Not Past Due and Not Impaired	Past Due But Not Impaired	Impaired	Impaired Reserve	Total
Cash and cash equivalents	\$ 365,461	\$ -	\$ -	\$ -	\$ 365,461
Customer margin accounts	650,258	-	-	-	650,258
Collected payment of shares underwritten	7,106	-	-	-	7,106
Refundable deposits	<u>304,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,043</u>
	<u>1,326,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,326,868</u>
Receivable					
Margin loans receivable	3,362,119	-	-	-	3,362,119
Trade receivables	2,253,042	-	-	-	2,253,042
Securities business borrowing and lending - unrestricted purposes	964,220	-	-	-	964,220
Other receivable	7,430	-	-	-	7,430
Securities business borrowing and lending	4,019	-	-	-	4,019
Futures trading margin	<u>417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>417</u>
	<u>6,591,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,591,247</u>
Other financial assets					
Time deposits	206,000	-	-	-	206,000
Refinancing margin	22,647	-	-	-	22,647
Refinancing deposit receivable	18,501	-	-	-	18,501
Other receivable - related	990	-	-	-	990
Trade receivable - related	813	-	-	-	813
Stock borrowing margin	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>
	<u>248,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,971</u>
	<u>\$ 8,167,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,167,086</u>

Credit Risk Quality of Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2017

Financial Assets	Not Past Due and Not Impaired	Past Due But Not Impaired	Impaired	Impaired Reserve	Total
Cash and cash equivalents	\$ 375,341	\$ -	\$ -	\$ -	\$ 375,341
Customer margin accounts	530,141	-	-	-	530,141
Collected payment of shares underwritten	98,264	-	-	-	98,264
Refundable deposits	<u>313,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,168</u>
	<u>1,316,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,316,914</u>
Receivable					
Margin loans receivable	4,811,546	-	-	-	4,811,546
Trade receivables	3,118,280	-	-	-	3,118,280
Securities business borrowing and lending - unrestricted purposes	637,863	-	-	-	637,863
Other receivable	6,810	-	-	-	6,810
Securities business borrowing and lending	<u>8,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,029</u>
	<u>8,582,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,582,528</u>
Other financial assets					
Time deposits	110,000	-	-	-	110,000
Refinancing margin	14,787	-	-	-	14,787
Refinancing deposit receivable	14,317	-	-	-	14,317
Other receivable - related	1,204	-	-	-	1,204
Trade receivable - related	802	-	-	-	802
Stock borrowing margin	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>
	<u>141,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,130</u>
	<u>\$ 10,040,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,040,572</u>

Financial Information

4) Liquidity risk analysis

a) The definition of liquidity risk

Liquidity risk is the potential loss that SKIS may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth. Inability to liquidate current assets at reasonable price or raising funds to fulfill funding gap with price higher than the reasonable one.

b) Liquidity risk management policy

In order to maintain the running of the SKIS's daily capital, and ensure the safety and liquidity of capital use. The financial department as a independent unit for funding and monitoring.

According to the transactions with financial institutions, the finance department uses the remaining funds appropriately. SKIS implements funding gap management of various term structures in order to efficiently control unexpected fund dispatching, and also prepare funding liquidity risk report for management purpose.

c) Liquidity risk for non-derivative financial liabilities

SKIS relies on bank borrowings and short-term bills payable as a significant source of liquidity, SKIS had available unutilized bank loan unused facilities \$137.45 billion and \$49.55 billion as of December 31, 2018 and 2017, respectively.

The following table details SKIS's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which SKIS can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band 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.

Contractual Maturities for Its Non-derivative Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2018

Financial Liabilities	Repayment Periods					Total
	On Demand	Less than 3 Months	3-12 Months	1-5 Years	5+ Years	
Short-term loans	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Short-term bills payable	-	540,000	-	-	-	540,000
Securities financing refundable deposits	935,069	-	-	-	-	935,069
Deposits payable for securities financing	1,013,811	-	-	-	-	1,013,811
Future traders' equity Payables	649,712	-	-	-	-	649,712
Trade payables	2,119,298	-	-	-	-	2,119,298
Other payables	37,110	208,532	7,523	-	-	253,165
Collection payable - collected payment of shares underwritten	7,058	-	-	-	-	7,058
Cash outflow	<u>\$ 4,762,058</u>	<u>\$ 848,532</u>	<u>\$ 7,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,618,113</u>

Contractual Maturities for Its Non-derivative Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2017

Financial Liabilities	Repayment Periods					Total
	On Demand	Less than 3 Months	3-12 Months	1-5 Years	5+ Years	
Short-term loans	\$ -	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Short-term bills payable	-	1,530,000	-	-	-	1,530,000
Securities financing refundable deposits	904,425	-	-	-	-	904,425
Deposits payable for securities financing	974,010	-	-	-	-	974,010
Future traders' equity Payables	529,744	-	-	-	-	529,744
Trade payables	2,988,624	-	-	-	-	2,988,624
Other payables	26,334	163,077	5,510	-	-	194,921
Collection payable - collected payment of shares underwritten	98,249	-	-	-	-	98,249
Cash outflow	<u>\$ 5,521,386</u>	<u>\$ 2,193,077</u>	<u>\$ 5,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,719,973</u>

d) Stress test of liquidity risk

A stress test is applied to measure loss under extremely unfavorable market circumstances in order to assess financial institutions' tolerance to extreme market volatility. The stress scenario includes market volatility, various credit events and unforeseen financial market liquidity tightening, etc., which may generate capital liquidity stress. With the change of the positive and negative fund gaps in each period.

With funding gap in a stress test, the financial unit will report the results to the risk management team, if necessary, prevent the occurrence of stressful events by the following procedures:

- i. Disposal of current assets, lower the market unfavorable price risk.
- ii. Decrease financial instruments to increase liquidity reserve.
- iii. Pledged SKIS assets to obtain capital.
- iv. Disposal of investments, lower the market unfavorable price risk.
- v. Capital increase or other financing methods.
- iv. Obtain capital from parent company or subsidiaries.

e. Capital risk management

Under the rules governing securities firms and related regulations, the capital adequacy ratio of a securities firm should be at least 250% to ensure its stability, business scale, business plan, capital increase plan, as well as maintain the health of the securities markets.

The management procedures of SKIS's capital adequacy are as follows:

- 1) Relevant departments are required to calculate, monitor, and analyze SKIS's capital adequacy monthly.
- 2) Simulate the capital adequacy result and provide to relevant departments based on the assumptions of the business plan, policy directions, investment strategy and other material impacts.

Financial Information

- 3) When the capital adequacy is lower than the standard as required, the relevant departments should report to the board of directors or the Chief Executive Officer, and may start to plan on the resolutions. Any major decisions should first be approved by the board of directors before implementation.

- a) Capital increase.
- b) Adjustment of business strategies.

Capital adequacy ratio of SKIS:

December 31, 2018

Item	December 31, 2018
Eligible capital	
Tier 1 capital	\$ 3,048,551
Tier 2 capital	13,765
Tier 3 capital	-
Minus assets	<u>(380,393)</u>
 Total net eligible capital	 <u>\$ 2,681,923</u>
Equivalent amount of operating risk	
Equivalent amount of market risk	\$ 21,256
Equivalent amount of credit risk	458,209
Equivalent amount of operating risk	<u>117,753</u>
 Total equivalent amount	 <u>\$ 597,218</u>
 Capital adequacy ratio	 449%

December 31, 2017

Item	December 31, 2017
Eligible capital	
Tier 1 capital	\$ 2,816,695
Tier 2 capital	-
Tier 3 capital	-
Minus assets	<u>(388,310)</u>
 Total net eligible capital	 <u>\$ 2,428,385</u>
Equivalent amount of operating risk	
Equivalent amount of market risk	\$ 10,417
Equivalent amount of credit risk	538,084
Equivalent amount of operating risk	<u>107,058</u>
 Total equivalent amount	 <u>\$ 655,559</u>
 Capital adequacy ratio	 370%

Note 1: Capital adequacy ratio = Net eligible capital ÷ Equivalent amount of operating risk.

Note 2: Net eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital - assets.

Note 3: Equivalent amount of operating risk = Equivalent amount of market risk + Equivalent amount of credit risk + Equivalent amount of operating risk.

48. ACCORDING TO REGULATIONS GOVERNING FUTURES COMMISSION MERCHANTS, FINANCIAL RATIOS OF FUTURES BUSINESS

Shinkong International Securities Co., Ltd. - Futures Division

Law: Regulations Governing Futures Commission Merchants

Rule No.	Formula	December 31, 2018		December 31, 2017		Standard	Status of Compliance with Standard
		Formula	Ratio	Formula	Ratio		
17	Total equity (Total liabilities - customers' equity accounts - futures)	\$328,690 \$663,385-\$649,712	24.04	212,536 540,699-529,744	19.40	≥ 1	Met
17	Total current assets Total current liabilities	\$918,487 \$663,385	1.38	667,775 540,699	1.24	≥ 1	Met
22	Total equity Capital stock (Note)	\$328,690 \$250,000	131.48%	212,536 175,000	121.45%	≥ 60% ≥ 40%	Met
22	Adjusted net capital Client and proprietary account	\$327,728 \$126,351	259.38%	211,931 138,777	152.71 %	≥ 20% ≥ 15%	Met

Note: Capital stock should compliance the Standards Governing the Establishment of Futures Commission Merchants. Shinkong International Securities Co., Ltd., follow the principle to compute the paid-in capital or allocate exclusively earmarked operating capital.

49. FUTURES BROKERAGE AND DEALING BUSINESS RISK

Customers have to deposit an initial margin at a percentage of the amount of transaction when entering into futures contracts with the futures department of Shinkong International Securities. Customers' gains or losses result from the leverage on the margin deposits. For the protection of Shinkong International Securities from harm arising from customers' huge losses, the margin accounts of customers are reevaluated daily on the basis of the market prices of the outstanding futures contracts. When the customers' margin accounts fall below an agreed level (the maintenance margin), Shinkong International Securities will ask its customers to deposit additional margins immediately. If the customers fail to do so, Shinkong International Securities settles their position by making offsets against their contracts.

50. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 7 and 13)
- 2) Endorsements/guarantees provided (Table 1 and 8)
- 3) Marketable securities held (Table 2, 9, and 13)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 3 and 10)

Financial Information

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4, 11, and 15)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5, 12, and 16)
 - 9) Trading in derivative instruments (Note 8)
 - 10) Intercompany relationships and significant intercompany transactions (Table 17)
 - 11) Information on investees (Table 6 and 18)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 19)
 - 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 (Table 20):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - 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

51. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were polyester, finance and securities, optronics and others.

Segment Revenues and Results

For the Year Ended December 31, 2018					
	Polyester	Finance and Securities	Optronics	Others	Total
Revenues	<u>\$ 32,715,782</u>	<u>\$ 2,728,019</u>	<u>\$ 6,873,394</u>	<u>\$ 176,732</u>	<u>\$ 42,493,927</u>
Profit before income tax	<u>\$ 3,092,272</u>	<u>\$ 850,078</u>	<u>\$ (268,964)</u>	<u>\$ (37,678)</u>	<u>\$ 3,635,708</u>
For the Year Ended December 31, 2017					
	Polyester	Finance and Securities	Optronics	Others	Total
Revenues	<u>\$ 28,244,732</u>	<u>\$ 2,434,348</u>	<u>\$ 5,743,900</u>	<u>\$ 114,363</u>	<u>\$ 36,537,343</u>
Profit before income tax	<u>\$ 1,603,623</u>	<u>\$ 693,110</u>	<u>\$ (668,820)</u>	<u>\$ (53,404)</u>	<u>\$ 1,574,509</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2018 and 2017.

Segment profit represented the profit before tax earned by each segment. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment Total Assets

			December 31	
			2018	2017
<u>Segment assets</u>				
Polyester			\$ 32,181,651	\$ 32,198,425
Finance and securities			95,229,627	96,757,789
Optronics			11,414,277	11,575,697
Others			<u>5,038,771</u>	<u>3,923,900</u>
Total segment assets			<u>\$143,864,326</u>	<u>\$144,455,811</u>

Geographical Information

The Group operates in two geographical areas - Asia and Europe. The main operating activities related to research, manufacture and sale of polyester chip and polyester film. The revenue and non-current assets in Asia were more than 90% of the total balance of revenue and non-current assets from continuing operations for both 2018 and 2017. Based on materiality consideration, the Group did not distinguish them in detail.

Information about Major Customers

Included in revenue of \$42,493,927 thousand and \$36,537,343 thousand in 2018 and 2017, respectively, is revenue of approximately \$6,667,784 thousand and \$4,469,961 thousand which arose from sales to the Group's largest customer A. No other single customers contributed 10% or more to the Group's revenue for both 2018 and 2017.

SHINKONG SYNTHETIC FIBERS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Shinkong Synthetic Fibers Corporation	Tac Bright Optronics Corp.	2	Note C	\$ 1,164,541	\$ 1,142,261	\$ 1,142,260	\$ -	3.97	Note E	Y	N	N	
		ShinBright Optronics Corp.	2	Note C	730,317	710,317	710,317	-	2.47	Note E	Y	N	N	
		Hsingshing Investment Co., Ltd.	2	Note C	700,000	700,000	700,000	-	2.43	Note E	Y	N	N	
		Shin Kong International Leasing Corp.	2	Note C	1,250,000	1,250,000	1,050,000	-	4.35	Note E	Y	N	N	
		Hangjhou Huachun Chemical Fiber Co., Ltd.	3	Note D	123,820	122,860	122,860	-	0.43	Note E	Y	N	Y	
		Shinkong Industry (Hangjhou) Co., Ltd.	3	Note D	30,955	30,715	30,715	-	0.11	Note E	Y	N	Y	

Note A: The intercompany transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

1. Parent company: 0.
2. Subsidiaries are numbered from 1.

Note B: Relationships between the endorsement/guarantee provider and the guaranteed party can be classified as the following 7 category:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. 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.
6. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. 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 C: The limits on domestic endorsement or guarantee amount provided to each guaranteed party = Net equity \$28,751,153 thousand x 20% = \$5,750,231 thousand.

Note D: The limits on foreign endorsement or guarantee amount provided to each guaranteed party = Net equity \$28,751,153 thousand x 30% = \$8,625,346 thousand.

Note E: The total amount of endorsement or guarantee that the Company is allowed to provide = Net equity \$28,751,153 thousand x 50% = \$14,375,577 thousand.

Company

TABLE 2

SHINKONG SYNTHETIC FIBERS CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shinkong Synthetic Fibers Corporation	<u>Mutual funds</u>							
	Shin Kong Global AI New Industry Fund	Related party in substance	Financial assets at FVTPL - current	500,000	\$ 4,995	-	\$ 4,995	
	<u>Shares</u>							
	Hsin Ba Ba Corporation	None	Financial assets at FVTOCI - current	12	-	-	-	
	Yuanta Financial Holding Co., Ltd.	None	Financial assets at FVTOCI - current	49,957	772	-	772	
	China Steel Corporation	None	Financial assets at FVTOCI - current	179,380	4,350	-	4,350	
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	20,213,826	584,179	3.91	584,179	
					<u>\$ 589,301</u>		<u>\$ 589,301</u>	
	Corporate bonds of Tac Bright Optronics Corp.	Subsidiary	Financial assets at amortized cost - current	39	<u>\$ 390,000</u>	-	<u>\$ 390,000</u>	
	<u>Shares</u>							
	Overseas Investment & Development Corp.	None	Financial assets at FVTOCI - non-current	4,000,000	\$ 43,761	4.44	\$ 43,761	
	Li Yu Venture Capital Investment Corp.	None	Financial assets at FVTOCI - non-current	174,455	1,717	1.49	1,717	
	Global Securities Finance Corporation	None	Financial assets at FVTOCI - non-current	2,102,512	12,026	0.53	12,026	
	Shin Kong Chao Feng Ranch & Resort Corporation	Related party in substance	Financial assets at FVTOCI - non-current	200,000	30,475	2.22	30,475	
	PC Home Venture Fund Corp	None	Financial assets at FVTOCI - non-current	78,540	1,247	3.03	1,247	
	Budworth Investment Limited	None	Financial assets at FVTOCI - non-current	288,000	11,411	5.00	11,411	
	Great Taipei Broadband Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	2,500,000	13,666	1.67	13,666	
	Zacros Taiwan Co., Ltd.	None	Financial assets at FVTOCI - non-current	10,000,000	12,855	9.44	12,855	
	Wave-In Communication Inc.	None	Financial assets at FVTOCI - non-current	1,080,906	2,950	13.99	2,950	
	Shin Kong iEcofun Corporation	None	Financial assets at FVTOCI - non-current	800,000	7,142	17.54	7,142	
	<u>Shares</u>							
	Taiwan Cement Corp.	None	Financial assets at FVTOCI - non-current	10,510,119	374,160	0.21	374,160	
	Shin Kong Textile Co., Ltd	Related party in substance	Financial assets at FVTOCI - non-current	28,378,958	1,277,053	9.46	1,277,053	
	Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	146,221,686	1,311,609	1.19	1,311,609	
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	132,649,317	1,731,074	1.27	1,731,074	
	Century Development Corporation	None	Financial assets at FVTOCI - non-current	11,814,995	109,355	3.52	109,355	
	Universal Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,600,000	80,035	4.65	80,035	
	O-Bank Co., Ltd.	None	Financial assets at FVTOCI - non-current	25,762,308	206,098	1.07	206,098	
	Shin Kong Mitsukoshi Department Store Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	24,401,636	773,428	1.96	773,428	
					<u>\$ 6,000,062</u>		<u>\$ 6,000,062</u>	
	Corporate bonds of Tac Bright Optronics Corp.	Subsidiary	Financial assets at amortized cost - non-current	40	<u>\$ 400,000</u>	-	<u>\$ 400,000</u>	

SHINKONG SYNTHETIC FIBERS CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note)	Relationship (Note)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Shinkong Synthetic Fibers Corporation	Corporate bonds of Tac Bright Optronics Corp.	Financial assets measured at amortized cost	-	-	64	\$ 640,000	40	\$ 400,000	25	\$ 250,000	\$ 250,000	\$ -	79	\$ 790,000

Note: These two columns need to be filled for marketable securities recognized as investments accounted for using the equity method.

Company

TABLE 4

SHINKONG SYNTHETIC FIBERS CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Shinkong Synthetic Fibers Corporation	Thai Shinkong Industry Corporation Ltd.	Investments through subsidiary MAXIMA PACIFIC LTD.	Purchase	\$ 1,967,547	9.30	Note	Note	Note	Accounts payable \$ (490,907)	(26.23)	
			Sale	(349,494)	(1.40)	Note	Note	Note	Accounts receivable 33,786	1.30	
	Shinkong Polyester Film Corp., Ltd.	Investments accounted for using the equity method	Sale	(1,780,624)	(7.16)	Note	Note	Note	Accounts receivable 658,561	25.27	
									Other receivable 4,094	1.62	
	Pan Asian Plastics Corp.	Investments accounted for using the equity method	Sale	(731,108)	(2.94)	Note	Note	Note	Accounts receivable 154,838	5.94	
									Other receivable 41,481	16.46	
	Shinpont Industry Inc.	Investments accounted for using the equity method	Sale	(248,188)	(1.00)	Note	Note	Note	Accounts receivable 61,624	2.36	
									Other receivable 38,996	15.47	
	Hangjhou Huachun Chemical Fiber Co., Ltd.	Investments through subsidiary SSFC INVESTMENT LTD.	Sale	(158,494)	(0.64)	Note	Note	Note	Accounts receivable 9,995	0.38	

Note: Please refer to Table 17.

SHINKONG SYNTHETIC FIBERS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Shinkong Synthetic Fibers Corporation	ShinKong Polyester Film Corp., Ltd.	Investments accounted for using the equity method	Accounts receivable \$ 658,561	3.09	\$ -	-	\$ 386,397	\$ -
	Pan Asian Plastics Corp.	Investments accounted for using the equity method	Accounts receivable 154,838	4.87	-	-	214,990	-

TABLE 6

SHINKONG SYNTHETIC FIBERS CORPORATION

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Shinkong Synthetic Fibers Corporation	Pan Asian Plastics Corp.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Manufacturing and sales of polyester pellets and polyester preforms	\$ 363,024	\$ 363,024	50,569,938	100.00	\$ 1,334,652	\$ 102,062	\$ 102,062	
	Hsingshing Investment Co., Ltd.	9F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Investment, construction of business building, and public housing.	1,318,000	1,318,000	152,100,000	100.00	1,664,508	9,380	9,380	
	Shinkong Engineering Co., Ltd.	9F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Contracting for various projects such as air pollution prevention, piping engineering and machine installation	665,095	665,095	38,543,818	100.00	533,800	(5,942)	(5,942)	
	Shinpont Industry Inc.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Synthetic fibers manufacturing, textiles wholesale and retail	252,540	252,540	25,245,000	49.99	517,586	334,340	167,144	
	Shin Chiun Industrial Co., Ltd.	9F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Construction of incinerators	715,000	715,000	71,500,000	100.00	696,692	1,087	1,087	
	Maxima Pacific Ltd.	British Virgin Islands	Investment	1,128,832	1,128,832	1	100.00	2,782,032	467,263	467,263	
	SSFC Investment Ltd.	British Virgin Islands	Investment	2,161,057	2,161,057	1	100.00	2,015,798	43,727	43,727	
	UBright Optronics Corp.	No. 21-9, Songshu, Daxi Dist., Taoyuan City 33545, Taiwan (R.O.C.)	Precision chemical materials and mold manufacturing wholesale, etc.	418,575	418,575	38,695,828	50.44	1,454,545	138,060	69,666	
	Shinkong Polyester Film Corp., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Electronic parts and components manufacturing	784,539	1,201,000	68,857,106	80.07	690,737	(128,197)	(104,781)	
	Shinkong International Securities Co., Ltd.	5F., No. 66-1, Sec. 1, Chongqing S. Rd., Taipei City 100, Taiwan (R.O.C.)	Consignment trading of securities and futures	1,107,200	1,107,200	114,633,265	77.98	2,417,822	510,000	397,707	
	Tai Jin Investment Co., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Investment	3,505	3,505	1,111,315	48.57	5,845	58	28	
	ShinBright Optronics Corp.	No. 58, Keyan Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)	Precision chemical materials and electronic parts and components manufacturing	120,000	200,000	12,000,000	100.00	(109,844)	(149,235)	(149,235)	
	Tac Bright Optronics Corp.	No. 58, Keyan Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)	Precision chemical materials - synthetic resin and plastic manufacturing	2,740,086	2,740,086	263,586,455	56.86	1,237,367	(275,527)	(156,654)	
	Taipei Star Bank	No. 133, Sec. 2, Yanping N. Rd., Taipei City 103, Taiwan (R.O.C.)	Commercial bank	1,131,438	1,131,438	83,213,000	27.06	1,370,564	190,189	51,471	
	Chi Jian Human-Resource & Management Co., Ltd.	2F., No. 248, Sec. 3, Yanping Rd., Pingzhen Dist., Taoyuan City 324, Taiwan (R.O.C.)	Human resources management consulting	5,000	5,000	Note	100.00	5,468	59	59	
MAXIMA PACIFIC LTD.	Thai Shinkong Industry Corporation Ltd.	Thailand	Manufacturing and sales of plastic, polyester film, and PET	US\$ 37,409	US\$ 37,409	117,499,997	90.38	US\$ 69,796	US\$ 17,344	-	
	FORMOSA VICTORY INTERNATIONAL LTD.	British Virgin Islands	Investment	US\$ 1,240	US\$ 1,240	1	100.00	US\$ 1,616	US\$ (7)	-	
SSFC INVESTMENT LTD.	Dayspring Ltd.	Hong Kong	Investment	US\$ 51,082	US\$ 51,082	341,348,521	92.11	RMB 274,158	RMB 10,212	-	
	Shinkong Industry (Hangjhou) Co., Ltd.	China	Manufacturing and sales of plastic, polyester film, and PET	US\$ 17,300	US\$ 17,300	1	100.00	RMB 129,944	RMB 954	-	
Dayspring Ltd.	Hangjhong Huachun Chemical Fiber Co., Ltd.	China	Chemical fiber weaving, printing and dyeing	US\$ 51,082	US\$ 51,082	1	100.00	RMB 289,027	RMB 10,169	-	
Hsingshing Investment Co., Ltd.	Da Chun Universe Investment Co., Ltd.	5F., No. 65, Jingu Ln., Sec. 2, Changping Rd., Beitun Dist., Taichung City, Taiwan (R.O.C.)	Investment	9,000	9,000	Note	45.00	7,389	(235)	-	
	Shinkong Polyester Film Corp., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Electronic parts and components manufacturing	39,272	60,000	3,427,000	3.99	32,240	(128,197)	-	
Hsinshin Asset management Co., Ltd.	Shinkong Polyester Film Corp., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Electronic parts and components manufacturing	12,593	17,568	823,000	0.96	8,840	(128,197)	-	
Tac Bright Optronics Corporation	MAXPRO LTD.	British Virgin Islands	Investment	1,743,557	1,743,557	54,204,000	100.00	2,979	(2,614)	-	
MAXPRO LTD.	LOFO HOLDING GmbH	Germany	Investment	1,743,507	1,743,507	Note	100.00	1,658	-	-	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Shinkong International Securities Co., Ltd.	Shin Kong Investment Consultant Co., Ltd.	Taiwan (R.O.C.)	Securities investment consulting	\$ 20,000	\$ 20,000	2,000,000	100.00	\$ 23,293	\$ 341	\$ -	Company
	Shin Kong Insurance Agent Co., Ltd.	Taiwan (R.O.C)	Life insurance agent	3,000	3,000	2,000,000	100.00	36,618	8,707	-	
	Shin Kong Property Insurance Agency Co., Ltd.	Taiwan (R.O.C.)	Property insurance agent	2,997	2,997	1,000,000	100.00	20,411	6,150	-	
Shin Chiun Industrial Co., Ltd.	UBright Optronics Corp.	No. 21-9, Songshu, Daxi Dist., Taoyuan City, Taiwan (R.O.C.)	Precision chemical materials and mold manufacturing wholesale, etc.	96,317	96,317	1,587,081	2.07	109,530	138,060	-	
	Tac Bright Optronics Corp.	No. 58, Keyan Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)	Precision chemical materials - synthetic resin and plastic manufacturing	153,270	153,270	10,218,000	2.20	104,744	(257,527)	-	
	Intelligent Medical Big Data Co., Ltd.	10F.-10, No. 48, Sec. 1, Kaifeng St., Zhongzheng Dist., Taipei City, Taiwan (R.O.C.)	Consulting, biotechnology research and development service	25,000	25,000	2,500,000	83.33	1,741	(1,046)	-	
	Shin Kong Technologies Corporation	Taiwan (R.O.C.)	Electronic information software business	10,000	10,000	1,000,000	100.00	10,528	120	-	
Pan Asian Plastics Corp.	Tai Shin Leasing & Financial Co., Ltd.	2F.-2, No. 9, Dehui St., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	Leasing	520,000	520,000	22,200,000	30.00	541,759	128,384	-	
	Hsin Lung Chemical Co., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Manufacturing of magnetic tapes for recording and video disks and polyester film	202,090	202,090	2,990,000	59.80	328,734	1,345	-	
Shinkong Engineering Co., Ltd.	UBright Optronics Corp.	No. 21-9, Songshu, Daxi Dist., Taoyuan City, Taiwan (R.O.C.)	Precision chemical materials and mold manufacturing wholesale, etc.	36,906	36,906	1,038,000	1.35	36,669	138,060	-	
Shin Kong International Leasing Corp.	Shinkong Excelsior Medical Asset Management Co., Ltd.	17F.-6, No. 880, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	Medical equipment wholesale	174,861	167,559	17,486,064	51.00	186,743	19,978	-	
	Far Trust International Finance Co., Ltd.	19F.-1, No. 33, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	Overdue receivables management service	211,578	166,578	16,885,605	29.05	224,590	52,317	-	
UBright Optronics Corp.	Qbright Materials Inc.	Taiwan (R.O.C.)	Precision chemical materials manufacturing and wholesale	5,250	5,250	5,250,000	75.00	3,373	(224)	-	

Note: This is a limited company, the proportion of ownership is calculated based on the amount of capital contribution.

(Concluded)

TABLE 7

SHINKONG SYNTHETIC FIBERS CORPORATION

INVESTEES’ FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Hsingshing Investment Co., Ltd.	Shin Kong International Leasing Corp.	Other receivables	Yes	\$ 200,000	\$ 200,000	\$ -	2.5	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 665,803 (Note B)	\$ 665,803 (Note B)	
2	Shin Kong International Leasing Corp.	Shan Cho Fu Construction and Development Co., Ltd.	Other receivables	No	53,800	53,800	53,800	4.0	2	-	Operating capital	-	Buildings located on Shiyuan Rd., Wenshan Dist.	64,560	173,324 (Note C)	173,324 (Note C)	
3	Shin Kong International Leasing Corp.	San Yu Construction Co., Ltd.	Other receivables	No	34,000	34,000	14,000	4.0	2	-	Operating capital	-	Buildings located on Xinsheng N. Rd., Zhongshan Dist., and time deposit pledged as security	42,300	173,324 (Note C)	173,324 (Note C)	
4	Shin Kong International Leasing Corp.	Chi Fu Assets Management Co., Ltd.	Other receivables	No	12,000	12,000	12,000	4.0	2	-	Operating capital	-	Buildings located on Xinsheng N. Rd., Zhongshan Dist., and time deposit pledged as security	20,200	173,324 (Note C)	173,324 (Note C)	
5	Shin Chiun Industrial Co., Ltd.	Tac Bright Optronics Corp.	Other receivables	Yes	160,000	160,000	55,000	1.5	2	-	Repayments of borrowings	-	None	-	278,677 (Note D)	278,677 (Note D)	

Note A: The intercompany transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- 1. Parent company: 0.
- 2. Subsidiaries are numbered from 1.

Note B: The Financing limit for each borrower and total financing limit are 40% net equity of Hsingshing Investment Co., Ltd.

Note C: The Financing limit for each borrower and total financing limit are 40% net equity of Shin Kong International Leasing Corp.

Note D: The Financing limit for each borrower and total financing limit are 40% net equity of Shin Chiun Industrial Co., Ltd.

SHINKONG SYNTHETIC FIBERS CORPORATION

INVESTEE’S ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
1	Hangjhoi Huachun Chemical Fiber Co., Ltd.	Shinkong Industry (Hangjhou) Co., Ltd.	Subsidiaries of the Company	\$ 387,758 (At a limit of the endorser’s 30% net equity) (¥ 86,708)	\$ 196,812	\$ 187,824 (Note B)	\$ -	\$ -	14.53	\$ 646,264 (At a limit of the endorser’s 50% net equity) (¥ 144,513)	-	-	Y	

Note A: The intercompany transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

1. Parent company: 0.
2. Subsidiaries are numbered from 1.

Note B: Foreign currency as RMB42,000 thousand.

Company

TABLE 9**SHINKONG SYNTHETIC FIBERS CORPORATION****MARKETABLE SECURITIES HELD IN INVESTEEES****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shinkong International Securities Co., Ltd.	Shares	None	Financial assets at FVTPL - current	1,372,251	\$ 44,148	-	\$ 44,148	
	Shares Taiwan Futures Exchange Co., Ltd.	None	Financial assets at FVTOCI - non-current	601,358	40,089	-	40,089	
Taipei Star Bank	Mutual funds	None	Financial assets at FVTPL - current	1,760,000	25,158	-	25,158	
	Notes investments	None	Financial assets at FVTPL - current	450,000	449,213	-	449,213	
	Shares	None	Financial assets at FVTOCI - current	13,546,118	333,506	-	333,506	
	Corporate bonds	None	Financial assets at FVTOCI - current	1,450	1,462,464	-	1,462,464	
	Financial bonds	None	Financial assets at FVTOCI - current	11	560,232	-	560,232	
	Government bonds	None	Financial assets at FVTOCI - current	3,000	301,956	-	301,956	
	Corporate bonds	None	Financial assets at amortized cost - non-current	4,766	5,722,111	-	5,722,111	
	Financial bonds	None	Financial assets at amortized cost - non-current	53,875	5,674,877	-	5,674,877	
	Government bonds	None	Financial assets at amortized cost - non-current	432	2,466,510	-	2,466,510	
	Notes investments	None	Financial assets at amortized cost - non-current	8,925	8,925,000	-	8,925,000	
Maxima Pacific Ltd.	Shares Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTPL - current	2,376,427	31,012 (US\$ 1,010)	0.02	31,012 (US\$ 1,010)	
	Shares Taishin Financial Holding Co., Ltd. Preferred Stock E	Related personnel with the Company's chairman	Financial assets at FVTOCI - current	132,420	7,045 (US\$ 229)	-	7,045 (US\$ 229)	
Hsingshing Investment Co., Ltd.	Shares Asia Cement Corporation	None	Financial assets at FVTOCI - current	396	14	-	14	
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	117,962	3,409	0.02	3,409	
	Shares Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	4,775,222	62,317	0.04	62,317	
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	1,951,507	87,817	0.65	87,817	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shin Chiun Industrial Co., Ltd.	Shares							Company
	Cheng Mei Materials Technology Corporation	None	Financial assets at FVTOCI - current	10,150	\$ 90	-	\$ 90	
	Prince Housing & Development Corp.	None	Financial assets at FVTOCI - current	7,359	75	-	75	
	Full Wang International Development Co., Ltd.	None	Financial assets at FVTOCI - current	2,009,017	25,916	-	25,916	
UBright Optronics Corp.	Shares							
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	619,000	27,855	0.21	27,855	
	Mutual funds							
	Shin Kong US Harvest Balanced	Related party in substance	Financial assets at FVTPL - current	5,010,020	48,046	-	48,046	
	Schroder 2022 Emerging Market Sovereign Bond Fund	None	Financial assets at FVTPL - current	10,000	3,026	-	3,026	
					(US\$ 99)		(US\$ 99)	
	Shin Kong Global AI New Industry Fund	Related party in substance	Financial assets at FVTPL - current	30,000	9,205	-	9,205	
					(US\$ 300)		(US\$ 300)	
	Foreign corporate bonds							
	Standard Chartered	None	Financial assets at FVTPL - current	200,000	5,927	-	5,927	
					(US\$ 192)		(US\$ 192)	
	Goldman Sachs	None	Financial assets at FVTPL - current	300,000	8,733	-	8,733	
					(US\$ 285)		(US\$ 285)	
Hsinshin Asset management Co., Ltd.	Shares							
	Huaku Development Co., Ltd.	None	Financial assets at FVTOCI - current	181,560	12,364	-	12,364	
Hsin Lung Chemical Co., Ltd.	Shares							
	Wei Chuan Foods Corp.	None	Financial assets at FVTOCI - current	1,152	26	-	26	
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	48	1	-	1	
	Shares							
	Taiwan Shin Kong Security Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	1,149	43	-	43	
	Shin Kong Insurance Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	733,808	25,610	0.23	25,610	
	Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	976	9	-	9	
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	358,587	4,680	-	4,680	
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	112	5	-	5	
	Shinkong Synthetic Fibers Corporation	The Company	Financial assets at FVTOCI - non-current	4,680,487	54,060	0.29	54,060	
	Shin Ching Investment Co., Ltd.	None	Financial assets at FVTOCI - non-current	360,000	100,071	15.52	100,071	
	Mien Hao Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,970,000	203,770	19.80	203,770	
	Shin Yun Co., Ltd.	None	Financial assets at FVTOCI - non-current	990,000	18,869	19.80	18,869	
Shinkong Engineering Co., Ltd.	Mutual funds							
	Shin Kong US Harvest Balanced	Related party in substance	Financial assets at FVTPL - current	3,000,000	28,830	-	28,830	
	Shares							
	Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	14,973,909	134,316	0.12	134,316	
	Corporate bonds of Tac Bright Optronics Corp	Related party	Financial assets at amortized cost - non-current	21	210,000	-	210,000	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Pan Asian Plastics Corp.	Shares							
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	977,994	\$ 12,763	-	\$ 12,763	
	Fuhbic International Corp.	None	Financial assets at FVTOCI - non-current	236,990	3,342	1.82	3,342	
	United Capital Fund	None	Financial assets at FVTOCI - non-current	4,850,000	-	7.09	-	
Shin Kong International Leasing Corp.	Shinpont Industry Inc.	Related party	Financial assets at FVTOCI - non-current	5,000	103	0.01	103	
	Mutual funds							
	Cathay No. 2 Real Estate Investment Trust.	None	Financial assets at FVTPL - current	360,000	5,410	-	5,410	
	O-Bank No. 1 Real Estate Investment Trust	None	Financial assets at FVTPL - current	100,000	856	-	856	
	Millerful No. 1 Real Estate Investment Trust	None	Financial assets at FVTPL - current	150,000	1,508	-	1,508	

(Concluded)

SHINKONG SYNTHETIC FIBERS CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF BY THE SUBSIDIARIES AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note)	Relationship (Note)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Shinkong Engineering Co., Ltd.	Corporate bonds of Tac Bright Optronics Corp.	Financial assets measured at amortized cost	-	-	21	\$ 210,000	-	\$ -	-	\$ -	\$ -	\$ -	21	\$ 210,000

Note: Marketable Securities recognized as investments accounted for using the equity method have to disclosure these two column.

Company

TABLE 11**SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES**

**INVESTEE'S TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Thai Shinkong Industry Corporation Ltd.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Sale	\$(1,967,547)	(29.79)	Note	Note	Note	Accounts receivable \$ 490,907	43.94	
	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	349,494	5.59	Note	Note	Note	Accounts payable (33,786)	(6.95)	
Shinkong Polyester Film Corp., Ltd.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	1,780,624	82.52	Note	Note	Note	Accounts payable (658,824) Other payable (3,831)	(94.14) (4.35)	
Pan Asian Plastics Corp.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	731,108	84.23	Note	Note	Note	Accounts payable (154,982) Other payable (41,337)	(91.97) (55.16)	
Shinpont Industry Inc.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	248,188	35.09	Note	Note	Note	Accounts payable (61,761) Other payable (38,859)	(83.22) (78.93)	
Shinkong Industry (Hangzhou) Co., Ltd.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	158,494	16.24	Note	Note	Note	Accounts payable (9,995)	(68.17)	
Shinpont Industry Inc.	INVISTA (Singapore) Pte. Ltd. (INVISTA)	Affiliated company of Shinpont Industry	Sale	(1,250,873)	(91.24)	According to the contract sign by both parties	According to the contract sign by both parties	According to the contract sign by both parties	Accounts receivable 303,748	91.99	
	INVISTA (Taiwan) Limited Taiwan Branch (H.K.)	Affiliated company of Shinpont Industry	Sale	(120,127)	8.76	According to the contract sign by both parties	According to the contract sign by both parties	According to the contract sign by both parties	Accounts receivable 26,431	8.01	
Shinkong Polyester Film Corp., Ltd.	UBright Optronics Corp.	Subsidiaries	Sale	(123,513)	(4.21)	Note	Note	Note	Accounts receivable 8,912	3.29	
UBright Optronics Corp.	Shinkong Polyester Film Corp., Ltd.	Subsidiaries	Purchase	123,513	7.93	Note	Note	Note	Accounts payable (8,912)	(4.98)	

Note: Refer to Table 17.

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

INVESTEE’S RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Thai Shinkong Industry Corporation Ltd.	Shinkong Synthetic Fibers Corporation	Parent Company and its subsidiary	Accounts receivable from related parties \$490,907	4.26	\$ -	-	\$ 214,669	\$ -
Shinpont Industry Inc.	INVISTA (Singapore) Pte. Ltd. (INVISTA)	Affiliated company of Shinpont Industry Inc.	Accounts receivable from related parties \$303,748	4.81	-	-	297,486	-

TABLE 13

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED COMPANY’S FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Shin Kong International Leasing Corp.	Shan Cho Fu Construction and Development Co., Ltd.	Other receivables	No	\$ 53,800	\$ 53,800	\$ 53,800	4	2	\$ -	Operating capital	\$ -	Buildings located on Shiyuan Rd., Wenshan Dist.	\$ 64,560	\$ 173,324 (Note B)	\$ 173,324 (Note B)	
		San Yu Construction Co., Ltd.	Other receivables	No	34,000	34,000	14,000	4	2	-	Operating capital	-	Buildings located on Xincheng N. Rd., Zhongshan Dist., and time deposit pledged as security	42,300	173,324 (Note B)	173,324 (Note B)	
		Chi Fu Assets Management Co., Ltd.	Other receivables	No	12,000	12,000	12,000	4	2	-	Operating capital	-	Buildings located on Xincheng N. Rd., Zhongshan Dist., and time deposit pledged as security	20,200	173,324 (Note B)	173,324 (Note B)	

Note A: The intercompany transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- 1. Issuer: 0.
- 2. Subsidiaries are numbered from 1.

Note B: The Financing limit for each borrower and total financing limit are 40% of Shin Kong International’s net equity.

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED COMPANY'S MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shinkong Synthetic Fibers Corporation	Mutual funds Shin Kong Global AI New Industry Fund	Related party in substance	Financial assets at FVTPL - current	500,000	\$ 4,995	-	\$ 4,995	
Shinkong International Securities Co., Ltd.	Shares	None	Financial assets at FVTPL - current	1,372,251	44,148	-	44,148	
Taipei Star Bank	Mutual funds	None	Financial assets at FVTPL - current	1,760,000	25,158	-	25,158	
	Notes investments	None	Financial assets at FVTPL - current	450,000	449,213	-	449,213	
Maxima Pacific Ltd.	Shares Taishin Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTPL - current	2,376,427	31,012 (US\$ 1,010)	0.02	31,012 (US\$ 1,010)	
UBright Optronics Corp.	Mutual funds Shin Kong US Harvest Balanced	Related party in substance	Financial assets at FVTPL - current	5,010,020	48,046	-	48,046	
	Schroder 2022 Emerging Market Sovereign Bond Fund	None	Financial assets at FVTPL - current	10,000	3,026 (US\$ 99)	-	3,026 (US\$ 99)	
	Shin Kong Global AI New Industry Fund	Related party in substance	Financial assets at FVTPL - current	30,000	9,205 (US\$ 300)	-	9,205 (US\$ 300)	
	Foreign corporate bonds Standard Chartered	None	Financial assets at FVTPL - current	200,000	5,927 (US\$ 192)	-	5,927 (US\$ 192)	
	Goldman Sachs	None	Financial assets at FVTPL - current	300,000	8,733 (US\$ 285)	-	8,733 (US\$ 285)	
Shinkong Engineering Co., Ltd.	Mutual funds Shin Kong US Harvest Balanced	Related party in substance	Financial assets at FVTPL - current	3,000,000	28,830	-	28,830	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shin Kong International Leasing Corp.	Mutual funds							
	Cathay No. 2 Real Estate Investment Trust.	None	Financial assets at FVTPL - current	360,000	\$ 5,410	-	\$ 5,410	
	O-Bank No. 1 Real Estate Investment Trust	None	Financial assets at FVTPL - current	100,000	856	-	856	
	Millerful No. 1 Real Estate Investment Trust	None	Financial assets at FVTPL - current	150,000	<u>1,508</u>	-	1,508	
					<u>\$ 666,067</u>			
Shinkong Synthetic Fibers Corporation	Shares							
	Hsin Ba Ba Corporation	None	Financial assets at FVTOCI - current	12	\$ -	-	-	
	Yunta Financial Holding Co., Ltd.	None	Financial assets at FVTOCI - current	49,957	772	-	772	
	China Steel Corporation	None	Financial assets at FVTOCI - current	179,380	4,350	-	4,350	
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	20,213,826	584,179	3.91	584,179	
Taipei Star Bank	Shares	None	Financial assets at FVTOCI - current	13,546,118	333,506	-	333,506	
	Corporate bonds	None	Financial assets at FVTOCI - current	1,450	1,462,464	-	1,462,464	
	Financial bonds	None	Financial assets at FVTOCI - current	11	560,232	-	560,232	
	Government bonds	None	Financial assets at FVTOCI - current	3,000	301,956	-	301,956	
Maxima Pacific Ltd.	Shares					-		
	Taishin Financial Holding Co., Ltd. Preferred Stock E	Related personnel with the Company's Chairman	Financial assets at FVTOCI - current	132,420	7,045 (US\$ 229)	-	7,045 (US\$ 229)	
Hsingshing Investment Co., Ltd.	Shares							
	Asia Cement Corporation	None	Financial assets at FVTOCI - current	396	14	-	14	
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	117,962	3,409	0.02	3,409	
Shin Chiun Industrial Co., Ltd.	Shares							
	Cheng Mei Materials Technology Corporation	None	Financial assets at FVTOCI - current	10,150	90	-	90	
	Prince Housing & Development Corp.	None	Financial assets at FVTOCI - current	7,359	75	-	75	
	Full Wang International Development Co., Ltd.	None	Financial assets at FVTOCI - current	2,009,017	25,916	-	25,916	

(Continued)



Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Hsinshin Asset management Co., Ltd.	Shares Huaku Development Co., Ltd.	None	Financial assets at FVTOCI - current	181,560	\$ 12,364	-	\$ 12,364	Company
Hsin Lung Chemical Co., Ltd.	Shares Wei Chuan Foods Corp.	None	Financial assets at FVTOCI - current	1,152	26	-	26	
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	48	<u>1</u>	-	1	
					<u>\$ 3,296,399</u>			
Shinkong Synthetic Fibers Corporation	Shares Taiwan Cement Corp.	None	Financial assets at FVTOCI - non-current	10,510,119	\$ 374,160	0.21	374,160	
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	28,378,958	1,277,053	9.46	1,277,053	
Shinkong Synthetic Fibers Corporation	Shares Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	146,221,686	1,311,609	1.19	1,311,609	
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	132,649,317	1,731,074	1.27	1,731,074	
	Century Development Corporation	None	Financial assets at FVTOCI - non-current	11,814,995	109,355	3.52	109,355	
	Universal Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,600,000	80,035	4.65	80,035	
	O-Bank Co., Ltd.	None	Financial assets at FVTOCI - non-current	25,762,308	206,098	1.07	206,098	
	Shin Kong Mitsukoshi Department Store Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	24,401,636	773,428	1.96	773,428	
	Overseas Investment & Development Corp	None	Financial assets at FVTOCI - non-current	4,000,000	43,761	4.44	43,761	
	Li Yu Venture Capital Investment Corp.	None	Financial assets at FVTOCI - non-current	174,455	1,717	1.49	1,717	
	Global Securities Finance Corporation	None	Financial assets at FVTOCI - non-current	2,102,512	12,026	0.53	12,026	
	Shin Kong Chao Feng Ranch & Resort Corporation	Related party in substance	Financial assets at FVTOCI - non-current	200,000	30,475	2.22	30,475	
	PC Home Venture Fund Corp	None	Financial assets at FVTOCI - non-current	78,540	1,247	3.03	1,247	
	Budworth Investment Limited	None	Financial assets at FVTOCI - non-current	288,000	11,411	5.00	11,411	
	Great Taipei Broadband Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	2,500,000	13,666	1.67	13,666	
	Zacros Taiwan Co., Ltd.	None	Financial assets at FVTOCI - non-current	10,000,000	12,855	9.44	12,855	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shinkong Engineering Co., Ltd.	Wave-In Communication Inc.	None	Financial assets at FVTOCI - non-current	1,080,906	\$ 2,950	13.99	\$ 2,950	
	Shin Kong iEcofun Corporation	None	Financial assets at FVTOCI - non-current	800,000	7,142	17.54	7,142	
	Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	14,973,909	134,316	0.12	134,316	
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	619,000	27,855	0.21	27,855	
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	4,775,222	62,317	0.04	62,317	
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	1,951,507	87,817	0.65	87,817	
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	977,994	12,763	-	12,763	
	Fuhbic International Corp.	None	Financial assets at FVTOCI - non-current	236,990	3,342	1.82	3,342	
	United Capital Fund	None	Financial assets at FVTOCI - non-current	4,850,000	-	7.09	-	
	Taiwan Shin Kong Security Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	1,149	43	-	43	
	Shin Kong Insurance Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	733,808	25,610	0.23	25,610	
	Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	976	9	-	9	
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	358,587	4,680	-	4,680	
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	112	5	-	5	
	Shin Ching Investment Co., Ltd.	None	Financial assets at FVTOCI - non-current	360,000	100,071	15.52	100,071	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shinkong International Securities Co., Ltd. Taipei Star Bank	Mien Hao Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,970,000	\$ 203,770	19.80	\$ 203,770	Company
	Shin Yun Co., Ltd.	None	Financial assets at FVTOCI - non-current	990,000	18,869	19.80	18,869	
	Taiwan Futures Exchange Co., Ltd.	None	Financial assets at FVTOCI - non-current	601,358	40,089	-	40,089	
					<u>\$ 6,721,618</u>			
	Corporate bonds	None	Financial assets at amortized cost - non-current	4,766	\$ 5,722,111	-	5,722,111	
	Financial bonds	None	Financial assets at amortized cost - non-current	53,875	5,674,877	-	5,674,877	
	Government bonds	None	Financial assets at amortized cost - non-current	432	2,466,510	-	2,466,510	
	Notes investments	None	Financial assets at amortized cost - non-current	8,925	8,925,000	-	8,925,000	
					<u>\$ 22,788,498</u>			

(Concluded)

TABLE 15**SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED COMPANY'S TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Shinpont Industry Inc.	INVISTA (Singapore) Pte. Ltd.	Affiliated company of Shinpont Industry Inc.	Sale	\$ (1,250,873)	(91.24)	According to contract signed by both parties	According to contract signed by both parties	According to contract signed by both parties	\$ 303,748	91.99	
	INVISTA (Taiwan) Limited Taiwan Branch (H.K.)	Affiliated company of Shinpont Industry Inc.	Sale	(120,127)	(8.76)	According to contract signed by both parties	According to contract signed by both parties	According to contract signed by both parties	26,431	8.01	

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED COMPANY’S RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Shinpont Industry Inc.	INVISTA (Singapore) Pte. Ltd.	Affiliated company of Shinpont Industry Inc.	\$ 303,748	4.81	\$ -	-	\$ 297,486	\$ -

TABLE 17

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars)

No. (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note C)
0	SSF	TSI	1	Sales revenue	\$ 349,494	Refer to Note 4	-
		TSI	2	Cost of goods sold	1,967,547	"	5
		TSI	1	Accounts receivable	33,786	"	-
		TSI	2	Accounts payable	490,907	"	-
		HZC	1	Sales revenue	84,053	"	-
		HZC	1	Accounts receivable	7,451	"	-
		HZC	2	Accounts payable	23,561	"	-
		HZC	2	Cost of goods sold	29,024	"	-
		SKI	1	Sales revenue	158,494	"	-
		SKI	1	Accounts receivable	9,995	"	-
		SSFC	2	Accrued expense	48,628	General	-
		SPF	1	Rental revenue	28,970	"	-
		SPF	1	Sales revenue	1,780,624	Refer to Note 4	4
		SPF	1	Other revenue	9,308	General	-
		SPF	2	Reduction of manufacturing expense	1,003	Refer to Note 5	-
		SPF	1	Accounts receivable	658,561	Refer to Note 4	-
		SPF	1	Other receivables	4,094	General	-
		UBO	1	Other receivables	1,153	"	-
		UBO	1	Other revenue	9,826	"	-
		SPI	2	Reduction of manufacturing expense	203,569	Refer to Note 5	-
		SPI	1	Sales revenue	248,188	Refer to Note 4	1
		SPI	1	Rental revenue	27,075	General	-
		SPI	1	Other revenue	21,442	"	-
		SPI	1	Accounts receivable	61,624	Refer to Note 4	-
		SPI	1	Other receivables	38,996	General	-
		PAP	1	Sales revenue	731,108	Refer to Note 4	2
		PAP	1	Rental revenue	14,803	General	-
		PAP	2	Reduction of manufacturing expense	156,374	Refer to Note 5	-
		PAP	2	Manufacturing expense	10,914	"	-
		PAP	1	Accounts receivable	154,838	Refer to Note 4	-
		PAP	1	Other receivables	41,481	General	-
		PAP	2	Accrued expense	1,669	"	-
		SKE	2	Manufacturing expense	54,000	Refer to Note 5	-
		TBO	1	Financial asset at amortized cost	790,000	General	1
		TBO	1	Interest receivable	3,853	"	-
		TBO	1	Interest revenue	17,975	"	-

(Continued)

No. (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note C)
		SKT	2	Manufacturing expense	\$ 7,120	Refer to Note 5	-
		Taipei Star Bank	1	Bank deposit	173,749	General	-
		Taipei Star Bank	1	Interest revenue	3,268	"	-
		Taipei Star Bank	2	Interest expense	5,520	"	-
		SKIS	2	Professional service fee	7,175	"	-
		SKIL	2	Rental expense	3,053	"	-
		SKIL	2	Accrued expense	4,113	"	-
		HAM	2	Other expense	1,560	"	-
1	SKE	TBO	3	Financial asset at amortized cost	210,000	"	-
		TBO	3	Interest revenue	4,830	"	-
		TBO	3	Interest receivable	1,535	"	-
		Taipei Star Bank	3	Bank deposit	27,801	"	-
2	HZC	SKI	3	Rental revenue	10,944	"	-
		SKI	3	Reduction of manufacturing expense	35,388	Refer to Note 5	-
		SKI	3	Other receivables	3,796	General	-
3	SPF	UBO	3	Accounts receivable	8,912	"	-
		UBO	3	Sales revenue	123,513	Refer to Note 4	-
		SOC	3	Sales revenue	9,778	"	-
		SKI	3	Sales revenue	1,102	"	-
		Taipei Star Bank	3	Bank deposit	1,704	General	-
4	UBO	Taipei Star Bank	3	Bank deposit	161,506	"	-
5	TBO	SOC	3	Sales revenue	6,653	Refer to Note 4	-
		SOC	3	Accounts receivable	1,083	"	-
6	SOC	UBO	3	Sales revenue	38,096	"	-
		UBO	3	Accounts receivable	6,676	"	-
		TBO	3	Processing revenue	2,415	"	-
7	SSFC	Dayspring	3	Other payables	45,666	General	-
		Taipei Star Bank	3	Bank deposit	73,786	"	-
8	HSI	SKE	3	Accounts receivable	1,450	"	-
		SKE	3	Service revenue	16,214	"	-
		SKIL	3	Interest revenue	2,048	"	-
		Taipei Star Bank	3	Bank deposit	92,812	"	-
9	SKIS	Taipei Star Bank	3	Bank deposit	80,805	"	-
		Taipei Star Bank	3	Restricted asset	300,000	"	-
		Taipei Star Bank	3	Guarantee deposit for operating	5,000	"	-

(Continued)

No. (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note C)
10	HAM	Taipei Star Bank	3	Bank deposit	\$ 28,079	//	-
11	SEC	TBO	3	Other receivables	55,000	//	-
		TBO	3	Interest revenue	1,297	//	-
		Taipei Star Bank	3	Bank deposit	104,603	//	-
12	PAP	Taipei Star Bank	3	Bank deposit	3,437	//	-
13	SKIL	Taipei Star Bank	3	Bank deposit	4,735	//	-
		Taipei Star Bank	3	Rental revenue	1,309	//	-
		SKIS	3	Rental revenue	2,920	//	-
14	Maxima	Taipei Star Bank	3	Bank deposit	398,959	//	-
15	IMBD	Taipei Star Bank	3	Bank deposit	2,999	//	-
16	CJH	Taipei Star Bank	3	Bank deposit	2,813	//	-
17	SKT	TBO	3	Sales revenue	1,067	//	-
		SPF	3	Sales revenue	2,301	//	-

Note A: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

1. Parent company: 0.
2. Subsidiaries are numbered from 1.

Note B: Related party transactions are divided into 3 categories as follows:

1. The Company to subsidiaries.
2. Subsidiaries to the Company.
3. Subsidiaries to subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2018, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the year ended December 31, 2018.

(Continued)

Note D: Transaction terms of sale and purchase between Shinkong Synthetic Fibers Corporation and its subsidiary are as follow:

Company Name	Item	Terms of Selling	Terms of Purchase	Terms of Collection	Terms of Payments
HZC	Finished goods	Market value	Market value	Open account 90 days	Open account 90 days
	Materials	At cost		Open account 90 days	
TSI	Finished goods	Market value	Market value	Open account 60 days	Open account 90 days
	Materials	Market value		Open account 7 days	
SKI	Finished goods	Market value		Open account 30 days	
	Materials	Market value		Open account 30 days	
SPF	Finished goods	Market value		Open account 90-120 days	
SPI	Finished goods	According to professional magazine price list		Open account 45 days	
	Materials	At cost		Open account 30 days	
PAP	Finished goods	According to main customers		Open account 120 days	
	Materials	At cost		Open account 90 days	

Transaction terms between UBO and related parties are as follow:

Company Name	Item	Terms of Selling	Terms of Purchase	Terms of Collection	Terms of Payments
SPF	Materials		Market value		Next month 20th after delivery
SOC	Materials		Market value		Open account 90 days

Transaction terms between TBO and related parties are as follow:

Company Name	Item	Terms of Selling	Terms of Purchase	Terms of Collection	Terms of Payments
SOC	Finished goods	Market value	Market value	Open account 90 days	Open account 60 days

Transaction terms between SOC and related parties are as follow:

Company Name	Item	Terms of Selling	Terms of Purchase	Terms of Collection	Terms of Payments
TBO	Materials	Market value	Market value	Open account 60 days	Open account 90 days
SPF	Materials		Market value		open account 120 days
UBO	Materials	Market value		Open account 90 days	

Transaction terms between SPF and related parties are as follow:

Company Name	Item	Terms of Selling	Terms of Purchase	Terms of Collection	Terms of Payments
SSF	Finished goods		Market value		90 days -120 days
UBO	Finished goods	Market value		Next month 20 th after delivery	
SOC	Finished goods	Market value		Open account 120 days	
SKI	Recycled PET	Market value		Open account 60 days	

Note E: Allocation expense for providing Shinkong Synthetic Fibers corporation management service.

(Concluded)

TABLE 18

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED COMPANY’S INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Shinkong Synthetic Fibers Corporation	Tai Jin Investment Co., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Investment	\$ 3,505	\$ 3,505	1,111,315	48.57	\$ 5,845	\$ 58	\$ 28	
Pan Asian Plastics Corp.	Tai Shin Leasing & Financial Co., Ltd.	2F.-2, No. 9, Dehui St., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	Leasing	520,000	520,000	22,200,000	30.00	541,759	128,384	35,416	
Hsingshing Investment Co., Ltd.	Da Chun Universe Investment Co., Ltd.	5F., No. 65, Jingu Ln., Sec. 2, Changping Rd., Beitun Dist., Taichung City, Taiwan (R.O.C.)	Investment	9,000	9,000	Note	45.00	7,389	235	105	
Shin Kong International Leasing Corp.	Shinkong Excelsior Medical Asset Management Co., Ltd.	17F.-6, No. 880, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	Medical equipment wholesale	167,559	167,559	17,486,064	51.00	186,743	19,978	10,189	
Shin Kong International Leasing Corp.	Far Trust International Finance Co., Ltd.	19F.-1, No. 33, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	Overdue receivables management service	211,578	166,578	16,885,605	29.05	224,590	52,317	14,044	

Note: This is a limited company, the proportion of ownership is calculated based on the amount of capital contribution.

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note B)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outflow	Inflow							
Hangjhou Huachun Chemical Fiber Co., Ltd.	Chemical fiber weaving, printing and dyeing	US\$54 million	Investments through subsidiary SSFC Investment Ltd.	\$ 1,642,757 (US\$ 51,080)	\$ -	\$ -	\$ 1,642,757 (US\$ 51,080)	\$ 46,369	92.11	\$ 42,710	\$ 1,224,842	\$ -	
Shinkong Industry (Hangjhou) Co., Ltd.	Manufacturing and sales of plastic, polyester film, and PET	US\$17.8 million	Investments through subsidiary SSFC Investment Ltd.	594,328 (US\$ 17,300)	-	-	594,328 (US\$ 17,300)	4,349	100.00	4,349	578,353	326,702	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$2,237,085 (US\$68,380) (Note A)	\$1,948,996 (US\$66,530)	\$17,250,692

Note A: Including US\$4,280 thousand premium of machinery equipments from SSFC Investment Ltd., which did not calculated in authorized amounts, and cash remittance of US\$240 thousand only to Dayspring Ltd.

Note B: The amounts were calculated based on the financial statements that have been audited.

Company

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

**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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Shinkong Synthetic Fibers Corporation Hangzhou Huachun Chemical Fiber Co., Ltd.	Sale	(\$84,053)	(0.34)	Note	Note	Note	Accounts receivable \$ 7,451	0.29	\$ 1,192	
	Purchase	29,024	0.14	Note	Note	Note	Accounts payable (23,561)	(1.26)	-	
Shinkong Industry (Hangzhou) Co., Ltd.	Sale	(158,493)	(0.64)	Note	Note	Note	Accounts receivable 9,995	0.38	2,755	
Shinkong Polyester Film Corp., Ltd. Shinkong Industry (Hangzhou) Co., Ltd.	Sale	(1,102)	(0.04)	Note	Note	Note	Accounts receivable -	-	-	

Note: Refer to Table 17.

1. Endorser/guarantor provided with investee companies in Mainland China directly or indirectly through a third party: Please refer to Tables 1 and 8.
2. Financing providing to others with investee companies in Mainland China directly or indirectly through a third party: None.
3. Other transaction that have a material impact on profit or loss or financial condition: None.

5. Latest Audited Standalone Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Shinkong Synthetic Fibers Corporation

Opinion

We have audited the accompanying financial statements of Shinkong Synthetic Fibers Corporation (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, 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, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. 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 based on our audits and the report of other auditors.

Key Audit Matters

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

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2018 are as follows:

Assessment of Impairment Loss of Inventories

Changes in technology may result in slow-moving or obsolete inventories, or cause the net realizable value of inventories to be lower than the cost due to the decline in selling price. Since the balance of inventories is significantly large in the consolidated financial statements for the year ended December 31, 2018 and

assessment of impairment involves management's judgment, the assessment of impairment loss of inventories has been deemed as a key audit matter.

We understood the effectiveness of the following internal control operations:

1. Whether the loss on impairment of inventory was recognized according to the Company's policy regularly.
2. Whether the assessment on impairment of inventory was reviewed by responsible personnel.

We obtained the data on the assessment of impairment of inventories to check whether the policy of the Company is complied with and whether the calculations were reasonable. We sampled the inventory list on the balance sheet date to verify the selling price data used to evaluate the net realizable value. We evaluated the reasonableness of impairment of inventory by performing physical inspection, testing the inventory aging, and comparing the historical levels of write-offs against the amounts stated.

For other relevant disclosures, refer to Note 4(e): Summary of significant accounting policies, Note 5: Critical accounting judgments and key sources of estimation uncertainty and Note 15.

Other Matter

We did not audit some of the investments accounted for using the equity method, which are included in the financial statements of the Company, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for the investments, is based solely on the report of other auditors. The total assets of the investments was \$484,459 thousand as of December 31, 2017 and total share of profit or loss of the investments was \$146,344 thousand for the year ended December 31, 2017.

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 the 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.

Financial Information

As part of an audit in accordance with the 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 the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with 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, 2018 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 Chin-Yen Wang and Chin-Chuan Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

Notice to Readers

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

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

SHINKONG SYNTHETIC FIBERS CORPORATION

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6, 31 and 32)	\$ 1,392,522	3	\$ 1,836,608	4
Financial assets at fair value through profit or loss - current (Notes 3, 4, 7 and 31)	5,648	-	63	-
Financial assets at fair value through other comprehensive income - current (Notes 3, 4, 8, 31 and 33)	589,301	2	-	-
Available-for-sale financial assets - current (Notes 3, 4, 11, 31 and 33)	-	-	671,528	2
Held-to-maturity financial assets - current (Notes 3, 4, 12 and 31)	-	-	250,000	1
Financial assets at amortized cost - current (Notes 3, 4, 9, 10 and 31)	390,000	1	-	-
Notes receivable, net (Notes 3, 4, 14, 31 and 32)	63,681	-	85,472	-
Trade receivables, net (Notes 3, 4, 14, 31 and 32)	2,605,858	6	2,619,494	6
Other receivables (Notes 3, 4, 14, 31 and 32)	252,064	1	216,313	1
Inventories (Notes 4, 5 and 15)	3,101,992	7	2,014,303	5
Prepayments (Notes 19 and 32)	149,155	-	200,828	-
Other current assets (Note 19)	1,474	-	647	-
Total current assets	<u>8,551,695</u>	<u>20</u>	<u>7,895,256</u>	<u>19</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4, 8, 31 and 33)	6,000,062	14	-	-
Available-for-sale financial assets - non-current (Notes 3, 4, 11, 31 and 33)	-	-	6,268,364	15
Held-to-maturity financial assets - non-current (Notes 3, 4, 12 and 31)	-	-	390,000	1
Financial assets at amortized cost - non-current (Notes 3, 4, 9, 10 and 31)	400,000	1	-	-
Financial assets measured at cost - non-current (Notes 3, 4, 13 and 31)	-	-	175,506	1
Investments accounted for using the equity method (Notes 4, 16, 29 and 32)	17,104,894	40	16,375,494	39
Property, plant and equipment (Notes 4, 17, 32 and 33)	7,467,077	18	7,663,461	18
Investment properties (Notes 4, 18 and 33)	3,029,337	7	3,059,703	7
Deferred tax assets (Notes 4 and 27)	155,949	-	160,976	-
Other non-current assets (Note 19)	165,175	-	33,582	-
Total non-current assets	<u>34,322,494</u>	<u>80</u>	<u>34,127,086</u>	<u>81</u>
TOTAL	<u>\$ 42,874,189</u>	<u>100</u>	<u>\$ 42,022,342</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 20, 31 and 33)	\$ 3,276,797	8	\$ 2,235,000	5
Short-term bills payable (Notes 4, 20 and 31)	499,978	1	1,599,721	4
Financial liabilities at fair value through profit or loss - current (Notes 3, 4, 7 and 31)	1,924	-	2,846	-
Notes payable (Notes 21 and 31)	-	-	28	-
Trade payables (Notes 21, 31 and 32)	1,871,444	4	1,540,148	4
Other payables (Notes 22, 31 and 32)	647,299	2	501,256	1
Current tax liabilities (Notes 4 and 27)	139,211	-	128,099	-
Current portion of long-term borrowings and bonds payable (Notes 4, 20, 31, 32 and 33)	400,000	1	1,053,333	3
Other current liabilities (Note 22)	101,129	-	66,817	-
Total current liabilities	<u>6,937,782</u>	<u>16</u>	<u>7,127,248</u>	<u>17</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4, 20, 31, 32 and 33)	5,669,294	13	5,906,007	14
Provisions - non-current (Notes 4, 23 and 24)	445,759	1	676,294	2
Deferred tax liabilities (Notes 4 and 27)	1,054,889	3	920,751	2
Guarantee deposits received	15,312	-	15,111	-
Total non-current liabilities	<u>7,185,254</u>	<u>17</u>	<u>7,518,163</u>	<u>18</u>
Total liabilities	<u>14,123,036</u>	<u>33</u>	<u>14,645,411</u>	<u>35</u>
EQUITY (Notes 4 and 25)				
Share capital	<u>16,184,093</u>	<u>38</u>	<u>16,184,093</u>	<u>38</u>
Capital surplus	<u>1,575,677</u>	<u>4</u>	<u>1,575,732</u>	<u>4</u>
Retained earnings				
Legal reserve	1,082,892	3	986,420	2
Special reserve	2,723,600	6	2,723,600	6
Unappropriated earnings	5,263,773	12	3,585,801	9
Total retained earnings	<u>9,070,265</u>	<u>21</u>	<u>7,295,821</u>	<u>17</u>
Other equity	<u>1,950,952</u>	<u>4</u>	<u>2,351,119</u>	<u>6</u>
Treasury shares	<u>(29,834)</u>	<u>-</u>	<u>(29,834)</u>	<u>-</u>
Total equity	<u>28,751,153</u>	<u>67</u>	<u>27,376,931</u>	<u>65</u>
TOTAL	<u>\$ 42,874,189</u>	<u>100</u>	<u>\$ 42,022,342</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

SHINKONG SYNTHETIC FIBERS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 32)				
Sales	\$ 24,885,692	100	\$ 21,034,161	100
OPERATING COSTS (Notes 15, 17, 26 and 32)				
Cost of goods sold	<u>22,454,284</u>	<u>90</u>	<u>19,321,521</u>	<u>92</u>
GROSS PROFIT	2,431,408	10	1,712,640	8
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(50,442)	-	(33,718)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>44,323</u>	<u>-</u>	<u>46,117</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,425,289</u>	<u>10</u>	<u>1,725,039</u>	<u>8</u>
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing expenses	498,746	2	481,800	2
General and administrative expenses	320,899	1	255,108	1
Research and development expenses	157,905	1	171,589	1
Reversal of expected credit loss	<u>(6,583)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>970,967</u>	<u>4</u>	<u>908,497</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>1,454,322</u>	<u>6</u>	<u>816,542</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 26, 32 and 35)				
Other income	414,535	2	291,086	1
Other gains and losses	98,805	-	(126,020)	(1)
Finance costs	(124,913)	(1)	(114,507)	-
Share of profit or loss of subsidiaries, associates and joint ventures	<u>924,897</u>	<u>4</u>	<u>269,098</u>	<u>1</u>
Total non-operating income and expenses	<u>1,313,324</u>	<u>5</u>	<u>319,657</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,767,646	11	1,136,199	5
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(309,709)</u>	<u>(1)</u>	<u>(171,473)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>2,457,937</u>	<u>10</u>	<u>964,726</u>	<u>4</u>

(Continued)

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 24, 25 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (27,007)	-	\$ (25,628)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(347,137)	(2)	-	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(31,017)	-	(5,579)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,625)</u>	<u>-</u>	<u>4,357</u>	<u>-</u>
	<u>(407,786)</u>	<u>(2)</u>	<u>(26,850)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(91,087)	-	(68,974)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	964,920	5
Share of the other comprehensive income (loss) of subsidiaries associates and joint ventures accounted for using the equity method	<u>(2,311)</u>	<u>-</u>	<u>326,388</u>	<u>1</u>
	<u>(93,398)</u>	<u>-</u>	<u>1,222,334</u>	<u>6</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(501,184)</u>	<u>(2)</u>	<u>1,195,484</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,956,753</u>	<u>8</u>	<u>\$ 2,160,210</u>	<u>10</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 1.52</u>		<u>\$ 0.60</u>	
Diluted	<u>\$ 1.52</u>		<u>\$ 0.60</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

(Concluded)

SHINKONG SYNTHETIC FIBERS CORPORATION

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

	Share Capital		Capital Surplus	Retained Earnings			Other Equity			Treasury Shares	Total Equity
	Share (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2017	1,618,409	\$ 16,184,093	\$ 1,575,533	\$ 911,595	\$ 2,723,600	\$ 3,127,352	\$ 67,829	\$ 1,060,956	\$ -	\$ (29,834)	\$ 25,621,124
Other changes in capital surplus											
Actual partial acquisitions of interests in subsidiaries	-	-	199	-	-	-	-	-	-	-	199
Appropriation of 2016 earnings											
Legal reserve	-	-	-	74,825	-	(74,825)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(404,602)	-	-	-	-	(404,602)
Net profit for the year ended December 31, 2017	-	-	-	-	-	964,726	-	-	-	-	964,726
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(26,850)	(68,974)	1,291,308	-	-	1,195,484
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	937,876	(68,974)	1,291,308	-	-	2,160,210
BALANCE AT DECEMBER 31, 2017	1,618,409	16,184,093	1,575,732	986,420	2,723,600	3,585,801	(1,145)	2,352,264	-	(29,834)	27,376,931
Effect of retrospective application	-	-	-	-	-	232,386	-	(2,352,264)	2,346,799	-	226,921
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,618,409	16,184,093	1,575,732	986,420	2,723,600	3,818,187	(1,145)	-	2,346,799	(29,834)	27,603,852
Other changes in capital surplus											
Changes in percentage of ownership interests in subsidiaries	-	-	(55)	-	-	(192)	-	-	-	-	(247)
Appropriation of 2017 earnings											
Legal reserve	-	-	-	96,472	-	(96,472)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(809,205)	-	-	-	-	(809,205)
Net profit for the year ended December 31, 2018	-	-	-	-	-	2,457,937	-	-	-	-	2,457,937
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(20,332)	(91,087)	-	(389,765)	-	(501,184)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	2,437,605	(91,087)	-	(389,765)	-	1,956,753
Disposals of investments in equity instruments designated as at fair value through other comprehensive income/associates' disposal of the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(86,150)	-	-	86,150	-	-
BALANCE AT DECEMBER 31, 2018	<u>1,618,409</u>	<u>\$ 16,184,093</u>	<u>\$ 1,575,677</u>	<u>\$ 1,082,892</u>	<u>\$ 2,723,600</u>	<u>\$ 5,263,773</u>	<u>\$ (92,232)</u>	<u>\$ -</u>	<u>\$ 2,043,184</u>	<u>\$ (29,834)</u>	<u>\$ 28,751,153</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,767,646	\$ 1,136,199
Adjustments for:		
Depreciation expenses	523,301	450,401
Expected credit loss reversed on trade receivables	(6,583)	-
Net (gain) loss on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	(1,508)	1,835
Finance costs	124,913	114,507
Interest income	(34,305)	(14,417)
Dividend income	(309,179)	(204,020)
Share of profit of subsidiaries, associates and joint ventures	(924,897)	(269,098)
Loss (gain) on disposal of property, plant and equipment	16,717	(152)
Impairment losses recognized on property, plant and equipment	3,295	73,925
Net loss on disposal of financial assets	-	8,453
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	50,442	33,718
Realized gain on the transactions with subsidiaries, associates and joint ventures	(44,323)	(46,117)
Recognition of provisions	17,955	23,128
Net (gain) loss on foreign currency exchange	(43,173)	70,725
Impairment loss recognized on financial assets	-	25,301
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(4,999)	-
Notes and trade receivables	39,889	(243,963)
Other receivables	(53,965)	(14,288)
Inventories	(1,087,689)	279,239
Prepayments	51,673	(18,104)
Other current assets	(827)	684
Notes payable	(28)	(360)
Trade payables	332,553	(341,767)
Other payables	167,704	3,092
Other current liabilities	34,312	(24,898)
Provisions	(275,497)	(99,649)
Cash generated from operations	1,343,427	944,374
Interest received	32,760	12,473
Dividend received	309,179	204,020
Interest paid	(123,217)	(114,913)
Income tax paid	(142,301)	(160,665)
Net cash generated from operating activities	<u>1,419,848</u>	<u>885,289</u>

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 211,355	\$ -
Return of capital on financial assets at fair value through other comprehensive income	152	-
Purchase of financial assets at amortized cost	(400,000)	-
Proceeds from sale of financial assets at amortized cost	250,000	-
Purchase of held-to-maturity financial assets	-	(390,000)
Purchase of financial assets measured at cost	-	(4,159)
Proceeds from sale of available-for-sale financial assets	-	315,807
Proceeds from sale of debt investments with no active markets	-	1,500
Dividends received from subsidiaries and associates	461,030	418,343
Net cash outflow on acquisition of subsidiaries	(202,002)	(100,355)
Payments for property, plant and equipment	(339,920)	(791,123)
Proceeds from disposal of property, plant and equipment	-	502
Decrease in refundable deposits	154	7,638
Proceed from disposal of investment properties	-	100,000
(Increase) decrease in other assets	<u>(131,747)</u>	<u>36,080</u>
Net cash used in investing activities	<u>(150,978)</u>	<u>(405,767)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,044,638	485,000
Proceeds from (repayments of) short-term bills payable	(1,099,743)	74
Proceeds from (repayments of) long-term borrowings	(890,046)	379,752
Increase (decrease) in guarantee deposits received	201	(160)
Dividends paid to owners of the Company	<u>(809,205)</u>	<u>(404,602)</u>
Net cash generated from (used in) financing activities	<u>(1,754,155)</u>	<u>460,064</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>41,199</u>	<u>(66,357)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(444,086)</u>	<u>873,229</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,836,608</u>	<u>963,379</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,392,522</u>	<u>\$ 1,836,608</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

SHINKONG SYNTHETIC FIBERS CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Shinkong Synthetic Fibers Corporation (“the Company”) was established in the Republic of China (ROC) in 1967 with an initial capital of \$22,500 thousand. As of December 31, 2018, the Company’s paid-in capital had increased to \$16,184,093 thousand. The Company manufactures and sells polyester polymers, polyester staple fibers, polyester textured yarns, polyester chips, pre-oriented yarns, polyester flat yarns, polyethylene terephthalate (PET) resins used in PET bottles and polyester base films. The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since August 1973.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 25, 2019.

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 Financial Supervisory Commission (FSC)

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

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

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 1,836,608	\$ 1,836,608	c
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	63	63	-
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	7,115,398	7,148,007	a
Debt securities	Held-to-maturity	Amortized cost	640,000	640,000	b
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	2,921,279	2,921,279	c

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ 63	\$ -	\$ -	\$ 63	\$ -	\$ -	
<u>FVTOCI</u>							
Equity instruments	-						
Add: Reclassification from available-for-sale (IAS 39)	-	7,115,398	32,609				
	-	7,115,398	32,609	7,148,007	52,804	(20,195)	a
<u>Amortized cost</u>							
Add: Reclassification from held-to-maturity (IAS 39)	-	640,000	-				
Add: Reclassification from loans and receivables (IAS 39)	-	4,757,887	-				
	-	5,397,887	-	5,397,887	-	-	b, c
Investments accounted for using the equity method	16,375,494	-	194,312	16,569,806	179,582	14,730	d
	\$ 16,375,557	\$ 12,513,285	\$ 226,921	\$ 29,115,763	\$ 232,386	\$ (5,465)	

- a) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of \$2,095,639 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$32,609 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$52,804 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of \$52,804 thousand in retained earnings on January 1, 2018.

- b) Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

Financial Information

- c) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- d) As a result of the retrospective application of IFRS 9 by subsidiaries and associates, other equity - unrealized gain (loss) on available-for-sale financial assets of \$273,684 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI and there was an increase in investments accounted for using the equity method of \$194,312 thousand, an increase/in retained earnings of \$179,582 thousand, a decrease in other equity - unrealized gain (loss) on financial assets at FVTOCI of \$2,329 thousand and an increase in other equity - unrealized gain (loss) on available-for-sale financial assets of \$17,059 thousand on January 1, 2018.

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

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

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Company regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018 was not material.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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

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

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

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

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

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

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued expenses. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

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

Financial Information

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

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 36,774	\$ 36,774
Total effect on assets	\$ -	\$ 36,774	\$ 36,774
Lease liabilities - current	\$ -	\$ 17,999	\$ 17,999
Lease liabilities - non-current	-	18,775	18,775
Total effect on liabilities	\$ -	\$ 36,774	\$ 36,774

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

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.

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, 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 investment in subsidiaries, associates and joint ventures. 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 owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

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

Financial Information

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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

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

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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting Company's financial statements, the functional currencies of the Company (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at 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 (including structured entity) that is controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

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

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

Financial Information

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate 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, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent that interests in the associate are not related to the Company.

h. 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. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimate 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.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

j. Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an 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.

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. Financial assets 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 and cash equivalents, note, trade and overdue receivables at amortized cost 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.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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.

2017

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. Held-to-maturity investments

Corporate bonds, which have credit ratings above a specific credit ratings and which the Company has a positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii. Available-for-sale financial assets

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

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

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

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

Financial Information

iv. Loans and receivables

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

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

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

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

2017

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

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

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

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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

Financial Information

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss 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

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liability.

Fair value is determined in the manner described in Note 31.

ii. Financial guarantee contracts

2018

Financial guarantee contracts issued by the Company that are not designated as at FVTPL are subsequently measured at the higher of:

- i) The amount of the loss allowance reflecting expected credit losses; and
- ii) The amount initially recognized less, where appropriate, the cumulative amount of amortization recognized in accordance with the revenue recognition policies.

2017

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the best estimate of the obligation under the contract and the amount initially recognized less the cumulative amortization recognized.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. 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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, 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.

l. Provisions

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

m. Revenue recognition

2018

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

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of goods. Sales of goods 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. Trade receivables are recognized concurrently.

2) Dividend and interest income

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

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

2017

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

1) Revenue from the sale of goods

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

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

2) Dividend and interest income

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

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

n. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents are recognized as income in the period in which they are incurred.

2) The Company as lessee

Operating lease payments are recognized as expense on a straight-line basis over the lease term. Contingent rentals are recognized as expense in the period in which they are incurred.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. 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 service 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 liability (asset) 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.

Financial Information

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures 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 and interests 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

Current and deferred 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 taxes are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in the subsidiaries.

s. Treasury stock

When the Company acquires its outstanding shares that have not been disposed or retired, treasury stock is stated at cost and shown as a deduction in stockholders' equity. When treasury shares are sold, if the selling price is above the book value, the difference should be credited to the capital surplus - treasury stock transactions. If the selling price is below the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The carrying value of treasury stock is calculated using the weighted-average approach in accordance with the purpose of the acquisition.

When the Company's treasury shares are retired, the treasury stock account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury shares in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

The Company accounts for its stock held by subsidiaries as treasury stock.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 929	\$ 745
Foreign currency demand deposits	881,409	1,405,066
Checking accounts	287,306	138,937
Demand deposits	6,562	23,147
Cash equivalents (investments with original maturities not exceeding 3 months)		
Time deposits	153,575	148,800
Repurchase agreements collateralized by bonds	62,741	119,913
	<u>\$ 1,392,522</u>	<u>\$ 1,836,608</u>

Financial Information

The market rate intervals for bank deposits and repurchase agreements collateralized by bonds at the end of reporting period were 0.001%-3.10% and 0.001%-1.75% as of December 31, 2018 and 2017.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	\$ -	\$ 63
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	653	-
Non-derivative financial assets		
Mutual funds	<u>4,995</u>	<u>-</u>
	<u>\$ 5,648</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts (a)	\$ 354	\$ 2,846
Cross-currency swap contracts (b)	<u>1,570</u>	<u>-</u>
	<u>\$ 1,924</u>	<u>\$ 2,846</u>

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Sell	USD/NTD	2019.01.04-2019.01.18	USD3,500/NTD107,711
Sell	EUR/NTD	2019.01.25-2019.04.10	EUR383/NTD13483
Buy	NTD/JPY	2019.01.08-2019.01.11	JPY53,750/NTD14,521
Buy	NTD/USD	2019.01.11-2019.01.25	USD7,000/NTD215,170
Buy	NTD/EUR	2019.05.08	EUR1,900/NTD66,637
<u>December 31, 2017</u>			
Sell	USD/NTD	2018.01.05-2018.01.12	USD1,500/NTD44,928
Sell	EUR/NTD	2018.01.05-2018.04.11	EUR1,836/NTD65,423
Buy	NTD/JPY	2018.01.05-2018.03.06	JPY194,160/NTD51,539
Buy	NTD/USD	2018.01.12-2018.01.26	USD19,000/NTD568,584
Buy	NTD/CNY	2018.01.19	CNY5,000/NTD22,573

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- b. At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
<u>December 31, 2018</u>			
US\$13,500	2019.01.16-2019.03.21	0%-0.68%	2.65%-3.6%

The Company did not enter into any cross-currency swap contracts during 2017.

The Company entered into cross-currency swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
<u>Current</u>	
Investments in equity instruments at FVTOCI	<u>\$ 589,301</u>
<u>Non-current</u>	
Investments in equity instruments at FVTOCI	<u>\$ 6,000,062</u>
<u>Investments in equity instruments at FVTOCI</u>	
	December 31, 2018
<u>Current</u>	
Domestic investments	
Listed shares and emerging market shares	<u>\$ 589,301</u>
<u>Non-current</u>	
Domestic investments	
Listed shares and emerging market shares	\$ 4,899,994
Unlisted shares	1,088,657
Foreign investments	
Unlisted shares	<u>11,411</u>
	<u>\$ 6,000,062</u>

Financial Information

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Refer to Table 2 for details of the investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 11 and 13 for information relating to their reclassification and comparative information for 2017.

During 2018, the Company sold its shares in domestic investments in order to manage credit concentration risk. The sold shares had a fair value of \$211,355 thousand and the Company transferred a loss of \$85,832 thousand from other equity to retained earnings.

Refer to Note 33 for information relating to investments in equity instruments at FVTOCI pledged as security.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Domestic investments

Corporate bonds - Tac Bright Optronics Corporation (a)	<u>\$ 390,000</u>

Non-current

Domestic investments

Corporate bonds - Tac Bright Optronics Corporation (a)	<u>\$ 400,000</u>

- a. The bonds were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.
- b. In January 2018, November 2018, and December 2018, the Company bought 2-year corporate bonds issued by Tac Bright Optronics Corp. with face values of \$150,000 thousand, \$100,000 thousand, and \$150,000 thousand, respectively, all of which have a coupon rate of 2.3%.
- c. Refer to Note 10 for information relating to their credit risk management and impairment.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS - 2018

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

December 31, 2018

**At Amortized
Cost**

Gross carrying amount	\$ 790,000
Less: Allowance for impairment loss	<u>-</u>
Amortized cost	<u>\$ 790,000</u>

The Company continuously tracks and monitors the changes in credit risk of its debt investments, and at the same time reviews changes in bond yields and other public information and makes an assessment on whether there has been a significant increase in credit risk since initial recognition.

The Company considers the current financial condition of debtors and industry forecasts to estimate 12-month or lifetime expected credit losses. The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at December 31, 2018 At Amortized Cost
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs	0.00%	\$ 790,000

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
<u>Current</u>	
Domestic investments	
Listed shares and emerging market shares	\$ <u>671,528</u>
<u>Non-current</u>	
Domestic investments	
Listed shares and emerging market shares	\$ 5,197,196
Unlisted shares	<u>1,071,168</u>
	<u>\$ 6,268,364</u>

Refer to Note 33 for information relating to available-for-sale financial assets pledged as security.

12. HELD-TO-MATURITY FINANCIAL ASSETS-2017

	December 31, 2017
<u>Current</u>	
Domestic investments	
Corporate bonds - Tac Bright Optronics Corporation	\$ <u>250,000</u>
<u>Non-current</u>	
Domestic investments	
Corporate bonds - Tac Bright Optronics Corporation	<u>\$ 390,000</u>

Financial Information

In November 2016, December 2016, March 2017, June 2017 and September 2017, the Company bought 2-year corporate bonds issued by Tac Bright Optronics Corporation with a coupon rate of 2.3%, at par values of \$100,000 thousand, \$150,000 thousand, \$40,000 thousand, \$100,000 thousand and \$250,000 thousand, respectively.

13. FINANCIAL ASSETS MEASURED AT COST-2017

	December 31, 2017
<u>Non-current</u>	
Domestic unlisted ordinary shares	\$ 175,506
Overseas unlisted ordinary shares	-
	<u>\$ 175,506</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	\$ 175,506
Financial assets at FVTPL	-
	<u>\$ 175,506</u>

Management believed that the above unlisted equity investments held by the Company had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Company evaluated the above unlisted equity investments and recognized an impairment loss of \$25,301 thousand on financial asset for the year ended December 31, 2017.

14. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 63,681	\$ 85,472
Less: Allowance for impairment loss	-	-
	<u>\$ 63,681</u>	<u>\$ 85,472</u>
Notes receivable - operating	\$ 63,681	\$ 85,472
Notes receivable - non-operating	-	-
	<u>\$ 63,681</u>	<u>\$ 85,472</u>

(Continued)

	December 31	
	2018	2017
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 2,639,342	\$ 2,658,361
Less: Allowance for impairment loss	<u>(33,484)</u>	<u>(38,867)</u>
	<u>\$ 2,605,858</u>	<u>\$ 2,619,494</u>
<u>Other receivables</u>		
Others	<u>\$ 252,064</u>	<u>\$ 216,313</u> (Concluded)

Trade Receivables

In 2018

Credit periods are typically provided in the Company's sales agreements. Before accepting any new customer, the Company assesses the potential customer's credit quality and defines its credit limits. Credit limits and scores attributed to customers are reviewed regularly.

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 trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix 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 and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Company writes off a trade receivable 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 past due. For trade receivables that have been written off, 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.

Financial Information

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

December 31, 2018

	Credit Classification - Type A	Credit Classification - Type B	Credit Classification - Type C	Credit Classification - Type D	Credit Classification - Type E	Total
Expected credit loss rate	Less than 1%	4%	15%	50%	100%	-
Gross carrying amount	\$ 2,463,513	\$ 175,340	\$ 489	\$ -	\$ -	\$ 2,639,342
Loss allowance (Lifetime ECLs)	<u>(26,397)</u>	<u>(7,014)</u>	<u>(73)</u>	<u>-</u>	<u>-</u>	<u>(33,484)</u>
Amortized cost	<u>\$ 2,437,116</u>	<u>\$ 168,326</u>	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,605,858</u>

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

	2018
Balance at January 1, 2018 per IAS 39	\$ 38,867
Adjustment on retrospective application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	38,867
Less: Net remeasurement of loss allowance	<u>(5,383)</u>
Balance at December 31, 2018	<u>\$ 33,484</u>

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

	2018
Balance at January 1, 2018 per IAS 39	\$ 70,688
Adjustment on retrospective application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	70,688
Less: Net remeasurement of loss allowance	<u>(1,200)</u>
Balance at December 31, 2018	<u>\$ 69,488</u>

In 2017

The Company applied the same credit policy in 2018 and 2017. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. 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 clients, the Company assesses the potential customer's credit quality and defines its credit limits. Limits and scores attributed to customers are reviewed periodically.

The Company did not have receivables that were past due but not impaired at the end of the reporting period.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 2017	\$ -	\$ 38,437	\$ 38,437
Add: Impairment losses recognized on receivables	<u>-</u>	<u>430</u>	<u>430</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 38,867</u>	<u>\$ 38,867</u>

The aging of receivables was as follows:

	December 31	
	2018	2017
Not past due	\$ 2,260,440	\$ 2,305,913
Past due 1- 90 days	370,740	344,779
Past due 91-180 days	8,162	7,669
Past due 181-360 days	-	-
Past due over than 360 days (Note)	<u>-</u>	<u>-</u>
	<u>\$ 2,639,342</u>	<u>\$ 2,658,361</u>

Note: The above aging schedule was based on the number of past due days from the end of the credit term.

15. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 2,070,430	\$ 1,360,680
Work in progress	418,997	233,069
Raw materials	612,531	420,540
Semi-finished goods	<u>34</u>	<u>14</u>
	<u>\$ 3,101,992</u>	<u>\$ 2,014,303</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$22,454,284 thousand and \$19,321,521 thousand, respectively.

As of December 31, 2018 and 2017, the allowance for write-down of inventories was \$156,028 thousand and \$157,292 thousand, respectively.

Financial Information

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	\$ 17,099,049	\$ 16,369,618
Investments in associates	<u>5,845</u>	<u>5,876</u>
	<u>\$ 17,104,894</u>	<u>\$ 16,375,494</u>

a. Investments in subsidiaries

	December 31			
	2018		2017	
	Proportion of Ownership and Voting Rights %	Carrying Amount	Proportion of Ownership and Voting Rights %	Carrying Amount
Listed companies				
UBright Optronics Corp.	50.44	\$ 1,454,545	50.44	\$ 1,414,649
Unlisted companies				
Pan Asian Plastics Corp.	100.00	1,366,980	100.00	1,158,628
Hsingshing Investment Co., Ltd.	100.00	1,664,508	100.00	1,656,328
Shinkong Engineering Co., Ltd.	100.00	533,800	100.00	563,229
Shinpont Industry Inc.	49.99	517,586	49.99	484,459
Shin Chiun Industrial Co., Ltd. (Note 3)	100.00	696,692	100.00	690,795
Maxima Pacific Ltd.	100.00	2,782,032	100.00	2,366,523
SSFC Investment Ltd.	100.00	2,015,798	100.00	2,007,391
Shinkong Polyester Film Co., Ltd.	80.07	690,737	80.07	804,355
Shinkong International Securities Co., Ltd.	77.98	2,417,822	77.98	2,213,164
ShinBright Optronics Corp.	100.00	(109,844)	100.00	(80,591)
Tac Bright Optronics Corp.	56.86	1,237,367	56.86	1,394,038
Taipei Star Bank	27.06	1,370,564	27.06	1,343,841
Chi Jian Human-Resource & Management Co., Ltd.	100.00	5,468	100.00	6,746
Hsinshin Asset Management Co., Ltd.	100.00	54,012	100.00	53,757
Shin Kong International Leasing Corp.	100.00	<u>433,310</u>	100.00	<u>320,435</u>
		17,131,377		16,397,747
Transferred to treasury stock		<u>(32,328)</u>		<u>(28,129)</u>
		<u>\$ 17,099,049</u>		<u>\$ 16,369,618</u>

Note 1: Refer to Note 25 for the Company's shares held by its subsidiaries are regarded as treasury stock.

Note 2: Except for Chi Jian Human-Resource & Management Co., Ltd., investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have been audited. Management believes there will be no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income if the financial statements of the Company were to be audited.

Note 3: On January 24, 2017, Shinkong Envirotech Corp. had amended its company name registration to Shin Chiun Industrial Co., Ltd.

Note 4: Refer to Table 6 for the details of the subsidiaries indirectly held by the Company.

b. Investments in associates

	December 31			
	2018		2017	
	Proportion of Ownership and Voting Rights %	Carrying Amount	Proportion of Ownership and Voting Rights %	Carrying Amount
Unlisted company				
Tai Jin Investment Co., Ltd.	48.57	<u>\$ 5,845</u>	48.57	<u>\$ 5,876</u>

The summarized financial information below represents the amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes:

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Gain (loss) for the year	\$ 28	\$ (78)
Other comprehensive income	<u>(59)</u>	<u>196</u>
Total comprehensive income for the year	<u>\$ (31)</u>	<u>\$ 118</u>

The investment accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have not been audited. Management believes there will be no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income if the financial statements of the Company were to be audited.

Financial Information

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Office Equipment	Property under Construction	Total
Cost								
Balance at January 1, 2017	\$ 3,573,128	\$ 2,938,811	\$ 11,585,436	\$ 58,984	\$ 66,471	\$ 39,749	\$ 622,198	\$ 18,884,777
Additions	-	-	-	-	-	-	777,688	777,688
Disposals	-	-	(87,496)	(4,680)	-	-	-	(92,176)
Reclassified	-	134	131,977	6,428	603	-	(139,638)	(496)
Balance at December 31, 2017	<u>\$ 3,573,128</u>	<u>\$ 2,938,945</u>	<u>\$ 11,629,917</u>	<u>\$ 60,732</u>	<u>\$ 67,074</u>	<u>\$ 39,749</u>	<u>\$ 1,260,248</u>	<u>\$ 19,569,793</u>
Accumulated depreciation and impairment								
Balance at January 1, 2017	\$ -	\$ 1,970,669	\$ 9,429,239	\$ 30,231	\$ 63,018	\$ 21,495	\$ -	\$ 11,514,652
Disposals	-	-	(87,146)	(4,680)	-	-	-	(91,826)
Impairment loss	-	3,295	70,630	-	-	-	-	73,925
Depreciation expense	-	56,460	338,895	7,115	2,947	4,164	-	409,581
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 2,030,424</u>	<u>\$ 9,751,618</u>	<u>\$ 32,666</u>	<u>\$ 65,965</u>	<u>\$ 25,659</u>	<u>\$ -</u>	<u>\$ 11,906,332</u>
Carrying amounts at December 31, 2017	<u>\$ 3,573,128</u>	<u>\$ 908,521</u>	<u>\$ 1,878,299</u>	<u>\$ 28,066</u>	<u>\$ 1,109</u>	<u>\$ 14,090</u>	<u>\$ 1,260,248</u>	<u>\$ 7,663,461</u>
Cost								
Balance at January 1, 2018	\$ 3,573,128	\$ 2,938,945	\$ 11,629,917	\$ 60,732	\$ 67,074	\$ 39,749	\$ 1,260,248	\$ 19,569,793
Additions	-	-	-	-	-	-	309,246	309,246
Disposals	-	-	(846,369)	(1,126)	(15,373)	(7,623)	-	(870,491)
Reclassified	-	311,899	1,222,422	5,134	-	-	(1,532,138)	7,317
Balance at December 31, 2018	<u>\$ 3,573,128</u>	<u>\$ 3,250,844</u>	<u>\$ 12,005,970</u>	<u>\$ 64,740</u>	<u>\$ 51,701</u>	<u>\$ 32,126</u>	<u>\$ 37,356</u>	<u>\$ 19,015,865</u>
Accumulated depreciation and impairment								
Balance at January 1, 2018	\$ -	\$ 2,030,424	\$ 9,751,618	\$ 32,666	\$ 65,965	\$ 25,659	\$ -	\$ 11,906,332
Disposals	-	-	(829,652)	(1,126)	(15,373)	(7,623)	-	(853,774)
Impairment loss	-	3,295	-	-	-	-	-	3,295
Depreciation expense	-	68,267	412,483	7,408	857	3,920	-	492,935
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 2,101,986</u>	<u>\$ 9,334,449</u>	<u>\$ 38,948</u>	<u>\$ 51,449</u>	<u>\$ 21,956</u>	<u>\$ -</u>	<u>\$ 11,548,788</u>
Carrying amounts at December 31, 2018	<u>\$ 3,573,128</u>	<u>\$ 1,148,858</u>	<u>\$ 2,671,521</u>	<u>\$ 25,792</u>	<u>\$ 252</u>	<u>\$ 10,170</u>	<u>\$ 37,356</u>	<u>\$ 7,467,077</u>

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

Buildings	3-55 years
Machinery equipment	4-17 years
Transportation equipment	3-6 years
Office equipment	3-16 years
Other equipment	3-15 years

- b. As a result of the declining sale in the market, the estimated future cash flows expected to arise from the related equipment was decreased. The Company carried out a review of the recoverable amount of that related equipment and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of \$3,295 thousand and \$73,925 thousand, which was recognized in cost of goods sold for the years ended December 31, 2018 and 2017, respectively. The Company determined the recoverable amount of the relevant assets on the basis of their value in use. The discount rates used in measuring the value in use were 8.833% and 7.472% per annum.
- c. Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 33.

18. INVESTMENT PROPERTIES

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2017	\$ 3,750,350
Disposals	<u>(196,235)</u>
Balance at December 31, 2017	<u>\$ 3,554,115</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2017	\$ (557,506)
Disposals	103,914
Depreciation expenses	<u>(40,820)</u>
Balance at December 31, 2017	<u>\$ (494,412)</u>
Carrying amount at December 31, 2017	<u>\$ 3,059,703</u>
<u>Cost</u>	
Balance at January 1, 2018	<u>\$ 3,554,115</u>
Balance at December 31, 2018	<u>\$ 3,554,115</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ (494,412)
Depreciation expenses	<u>(30,366)</u>
Balance at December 31, 2018	<u>\$ (524,778)</u>
Carrying amount at December 31, 2017	<u>\$ 3,029,337</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives of 9 to 46 years.

The fair value of the Company's investment properties as of December 31, 2018 and 2017 was \$3,098,703 thousand and \$3,375,905 thousand, respectively. Management of the Company used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Company's investment property was held under freehold interests. The investment properties pledged as collateral for bank borrowing are set out in Note 33.

Financial Information

19. OTHER ASSETS

	December 31	
	2018	2017
<u>Current</u>		
Prepayments to suppliers	\$ 147,921	\$ 199,228
Others	<u>2,708</u>	<u>2,247</u>
	<u>\$ 150,629</u>	<u>\$ 201,475</u>
<u>Noncurrent</u>		
Prepayments for equipment	\$ 135,250	\$ -
Overdue receivables	69,488	70,688
Loss allowance of overdue receivables	(69,488)	(70,688)
Refundable deposits	24,241	24,395
Others	<u>5,684</u>	<u>9,187</u>
	<u>\$ 165,175</u>	<u>\$ 33,582</u>

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
<u>Secured borrowings</u>		
Bank loans	\$ 500,000	\$ 300,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>2,776,797</u>	<u>1,935,000</u>
	<u>\$ 3,276,797</u>	<u>\$ 2,235,000</u>

The range of weighted average effective interest rate on bank loans was 0.8538%-3.6% and 0.8542%-1.02% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	December 31	
	2018	2017
Commercial paper	\$ 500,000	\$ 1,600,000
Less: Unamortized discount on bills payable	<u>(22)</u>	<u>(279)</u>
	<u>\$ 499,978</u>	<u>\$ 1,599,721</u>

Outstanding short-term bills payable were as follows:

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
China Bills Finance Corporation	\$ 300,000	\$ 7	\$ 299,993	0.49%-0.76%	None
Taiwan Cooperative Bills Finance Corporation	200,000	15	199,985	0.49%-0.76%	None
	<u>\$ 500,000</u>	<u>\$ 22</u>	<u>\$ 499,978</u>		

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Grand Bill Finance Corporation	\$ 100,000	\$ 10	\$ 99,990	0.45%-0.75%	None
Ta Ching Bills Finance Corporation	200,000	50	199,950	0.45%-0.75%	None
China Bills Finance Corporation	300,000	30	299,970	0.45%-0.75%	None
Mega Bills Finance Corporation	300,000	22	299,978	0.45%-0.75%	None
Taiwan Cooperative Bills Finance Corporation	200,000	68	199,932	0.45%-0.75%	None
Taiwan Finance Corporation	200,000	70	199,930	0.45%-0.75%	None
International Bills Finance Corporation	300,000	29	299,971	0.45%-0.75%	None
	<u>\$ 1,600,000</u>	<u>\$ 279</u>	<u>\$ 1,599,721</u>		

c. Long-term borrowings

	December 31	
	2018	2017
Taiwan Bank	\$ 1,950,000	\$ 1,950,000
JihSun Bank	-	400,000
KGI Bank	1,170,000	1,200,000
First Bank	-	50,000
Bank SinoPac	550,000	350,000
Mega Bank	200,000	-
Far Eastern International Bank	300,000	300,000
Fubon Bank	-	90,300
Taipei Star Bank	-	500,000
Bangkok Bank	400,000	400,000
The Export-Import Bank of the ROC	-	220,000
Taiwan Business Bank	100,000	-
Mizuho Bank	600,000	-

(Continued)

Financial Information

	December 31	
	2018	2017
Mizuho Bank commercial paper (Syndicated Loan)	\$ 800,000	\$ 800,000
Fubon Bank (Syndicated Loan)	<u>-</u>	<u>700,000</u>
	6,070,000	6,960,300
Less: Current portions	(400,000)	(1,053,333)
Less: Unamortized discounts on commercial papers	<u>(706)</u>	<u>(960)</u>
Long-term borrowings	<u>\$ 5,669,294</u>	<u>\$ 5,906,007</u> (Concluded)

As of December 31, 2018 and 2017, the weighted average effective interest rate range of the bank borrowings was 0.6183%-1.46% and 0.6133%-1.7895% per annum, respectively.

Refer to Note 33 for information relating to assets pledged as security for bank borrowings.

21. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
<u>Notes payable</u>		
Operating	<u>\$ -</u>	<u>\$ 28</u>
<u>Trade payables</u>		
Operating	<u>\$ 1,871,444</u>	<u>\$ 1,540,148</u>

22. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Current</u>		
Other payables		
Payables for purchase of equipment	\$ 75,331	\$ 98,688
Payables for salaries or bonuses	368,220	200,062
Payables for annual leave	17,765	12,099
Payables for utilities	69,595	67,501
Others	<u>116,388</u>	<u>122,906</u>
	<u>\$ 647,299</u>	<u>\$ 501,256</u>
Other liabilities		
Advance receipts	\$ 95,275	\$ 61,838
Others	<u>5,854</u>	<u>4,979</u>
	<u>\$ 101,129</u>	<u>\$ 66,817</u>

23. PROVISIONS

	December 31	
	2018	2017
<u>Non-current</u>		
Employee retirement benefits	\$ 445,759	\$ 676,294

Refer to Note 24 for information relating to employee retirement benefits.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plans

The defined benefit plan 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 6% 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 plan were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 912,205	\$ 905,917
Fair value of plan assets	<u>(466,446)</u>	<u>(229,623)</u>
Net defined benefit liabilities	\$ 445,759	\$ 676,294

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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 (Assets)
Balance at January 1, 2017	<u>\$ 929,644</u>	<u>\$ (198,100)</u>	<u>\$ 731,544</u>
Service cost			
Current service cost	10,106	-	10,106
Net interest expense (income)	<u>16,549</u>	<u>(3,527)</u>	<u>13,022</u>
Recognized in profit or loss	<u>26,655</u>	<u>(3,527)</u>	<u>23,128</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,363	1,363
Actuarial (gain) loss			
Changes in financial assumptions	16,476	-	16,476
Experience adjustments	<u>7,789</u>	<u>-</u>	<u>7,789</u>
Recognized in other comprehensive income	<u>24,265</u>	<u>1,363</u>	<u>25,628</u>
Contributions from the employer	-	(92,138)	(92,138)
Benefits paid	<u>(74,647)</u>	<u>62,779</u>	<u>(11,868)</u>
Balance at December 31, 2017	<u>\$ 905,917</u>	<u>\$ (229,623)</u>	<u>\$ 676,294</u>
Service cost			
Current service cost	8,098	-	8,098
Net interest expense (income)	<u>13,204</u>	<u>(3,347)</u>	<u>9,857</u>
Recognized in profit or loss	<u>21,302</u>	<u>(3,347)</u>	<u>17,955</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,534)	(7,534)
Actuarial (gain) loss			
Changes in financial assumptions	23,614	-	23,614
Experience adjustments	<u>10,927</u>	<u>-</u>	<u>10,927</u>
Recognized in other comprehensive income	<u>34,541</u>	<u>(7,534)</u>	<u>27,007</u>
Contributions from the employer	-	(269,525)	(269,525)
Benefits paid	<u>(49,555)</u>	<u>43,583</u>	<u>(5,972)</u>
Balance at December 31, 2018	<u>\$ 912,205</u>	<u>\$ (466,446)</u>	<u>\$ 445,759</u>

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

- 1) Investment risk: The plan assets are invested in domestic 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 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 plan's 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	
	2018	2017
Discount rate(s)	1.189%	1.4575%
Expected rate(s) of salary increase	0.75%	0.75%

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

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	<u>\$ (22,611)</u>	<u>\$ (23,261)</u>
0.25% decrease	<u>\$ 23,453</u>	<u>\$ 24,148</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 23,266</u>	<u>\$ 24,016</u>
0.25% decrease	<u>\$ (22,539)</u>	<u>\$ (23,242)</u>

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

	December 31	
	2018	2017
Expected contributions to the plan for the next year	<u>\$ 37,243</u>	<u>\$ 34,706</u>
Average duration of the defined benefit obligation	10.31 years	10.71 years

25. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>2,800,000</u>	<u>2,800,000</u>
Shares authorized	<u>\$ 28,000,000</u>	<u>\$ 28,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,618,409</u>	<u>1,618,409</u>
Shares issued	<u>\$ 16,184,093</u>	<u>\$ 16,184,093</u>

Fully paid ordinary shares, which have a par value of NT\$10.00, carry one vote per share and carry a right to dividends.

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b. Capital surplus

	December 31	
	2018	2017
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 272,247	\$ 272,247
Conversion of bonds	163,223	163,223
Treasury share transactions	275,547	275,547
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>414,904</u>	<u>414,904</u>
	1,125,921	1,125,921
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interests in subsidiaries (2)	<u>449,756</u>	<u>449,811</u>
	<u>\$ 1,575,677</u>	<u>\$ 1,575,732</u>

- 1) 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 once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions other than actual disposal or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, 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, which should be first for distribution of dividends to preference shares shareholders, and then for distribution of dividends to ordinary shares shareholders, and the amount should be resolved in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 26-f.

The Company's Articles also stipulate a dividends policy whereby the issuance of stock dividends or the payment of cash dividends. In principle, cash dividends are limited to 20% of the total dividends distributed.

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 deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and 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 2017 and 2016 were approved in the shareholders' meetings on May 29, 2018 and May 26, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2017	2016	2017	2016
Legal reserve	\$ 96,472	\$ 74,825	\$ -	\$ -
Cash dividends	809,205	404,602	0.50	0.25

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 25, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 245,794	\$ -
Cash dividends	1,375,648	0.85

The appropriations of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on May 29, 2019.

d. Special reserves

On first-time adoption of IFRSs, the Company appropriated for special reserve, the amounts that were the same as those of unrealized revaluation increment and cumulative translation differences transferred to retained earnings, which were \$1,673,314 thousand and \$392,143 thousand, respectively.

e. Other equity items

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ (1,145)	\$ 67,829
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	42,428	(200,918)
Share from subsidiaries and associates accounted for using the equity method	<u>(133,515)</u>	<u>131,944</u>
Balance at December 31	<u>\$ (92,232)</u>	<u>\$ (1,145)</u>

2) Unrealized gain (loss) on available-for-sale financial assets

Balance at January 1, 2017	\$ 1,060,956
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	964,920
Share from subsidiaries and associates accounted for using the equity method	<u>326,388</u>
Balance at December 31, 2017	2,352,264
Adjustment on retrospective application of IFRS 9	<u>(2,352,264)</u>
Balance at January 1, 2018 per IFRS 9	<u>\$ -</u>

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

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	\$ -
Adjustment on retrospective application of IFRS 9	<u>2,346,799</u>
Balance at January 1 per IFRS 9	2,346,799
Recognized for the year	
Unrealized loss - equity instruments	(358,797)
Share from subsidiaries and associates accounted for using the equity method	<u>(30,968)</u>
Other comprehensive income recognized for the year	<u>(389,765)</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>86,150</u>
Balance at December 31	<u>\$ 2,043,184</u>

f. Treasury shares

Purpose of Buy-Back	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2017	-	-	4,680	4,680
Increase during the year	-	-	-	-
Decrease during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares at December 31, 2017	<u>-</u>	<u>-</u>	<u>4,680</u>	<u>4,680</u>
Increase during the year	-	-	-	-
Decrease during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares at December 31, 2018	<u>-</u>	<u>-</u>	<u>4,680</u>	<u>4,680</u>

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market price
<u>December 31, 2018</u>			
Hsin Lung Chemical Co., Ltd.	4,680	<u>\$ 54,060</u>	<u>\$ 54,060</u>
<u>December 31, 2017</u>			
Hsin Lung Chemical Co., Ltd.	4,680	<u>\$ 47,039</u>	<u>\$ 47,039</u>

Hsin Lung Chemical Co., Ltd. acquired the Company's share for investment before the Company obtained control over Hsin Lung Chemical Co., Ltd.

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. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

26. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations were as follows:

a. Other income and expenses

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Other income</u>		
Rental income	\$ 122,008	\$ 130,212
Interest income	34,305	14,417
Service revenue	38,557	40,919
Dividends	309,179	204,020
Others	<u>16,315</u>	<u>12,941</u>
	<u>520,364</u>	<u>402,509</u>
<u>Other expenses</u>		
Rental expense	(45,576)	(61,549)
Service costs	(17,797)	(18,931)
Others	<u>(42,456)</u>	<u>(30,943)</u>
	<u>(105,829)</u>	<u>(111,423)</u>
	<u>\$ 414,535</u>	<u>\$ 291,086</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2018	2017
Gain (loss) on disposal of property, plant and equipment	\$ (16,717)	\$ 152
Net foreign exchange gain (loss)	114,014	(120,953)
Fair value changes of financial assets and financial liabilities		
Financial assets held for trading	-	(1,835)
Financial assets mandatorily classified as at FVTPL	1,508	-
Loss on disposal of financial assets	-	(8,453)
Impairment loss on financial assets	-	(25,301)
Gain on reversal of estimated casualty expense	<u>-</u>	<u>30,370</u>
	<u>\$ 98,805</u>	<u>\$ (126,020)</u>

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c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	\$ 124,813	\$ 125,436
Other interest expenses	<u>1,801</u>	<u>159</u>
Total interest expense for financial liabilities measured at amortized cost	126,614	125,595
Less: Amounts included in the cost of qualifying assets	<u>(1,701)</u>	<u>(11,088)</u>
	<u>\$ 124,913</u>	<u>\$ 114,507</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	\$ 1,701	\$ 11,088
Capitalization rate	1.20%	1.20%

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	\$ 509,591	\$ 432,093
Operating expenses	<u>13,710</u>	<u>18,308</u>
	<u>\$ 523,301</u>	<u>\$ 450,401</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	<u>\$ 1,524,673</u>	<u>\$ 1,336,923</u>
Post-employment benefits (Note 24)		
Defined contribution plans	33,517	32,389
Defined benefit plans	<u>17,955</u>	<u>23,128</u>
	<u>51,472</u>	<u>55,517</u>
Total employee benefits expense	<u>\$ 1,576,145</u>	<u>\$ 1,392,440</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,210,710	\$ 1,112,720
Operating expenses	<u>365,435</u>	<u>279,720</u>
	<u>\$ 1,576,145</u>	<u>\$ 1,392,440</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and the remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which were approved by the Company's board of directors on March 25, 2019 and March 26, 2018, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2018	2017
Employees' compensation	1%	1%
Remuneration of directors and supervisors	-	-

Amount

	<u>For the Year Ended December 31</u>			
	<u>2018</u>		<u>2017</u>	
	Cash	Share	Cash	Share
Employees' compensation	\$ 28,419	\$ -	\$ 12,151	\$ -
Remuneration of directors and supervisors	-	-	-	-

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 accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2018	2017
Foreign exchange gains	\$ 324,647	\$ 121,468
Foreign exchange losses	<u>(210,633)</u>	<u>(242,421)</u>
	<u>\$ 114,014</u>	<u>\$ (120,953)</u>

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27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of income tax expense (benefit) recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 168,022	\$ 136,318
Income tax on unappropriated earnings	3,220	24,054
Adjustments for prior years	<u>1,927</u>	<u>(3,883)</u>
	<u>173,169</u>	<u>156,489</u>
Deferred tax		
In respect of the current year	113,689	14,984
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>22,851</u>	<u>-</u>
	<u>136,540</u>	<u>14,984</u>
Income tax expense recognized in profit or loss	<u>\$ 309,709</u>	<u>\$ 171,473</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	<u>\$ 2,767,646</u>	<u>\$ 1,136,199</u>
Income tax expense calculated at the statutory rate	\$ 553,529	\$ 193,154
Nondeductible expenses in determining taxable income	2	850
Deferred tax effect from earnings of subsidiaries	(227,256)	(67,810)
Tax-exempt income	(61,836)	(33,246)
Income tax on unappropriated earnings	3,220	24,054
Unrecognized deductible temporary differences	18,182	56,258
Effect of tax rate changes	22,851	-
Adjustments for prior years' tax	1,927	(3,883)
Others	<u>(910)</u>	<u>2,096</u>
Income tax expense recognized in profit or loss	<u>\$ 309,709</u>	<u>\$ 171,473</u>

In 2017, the applicable corporate income tax rate used by the Company in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 3,633	\$ -
In respect of the current year:		
Fair value changes of financial assets at FVTOCI	(11,660)	-
Remeasurement of defined benefit plan	<u>5,402</u>	<u>4,357</u>
	<u>\$ (2,625)</u>	<u>\$ 4,357</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	<u>\$ 139,211</u>	<u>\$ 128,099</u>

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, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Fair value changes of financial assets	\$ 17,702	\$ (6,042)	\$ (11,660)	\$ -
Unrealized gross profit	10,419	4,598	-	15,017
Defined benefit obligation	75,502	9,886	9,035	94,423
Allowance for impairment loss of receivables	13,840	1,209	-	15,049
Inventory write-downs	26,740	4,466	-	31,206
Others	<u>16,773</u>	<u>(16,519)</u>	<u>-</u>	<u>254</u>
	<u>\$ 160,976</u>	<u>\$ (2,402)</u>	<u>\$ (2,625)</u>	<u>\$ 155,949</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance	
Temporary differences				
Property, plant and equipment	\$ 726,259	\$ 5,348	\$ 731,607	
Unappropriated earnings of subsidiaries	194,492	127,775	322,267	
Others	<u>-</u>	<u>1,015</u>	<u>1,015</u>	
	<u>\$ 920,751</u>	<u>\$ 134,138</u>	<u>\$ 1,054,889</u>	

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For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
Temporary differences				
Fair value changes of financial assets	\$ 21,323	\$ (3,621)	\$ -	\$ 17,702
Unrealized gross profit	12,527	(2,108)	-	10,419
Defined benefit obligation	71,145	-	4,357	75,502
Allowance for impaired receivables	14,358	(518)	-	13,840
Inventory write-downs	26,740	-	-	26,740
Others	<u>7,691</u>	<u>9,082</u>	<u>-</u>	<u>16,773</u>
	<u>\$ 153,784</u>	<u>\$ 2,835</u>	<u>\$ 4,357</u>	<u>\$ 160,976</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences			
Property, plant and equipment	\$ 735,277	\$ (9,018)	\$ 726,259
Unappropriated earnings of subsidiaries	<u>167,655</u>	<u>26,837</u>	<u>194,492</u>
	<u>\$ 902,932</u>	<u>\$ 17,819</u>	<u>\$ 920,751</u>

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2018	2017
Deductible temporary differences		
Loss recognized by investment using the equity method	\$ 2,386,253	\$ 2,324,073
Loss recognized by fair value changes of financial assets	1,066	-
Others	<u>27,665</u>	<u>-</u>
	<u>\$ 2,414,984</u>	<u>\$ 2,324,073</u>

- f. Income tax assessments

The income tax returns through 2014 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	<u>\$ 2,457,937</u>	<u>\$ 964,726</u>
Earnings used in the computation of diluted earnings per share from continuing operations	<u>\$ 2,457,937</u>	<u>\$ 964,726</u>

Weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,613,729	1,613,729
Effect of potential dilutive ordinary shares:		
Employees' compensation	<u>2,764</u>	<u>1,407</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,616,493</u>	<u>1,615,136</u>

If the Company offered to settle 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 in the following year.

29. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

For the year 2018, the Company subscribed for additional new shares of Shinkong Polyester Film Corp., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 80.0729% to 80.0735%.

For the year 2017, the Company subscribed for additional new shares of Tac Bright Optonics Corp. at a percentage different from its existing ownership percentage, increasing its continuing interest from 56.85% to 56.86%.

For the year 2017, the Company subscribed for additional new shares of Taipei Star Bank at a percentage different from its existing ownership percentage, increasing its continuing interest from 27.056% to 27.063%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

Financial Information

30. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key Management personnel consider the cost of capital and the risk 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 paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

31. FINANCIAL INSTRUMENTS

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

Except for financial instruments measured at fair value, management believes the carrying amounts of the financial instruments approximate their fair values.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 653	\$ -	\$ 653
Mutual funds	<u>4,995</u>	<u>-</u>	<u>-</u>	<u>4,995</u>
	<u>\$ 4,995</u>	<u>\$ 653</u>	<u>\$ -</u>	<u>\$ 5,648</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic investments				
- listed shares and emerging market shares	\$ 5,489,295	\$ -	\$ -	\$ 5,489,295
Domestic investments				
- unlisted shares	-	1,088,657	-	1,088,657
Foreign investments	<u>-</u>	<u>11,411</u>	<u>-</u>	<u>11,411</u>
	<u>\$ 5,489,295</u>	<u>\$ 1,100,068</u>	<u>\$ -</u>	<u>\$ 6,589,363</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,924</u>	<u>\$ -</u>	<u>\$ 1,924</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ <u> -</u>	\$ <u> 63</u>	\$ <u> -</u>	\$ <u> 63</u>
Available-for-sale financial assets				
Equity securities				
Domestic investments				
- listed shares and emerging market shares	\$ 5,868,724	\$ -	\$ -	\$ 5,868,724
Domestic investments				
- unlisted shares	<u> -</u>	<u> 1,071,168</u>	<u> -</u>	<u> 1,071,168</u>
	<u>\$ 5,868,724</u>	<u>\$ 1,071,168</u>	<u>\$ -</u>	<u>\$ 6,939,892</u>
Financial liabilities at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 2,846</u>	\$ <u> -</u>	\$ <u> 2,846</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted debt securities - ROC	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the reporting period.
Unlisted equity securities - ROC	Based on market observations, economic trends and industry characteristics, value multipliers that are highly relevant to the target are used as inputs for fair value calculation

Financial Information

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ -	\$ 63
Mandatorily classified as at FVTPL	5,648	-
Loans and receivables (1)	-	4,757,887
Available-for-sale financial assets (2)	-	6,939,892
Held-to-maturity investments	-	640,000
Financial assets at amortized cost (3)	5,104,125	-
Financial assets at FVTOCI		
Equity instruments	6,589,363	-
 Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	1,924	2,846
Financial liabilities at amortized cost (4)	11,800,458	12,437,425

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, note receivables, trade receivables and other receivables.
- 2) The balances include the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, note receivables, trade receivables and other receivables.
- 4) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, trade payables and other payables.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade 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.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

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

a) Foreign currency risk

The Company have foreign currency sales and purchases, which expose the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The Company use foreign exchange forward contracts to eliminate currency exposure. It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

Sensitivity analysis

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollars (the functional currency) against the U.S. dollar. 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 is 5%. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the U.S. dollar. For a 5% strengthening of the New Taiwan dollar against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. This was mainly attributable to the exposure on outstanding receivables and payables in U.S. dollar, which were not hedged at the end of the reporting period.

	Currency USD Impact	
	For the Year Ended December 31	
	2018	2017
Profit or loss	\$ 67,154	\$ 160,176

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

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

	December 31	
	2018	2017
Cash flow interest rate risk	\$ 9,346,091	\$ 9,194,340
Fair value interest rate risk	500,000	1,600,000

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings.

Financial Information

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 each reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 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 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease by \$23,365 thousand and \$22,986 thousand, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. The Company manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$329,468 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, the pre-tax other comprehensive income for the year ended December 31, 2017 would increase/decrease by \$346,995 thousand, as a result of the changes in fair value of available-for-sale shares.

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. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparties to discharge its obligation and due to the financial guarantees provided by the Company, could be arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, management of the Company has delegated a team responsible for determination 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 are made for irrecoverable amounts. In this regard, management believes the Company credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and 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. The Company had available unutilized bank loan facilities set out in (c) below.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

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 repayment periods. The tables had 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. Specifically, bank loans with a repayment on demand clause were included in the earliest time band 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.

December 31, 2018

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 1,954,389	\$ -	\$ -	\$ -	\$ 1,954,389
Variable interest rate liabilities	3,676,797	4,869,294	800,000	-	9,346,091
Fixed interest rate liabilities	499,978	-	-	-	499,978
Financial guarantee contracts	<u>3,405,368</u>	<u>450,000</u>	<u>100,000</u>	<u>785</u>	<u>3,956,153</u>
	<u>\$ 9,536,532</u>	<u>\$ 5,319,294</u>	<u>\$ 900,000</u>	<u>\$ 785</u>	<u>\$ 15,756,611</u>

December 31, 2017

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 1,643,364	\$ -	\$ -	\$ -	\$ 1,643,364
Variable interest rate liabilities	3,288,333	5,272,674	633,333	-	9,194,340
Fixed interest rate liabilities	1,599,721	-	-	-	1,599,721
Financial guarantee contracts	<u>1,828,800</u>	<u>400,000</u>	<u>100,000</u>	<u>785</u>	<u>2,329,585</u>
	<u>\$ 8,360,218</u>	<u>\$ 5,672,674</u>	<u>\$ 733,333</u>	<u>\$ 785</u>	<u>\$ 14,767,010</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to pay should the counterparty of the contract demand payment of the full amount of the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be paid under the contracts.

Financial Information

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Company's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2018

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Net settled</u>					
Foreign exchange forward contracts	<u>\$ 299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299</u>
Cross-currency swap contracts	<u>\$ (1,570)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,570)</u>

December 31, 2017

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Net settled</u>					
Foreign exchange forward contracts	<u>\$ (2,783)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,783)</u>

c) Financing facilities

	December 31	
	2018	2017
Amount unused	<u>\$ 10,901,813</u>	<u>\$ 10,672,860</u>

32. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
UBright Optronics Corp.	Subsidiary
Tac Bright Optronics Corp.	Subsidiary
Taipei Star Bank	Subsidiary
Shinkong Polyester Film Corp., Ltd.	Subsidiary
Shinkong International Securities Co., Ltd.	Subsidiary
Pan Asian Plastics Corp.	Subsidiary

(Continued)

Related Party Name	Related Party Category
ShinBright Optronics Corp.	Subsidiary
HisingShing Investment Co., Ltd.	Subsidiary
Shinkong Engineering Co., Ltd.	Subsidiary
Shinpont Industry Inc.	Subsidiary
SSFC Investment Ltd.	Subsidiary
Chi Jian Human-Resource & Management Co., Ltd.	Subsidiary
Hsinshin Asset Management Co., Ltd.	Subsidiary
Shin Kong International Leasing Corp.	Subsidiary
Thai Shinkong Industry Corp. Ltd.	Subsidiary
Shinkong Industry (Hangzhou) Co., Ltd.	Subsidiary
Hangzhou Huachun Chemical Fiber Co., Ltd.	Subsidiary
Shin Kong Technologies Corp.	Subsidiary
INVISTA (Taiwan) Limited Taiwan Branch (H.K.)	Other related parties
INVISTA	Other related parties
Shin Kong Bank Co., Ltd.	Other related parties
Taishin International Bank	Other related parties
Shin Kong Textile Co., Ltd.	Other related parties
Shin Kong Life Insurance Co., Ltd.	Other related parties
Shin Kong Construction and Development Co., Ltd.	Other related parties
Shin Kong Recreation Co., Ltd.	Other related parties
Shin Kong Life Real Estate Service Company	Other related parties
Hwa Jian Human-Resource & Management Co., Ltd.	Other related parties
Shinkong Co., Ltd.	Other related parties
Shin Kong Mitsukoshi Department Store Co., Ltd.	Other related parties
Others	Key management personnel of the Company
	(Concluded)

b. Sales of goods

Line Items	Related Party Categories/Name	For the Year Ended December 31	
		2018	2017
Sales	Subsidiaries/others	\$ 3,352,148	\$ 2,678,772
	Other related parties/others	<u>8,987</u>	<u>56,936</u>
		<u>\$ 3,361,135</u>	<u>\$ 2,735,708</u>

c. Purchases of goods

Related Party Categories/Name	For the Year Ended December 31	
	2018	2017
Subsidiaries/others	\$ 1,997,380	\$ 1,459,039
Other related parties/others	<u>2,712</u>	<u>-</u>
	<u>\$ 2,000,092</u>	<u>\$ 1,459,039</u>

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

Line Items	Related Party Categories/Name	December 31	
		2018	2017
Trade receivables	Subsidiary/Shinkong Polyester Film Corp., Ltd.	\$ 658,561	\$ 495,282
	Subsidiaries/others	267,694	212,056
	Other related parties/others	<u>2,230</u>	<u>14,417</u>
		<u>\$ 928,485</u>	<u>\$ 721,755</u>
Notes receivables	Other related parties/others	<u>\$ 762</u>	<u>\$ 232</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories/Name	December 31	
		2018	2017
Trade payables	Subsidiary/Thai Shinkong Industry Corp. Ltd.	\$ 490,907	\$ 433,065
	Subsidiaries/others	<u>23,923</u>	<u>817</u>
		<u>\$ 514,830</u>	<u>\$ 433,882</u>

The outstanding trade payables from related parties are unsecured.

f. Cost of goods sold

Line Items	Related Party Categories/Name	For the Year Ended December 31	
		2018	2017
Contractor labor cost	Subsidiaries/others	\$ 61,494	\$ 61,049
	Other related parties/others	<u>270</u>	<u>-</u>
		<u>\$ 61,764</u>	<u>\$ 61,049</u>

g. Disposals of investment properties

Related Party Category/Name	Proceeds	Gain (Loss) on Disposal
	For the Year Ended December 31, 2017	For the Year Ended December 31, 2017
Subsidiary/UBright Optronics Corp.	<u>\$ 100,000</u>	<u>\$ -</u>

h. Loans from related parties

Related Party Category/Name	December 31	
	2018	2017
Subsidiaries/others	\$ <u>-</u>	\$ <u>500,000</u>

The Company obtained loans at rates comparable to market interest rates for the loans from related parties.

i. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category/Name	December 31	
	2018	2017
Subsidiaries/others		
Amount utilized	\$ <u>3,756,152</u>	\$ <u>2,179,585</u>

j. Other receivables and liabilities

Line Items	Related Party Categories/Name	December 31	
		2018	2017
Deposits	Subsidiary/Taipei Star Bank	\$ 173,749	\$ 172,059
	Subsidiary/Taishin International Bank	145,886	102,929
	Subsidiary/Shin Kong Bank Co., Ltd.	<u>364,652</u>	<u>98,611</u>
		\$ <u>684,287</u>	\$ <u>373,599</u>
Other receivables	Subsidiary/Pan Asian Plastics Corp.	\$ 41,481	\$ 25,165
	Subsidiary/Shinpont Industry Inc.	38,996	41,615
	Subsidiary/others	9,164	7,870
	Other related parties/others	<u>38</u>	<u>35</u>
		\$ <u>89,679</u>	\$ <u>74,685</u>
Prepayment	Other related parties/others	\$ <u>431</u>	\$ <u>603</u>
Other payables	Subsidiaries/others	\$ 55,556	\$ 57,461
	Other related parties/others	<u>2,495</u>	<u>1,588</u>
		\$ <u>58,051</u>	\$ <u>60,049</u>

Financial Information

k. Others

1) Operating leases - lessor

Lessor	Object	Period	Rental Income	
			For the Year Ended	
			December 31	
			2018	2017
Subsidiaries/ others	Land, plant and equipment	2010.07.01- 2020.12.31	\$ 70,848	\$ 79,345
Other related parties/ others	Office and parking space	2017.03.01- 2020.02.29	662	327

2) Operating leases - lessee

Lessee	Object	Period	Rental Expense	
			For the Year Ended	
			December 31	
			2018	2017
Subsidiaries/ Others	Rental cars	2015.04.15- 2020.07.27	\$ 3,053	\$ 2,685
Other related parties/ others	Office and parking space	2017.01.01- 2019.01.19 2016.01.20- 2019.01.19 2017.01.16- 2019.01.15	14,560	14,620
Other related parties/ others	Land, plants and, etc.	2006.03.01- 2018.02.28	-	3,670

3) Other revenues

Related Party Categories/Name	For the Year Ended December 31	
	2018	2017
Subsidiaries/others	\$ 40,604	\$ 41,088
Other related parties/others	<u>4</u>	<u>-</u>
	<u>\$ 40,608</u>	<u>\$ 41,088</u>

4) Reduction of manufacturing expenses

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Subsidiaries/others	<u>\$ 360,946</u>	<u>\$ 351,650</u>

5) Additional acquisition of interests in subsidiaries

In 2018, the Company subscribed for an additional 100% of the new shares of ShinBright Optronics Corp. for \$120,000 thousand, and the ownership percentage remained at 100%.

In 2018, the Company subscribed for an additional 100% of the new shares of Shin Kong International Leasing Corp. for \$82,000 thousand, and the ownership percentage remained at 100%.

In 2017, the Company subscribed for an additional 100% of the new shares of Shin Kong International Leasing Corp. for \$100,000 thousand, and the ownership percentage remained at 100%.

I. Compensation of key management personnel

As of December 31, 2018 and 2017, the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 43,547	\$ 37,914
Retirement benefits	3,210	3,083
Others	<u>6,907</u>	<u>7,302</u>
	<u>\$ 53,664</u>	<u>\$ 48,299</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the tariff of imported raw materials guarantees:

Pledged Asset	Object	December 31	
		2018	2017
Available-for-sale financial assets - current and non-current	Listed shares	\$ -	\$ 2,892,660
	Unlisted shares	-	527,056
Financial assets at fair value through other comprehensive income - current and non-current	Listed shares	2,653,770	-
	Unlisted shares	442,790	-
Property, plant and equipment	Land, buildings and machineries	4,629,836	4,717,874
Investment properties	Investment properties	<u>498,470</u>	<u>500,339</u>
		<u>\$ 8,224,866</u>	<u>\$ 8,637,929</u>

Financial Information

34. 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, 2018 and 2017 were as follows:

Letters of Credit

Outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2018 and 2017 were as follows:

	December 31	
	2018	2017
EUR	\$ 3,865	\$ 252
JPY	389,378	12,520
USD	758	590

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31			
	2018		2017	
	Foreign Currency (In Thousands)	Exchange Rate	Foreign Currency (In Thousands)	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 77,259	30.715	\$ 107,881	29.76
EUR	2,097	35.2	2,214	35.57
RMB	1,456	4.472	8,887	4.565
JPY	21,891	0.2782	15,310	0.2642
Non-monetary items				
Investments accounted for using the equity method				
USD	90,686	30.715	79,581	29.76
RMB	455,828	4.472	446,239	4.565

Financial liabilities

Monetary items				
USD	37,032	30.715	17,736	29.76

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were \$114,014 thousand and \$(120,953) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 3)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (Note 7)
- 10) Information on investees (Table 6 to 12)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 13)
- 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 (Table 14):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds

Financial Information

- 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

TABLE 1

SHINKONG SYNTHETIC FIBERS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Shinkong Synthetic Fibers Corporation	Tac Bright Optronics Corp.	2	Note C	\$ 1,164,541	\$ 1,142,261	\$ 1,142,260	\$ -	3.97	Note E	Y	N	N	
		ShinBright Optronics Corp.	2	Note C	730,317	710,317	710,317	-	2.47	Note E	Y	N	N	
		Hsingshing Investment Co., Ltd.	2	Note C	700,000	700,000	700,000	-	2.43	Note E	Y	N	N	
		Shin Kong International Leasing Corp.	2	Note C	1,250,000	1,250,000	1,050,000	-	4.35	Note E	Y	N	N	
		Hangjhou Huachun Chemical Fiber Co., Ltd.	3	Note D	123,820	122,860	122,860	-	0.43	Note E	Y	N	Y	
		Shinkong Industry (Hangjhou) Co., Ltd.	3	Note D	30,955	30,715	30,715	-	0.11	Note E	Y	N	Y	

Note A: The intercompany transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- 1. Parent company: 0.
- 2. Subsidiaries are numbered from 1.

Note B: Relationships between the endorsement/guarantee provider and the guaranteed party can be classified as the following 7 categories:

- 1. A company that has a business relationship with the Company.
- 2. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- 3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- 4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- 5. 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.
- 6. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 7. 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 C: The limits on domestic endorsement or guarantee amount provided to each guaranteed party = Net equity \$28,751,153 thousand x 20% = \$5,750,231 thousand.

Note D: The limits on foreign endorsement or guarantee amount provided to each guaranteed party = Net equity \$28,751,153 thousand x 30% = \$8,625,346 thousand.

Note E: The total amount of endorsement or guarantee that the Company is allowed to provide = Net equity \$28,751,153 thousand x 50% = \$14,375,577 thousand.



TABLE 2

SHINKONG SYNTHETIC FIBERS CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shinkong Synthetic Fibers Corporation	<u>Mutual funds</u> Shin Kong Global AI New Industry Fund	Related party in substance	Financial assets at FVTPL - current	500,000	\$ 4,995	-	\$ 4,995	
	<u>Shares</u> Hsin Ba Corporation	None	Financial assets at FVTOCI - current	12	-	-	-	
	Yuanta Financial Holding Co., Ltd.	None	Financial assets at FVTOCI - current	49,957	772	-	772	
	China Steel Corporation	None	Financial assets at FVTOCI - current	179,380	4,350	-	4,350	
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	20,213,826	<u>584,179</u>	3.91	<u>584,179</u>	
					<u>\$ 589,301</u>		<u>\$ 589,301</u>	
	Corporate bonds of Tac Bright Optronics Corp	Subsidiary	Financial assets at amortized cost - current	39	<u>\$ 390,000</u>	-	<u>\$ 390,000</u>	
	<u>Shares</u> Overseas Investment & Development Corp	None	Financial assets at FVTOCI - non-current	4,000,000	\$ 43,761	4.44	\$ 43,761	
	Li Yu Venture Capital Investment Corp	None	Financial assets at FVTOCI - non-current	174,455	1,717	1.49	1,717	
	Global Securities Finance Corporation	None	Financial assets at FVTOCI - non-current	2,102,512	12,026	0.53	12,026	
	Shin Kong Chao Feng Ranch & Resort Corporation	Related party in substance	Financial assets at FVTOCI - non-current	200,000	30,475	2.22	30,475	
	PC Home Venture Fund Corp	None	Financial assets at FVTOCI - non-current	78,540	1,247	3.03	1,247	
	Budworth Investment Limited	None	Financial assets at FVTOCI - non-current	288,000	11,411	5.00	11,411	
	Great Taipei Broadband Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	2,500,000	13,666	1.67	13,666	
	Zacros Taiwan Co., Ltd.	None	Financial assets at FVTOCI - non-current	10,000,000	12,855	9.44	12,855	
	Wave-In Communication Inc.	None	Financial assets at FVTOCI - non-current	1,080,906	2,950	13.99	2,950	
	Shin Kong iEcofun Corporation	None	Financial assets at FVTOCI - non-current	800,000	7,142	17.54	7,142	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Shares</u> Taiwan Cement Corp.	None	Financial assets at FVTOCI - non-current	10,510,119	\$ 374,160	0.21	\$ 374,160	
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	28,378,958	1,277,053	9.46	1,277,053	
	Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	146,221,686	1,311,609	1.19	1,311,609	
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's Chairman	Financial assets at FVTOCI - non-current	132,649,317	1,731,074	1.27	1,731,074	
	Century Development Corporation	None	Financial assets at FVTOCI - non-current	11,814,995	109,355	3.52	109,355	
	Universal Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,600,000	80,035	4.65	80,035	
	O-Bank Co., Ltd.	None	Financial assets at FVTOCI - non-current	25,762,308	206,098	1.07	206,098	
	Shin Kong Mitsukoshi Department Store Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	24,401,636	<u>773,428</u>	1.96	<u>773,428</u>	
					<u>\$ 6,000,062</u>		<u>\$ 6,000,062</u>	
	Corporate bonds of Tac Bright Optronics Corp	Subsidiary	Financial assets at amortized cost - non-current	40	<u>\$ 400,000</u>	-	<u>\$ 400,000</u>	

(Concluded)

TABLE 3

SHINKONG SYNTHETIC FIBERS CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note)	Relationship (Note)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Shinkong Synthetic Fibers Corporation	Corporate bonds of Tac Bright Optronics Corp.	Financial assets measured at amortized cost	-	-	64	\$ 640,000	40	\$ 400,000	25	\$ 250,000	\$ 250,000	\$ -	79	\$ 790,000

Note: These two columns need to be filled for marketable securities recognized as investments accounted for using the equity method.

Company

TABLE 4**SHINKONG SYNTHETIC FIBERS CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Shinkong Synthetic Fibers Corporation	Thai Shinkong Industry Corporation Ltd.	Investments through subsidiary MAXIMA PACIFIC LTD.	Purchase	\$ 1,967,547	9.30	Note	Note	Note	Accounts payable \$ (490,907)	(26.23)	
			Sale	(349,494)	(1.40)	Note	Note	Note	Accounts receivable 33,786	1.30	
	Shinkong Polyester Film Corp., Ltd.	Investments accounted for using the equity method	Sale	(1,780,624)	(7.16)	Note	Note	Note	Accounts receivable 658,561	25.27	
									Other receivable 4,094	1.62	
	Pan Asian Plastics Corp.	Investments accounted for using the equity method	Sale	(731,108)	(2.94)	Note	Note	Note	Accounts receivable 154,838	5.94	
									Other receivable 41,481	16.46	
	Shinpont Industry Inc.	Investments accounted for using the equity method	Sale	(248,188)	(1.00)	Note	Note	Note	Accounts receivable 61,624	2.36	
									Other receivable 38,996	15.47	
	Hangjhou Huachun Chemical Fiber Co., Ltd.	Investments through subsidiary SSFC INVESTMENT LTD.	Sale	(158,494)	(0.64)	Note	Note	Note	Accounts receivable 9,995	0.38	

Note: Please refer to Table 17 of the consolidated financial statements.

TABLE 5

SHINKONG SYNTHETIC FIBERS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Shinkong Synthetic Fibers Corporation	ShinKong Polyester Film Corp., Ltd.	Investments accounted for using the equity method	Accounts receivable \$ 658,561	3.09	\$ -	-	\$ 386,397	\$ -
	Pan Asian Plastics Corp.	Investments accounted for using the equity method	Accounts receivable 154,838	4.87	-	-	214,990	-

Company

TABLE 6

SHINKONG SYNTHETIC FIBERS CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Shinkong Synthetic Fibers Corporation	Pan Asian Plastics Corp.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Manufacturing and sales of polyester pellets and polyester preforms	\$ 363,024	\$ 363,024	50,569,938	100.00	\$ 1,334,652	\$ 102,062	\$ 102,062	
	Hsingshing Investment Co., Ltd.	9F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Investment, construction of business building, and public housing.	1,318,000	1,318,000	152,100,000	100.00	1,664,508	9,380	9,380	
	Shinkong Engineering Co., Ltd.	9F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Contracting for various projects such as air pollution prevention, piping engineering and machine installation	665,095	665,095	38,543,818	100.00	533,800	(5,942)	(5,942)	
	Shinpont Industry Inc.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Synthetic fibers manufacturing, textiles wholesales and retail	252,540	252,540	25,245,000	49.99	517,586	334,340	167,144	
	Shin Chiun Industrial Co., Ltd.	9F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Construction of incinerators	715,000	715,000	71,500,000	100.00	696,692	1,087	1,087	
	Maxima Pacific Ltd.	British Virgin Islands	Investment	1,128,832	1,128,832	1	100.00	2,782,032	467,263	467,263	
	SSFC Investment Ltd.	British Virgin Islands	Investment	2,161,057	2,161,057	1	100.00	2,015,798	43,727	43,727	
	UBright Optronics Corp.	No. 21-9, Songshu, Daxi Dist., Taoyuan City 33545, Taiwan (R.O.C.)	Precision chemical materials and mold manufacturing wholesale, etc.	418,575	418,575	38,695,828	50.44	1,454,545	138,060	69,666	
	Shinkong Polyester Film Corp., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Electronic parts and components manufacturing	784,539	1,201,000	68,857,106	80.07	690,737	(128,197)	(104,781)	
	Shinkong International Securities Co., Ltd.	5F., No. 66-1, Sec. 1, Chongqing S. Rd., Taipei City 100, Taiwan (R.O.C.)	Consignment trading of securities and futures	1,107,200	1,107,200	114,633,265	77.98	2,417,822	510,000	397,707	
	Tai Jin Investment Co., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Investment	3,505	3,505	1,111,315	48.57	5,845	58	28	
	ShinBright Optronics Corp.	No. 58, Keyan Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)	Precision chemical materials and electronic parts and components manufacturing	120,000	200,000	12,000,000	100.00	(109,844)	(149,235)	(149,235)	
	Tac Bright Optronics Corp.	No. 58, Keyan Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)	Precision chemical materials - synthetic resin and plastic manufacturing	2,740,086	2,740,086	263,586,455	56.86	1,237,367	(275,527)	(156,654)	
	Taipei Star Bank	No. 133, Sec. 2, Yanping N. Rd., Taipei City 103, Taiwan (R.O.C.)	Commercial bank	1,131,438	1,131,438	83,213,000	27.06	1,370,564	190,189	51,471	
	Chi Jian Human-Resource & Management Co., Ltd.	2F., No. 248, Sec. 3, Yanping Rd., Pingzhen Dist., Taoyuan City 324, Taiwan (R.O.C.)	Human resources management consulting	5,000	5,000	Note	100.00	5,468	59	59	
	Hsinshin Asset Management Co., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Housing and building development for sale and rental	50,000	50,000	5,370,000	100.00	54,012	491	491	
	Shin Kong International Leasing Corp.	7F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Leasing	382,000	300,000	38,200,000	100.00	433,310	31,442	31,442	
MAXIMA PACIFIC LTD.	Thai Shinkong Industry Corporation Ltd.	Thailand	Manufacturing and sales of plastic, polyester film, and PET	US\$ 37,409	US\$ 37,409	117,499,997	90.38	US\$ 69,796	US\$ 17,344	-	
	FORMOSA VICTORY INTERNATIONAL LTD.	British Virgin Islands	Investment	US\$ 1,240	US\$ 1,240	1	100.00	US\$ 1,616	US\$ (7)	-	
SSFC INVESTMENT LTD.	Dayspring Ltd.	Hong Kong	Investment	US\$ 51,082	US\$ 51,082	341,348,521	92.11	RMB 274,158	RMB 10,212	-	
	Shinkong Industry (Hangjhou) Co., Ltd.	China	Manufacturing and sales of plastic, polyester film, and PET	US\$ 17,300	US\$ 17,300	1	100.00	RMB 129,944	RMB 954	-	
Dayspring Ltd.	Hangjhong Huachun Chemical Fiber Co., Ltd.	China	Chemical fiber weaving, printing and dyeing	US\$ 51,082	US\$ 51,082	1	100.00	RMB 289,027	RMB 10,169	-	
Hsingshing Investment Co., Ltd.	Da Chun Universe Investment Co., Ltd.	5F., No. 65, Jingu Ln., Sec. 2, Changping Rd., Beitun Dist., Taichung City, Taiwan (R.O.C.)	Investment	9,000	9,000	Note	45.00	7,389	(235)	-	
	Shinkong Polyester Film Corp., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Electronic parts and components manufacturing	39,272	60,000	3,427,000	3.99	32,240	(128,197)	-	
Hsinshin Asset management Co., Ltd.	Shinkong Polyester Film Corp., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Electronic parts and components manufacturing	12,593	17,568	823,000	0.96	8,840	(128,197)	-	
Tac Bright Optronics Corporation	MAXPRO LTD.	British Virgin Islands	Investment	1,743,557	1,743,557	54,204,000	100.00	2,979	(2,614)	-	
MAXPRO LTD.	LOFO HOLDING GmbH	Germany	Investment	1,743,507	1,743,507	Note	100.00	1,658	-	-	

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Shinkong International Securities Co., Ltd.	Shin Kong Investment Consultant Co., Ltd.	Taiwan (R.O.C.)	Securities investment consulting	\$ 20,000	\$ 20,000	2,000,000	100.00	\$ 23,293	\$ 341	\$ -	Company
	Shin Kong Insurance Agent Co., Ltd.	Taiwan (R.O.C.)	Life insurance agent	3,000	3,000	2,000,000	100.00	36,618	8,707	-	
	Shin Kong Property Insurance Agency Co., Ltd.	Taiwan (R.O.C.)	Property insurance agent	2,997	2,997	1,000,000	100.00	20,411	6,150	-	
Shin Chiun Industrial Co., Ltd.	UBright Optronics Corp.	No. 21-9, Songshu, Daxi Dist., Taoyuan City, Taiwan (R.O.C.)	Precision chemical materials and mold manufacturing wholesale, etc.	96,317	96,317	1,587,081	2.07	109,530	138,060	-	
	Tac Bright Optronics Corp.	No. 58, Keyan Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)	Precision chemical materials - synthetic resin and plastic manufacturing	153,270	153,270	10,218,000	2.20	104,744	(257,527)	-	
	Intelligent Medical Big Data Co., Ltd.	10F.-10, No. 48, Sec. 1, Kaifeng St., Zhongzheng Dist., Taipei City, Taiwan (R.O.C.)	Consulting, biotechnology research and development service	25,000	25,000	2,500,000	83.33	1,741	(1,046)	-	
	Shin Kong Technologies Corporation	Taiwan (R.O.C.)	Electronic information software business	10,000	10,000	1,000,000	100.00	10,528	120	-	
Pan Asian Plastics Corp.	Tai Shin Leasing & Financial Co., Ltd.	2F.-2, No. 9, Dehui St., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	Leasing	520,000	520,000	22,200,000	30.00	541,759	128,384	-	
	Hsin Lung Chemical Co., Ltd.	8F., No. 123, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)	Manufacturing of magnetic tapes for recording and video disks and polyester film	202,090	202,090	2,990,000	59.80	328,734	1,345	-	
Shinkong Engineering Co., Ltd.	UBright Optronics Corp.	No. 21-9, Songshu, Daxi Dist., Taoyuan City, Taiwan (R.O.C.)	Precision chemical materials and mold manufacturing wholesale, etc.	36,906	36,906	1,038,000	1.35	36,669	138,060	-	
Shin Kong International Leasing Corp.	Shinkong Excelsior Medical Asset Management Co., Ltd.	17F.-6, No. 880, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	Medical equipment wholesale	174,861	167,559	17,486,064	51.00	186,743	19,978	-	
	Far Trust International Finance Co., Ltd.	19F.-1, No. 33, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	Overdue receivables management service	211,578	166,578	16,885,605	29.05	224,590	52,317	-	
UBright Optronics Corp.	Qbright Materials Inc.	Taiwan (R.O.C.)	Precision chemical materials manufacturing and wholesale	5,250	5,250	5,250,000	75.00	3,373	(224)	-	

Note: This is a limited company, the proportion of ownership is calculated based on the amount of capital contribution.

(Concluded)

TABLE 7

SHINKONG SYNTHETIC FIBERS CORPORATION

INVESTEE’S FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Hsingshing Investment Co., Ltd.	Shin Kong International Leasing Corp.	Other receivables	Yes	\$ 200,000	\$ 200,000	\$ -	2.5	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 665,803 (Note B)	\$ 665,803 (Note B)	
2	Shin Kong International Leasing Corp.	Shan Cho Fu Construction and Development Co., Ltd.	Other receivables	No	53,800	53,800	53,800	4	2	-	Operating capital	-	Buildings located on Shiyuan Rd., Wenshan Dist.	64,560	173,324 (Note C)	173,324 (Note C)	
3	Shin Kong International Leasing Corp.	San Yu Construction Co., Ltd.	Other receivables	No	34,000	34,000	14,000	4	2	-	Operating capital	-	Buildings located on Xinsheng N. Rd., Zhongshan Dist., and time deposit pledged as security	42,300	173,324 (Note C)	173,324 (Note C)	
4	Shin Kong International Leasing Corp.	Chi Fu Assets Management Co., Ltd.	Other receivables	No	12,000	12,000	12,000	4	2	-	Operating capital	-	Buildings located on Xinsheng N. Rd., Zhongshan Dist., and time deposit pledged as security	20,200	173,324 (Note C)	173,324 (Note C)	
5	Shin Chiun Industrial Co., Ltd.	Tac Bright Optronics Corp.	Other receivables	Yes	160,000	160,000	55,000	1.5	2	-	Repayments of borrowings	-	None	-	278,677 (Note D)	278,677 (Note D)	

Note A: The intercompany transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- 1. Parent company: 0.
- 2. Subsidiaries are numbered from 1.

Note B: The Financing limit for each borrower and total financing limit are 40% net equity of Hsingshing Investment Co., Ltd..

Note C: The Financing limit for each borrower and total financing limit are 40% net equity of Shin Kong International Leasing Corp..

Note D: The Financing limit for each borrower and total financing limit are 40% net equity of Shin Chiun Industrial Co., Ltd..

TABLE 8

SHINKONG SYNTHETIC FIBERS CORPORATION

INVESTEE’S ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
1	Hangjhoi Huachun Chemical Fiber Co., Ltd.	Shinkong Industry (Hangjhou) Co., Ltd.	Subsidiaries of the Company	\$ 387,758 (At a limit of the endorser’s 30% net equity) (¥ 86,708)	\$ 196,812	\$ 187,824 (Note B)	\$ -	\$ -	14.53	\$ 646,264 (At a limit of the endorser’s 50% net equity) (¥ 144,513)	-	-	Y	

Note A: The intercompany transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

1. Parent company: 0.
2. Subsidiaries are numbered from 1.

Note B: Foreign currency as RMB42,000 thousand.

Company

TABLE 9**SHINKONG SYNTHETIC FIBERS CORPORATION****INVESTEE'S MARKETABLE SECURITIES HELD****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shinkong International Securities Co., Ltd.	Shares	None	Financial assets at FVTPL - current	1,372,251	\$ 44,148	-	\$ 44,148	
	Shares Taiwan Futures Exchange Co., Ltd.	None	Financial assets at FVTOCI - non-current	601,358	40,089	-	40,089	
Taipei Star Bank	Mutual funds	None	Financial assets at FVTPL - current	1,760,000	25,158	-	25,158	
	Notes investments	None	Financial assets at FVTPL - current	450,000	449,213	-	449,213	
	Shares	None	Financial assets at FVTOCI - current	13,546,118	333,506	-	333,506	
	Corporate bonds	None	Financial assets at FVTOCI - current	1,450	1,462,464	-	1,462,464	
	Financial bonds	None	Financial assets at FVTOCI - current	11	560,232	-	560,232	
	Government bonds	None	Financial assets at FVTOCI - current	3,000	301,956	-	301,956	
	Corporate bonds	None	Financial assets at amortized cost - non-current	4,766	5,722,111	-	5,722,111	
	Financial bonds	None	Financial assets at amortized cost - non-current	53,875	5,674,877	-	5,674,877	
	Government bonds	None	Financial assets at amortized cost - non-current	432	2,466,510	-	2,466,510	
	Notes investments	None	Financial assets at amortized cost - non-current	8,925	8,925,000	-	8,925,000	
Maxima Pacific Ltd.	Shares Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTPL - current	2,376,427	31,012 (US\$ 1,010)	0.02	31,012 (US\$ 1,010)	
	Shares Taishin Financial Holding Co., Ltd. Preferred Stock E	Related personnel with the Company's chairman	Financial assets at FVTOCI - current	132,420	7,045 (US\$ 229)	-	7,045 (US\$ 229)	
Hsingshing Investment Co., Ltd.	Shares Asia Cement Corporation	None	Financial assets at FVTOCI - current	396	14	-	14	
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	117,962	3,409	0.02	3,409	



(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note	Company
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Shin Chiun Industrial Co., Ltd.	Shares Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	4,775,222	\$ 62,317	0.04	\$ 62,317		
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	1,951,507	87,817	0.65	87,817		
	Shares Cheng Mei Materials Technology Corporation	None	Financial assets at FVTOCI - current	10,150	90	-	90		
	Prince Housing & Development Corp.	None	Financial assets at FVTOCI - current	7,359	75	-	75		
	Full Wang International Development Co., Ltd.	None	Financial assets at FVTOCI - current	2,009,017	25,916	-	25,916		
	Shares Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	619,000	27,855	0.21	27,855		
UBright Optronics Corp.	Mutual funds Shin Kong US Harvest Balanced	Related party in substance	Financial assets at FVTPL - current	5,010,020	48,046	-	48,046		
	Schroder 2022 Emerging Market Sovereign Bond Fund	None	Financial assets at FVTPL - current	10,000	3,026 (US\$ 99)	-	3,026 (US\$ 99)		
	Shin Kong Global AI New Industry Fund	Related party in substance	Financial assets at FVTPL - current	30,000	9,205 (US\$ 300)	-	9,205 (US\$ 300)		
	Foreign corporate bonds Standard Chartered	None	Financial assets at FVTPL - current	200,000	5,927 (US\$ 192)	-	5,927 (US\$ 192)		
	Goldman Sachs	None	Financial assets at FVTPL - current	300,000	8,733 (US\$ 285)	-	8,733 (US\$ 285)		
	Shares Huaku Development Co., Ltd.	None	Financial assets at FVTOCI - current	181,560	12,364	-	12,364		
Hsin Lung Chemical Co., Ltd.	Shares Wei Chuan Foods Corp.	None	Financial assets at FVTOCI - current	1,152	26	-	26		
	The Great Taipei Gas Corporation	Related party in substance	Financial assets at FVTOCI - current	48	1	-	1		
	Shares Taiwan Shin Kong Security Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	1,149	43	-	43		
	Shin Kong Insurance Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	733,808	25,610	0.23	25,610		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shinkong Engineering Co., Ltd.	Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	976	\$ 9	-	\$ 9	
	Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	358,587	4,680	-	4,680	
	Shin Kong Textile Co., Ltd.	Related party in substance	Financial assets at FVTOCI - non-current	112	5	-	5	
	Shinkong Synthetic Fibers Corporation	The Company	Financial assets at FVTOCI - non-current	4,680,487	54,060	0.29	54,060	
	Shin Ching Investment Co., Ltd.	None	Financial assets at FVTOCI - non-current	360,000	100,071	15.52	100,071	
	Mien Hao Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,970,000	203,770	19.80	203,770	
	Shin Yun Co., Ltd.	None	Financial assets at FVTOCI - non-current	990,000	18,869	19.80	18,869	
	Mutual funds Shin Kong US Harvest Balanced	Related party in substance	Financial assets at FVTPL - current	3,000,000	28,830	-	28,830	
	Shares Shin Kong Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	14,973,909	134,316	0.12	134,316	
	Corporate bonds of Tac Bright Optronics Corp	Related party	Financial assets at amortized cost - non-current	21	210,000	-	210,000	
Pan Asian Plastics Corp.	Shares Taishin Financial Holding Co., Ltd.	Related personnel with the Company's chairman	Financial assets at FVTOCI - non-current	977,994	12,763	-	12,763	
	Fuhbic International Corp.	None	Financial assets at FVTOCI - non-current	236,990	3,342	1.82	3,342	
	United Capital Fund	None	Financial assets at FVTOCI - non-current	4,850,000	-	7.09	-	
	Shinpont Industry Inc.	Related party	Financial assets at FVTOCI - non-current	5,000	103	0.01	103	
Shin Kong International Leasing Corp.	Mutual funds Cathay No.2 Real Estate Investment Trust.	None	Financial assets at FVTPL - current	360,000	5,410	-	5,410	
	O-Bank No.1 Real Estate Investment Trust	None	Financial assets at FVTPL - current	100,000	856	-	856	
	Millerful No.1 Real Estate Investment Trust	None	Financial assets at FVTPL - current	150,000	1,508	-	1,508	

(Concluded)



TABLE 10

SHINKONG SYNTHETIC FIBERS CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF BY THE SUBSIDIARIES AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note)	Relationship (Note)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Shinkong Engineering Co., Ltd.	Corporate bonds of Tac Bright Optronics Corp.	Financial assets measured at amortized cost	-	-	21	\$ 210,000	-	\$ -	-	\$ -	\$ -	\$ -	21	\$ 210,000

Note: These two columns need to be filled in for marketable securities recognized as investments accounted for using the equity method.

TABLE 11**SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES**

**INVESTEES' TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Thai Shinkong Industry Corporation Ltd.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Sale	\$ (1,967,547)	(29.79)	Note	Note	Note	Accounts receivable \$ 490,907	43.94	
	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	349,494	5.59	Note	Note	Note	Accounts payable (33,786)	(6.95)	
Shinkong Polyester Film Corp., Ltd.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	1,780,624	82.52	Note	Note	Note	Accounts payable (658,824)	(94.14)	
									Other payable (3,831)	(4.35)	
Pan Asian Plastics Corp.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	731,108	84.23	Note	Note	Note	Accounts payable (154,982)	(91.97)	
									Other payable (41,337)	(55.16)	
Shinpont Industry Inc.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	248,188	35.09	Note	Note	Note	Accounts payable (61,761)	(83.22)	
									Other payable (38,859)	(78.93)	
Shinkong Industry (Hangzhou) Co., Ltd.	Shinkong Synthetic Fibers Corporation	Investments accounted for using the equity method	Purchase	158,494	16.24	Note	Note	Note	Accounts payable (9,995)	(68.17)	
Shinpont Industry Inc.	INVISTA (Singapore) Pte. Ltd. (INVISTA)	Affiliated company of Shinpont Industry	Sale	(1,250,873)	(91.24)	According to the contract sign by both parties	According to the contract sign by both parties	According to the contract sign by both parties	Accounts receivable 303,748	91.99	
	INVISTA (Taiwan) Limited Taiwan Branch (H.K.)	Affiliated company of Shinpont Industry	Sale	(120,127)	8.76	According to the contract sign by both parties	According to the contract sign by both parties	According to the contract sign by both parties	Accounts receivable 26,431	8.01	
Shinkong Polyester Film Corp., Ltd.	UBright Optronics Corp.	Subsidiaries	Sale	(123,513)	(4.21)	Note	Note	Note	Accounts receivable 8,912	3.29	
UBright Optronics Corp.	Shinkong Polyester Film Corp., Ltd.	Subsidiaries	Purchase	123,513	7.93	Note	Note	Note	Accounts payable (8,912)	(4.98)	

Note: Refer to consolidated financial statements Table 17.

TABLE 12

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

INVESTEES’ RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Thai Shinkong Industry Corporation Ltd.	Shinkong Synthetic Fibers Corporation	Parent Company and its subsidiary	Accounts receivable from related parties \$490,907	4.26	\$ -	-	\$ 214,669	\$ -
Shinpont Industry Inc.	INVISTA (Singapore) Pte. Ltd. (INVISTA)	Affiliated company of Shinpont Industry Inc.	Accounts receivable from related parties \$303,748	4.81	-	-	297,486	-

Company

TABLE 13

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note B)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outflow	Inflow							
Hangzhou Huachun Chemical Fiber Co., Ltd.	Chemical fiber weaving, printing and dyeing	US\$54 million	Investments through subsidiary SSFC Investment Ltd.	\$ 1,642,757 (US\$ 51,080)	\$ -	\$ -	\$ 1,642,757 (US\$ 51,080)	\$ 46,369	92.11	\$ 42,710	\$ 1,224,842	\$ -	
Shinkong Industry (Hangzhou) Co., Ltd.	Manufacturing and sales of plastic, polyester film, and PET	US\$17.8 million	Investments through subsidiary SSFC Investment Ltd.	594,328 (US\$ 17,300)	-	-	594,328 (US\$ 17,300)	4,349	100.00	4,349	578,353	326,702	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$2,237,085 (US\$68,380) (Note A)	\$1,948,996 (US\$66,530)	\$17,250,692

Note A: Including premium of US\$4,280 thousand from machinery equipment from SSFC Investment Ltd., which is not included in the calculation of the authorized amount and cash remittance of US\$240 thousand to Dayspring Ltd.

Note B: The amounts were calculated based on the financial statements that have been audited.



TABLE 14

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Shinkong Synthetic Fibers Corporation Hangzhou Huachun Chemical Fiber Co., Ltd.	Sale	\$ (84,053)	(0.34)	Note	Note	Note	Accounts receivable \$ 7,451	0.29	\$ 1,192	
	Purchase	29,024	0.14	Note	Note	Note	Accounts payable (23,561)	(1.26)	-	
Shinkong Industry (Hangzhou) Co., Ltd.	Sale	(158,493)	(0.64)	Note	Note	Note	Accounts receivable 9,995	0.38	2,755	
Shinkong Polyester Film Corp., Ltd. Shinkong Industry (Hangzhou) Co., Ltd.	Sale	(1,102)	(0.04)	Note	Note	Note	Accounts receivable -	-	-	

Note: Refer to Table 17.

1. Endorser/guarantor provided with investee companies in Mainland China directly or indirectly through a third party: Please refer to Tables 1 and 8.
2. Financing providing to others with investee companies in Mainland China directly or indirectly through a third party: None.
3. Other transaction that have a material impact on profit or loss or financial condition: None.

6. Any financial distress experienced by the Company or affiliated enterprise and its impact on the Company's financial status in the last year up until the publication date of this annual report: None.



VII. Review of financial position, business performance and risk issues

1. Analysis of Financial Status

Comparative analysis of consolidated financial position

Item \ Year	2018	2017	Variance	
			Amount	%
Current assets	87,456,519	88,708,993	(1,252,474)	(1.41)
Non-current assets	56,407,807	55,746,818	660,989	1.19
Total assets	143,864,326	144,455,811	(591,485)	(0.41)
Current liabilities	97,191,482	99,396,820	(2,205,338)	(2.22)
Non-current liabilities	9,707,662	9,690,486	17,176	0.18
Total liabilities	106,899,144	109,087,306	(2,188,162)	2.01
Share capital	16,184,093	16,184,093	-	-
Capital reserve	1,575,677	1,575,732	(55)	(0.00)
Retained earnings	9,070,265	7,295,821	1,774,444	24.32
Other equity items	1,950,952	2,351,119	(400,167)	(17.02)
Treasury stock	(29,834)	(29,834)	-	-
Non-controlling equity	8,214,029	7,991,574	222,455	2.78
Total shareholders' equity	36,965,182	35,368,505	1,596,677	4.51
Explanation to significant variations amounting to NT\$10 million or 20% or above:				
1. Retained earnings increased mainly due to the increase of net income in the period.				

Comparative analysis of standalone financial position

Unit: NTD thousands

Item \ Year	2018	2017	Variance	
			Amount	%
Current assets	8,551,695	7,895,256	656,439	8.31
Non-current assets	34,322,494	34,127,086	195,408	0.57
Total assets	42,874,189	42,022,342	851,847	2.03
Current liabilities	6,937,782	7,127,248	(189,466)	(2.66)
Non-current liabilities	7,185,254	7,518,163	(332,909)	(4.43)
Total liabilities	14,123,036	14,645,411	(522,375)	(3.57)
Share capital	16,184,093	16,184,093	-	-
Capital reserve	1,575,677	1,575,732	(55)	0.00
Retained earnings	9,070,265	7,295,821	1,774,444	24.32
Other equity items	1,950,952	2,351,119	(400,167)	(17.02)
Treasury stock	(29,834)	(29,834)	-	0.00
Total shareholders' equity	28,751,153	27,376,931	1,374,222	5.02
Explanation to significant variations amounting to NT\$10 million or 20% or above: Description: 1. Retained earnings increased mainly due to the increase of net income in the period.				



2. Financial performance

Consolidated financial performance analysis for the previous 2 years

Unit: NTD thousands

Item \ Year	2018	2017	Increase (Decrease) Amount	Variation %	Variati on analysi s
Total revenues	42,493,927	36,537,343	5,956,584	16.30	
Total expenses	38,858,219	34,962,834	3,895,385	11.14	
Continuing operations - Pre-tax profit (loss)	3,635,708	1,574,509	2,061,199	130.91	
Income tax benefits (expenses)	773,615	444,803	328,812	73.92	
Continuing operations - Net income	2,862,093	1,129,706	1,732,387	153.35	
Other comprehensive income	(498,921)	1,144,297	(1,643,218)	(143.60)	
Total comprehensive income	2,363,172	2,274,003	89,169	3.92	

Explanation to material variations:

1. Pre-tax profit from continuing operations increased mainly due to the increase of the sales in the period.
2. Tax expense increased mainly due to the increase of pre-tax profit.
3. Net income from continuing operations increased mainly due to the increase of the sales in the period.
4. Other comprehensive income reduced: mainly due to the decrease in unrealized profit and loss on financial assets measured at fair value through other comprehensive income.

Standalone financial performance analysis for the previous 2 years

Unit: NTD thousands

Item \ Year	2018	2017	Increase (Decrease) Amount	Variation %	Variation analysis
Net operating revenues	24,885,692	21,034,161	3,851,531	18.31	
Operating costs	(22,454,284)	(19,321,521)	(3,132,763)	16.21	
Gross profit	2,431,408	1,712,640	718,768	41.97	
Unrealized gain on transactions with subsidiaries	(50,442)	(33,718)	(16,724)	49.60	
Realized gain on transactions with subsidiaries	44,323	46,117	(1,794)	(3.89)	
Realized gross profits	2,425,289	1,725,039	700,250	40.60	
Operating expenses	(970,967)	(908,497)	(62,470)	6.88	
Operating profit (loss)	1,454,322	816,542	637,780	78.11	
Non-operating income and expenses	1,313,324	319,657	993,667	310.85	
Continuing operations - Pre-tax profit	2,767,646	1,136,199	1,631,447	143.59	
Income tax benefits (expenses)	(309,709)	(171,473)	(138,236)	80.62	
Continuing operations - Net income	2,457,937	964,726	1,493,211	154.78	
Other comprehensive income	(501,184)	1,195,484	(1,696,668)	(141.92)	
Total comprehensive income	1,956,753	2,160,210	(203,457)	(9.42)	

Explanation to material variations:

1. Gross profits increased mainly due to the increase of sales.
2. Unrealized gain on transactions with subsidiaries increased mainly due to the increase of unrealized gain on transactions with subsidiaries.
3. Realized gross profits increased mainly due to the increase of sales in the period.
4. Operating profit increased: mainly due to the increase of sales in the period.
5. Non-operating income and expenses increased: mainly due to the increase of profit and loss recognized by shareholding proportion from subsidiaries, affiliates and joint venture in equity method.



6. Pre-tax profit increased mainly due to the increase of sales in the period.
7. Tax expense increased mainly due to the increase of pre-tax profit in the period.
8. Net income increased mainly due to the increase of the sales in the period.
9. Other comprehensive income reduced: mainly due to the decrease in unrealized profit and loss on financial assets measured at fair value through other comprehensive income.

3. Cash flow

Cash flow analysis

Unit: NTD thousands

107.12.31 Opening cash balance ①	Projected yearly net cash flow from operating activities ②	Projected yearly cash outflow ③	Projected cash surplus (deficit) ① + ② - ③	Financing of projected cash deficits Measurements	
				Investment plans	Financing plans
6,707,050	3,000,000	4,100,000	5,607,050	—	—
1. Analysis of cash flow for the year: (1) Operating activities: The Company expects to maintain consistent level of business operation this year, and therefore expects net cash inflow from operating activities. (2) Investing activities: The Company plans to acquire additional production equipment, and therefore expects net cash outflow from investing activities. (3) Financing activities: the estimated cash dividend and the estimated financing activities are presented as cash outflow. 2. Improvements for lack of liquidity: None. 3. Liquidity analysis for the next year: Cash flow from operating, investing and financing activities should remain normal and continue to support the Company's operations.					

4. Major Capital Expenditure Items

(1) Major capital spendings and source of capital

Plan Item	Actual or projected source of capital	Actual or projected completion date	Total capital required	Actual or expected uses of capital	
				2019	2020
New engineering for engineering plastics expansion	50% Loan 50% Equity Fund	107.3.31	1,089,000	80,000	-
New Fiber production facilities and replacement	30% Loan 70% Equity Fund	108.12.31	760,000	640,000	120,000



Speed increase project for TAC film production line	50% Loan 50% Equity Fund	108.12.31	88,000	88,000	-
UBright Optronics Corporation bought the inventory and fixed asset of Zhunan factory of ShinBright Optronics Corporation.	100% Equity Fund	108.09.30	230,000	230,000	-

5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

Goals of the Company's investment policy are to expand business exposure, reduce risks and maintain profitability over the long term. The investees may exhibit fluctuation in profitability due to changes in industry cycle, but the Company considers investment risks to be manageable given the amount committed.

6. Analysis of Risk Management

Analysis of the following issues in the last year up till the publication date of this annual report:

(1) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and response measures:

1. Impacts of interest rate variation and response measures

The Company's interest rate risks are mainly associated with long-term and short-term liabilities that arise as a result of business activities. To minimize the risk of interest rate changes, the Company not only relies on cash inflow from operating activities as the main source of capital, but also makes flexible adjustments to its long-term and short-term financing arrangements depending on interest rate changes, and in doing so reduces impact on profit and loss.

2. Impacts of exchange rate variation and response measures

The Company generates more than half of its operating revenues from export sales, while some manufacturing overheads and capital

expenditures are denominated in foreign currencies. The types of foreign currencies involved in business activities include USD, EUR and others. Unless transactions are covered by natural hedge, a change in exchange rate would affect the Company's profit and loss to some extent. As a response, the Company actively gathers information on exchange rate changes and uses derivatives to hedge against exchange rate risks.

3. Impacts of inflation and response measures

Drastic changes in the price of oil and natural resources have caused corresponding changes in the price of raw materials in recent years. The negative effects they have on the global economy may adversely impact the Company's operations. The Company will continue to secure the source of its raw materials and improve production procedures in a manner that minimizes the adverse impacts of inflation or deflation on operations.

(2) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures:

1. The Company was never involved in high-risk or highly leveraged investment.
2. Loans to third parties are arranged according to the Company's Third Party Lending Procedures.
3. All endorsements and guarantees are provided for subsidiaries and arranged according to the Company's Endorsement and Guarantee Procedures.
4. The Company's derivative transactions mostly comprise short position in forward exchange contracts and options. These derivatives are used mainly to fix the rate of exchange between foreign currencies and NTD, which the Company is exposed to as a result of export sales. All above transactions are executed according to "Asset Acquisition and Disposal Procedures," with hedging transactions undertaken to mitigate risk exposures.

(3) Future research and development plans and its estimated spending:



The Company sets up new research and development plans every year and implements the plans base on the schedule. Please refer to page 92 to 94 in this annual report for the implementation situation of research and development plans.

- (4) The impact of changes of the important domestic and international policies and laws on the Company's financial operation, and the corresponding measures:

The Group pays attention to and grasps the information of the policies, laws and regulations that may affect the Company's operations. And adjusts the relevant internal systems and operations accordingly. In 2018, we implemented IFRS 9, IFRS 15 and IFRS 16 to tied in with the revised accounting system principles and policies. In addition, the Minister of Labor has issued new laws and regulations for domestic labors' wages, overtime, compensatory leaves from overtime, annual leaves and recruitment etc.. In accordance with the laws, the Group has examined the existing compensation structure and has adjusted system settings to establish the program and settlement system for the overtime calculation on the unused hours of personal annual compensatory leave and annual leave, and setup the deterred application mechanism etc.. We have also amended the relevant regulation of anti-money laundering and countering terrorist financing in accordance with international demand. Besides, Sino-US trade war has a slight impact on the Company's sales. We have adjusted the production and sales strategies in China and Taiwan. Currently we estimated it has little impact on the Company's finance.

- (5) The impact of technological and industrial changes on the Company's finance operation and the corresponding measures:

The Group always does its best to catch up with the tendency of the industrial changes and rapid development of technology, and also utilizes the information technology to research and develop information system that can be applied. In addition to continuous optimization of ERP related systems, the protection of information security has also been updated and strengthened. Except for strengthening the protection of confidential information and personal data, we have installed the consultant and certification for the ISO27001 information security and expect to complete in the year of 2019.

Industry 4.0 has stirred up a new wave of industrial revolution. The Group's

information technology has never been stagnating. Since 2016, we have actively promoted the industrial smartization, using information technology closely integration with smart production to enhance business performance and reduce production cost. The promotion of industrial smartization is divided into four directions: (1) Bar Code System: the finished goods are fully barcoded to enhance the accuracy and efficiency of information flow between production and sales ,and reduce manual work. By integrating with ERP system, it can improve the traceability of the products to increase the efficiency of customer service. (2) Smartization of the factories' system: With installing big data analysis and KM system, the information and knowledge of production and facilities maintenance can be integrated and shared each other to enhance the continuity of experience. The establishment of the Overall Equipment Effectiveness (OEE) system has increased productivity and product quality. The Warehouse Management System (WMS) has improved the storage location management of inbound and outbound process and has reduced the frequency of stock transfer. The adoption of the smart access control, the unmanned truck scales, fingerprint identity and RFID technology has reduced the manpower cost and enhance the inbound / outbound efficiency. (3) Smart IT: We propose paperless and use electronic forms to replace manual forms to reduce manual work and further optimize the processes. (4) Optimization of computer mainframe and network: We've built the virtual hosting and applied information technology to strengthen information system, and the fiber-optical network host for every factory to enhance the data transmission performance and stability between factories and companies, as well as the Site to Site VPN to improve data exchange efficiency with overseas factories.

Besides, the industrial smartized digital signage, the automated optical inspection (AOI), e-invoice system and online video conferencing are all introduced to apply the information technology in order to optimize production management and reduce manpower cost to enhance the Company's competitiveness.

The industrial competition in the future will become more stringent. Facing the changes in the industry, the Group will constantly move toward the industry 4.0 smartization. Automatization, rationalization, intellectualization, efficientization and vitalization are the Company's management strategies to reach sustainable business.



- (6) Crisis management, impacts, and response measures in the event of a change in corporate image: None.
- (7) Expected benefits, risks and response measures in relation to mergers and acquisitions: None.
- (8) Expected benefits, risks and response measures associated with plant expansions:
Please refer to page 408-409 of this annual report for the financial impact of major capital expenditure items in the most recent year
- (9) Risks and response measures associated with concentrated sales or purchases: None.
- (10) Impacts, risks and response measures following a major transfer of shareholding by directors, independent directors, or shareholders with more than 10% ownership interest: None.
- (11) Impacts, risks and response measures associated with a change of management: None.
- (12) Litigation or Non-litigation Matters: **None.**
- (13) Other material risks and response measures: None.

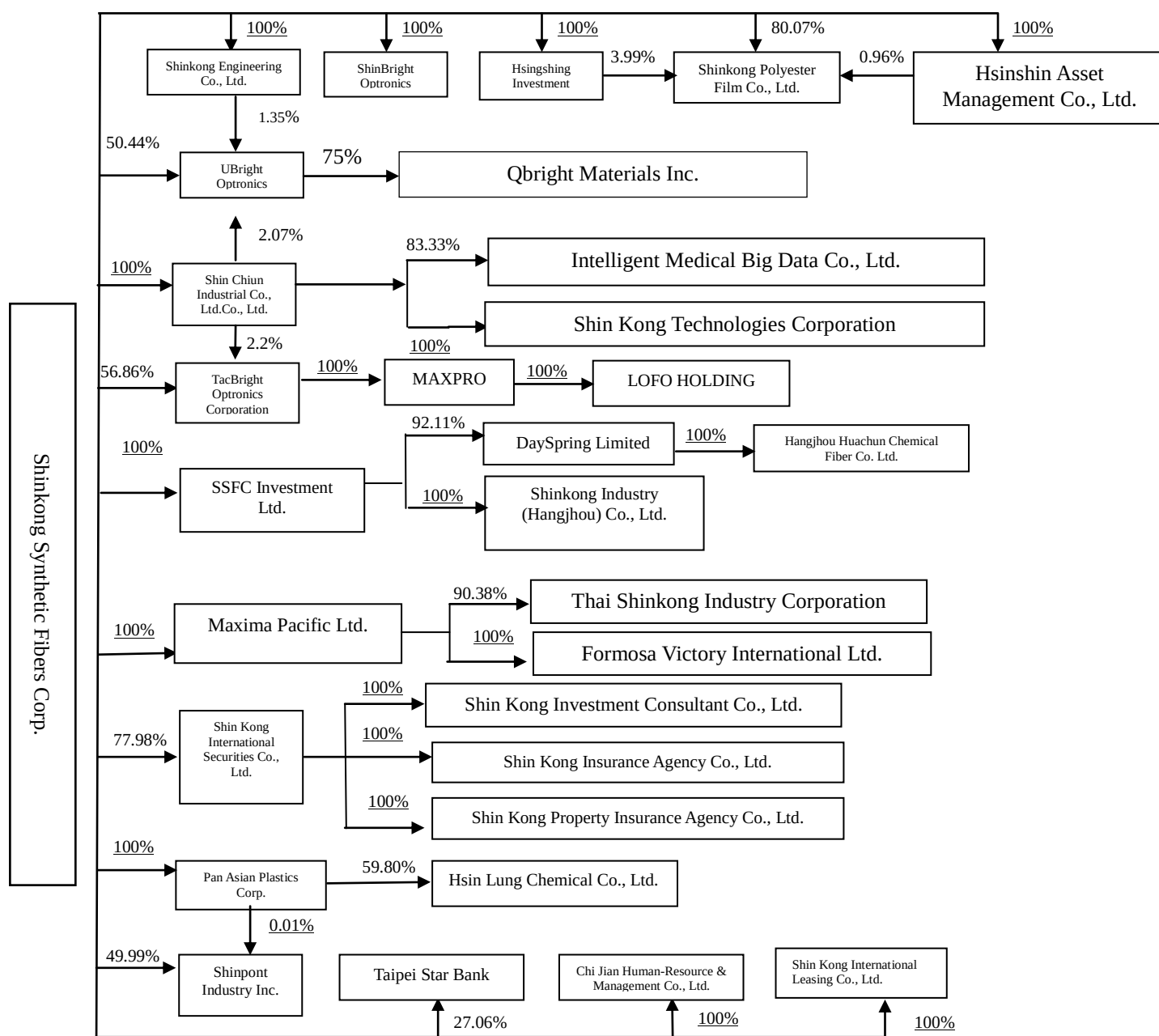
7. Other Important Disclosures: None.

VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Consolidated business report

1. Affiliated enterprises chart (1) Subordinate companies in which the Company exercises control



(2) Companies deemed in control: None.

(3) Reciprocal investment relationship: None.

2. Profile of affiliated enterprises

Unit: NTD/USD/HKD/EUR thousands

Company name	Date of incorporation	Address	Paid-up capital	Main business activities or products
Controlling company: Shinkong Synthetic Fibers Corp.	1967.04.25	8F and 12F, No. 123, Section 2, Nanjing East Road, Taipei City	NT16,184,093	Manufacturing and sale of synthetic fiber, plastics, composite films, sheets and processed goods
Controlled company: Hsingshing Investment Co., Ltd. (HSI)	1990.05.31	9F, No. 123, Section 2, Nanjing East Road, Taipei City	NT1,521,000	Investment of businesses, commercial complex development, and residential development
Shinkong Engineering Co., Ltd. (SKE)	1990.12.06	9F, No. 123, Section 2, Nanjing East Road, Taipei City	NT385,438	Water treatment-related constructions
Shin Chiun Industrial Co., Ltd. (SEC)	2002.03.12	9F, No. 123, Section 2, Nanjing East Road, Taipei City	NT715,000	Automobile electronics-related businesses
UBright Optronics Corp. (UBO)	2003.12.31	No. 21-9, Songshu, 15 Lin, Renshan Li, Daxi District, Taoyuan City	NT767,217	Manufacturing and wholesaling of precision chemical materials and molds
Maxima Pacific Ltd. (MPL) (MPL)	1994.04.20	British Virgin Islands	US\$ 1	Offshore investment company
SSFC Investment Ltd. (SSFC) (SSFC)	1997.06.04	British Virgin Islands	US\$ 1	Offshore investment company
Thai Shinkong Industry Corporation Ltd. (TSI)	1994.08.30	No. 54, 7th Floor, Harinhorn Bldg, North Sathornrd, Bangrak, Bangkok 10500	US40,889	Production and sale of polyester chip for PET bottle
Dayspring Ltd. (Dayspring)	1991.05.16	14F Hutchison House, Central, Hong Kong	HK437,619	Offshore investment company
Hangzhou Huachun Chemical Fiber Co., Ltd. (HZC)	1993.12.31	No. 766, 6th Avenue, Baiyang Subdistrict, Hangzhou Economic and Technological Development Area, Hangzhou City	US54,000	Manufacturing, weaving, dyeing and finishing of chemical fibers
Shinkong Industry (Hangzhou) Co., Ltd. (SKI)	2003.05.27	No. 766, 6th Avenue, Baiyang Subdistrict, Hangzhou Economic and Technological Development Area, Hangzhou City	US17,800	Production and sale of engineering plastics, A-PET sheet and PET film
Shinkong Polyester Film Corp., Ltd. (SPF)	2004.09.29	8F, No. 123, Section 2, Nanjing East Road, Taipei City	NT859,924	Manufacturing of electronic components
Shinpont Industry Inc. (SPI)	2000.10.09	8F, No. 123, Section 2, Nanjing East Road, Taipei City	NT 505,000	Wholesaling and retailing of synthetic fibers and threads
Pan Asian Plastics Corp. (PAP)	1980.07.30	8F, No. 123, Section 2, Nanjing East Road, Taipei City	NT505,700	Manufacturing and trading of polyester chip, polyester preform and packaging material

Company name	Date of incorporation	Address	Paid-up capital	Main business activities or products
Shin Kong International Leasing Corp. (SKIL)	2015.01.13	7F, No. 123, Section 2, Nanjing East Road, Zhongshan District, Taipei City	NT400,000	Leasing and all business items that are not prohibited or restricted by law, except those that are subject to special approval
Formosa Victory International Ltd. (Formosa) International Ltd. (Formosa)	2004.07.01	British Virgin Islands	US\$ 1	Offshore investment company
Maxpro Ltd. (MPO) (MPO)	2006.05.25	British Virgin Islands	US49,843	Offshore investment company
LOFO HOLDING	2006.05.19	Weid strasse 2, D-79576 Weil am Rhein, German	EUR 25	Offshore investment company
Hsin Lung Chemical Co., Ltd. (HLC)	1983.11.02	8F, No. 123, Section 2, Nanjing East Road, Taipei City	NT50,000	Retail and wholesale of chemical materials
TacBright Optronics Corporation (TBO)	2006.10.19	No. 3, Kebei 2nd Road, Zhunan Township, Miaoli County	NT4,636,020	Manufacturing of precision chemical materials
ShinBright Optronics Corp. (SOC)	2006.05.05	No. 58, Keyan Road, Zhunan Township, Miaoli County	NT120,000	Manufacturing of precision chemical materials
Shinkong International Securities Co., Ltd. (SKIS)	1993.11.25	5F, No. 66-1, Section 1, Chongqing South Road, Taipei City	NT1,470,000	Securities firm and futures introducing broker
Taipei Star Bank	2007.07.02	No. 2, Lane 135 and No. 133, Section 2, Yanping North Road, Taipei City	NT3,074,738	Commercial banking
Shin Kong Investment Consultant Co., Ltd. (SKIC)	2005.08.03	11F, No. 66-1, Section 1, Chongqing South Road, Taipei City	NT20,000	Securities investment consulting
Shin Kong Insurance Agent Co., Ltd. (SKIA)	2005.08.30	11F, No. 66-1, Section 1, Chongqing South Road, Taipei City	NT20,000	Life insurance agency
Shin Kong Property Insurance Agency Co., Ltd. (SKPIA)	2006.07.17	11F, No. 66-1, Section 1, Chongqing South Road, Taipei City	NT10,000	Non-life insurance agency
Chi Jian Human-Resource & Management Co., Ltd. (CJH)	2008.11.06	2F, No. 248, Section 3, Yanping Road, Songwu Li, Pingzhen District, Taoyuan City	NT5,000	Human resource management consultancy
Hsinshin Asset Management Co., Ltd. (HAM)	2011.08.05	7F, No. 123, Section 2, Nanjing East Road, Taipei City	NNT53,700	Development, leasing, and sale of residential and commercial complexes
Intelligent Medical Big Data Co., Ltd. (IMBD)	2013.09.03	10F-10, No. 48, Section 1, Kaifeng Street, Taipei City	NT30,000	Management consultancy; information, software and data processing service; pharmaceutical testing; biotechnology; research and development service
Shin Kong Technologies Corporation (SKT)	2015.11.04	12F, No. 123, Section 2, Nanjing East Road, Taipei City	NT 10,000	Electrical equipment installation; information and software service
Qbright Materials Inc. (QBM)	2016.08.15	No. 21-9, Songshu, 15 Lin, Renshan Li, Daxi District, Taoyuan City	NT7,000	Manufacturing of precision chemical materials



3. Common shareholders in controlling and controlled companies:
None

4. Main business activities and industries covered by affiliated enterprises include:

- (1) Processing, manufacturing and sale of synthetic fiber, plastics, composite films, sheets and processed goods; manufacturing and sale of cotton yarn, blended yarn, synthetic fiber, grey cloth and finished cloth.
- (2) Investment of businesses, commercial complex development, and residential development.
- (3) Offshore investment company.
- (4) Optical grade film.
- (5) Electronic information.
- (6) Consigned trading of securities and futures introducing broker.
- (7) Commercial banking.
- (8) Securities investment consulting.
- (9) Life insurance and non-life insurance agency.
- (10) Electrical equipment installation; information and software service
- (11) Management consultancy; information, software and data processing service; pharmaceutical testing; biotechnology; research and development service.

For details on main business or production activities of affiliated enterprises, please refer to 2. Profile of affiliated enterprises.

5. Directors, supervisors, and President of affiliated enterprises:

Unit: NTD/HKD/USD/EUR thousands; shares; %

Company name	Title	Name or name of representative	Shares held	
			Shares or capital contribution	Shareholding percentage
Controlling company: Shinkong Synthetic Fibers Corp.	Chairman	Shin Kong Development Co., Ltd. Representative: Tong Sheng Wu	2,794,213	0.17%
	Vice Chairman	Shin Kong Development Co., Ltd. Representative: Tung Ming Wu	2,794,213	0.17%
	Director	Shin Kong Co., Ltd. Representative: Steve Hong	84,414,691	5.22%
	Director	Chin Shan Investment Corporation Ltd. Representative: Hsing- En Wu	4,885,058	0.30%
	Director	Shin Kong Development Co., Ltd. Representative: Hsiu-Mei Wang Chen	2,794,213	0.17%
	Director	Tay Way Enterprise Co., Ltd. Representative: Hsien Chung Ho	1,200,043	0.07%
	Director	Mian Hao Industry Co., Ltd. Representative: Sun-Mo Ni	1,226,456	0.08%
	Director	Shin Kong Wu Ho-Su Cultural & Educational Foundation Representative: Jung-Chi, Liu	60,442	0.00%
	Independent Director	Hsien Der Chiu	0	0%
	Independent Director	Jung Cheng Tseng	0	0%
	Independent Director	Yung Ching Tsai	0	0%
Hsingshing Investment Co., Ltd. (HSI)	Chairman Director Director Supervisor	Shinkong Synthetic Fibers Corp. Representative: Chih-Min Yang Representative: Chuan-Pu Kuo Representative: Chih-Lung Hsiao Representative: Chen-Chia Wen	152,100,000	100.00%
Shinkong Engineering Co., Ltd. (SKE)	Chairman Director Director Supervisor	Shinkong Synthetic Fibers Corp. Representative: Shyr Shyuan Luo Representative: Hsien Chung Ho Representative: Chin Tarng Huang Representative: Chen Chia Wen	38,543,818	100.00%
Shin Chiun Industrial Co., Ltd. (SEC)	Chairman Director Director Supervisor	Shinkong Synthetic Fibers Corp. Representative: Chih-Min Yang Representative: Chen Chia Wen Representative: Chih-Lung Hsiao Representative: Hao-Ning Ho	71,500,000	100.00%



Unit: NTD/HKD/USD/EUR thousands; shares; %

Company name	Title	Name or name of representative	Shares held	
			Shares or capital contribution	Shareholding percentage
UBright Optronics Corp. (UBO)	Chairman	Shinkong Synthetic Fibers Corp.	38,695,828	50.44%
	Vice Chairman	Representative: Tong Sheng Wu		
		Representative: Hsiu-Mei Wang		
	Director	Chen		
	Director	Representative: Huoo Tzau Shih		
	Director	Representative: Po-Chen Chuang	76,000	0.00%
	Director	Natural person: Ren-Po Lin		
	Independent Director	Natural person: Yu-Ying Chin		
Maxima Pacific Ltd. (MPL)	Executive Director	Natural person: Nan-Chiang Hsieh		
		Natural person: Tzung-Sheng Lin		
		Natural person: Kuo-Chung Chi		
SSFC Investment Ltd. (SSFC)	Executive Director	Shinkong Synthetic Fibers Corp. Representative: Shyr Shyuan Luo	1	100.00%
Thai Shinkong Industry Corporation Ltd. (TSI)	Chairman	Natural person: Trit Ophaswongse	750,000	0.58%
		Maxima Pacific Ltd. (MPL)	117,499,997	90.38%
	Director	Representative: Shyr Shyuan Luo		
	Director	Representative: Yao-Ting Li		
	Director	Representative: Ta-Yuan Wei		
	Director	Representative: Tong Sheng Wu		
	Director	Representative: Tung Chin Wu	500,000	0.38%
	Director	Representative: Tung Ming Wu		
DaySpring Limited		SSFC Investment Ltd. (SSFC)	HK 402,992	92.11%
	Chairman	Representative: Hsien Chung Ho		
	Director	Representative: Shyr Shyuan Luo		
	Director	Representative: Chin-Chang Cheng	HK 19,346	4.41%
	Director	China Synthetic Fiber Co., Ltd.	HK 15,281	3.48%
	Director	Representative: Chang-Wei Hsueh		
Hangjhou Huachun Chemical Fiber Co. Ltd.		Natural person: Wen-Hung Yu		
	Chairman	DaySpring Limited	US 54,000	100.00%
	Director	Representative: Hsien Chung Ho		
	Director	Representative: Shyr Shyuan Luo		
	Director	Representative: Wen-Hung Yu		
	Director	Representative: Chin-Chang Cheng		
	Director	Representative: Chang-Wei Hsueh		

Unit: NTD/HKD/USD/EUR thousands; shares; %

Company name	Title	Name or name of representative	Shares held	
			Shares or capital contribution	Shareholding percentage
Chi Jian Human-Resource & Management Co., Ltd. (CJH)	Chairman	Shinkong Synthetic Fibers Corp. Representative: Huei-Wen Wu	NT\$5,000	100.00%
Shinkong Industry (Hangjhou) Co., Ltd. (SKI)	Chairman Director Director	SSFC Investment Ltd. (SSFC) Representative: Wen-Hung Yu Representative: Mei-Fu Chiang Representative: Nai-Yo Chou	US 17,800	100.00%
Shinkong Polyester Film Corp., Ltd. (SPF).	Chairman Vice Chairman Director Director Director Supervisor Supervisor	Shinkong Synthetic Fibers Corp. Representative: Tong Sheng Wu Representative: Hsin-Chieh Wu Representative: Po-Chen Chuang Representative: Huoo Tzau Shih Representative: Hsien Chung Ho Natural person: Jing-Ping Zhang	68,857,106	80.07%
		Golden World Investment Limited Representative: Min-Wei Wu	315,983	0.37%
Formosa Victory International Ltd. (Formosa)	Executive Director	MAXIMA PACIFIC LTD. (MPL) Representative: Tong Sheng Wu	1	100.00%
Maxpro Ltd. (MPO)	Executive Director	TacBright Optronics Corporation (TBO) Representative: Huoo Tzau Shih	US 49,843	100.00%
	Shareholder	Maxpro Ltd. (MPO)	EUR 25	100.00%
ShinBright Optronics Corp. (SOC)	Chairman Director Director Supervisor	Shinkong Synthetic Fibers Corp. Representative: Huoo Tzau Shih Representative: Tong Sheng Wu Representative: Kou Tai, Tiou Representative: Wen-Hsiung Li	12,000,000	100.00%
TacBright Optronics Corporation (TBO)	Chairman	Shinkong Synthetic Fibers Corp. Representative: Tong Sheng Wu	263,586,455	56.86%
	Director	Representative: Huoo Tzau Shih		
	Director	Representative: Wen-Hsiung Li		
	Director	Representative: Hsien Chung Ho		
		National Development Fund, Executive Yuan	94,027,026	20.28%
	Director	Representative: Yi-Peng Chiu		
	Director	Representative: Tung-Han Chuang		
	Director	Representative: Hung-Wei Chien		
	Independent Director	Natural person: An-Li Chang	10,000	0.00%
	Independent Director	Natural person: Chia-Ming Liu		
	Independent Director	Natural person: Cheng-Chuan Fan		
	Independent Director	Natural person: Yao-Chen Ho		



Unit: NTD/HKD/USD/EUR thousands; shares; %

Company name	Title	Name or name of representative	Shares held	
			Shares or capital contribution	Shareholding percentage
Hsin Lung Chemical Co., Ltd. (HLC)	Chairman Director Director Supervisor	Pan Asian Plastics Corp. (PAP) Representative: Min-Huang Wu Representative: Chen Chia Wen Representative: Hao-Ning Ho Natural person: Chih-Lung Hsiao	2,990,000	59.8%
Intelligent Medical Big Data Co., Ltd. (IMBD) (IMBD)	Chairman	Shin Chiun Industrial Co., Ltd. (SEC)	2,500,000	83.33%
	Director	Representative: Shih-Pei Huang	200,000	6.67%
	Director Supervisor	Hung Chieh Investment Co., Ltd. Representative: Tzung-Lai Yang Natural person: Ping-Fa Chan	100,000	3.33%
Shinkong International Securities Co., Ltd. (SKIS)	Chairman	Shinkong Synthetic Fibers Corp.	114,633,265	77.98%
	Director	Representative: Ping-Fa Chan		
	Director	Representative: Hsiao-Wen Lai		
	Director	Representative: Min-Huei Hua		
	Director	Representative: Chien-Ting Li		
	Director	Representative: Yu-Ching Fan		
Taipei Star Bank	Director	Ithaca Information Co., Ltd.	700,000	0.34%
	Director	Representative: Ming-Chang Chung		
	Director	Representative: Yi-Wei Wu		
	Independent Director	Natural person: Ming-Sheng Tai		
	Independent Director	Natural person: Chih-Chien Chou		
	Independent Director	Natural person: Pin-Hao Chang		
Pan Asian Plastics Corp. (PAP)	Chairman	Shinkong Synthetic Fibers Corp.	83,213,000	27.06%
	Managing Director	Representative: Chuan-Pu Kuo		
	Director	Representative: Hsin-Yi Chuang		
	Director	Representative: Feng-Yi Huang		
	Director	Representative: Ren-Po Lin	4,329,634	1.41%
	Director	Chia Pang Investment Co., Ltd.		
Pan Asian Plastics Corp. (PAP)	Director	Representative: Ying-Ying Wu		
	Director	Representative: Sen-Chieh Li		
	Independent Director	Natural person: Wen-Huei Cheng		
	Independent Director	Natural person: Yang-I Cheng		
	Independent Director	Natural person: Chen-Ming Chung		
	Supervisor	Shinkong Synthetic Fibers Corp.	50,569,938	100.00%
		Representative: Shyr Shyuan Luo		
		Representative: Mei-Fu Chiang		
		Representative: Yao-ding Lee		
		Natural person: Hao-Ning Ho		

Unit: NTD/HKD/USD/EUR thousands; shares; %

Company name	Title	Name or name of representative	Shares held	
			Shares or capital contribution	Shareholding percentage
Shin Kong Investment Consultant Co., Ltd. (SKIC)	Chairman Director Director Supervisor	Shinkong International Securities Co., Ltd. (SKIS) Representative: Li-Min Tsai Representative: Kuang-Heng Huang Representative: Chia-Cheng Yeh Representative: Mei-Ling Feng	2,000,000	100.00%
Shin Kong Insurance Agent Co., Ltd. (SKIA)	Chairman Director Director Supervisor	Shinkong International Securities Co., Ltd. (SKIS) Representative: Chiu-Fen Chen Representative: Kuang-Heng Huang Representative: Chia-Cheng Yeh Representative: Mei-Ling Feng	2,000,000	100.00%
Shin Kong Property Insurance Agency Co., Ltd. (SKPIA)	Chairman Director Director Supervisor	Shinkong International Securities Co., Ltd. (SKIS) Representative: Chiu-Fen Chen Representative: Kuang-Heng Huang Representative: Chia-Cheng Yeh Representative: Mei-Ling Feng	1,000,000	100.00%
Hsinshin Asset Management Co., Ltd. (HAM)	Chairman Director Director Supervisor	Shinkong Synthetic Fibers Corp. Representative: Chih-Min Yang Representative: Chih-Lung Hsiao Representative: Chuan-Pu Kuo Representative: Chen Chia Wen	5,370,000	100.00%
Shin Kong International Leasing Corp. (SKIL)	Chairman Director Director Supervisor	Shinkong Synthetic Fibers Corp. Representative: Tong Sheng Wu Representative: Yi-Wei Wu Representative: Chih-Lung Hsiao Representative: Chih-Min Yang	40,000,000	100%
Shin Kong Technologies Corporation (SKT)	Chairman Director Director Supervisor	Shin Chiun Industrial Co., Ltd. (SEC) Representative: Tong Sheng Wu Representative: Chin Tarng Huang Representative: Kuei-Lin Huang Representative: Chen Chia Wen	1,000,000	100%
Shinpont Industry Inc. (SPI)	Chairman	Shinkong Synthetic Fibers Corp. Representative: Hsien Chung Ho	25,245,000	49.99%
	Director	Representative: Chin-Chang Cheng		
	Director	Representative: Bryan Chen	25,250,000	50.00%
	Director	Invista (Taiwan) Limited (H.K.) Representative: Brock Devin Nelson		
	Director	Representative: Gary Randolph Knight		
Supervisor	Supervisor	Representative: Kyle Wesley Redinger		
	Supervisor	Natural person: Shyr Shyuan Luo Natural person: Teo Choo Yang		
Qbright Materials Inc. (QBM)	Chairman Director Director Supervisor	UBright Optronics Corp. (UBO) Representative: Hsin-Chieh Wu Representative: Chih-Yuan Liao Representative: Yao-Ru Yang Natural person: Chih-Lung Hsiao	525,000	75%

6. Performance of affiliated enterprises

Unit: NTD/USD/RMB/EUR/THB

Company name	Currency (Note 1)	Paid-up capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profit	Current net profit (loss) (after-tax)	Per-share earnings (NTD)
Hsingshing Investment Co., Ltd. (HSI)	NTD-K	1,521,000	1,666,944	2,436	1,664,508	16,248	1,585	9,380	0.06
Shinkong Engineering Co., Ltd. (SKE)	NTD-K	385,438	599,858	137,375	462,483	73,466	(18,129)	(5,942)	(0.15)
Shin Chiun Industrial Co., Ltd. (SEC)	NTD-K	715,000	696,805	113	696,692	-	(277)	1,087	0.02
Shinpont Industry Inc. (SPI)	NTD-K	505,000	1,280,241	240,950	1,039,291	1,371,000	422,045	334,340	6.62
UBright Optronics Corp. (UBO)	NTD-K	767,217	3,471,478	462,473	3,009,005	2,631,679	108,350	138,116	1.80
Qbright Materials Inc. (QBM)	NTD-K	7,000	4,533	36	4,497	0	(226)	(224)	(0.32)
Maxima Pacific Ltd. (MPL)	USD-K	0.001	90,686	-	90,686	-	(105)	15,498	15,498
SSFC Investment Ltd. (SSFC)	RMB-K	0.008	466,098	10,270	455,828	-	(3)	9,589	9,589
Thai Shinkong Industry Corporation Ltd. (TSI)	THB-K	1,300,000	3,020,183	665,291	2,354,892	7,042,585	700,702	557,651	4.75
Dayspring Ltd. (Dayspring)	RMB-K	441,903	299,826	2,188	297,638	-	(20)	10,212	Note 2
Hangzhou Huachun Chemical Fiber Co., Ltd. (HZC)	RMB-K	439,905	344,125	55,098	289,027	453,733	8,319	10,169	Note 2
Shinkong Industry (Hangzhou) Co., Ltd. (SKI)	RMB-K	142,860	165,680	35,737	129,943	263,358	8,873	954	Note 2
Shinkong Polyester Film Corp., Ltd. (SPF)	NTD-K	859,924	2,766,403	1,865,979	900,424	2,907,228	(132,174)	(128,198)	(0.95)
Formosa Victory International Ltd. (Formosa)	USD-K	0.001	1,616	-	1,616	-	(5)	(7)	(7)
Maxpro Ltd. (MPO) (MPO)	EUR-K	42,151	195	110	85	-	(73)	(73)	(0.001)
LOFO HOLDING	EUR-K	34,826	47	-	47	-	-	-	Note 2
TacBright Optronics Corporation (TBO)	NTD-K	4,636,020	5,076,485	2,746,406	2,330,079	1,230,918	(220,736)	(275,527)	(0.59)
ShinBright Optronics Corp. (SOC)	NTD-K	120,000	338,685	451,230	(112,545)	212,742	(106,754)	(149,235)	(12.44)
Pan Asian Plastics Corp. (PAP)	NTD-K	505,700	1,591,870	340,847	1,251,023	1,324,975	57,404	102,062	2.02
Shinkong International Securities Co., Ltd. (SKIS)	NTD-K	1,470,000	8,801,616	5,722,478	3,079,138	1,194,286	536,777	510,000	3.47
Taipei Star Bank	NTD-K	3,074,738	86,875,076	81,501,993	5,373,083	1,317,750	215,698	190,189	0.62
Hsinshin Asset Management Co., Ltd. (HAM)	NTD-K	53,700	54,637	624	54,013	1,560	461	491	0.09
Hsin Lung Chemical Co., Ltd. (HLC)	NTD-K	50,000	549,942	219	549,723	-	(2,418)	1,3450	0.27
Chi Jian Human-Resource & Management Co., Ltd.	NTD-K	5,000	7,106	1,638	5,468	9,994	214	4	Note 2
Shin Kong Investment Consultant Co., Ltd. (SKIC)	NTD-K	20,000	26,641	3,347	23,294	9,143	321	341	0.17
Shin Kong Property Insurance Agency Co., Ltd. (SKPIA)	NTD-K	10,000	22,035	1,601	20,434	12,346	7,512	6,150	6.15
Shin Kong Insurance Agent Co., Ltd. (SKIA)	NTD-K	20,000	42,272	5,654	36,618	53,120	9,973	8,707	4.35
Intelligent Medical Big Data Co., Ltd. (IMBD) (IMBD)	NTD-K	30,000	3,784	1,695	2,089	8,921	(1,046)	(1,046)	(0.35)
Shin Kong Technologies Corporation (SKT)	NTD-K	10,000	14,114	3,586	10,528	14,240	116	120	0.12
Shin Kong International Leasing Corp. (SKIL)	NTD-K	400,000	2,835,702	2,402,392	433,310	99,365	33,469	31,442	0.79

Note 1: K represents thousand dollars.

Note 2: The entity is a company limited by shares.

(2) Consolidated financial statements of affiliated companies

(For the consolidated financial statements of parent and subsidiary companies, please refer to page 131 to page 310 of this annual report.)

Declaration

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year of 2018 (from January 1, 2018 to December 31, 2018) are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

This declaration is solemnly made by

Company name: Shinkong Synthetic Fibers Corp.

Person-in-charge: ***Tong Sheng Wu***

March 25, 2019



(3) Affiliation report: None.

2. Private Placement Securities in the Most Recent Years:

(1) Private placement of Class A preferred shares: None

(2) Private placement of common shares: None

3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

Unit: NTD thousands; shares; %

Subsidiary Name	Paid-in capital Paid-up capital	Source of capital	The Company Shareholding percentage	Acquisition or disposal date	Number and amount of shares acquired	Number and amount of shares disposed	Investment gain/loss	Number and amount of shares held as at the publication date of annual report	Encumbrances	Endorsement/guarantee from the Company to subsidiary Amount	Loan from the Company to subsidiary Amount
Hsin Lung Chemical Co., Ltd. (HLC)	50,000	Proprietary capital	59.80% shareholding through 100%-owned subsidiary - Pan Asian Plastics Corp. (PAP)	Acquired (excluding stock dividends): Before May 2007	9,934,633 shares/101,215	5,500,000 shares /33,630	Cash Dividend	4,680,487 shares /63,648	-	-	-
				Stock dividend	245,854 shares						
				Disposed: Before May 2009							
				Up until the publication date of this annual report	-	-	-	4,680,487 shares /63,648	-	-	-

4. Other supplementary information: None.

Occurrences that are significant to shareholders' equity or securities prices, as defined in Sub-paragraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act: None.

Shinkong Synthetic Fibers Corp.

Chairman: ***Tong Sheng Wu***