Asia Polymer Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Asia Polymer Corporation as of and for the year ended December 31, 2018, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of Asia Polymer Corporation and Subsidiaries. Consequently, we do not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

ASIA POLYMER CORPORATION

By:

____

YI-GUI WU
Chairman

March 6, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Asia Polymer Corporation

Opinion

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

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

Basis for Opinion

We conducted our audit 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.

Key Audit Matters

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

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

Revenue Recognition - Sales Revenue from Specific Customers

The amount of sales revenue for the year ended December 31, 2018 was NT$6,375,134 thousand, which was approximately around the sales revenue for the year ended December 31, 2017 of NT$6,404,467 thousand. Nevertheless, the sales revenue from specific customers has grown significantly compared to previous years. Sales revenue from these specific customers was NT$1,558,463 thousand, which accounted for approximately 24% of net operating revenue. Therefore, recognition of revenue from these specific customers has been identified as a key audit matter.

The audit procedures performed in response to the risk were as follows:

1. We obtained an understanding of the design and implementation of internal controls about these specific customers and tested if these controls were performed effectively. Such controls include credit assessments of customers, revenue recognition and receivables collection.

2. We sampled and inspected purchase orders from these specific customers, shipping confirmations and receivables collection receipts in order to verify the accuracy of sales revenue.

3. We reviewed sales returns and discounts recognized and the amounts received in subsequent periods to assess for any abnormalities.

Valuation of Inventory

As of December 31, 2018, the carrying amount of inventory was NT$779,278 thousand (i.e. the gross amount of inventory of NT$783,853 thousand with a deduction for the allowance for inventory valuation and obsolescence losses of NT$4,575 thousand). Refer to Note 12 to the Group's consolidated financial statements for details.

Inventories of the Group are stated at the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of main raw material. With volatile oil prices worldwide, such valuation of inventory requires significant judgment from management; therefore, the valuation of inventory has been identified as a key audit matter.

The audit procedures performed in response to the risk were as follows:

1. We obtained an understanding of the reasonableness of the Group's policy and methods for the evaluation of allowance for losses on obsolete inventory.

2. We obtained the evaluation documents of the allowance for losses on obsolete inventory from management. We sampled and inspected the latest inventory quotations or sales invoices to verify basis of the evaluation and whether it is appropriate.

3. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for losses on obsolete inventory.

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our 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 Hsiu-Chun Huang and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2019

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

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.

ASIA POLYMER CORPORATION AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 1,134,203	7	$ 2,112,375	14
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	1,612,711	10	1,440,940	10
Financial assets at fair value through other comprehensive income - current (Notes 3, 4 and 8)	67,601	1	-	-
Available-for-sale financial assets - current (Notes 3, 4 and 9)	-	-	85,936	1
Notes receivable (Notes 3, 4, 5 and 11)	471	-	1,627	-
Accounts receivable from unrelated parties (Notes 3, 4, 5 and 11)	712,941	5	489,782	3
Accounts receivable from related parties (Notes 3, 4, 5, 11 and 31)	166,356	1	112,935	1
Other receivables (Notes 3 and 4)	1,467	-	1,583	-
Other receivables from related parties (Notes 3, 4 and 31)	2,470	-	6,529	-
Inventories (Notes 4, 5 and 12)	779,278	5	761,705	5
Prepayments	128,982	1	122,914	1
Other current assets	110	-	110	-
Total current assets	4,606,590	30	5,136,436	35
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	2,310,993	15	-	-
Available-for-sale financial assets - non-current (Notes 3, 4 and 9)	-	-	2,436,185	16
Financial assets measured at cost - non-current (Notes 3, 4 and 10)	-	-	248,801	2
Investments accounted for using the equity method (Notes 4, 5, 14 and 32)	4,597,548	30	2,848,526	19
Property, plant and equipment (Notes 4 and 15)	3,502,692	22	3,630,950	24
Investment properties (Notes 3, 4 and 16)	513,840	3	516,026	4
Other intangible assets (Notes 4 and 17)	88	-	318	-
Deferred tax assets (Notes 4 and 26)	62,114	-	56,574	-
Other non-current assets (Note 28)	3,878	-	2,185	-
Total non-current assets	10,991,153	70	9,739,565	65
TOTAL	$ 15,597,743	100	$ 14,876,001	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 1,350,000	8	$ 500,000	3
Short-term bills payable (Note 18)	599,914	4	699,834	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,074	-	666	-
Accounts payable to unrelated parties (Note 19)	258,271	2	109,809	1
Accounts payable to related parties (Notes 19 and 31)	83,207	-	67,724	1
Other payables to unrelated parties (Note 20)	138,909	1	151,492	1
Other payables to related parties (Note 31)	129,404	1	302,533	2
Current tax liabilities (Notes 4 and 26)	10,309	-	41,078	-
Provisions - current (Note 21)	-	-	5,899	-
Current portion of long-term borrowings (Note 18)	-	-	450,000	3
Refund liabilities - current (Note 21)	5,899	-	-	-
Other current liabilities	25,668	-	9,528	-
Total current liabilities	2,603,655	16	2,338,563	16
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	3,100,000	20	2,450,000	17
Deferred tax liabilities (Notes 4 and 26)	54,057	1	39,968	-
Net defined benefit liabilities - non-current (Notes 4 and 22)	208,670	1	212,209	1
Credit balance of investments accounted for using the equity method (Notes 4, 5 and 14)	11,869	-	9,397	-
Other non-current liabilities (Note 28)	15,056	-	9,394	-
Total non-current liabilities	3,389,652	22	2,720,968	18
Total liabilities	5,993,307	38	5,059,531	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 4, 8, 23 and 26)				
Share capital				
Ordinary shares	5,543,827	36	5,181,147	35
Capital surplus	19,619	-	16,434	-
Retained earnings				
Legal reserve	1,684,469	11	1,627,934	11
Special reserve	565,379	3	565,379	4
Unappropriated earnings	1,851,499	12	2,061,039	14
Total retained earnings	4,101,347	26	4,254,352	29
Other equity	(60,357)	-	364,537	2
Total equity	9,604,436	62	9,816,470	66
TOTAL	$ 15,597,743	100	$ 14,876,001	100

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

ASIA POLYMER 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 REVENUE (Notes 4, 5, 24 and 31)	$ 6,375,134	100	$ 6,404,467	100
OPERATING COSTS (Notes 4, 12, 22, 25 and 31)	6,090,668	96	5,707,391	89
GROSS PROFIT	284,466	4	697,076	11
OPERATING EXPENSES (Notes 22, 25 and 31)				
Selling and marketing expenses	101,522	1	107,656	2
General and administrative expenses	105,930	2	112,304	2
Research and development expenses	5,032	-	6,226	-
Total operating expenses	212,484	3	226,186	4
PROFIT FROM OPERATIONS	71,982	1	470,890	7
NON-OPERATING INCOME AND EXPENSES (Notes 4, 14, 25 and 31)				
Other income	179,182	3	175,766	3
Other gains and losses	10,707	-	(52,508)	(1)
Interest expense	(40,142)	(1)	(41,762)	(1)
Share of profit or loss of associates	95,134	2	103,367	2
Total non-operating income and expenses	244,881	4	184,863	3
PROFIT BEFORE INCOME TAX	316,863	5	655,753	10
INCOME TAX EXPENSE (Notes 4 and 26)	30,037	-	90,399	1
NET PROFIT FOR THE YEAR	286,826	5	565,354	9
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(343)	-	(12,181)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(419,766)	(7)	-	-
Share of the other comprehensive loss of associates accounted for using the equity method	(22,166)	-	(1,189)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(959)	-	2,067	-
	(443,234)	(7)	(11,303)	-

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ASIA POLYMER 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**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ 90	-	$ (44,287)	(1)
Unrealized gain on available-for-sale financial assets	-	-	104,324	2
Share of the other comprehensive loss of associates accounted for using the equity method	(3,688)	-	(1,779)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	1,057	-	6,382	-
	(2,541)	-	64,640	1
Other comprehensive income (loss) for the year, net of income tax	(445,775)	(7)	53,337	1
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (158,949)	(2)	$ 618,691	10
EARNINGS PER SHARE (Note 27)				
Basic	$ 0.52		$ 1.02	
Diluted	$ 0.52		$ 1.02	

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

ASIA POLYMER 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 (Notes 3, 4, 8, 23 and 26)									
							Other Equity			
	Share Capital			Retained Earnings						
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	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	Total Equity
BALANCE AT JANUARY 1, 2017	503,023	$ 5,030,240	$ 14,046	$ 1,561,352	$ 565,379	$ 2,026,291	$ (5,656)	$ 305,553	$ -	$ 9,497,205
Appropriation of the 2016 earnings										
Legal reserve	-	-	-	66,582	-	(66,582)	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(301,814)	-	-	-	(301,814)
Share dividends distributed	15,091	150,907	-	-	-	(150,907)	-	-	-	-
Reclassification of past dividends to capital surplus	-	-	2,063	-	-	-	-	-	-	2,063
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	325	-	-	-	-	-	-	325
Net profit for the year ended December 31, 2017	-	-	-	-	-	565,354	-	-	-	565,354
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(11,303)	(51,095)	115,735	-	53,337
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	554,051	(51,095)	115,735	-	618,691
BALANCE AT DECEMBER 31, 2017	518,114	5,181,147	16,434	1,627,934	565,379	2,061,039	(56,751)	421,288	-	9,816,470
Effect of retrospective application	-	-	-	-	-	20,387	-	(421,288)	448,780	47,879
BALANCE AT JANUARY 1, 2018 AS RESTATED	518,114	5,181,147	16,434	1,627,934	565,379	2,081,426	(56,751)	-	448,780	9,864,349
Appropriation of 2017 earnings										
Legal reserve	-	-	-	56,535	-	(56,535)	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(103,623)	-	-	-	(103,623)
Share dividends distributed	36,268	362,680	-	-	-	(362,680)	-	-	-	-
Reclassification of past dividends to capital surplus	-	-	3,073	-	-	-	-	-	-	3,073
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	112	-	-	(526)	-	-	-	(414)
Net profit for the year ended December 31, 2018	-	-	-	-	-	286,826	-	-	-	286,826
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	2,567	(2,541)	-	(445,801)	(445,775)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	289,393	(2,541)	-	(445,801)	(158,949)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	4,044	-	-	(4,044)	-
BALANCE AT DECEMBER 31, 2018	554,382	$ 5,543,827	$ 19,619	$ 1,684,469	$ 565,379	$ 1,851,499	$ (59,292)	$ -	$ (1,065)	$ 9,604,436

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

ASIA POLYMER 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	$ 316,863	$ 655,753
Adjustments for:		
Depreciation expenses	292,070	289,808
Amortization expenses	336	954
Net loss (gain) on fair value change of financial assets held for trading	3,682	(605)
Interest expense	40,142	41,762
Interest income	(18,489)	(16,426)
Dividend income	(98,787)	(96,329)
Share of profit of associates	(95,134)	(103,367)
Gain on disposal of property, plant and equipment	-	(186)
Loss on disposal of investment properties	-	497
Net gain on disposal of available-for-sale financial assets	-	(7,739)
Impairment loss on financial assets	-	7,906
(Reversal of) write-down of inventories	(6,118)	10,330
Net (gain) loss on foreign currency exchange	(2,804)	1,053
Changes in operating assets and liabilities		
Financial assets held for trading	(666)	107,061
Financial assets mandatorily classified as at fair value through profit or loss	(173,379)	-
Notes receivable	1,162	160
Accounts receivable from unrelated parties	(220,920)	235,565
Accounts receivable from related parties	(53,369)	77,119
Other receivables from unrelated parties	6	1,327
Other receivables from related parties	4,059	52,541
Inventories	(11,455)	(98,393)
Prepayments	(6,068)	40,179
Accounts payable from unrelated parties	148,485	(132,850)
Accounts payable from related parties	15,589	(3,897)
Other payables from unrelated parties	(10,446)	(118,191)
Other payables from related parties	(172,751)	185,758
Other current liabilities	16,140	(6,105)
Net defined benefit liabilities	(3,874)	(39,080)
Cash (used in) generated from operations	(35,726)	1,084,605
Interest received	18,680	15,921
Interest paid	(39,235)	(41,517)
Income tax paid	(52,160)	(95,325)
Net cash (used in) generated from operating activities	(108,441)	963,684

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ASIA POLYMER 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 - current	$ (3,926)	-
Proceeds from sale of financial assets at fair value through other comprehensive income - current	5,883	-
Capital reduction of financial assets at fair value through other comprehensive income	21,077	-
Proceeds from sale of available-for-sale financial assets	-	21,634
Capital reduction of financial assets measured at cost	-	20,994
Acquisition of associates	(1,747,780)	(1,437,647)
Payments for property, plant and equipment	(159,030)	(122,371)
Proceeds from disposal of property, plant and equipment	-	210
(Increase) decrease in refundable deposits	(3)	60
Payments for intangible assets	(106)	-
Dividends received	161,911	164,188
Increase in other non-current assets	(1,690)	-
Net cash used in investing activities	(1,723,664)	(1,352,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	850,000	(450,000)
Repayments of short-term bills payable	(100,000)	-
Proceeds from long-term borrowings	9,650,000	7,150,000
Repayments of long-term borrowings	(9,450,000)	(6,700,000)
Increase in other non-current liabilities	5,662	1,138
Dividends paid to owners of the Company	(103,594)	(301,765)
Net cash generated from (used in) financing activities	852,068	(300,627)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	1,865	(10,749)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(978,172)	(700,624)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,112,375	2,812,999
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,134,203	$ 2,112,375

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

1. GENERAL INFORMATION

Asia Polymer Corporation (the "Company") was established in January 1977. The Company designs, develops, manufactures and sells low-density polyethylene (LDPE), and ethylene vinyl acetate copolymer (EVA).

The ordinary shares of the Company have been listed on the Taiwan Stock Exchange since June 1986. As of December 31, 2018, the ultimate parent company, USI Corporation, held 36.08% of ordinary shares of the Company.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 6, 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 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:

   IFRS 9 "Financial Instruments" and related amendments

   IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: 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 the related accounting policies.

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

Classification, measurement and impairment of financial assets

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

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

	Measurement Category		Carrying Amount		
Financial Asset	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 2,112,375	$ 2,112,375	1)
Equity investments	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	106,007	106,007	
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	2,770,922	2,818,801	2)
	Available-for-sale	Mandatorily at FVTPL	-	-	2)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	1,334,933	1,334,933	
Notes receivable, accounts receivable (including related parties) and other receivables (including related parties)	Loans and receivables	Amortized cost	612,450	612,450	1)

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassification	Remeasure-ment	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI	$ -	$ -	$ -	$ -	$ -	$ -	
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	2,770,922	47,879	2,818,801	20,387	27,492	2)
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	2,724,825	-	2,724,825	-	-	1)
	$ -	$ 5,495,747	$ 47,879	$ 5,543,626	$ 20,387	$ 27,492	

1) Cash and cash equivalents, notes receivable, accounts receivable and other receivables 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.

2) The Group elected to classify its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of $421,288 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTPL and designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $47,879 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

   The Group recognized under IAS 39 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 $20,387 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $20,387 thousand in retained earnings on January 1, 2018.

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

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

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

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

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 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, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

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

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

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

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**
Investment properties	$ 513,840	$ 34,585	$ 548,425
Right-of-use assets	-	421	421
Total effect on assets	$ 513,840	$ 35,006	$ 548,846
Lease liabilities - current	$ -	$ 5,864	$ 5,864
Lease liabilities - non-current	-	29,997	29,997
Total effect on liabilities	$ -	$ 35,861	$ 35,861
Retained earnings	$ 4,101,347	$ (855)	$ 4,100,492
Total effect on equity	$ 4,101,347	$ (855)	$ 4,100,492

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed and determined that the application of other standards and interpretations will not have a significant influence on the Group's financial position and financial performance.

c. New IFRSs that have been issued by IASB 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 and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve 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 twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve 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. Basis of consolidation

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

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

See Note 13 and Tables 6 to 7 for detailed information on subsidiaries (including the 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 on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

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

On the disposal of a foreign operation (i.e. a disposal of the Company’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation 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, production supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

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.

The Group 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 Group’s share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group’s share of the equity of associates attributable to Group.

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset 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. 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 Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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. Intangible assets

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

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.

k. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

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

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

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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 on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

<u>2018</u>

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets measured at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable and other 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.

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

- 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

- 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.

Cash equivalents include time deposits and reverse repurchase agreements collateralized by bonds 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 Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

<u>2017</u>

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

i. Financial assets at FVTPL

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

ii. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets (relating to changes arising from dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured 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 are presented 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 the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, accounts receivable, notes receivable and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits and reverse repurchase agreements collateralized by bonds 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

<u>2018</u>

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

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 that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as accounts receivable, notes receivable and other receivables, such assets 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 of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivable.

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

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

For any 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 is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

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

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

For financial assets that are 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 accounts receivable, notes receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable, note receivable and other receivable is considered uncollectable, it is 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 accounts receivable, notes receivable and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 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. 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) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

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 gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 30.

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.

3) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date 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.

m. Revenue recognition

<u>2018</u>

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

- Sale of goods

Revenue from the sale of goods comes from sale of LDPE and EVA. Sales are recognized as revenue when the goods are delivered to the customer’s specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

<u>2017</u>

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. Provisions for sales returns and liabilities for returns are recognized at the time of sale based on the seller’s reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

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

2) Dividend and interest income

Dividend income from investments is recognized when a 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 that the amount of income can be measured reliably.

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

n. Leasing

Leases are classified as finance leases whenever a 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 Group as lessor

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

2) The Group as lessee

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (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.

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets - 2018

The provision for impairment of accounts receivable 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 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of accounts receivable - 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 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.

d. Revenue recognition

2018

For every contract, the Group determines whether its performance obligation is satisfied over time or at a point in time based on the conditions in the contract and applicable regulation.

The Group recognizes revenue at a point in time since the customer cannot simultaneously receive and consume the benefits from the Group's performance in fulfilling the contract. The asset created or enhanced by the Group is not controlled by the customer, and the Group creates an asset with an alternative use to the Group.

2017

As described in Note 4, the Group recognizes revenue when certain conditions are satisfied. The Group records a provision for estimated sales return and liabilities for returns in the period when the related revenue is recorded. Provisions for estimated sales returns and related liabilities are generally made and adjusted based on management judgment, provision historical experience and other factors that would significantly affect the estimated provision; management periodically reviews the reasonableness of the provisions.

e. Estimation of damage compensation for associate's gas explosion incidents

The Company's associate, China General Terminal & Distribution Corporation (hereinafter "CGTD"), recognized a provision for civil damages due to gas explosion. The management considered the progress of the relevant civil and criminal procedures, settlements achieved, and legal advice to estimate the amount of the provision. However, the actual amount might differ from the current estimation.

6. CASH AND CASH EQUIVALENTS

	December 31 2018	December 31 2017
Cash on hand and petty cash	$ 287	$ 309
Checking accounts and demand deposits	122,552	180,514
Cash equivalents		
Time deposits	446,621	1,881,627
Reverse repurchase agreements collateralized by bonds	564,743	49,925
	$ 1,134,203	$ 2,112,375

At the end of the reporting period, the market rate intervals for bank deposits and reverse repurchase agreements collateralized by bonds were as follows:

	December 31 2018	December 31 2017
Time deposits	0.60%-2.90%	0.13%-2.10%
Reverse repurchase agreements collateralized by bonds	0.53%-0.66%	0.61%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) - CURRENT

	December 31 2018	December 31 2017
Financial assets - current		
Financial assets held for trading		
Non-derivative financial assets		
Domestic listed shares	$ -	$ 106,007
Mutual funds	-	1,334,933
	-	1,440,940
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	60,360	-
Mutual funds	1,552,351	-
	1,612,711	-
	$ 1,612,711	$ 1,440,940
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 2,074	$ 666

The net gain (loss) on operations of financial assets and liabilities at FVTPL - current in 2018 and 2017 was gain of $11,907 thousand and loss of $5,840 thousand, respectively.

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)
December 31, 2018			
Sell	USD/NTD	2019.01.14-2019.02.25	USD2,710/NTD83,176
Sell	RMB/NTD	2019.01.02-2019.04.02	RMB70,200/NTD310,150
December 31, 2017			
Sell	USD/NTD	2018.01.03-2018.02.08	USD2,300/NTD68,951
Sell	RMB/NTD	2018.01.04-2018.03.29	RMB33,600/NTD151,548

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

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

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Current	
Domestic investments	
Listed shares	$ 67,601
Non-current	
Domestic investments	
Listed shares	1,976,930
Unlisted shares	247,559
	2,224,489
Foreign investments	
Listed shares	6,282
Unlisted ordinary shares	5,079
Unlisted preferred shares	75,143
	86,504
	$ 2,310,993

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets under IAS 39. Refer to Notes 3, 9 and 10 for information relating to their reclassification and comparative information for 2017.

The investees, Harbinger Venture Capital, KHL IB Venture Capital Co., Ltd., and Riselink Venture Capital Corp., reduced their capital and returned cash to their shareholders in April and August 2018, respectively. The Company received $21,077 thousand back in total, according to its shareholding ratio.

The Group sold part of shares of Wafer Works Corporation in July 2018 in order to manage credit concentration risk. The Group transferred a total gain of $4,044 thousand from other equity to retained earnings.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic investments	
Publicly traded shares	$ 2,504,909
Overseas investments	
Publicly traded shares	17,212
	$ 2,522,121
Current portion	$ 85,936
Non-current portion	2,436,185
	$ 2,522,121

The Group disposed of certain available-for-sale financial assets, recognizing a disposal gain of $7,739 thousand during 2017.

10. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic unlisted ordinary shares	$ 193,775
Overseas unlisted ordinary shares	1,975
Overseas unlisted preference shares	53,051
	$ 248,801
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 248,801

As the range of reasonable fair value estimates was significant, the probabilities of the various estimates cannot be reasonably assessed. The management believes that the fair values of the unlisted equity investments held by the Group cannot be reliably measured; therefore, they were measured at cost less impairment at the end of reporting period.

The investees, KHL IB Venture Capital Co., Ltd., and Riselink Venture Capital Corp., reduced their capital and returned cash to their shareholders in July and August 2017, respectively. The Group received $20,994 thousand back in total, according to its shareholding ratio.

The Group assessed the operating and financial position of its investments in its investees, Teratech Corporation and NeuroSky, Inc., recognizing an impairment loss of $3,035 thousand and $4,871 thousand in 2017, respectively.

11. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Notes receivable		
At amortized cost		
Gross carrying amount	$ 472	$ 1,634
Less: Allowance for impairment loss	(1)	(7)
	$ 471	$ 1,627
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 714,940	$ 491,775
Less: Allowance for impairment loss	(1,999)	(1,993)
	$ 712,941	$ 489,782
Accounts receivable from related parties (Note 31)	$ 166,356	$ 112,935

Accounts Receivable

2018

At amortized cost

The average credit period of sales of goods was 15-90 days. No interest was charged on accounts receivable since the credit period was short.

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 accounts receivable. The expected credit losses on accounts receivable 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 following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2018

	Less than 60 Days	61 to 90 Days	91 to 120 Days	Total
Gross carrying amount	$ 598,754	$ 185,219	$ 97,795	$ 881,768
Loss allowance (Lifetime ECL)	-	-	(2,000)	(2,000)
Amortized cost	$ 598,754	$ 185,219	$ 95,795	$ 879,768

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

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

	2018
Balance at January 1, 2018 per IAS 39	$ 2,000
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	2,000
Add: Reclassification	-
Balance at December 31, 2018	$ 2,000

2017

The Group applied the same credit policy in 2018 and 2017. In determining the recoverability of an account receivable, the Group considered any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period.

Before accepting a new customer, the Group takes both the client evaluation results generated by its internal system and the evaluation report provided by an external hedging institution into consideration to measure the potential customer's credit quality and determine the customer's credit limit. Customer credit limits and ratings are reviewed regularly every year. Therefore, the recoverable receivables of the Group mainly come from those companies with good credit long-term business relationships.

The aging of receivables was as follows:

	December 31, 2017
Less than and including 60 days	$ 423,447
61-90 days	150,313
91-120 days	30,950
	$ 604,710

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

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

	December 31, 2017
Less than and including 30 days	$ 1

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

For the accounts receivable that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality of these receivables and the amounts were considered recoverable.

Movements in the allowance for impairment loss recognized on notes receivable and accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 2,000	$ 2,000
Add: Reclassification	-	-	-
Balance at December 31, 2017	$ -	$ 2,000	$ 2,000

12. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 688,376	$ 645,109
Work in progress	31,917	51,989
Raw materials	11,883	21,296
Production supplies	47,102	43,311
	$ 779,278	$ 761,705

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $6,090,668 thousand and $5,707,391 thousand, respectively. The cost of goods sold included reversals of inventory write-downs of $6,118 thousand and inventory write-downs of $10,330 thousand for the years ended December 31, 2018 and 2017, respectively. The reversals of write-downs resulted from increased selling prices in certain markets.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Principal Activities	% of Ownership December 31 2018	% of Ownership December 31 2017	Remark
The Company	APC Investment Co., Ltd.	Investment	100.00	100.00	*
The Company	APC (BVI) Holding Co., Ltd. (“APC BVI”)	Reinvestment	100.00	100.00	*
The Company	USI International Corp. (“USIIC”)	Reinvestment	70.00	70.00	*
APC BVI	USI International Corp. (“USIIC”)	Reinvestment	30.00	30.00	*
APC BVI	USI Trading (Shanghai) Co., Ltd. (“USITA”)	Sale of chemical products and equipment	100.00	100.00	*

* These companies are not major subsidiaries, and their financial statements have been audited.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Material associates		
Ever Conquest Global Ltd.	$ 3,167,773	$ 1,420,944
Associates that are not individually material		
Listed company		
China General Plastics Corporation ("CGPC")	675,767	629,910
Acme Electronics Corporation ("ACME")	60,748	59,334
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	228,250	272,509
ACME Electronics (Cayman) Corp. ("ACME (Cayman)")	213,812	190,627
Swanson Plastics Corporation ("SPC")	196,411	197,140
Taiwan United Venture Capital Corp. ("TUVC")	21,860	26,748
Thintec Materials Corporation ("TMC")	4,415	7,617
USI Optronics Corporation ("USIO")	28,512	43,697
Swanson Technologies Corporation	(11,869)	(9,397)
	4,585,679	2,839,129
Add: Reclassification of the credit amount of investments to liabilities	11,869	9,397
	$ 4,597,548	$ 2,848,526

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights December 31 2018	2017
Ever Conquest Global Ltd.	Reinvestment	British Virgin Islands	36.94%	37.43%

The Group uses the equity method to account for the above associate.

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

Ever Conquest Global Ltd.

	December 31	
	2018	2017
Non-current assets	$ 8,576,305	$ 3,796,226
Equity	$ 8,576,305	$ 3,796,226
Proportion of the Group's ownership	36.94%	37.43%
Equity attributable to the Group	$ 3,167,773	$ 1,420,944
Carrying amount	$ 3,167,773	$ 1,420,944

During 2018 and 2017, no significant operating revenue was generated by Ever Conquest Global Ltd.

	For the Year Ended December 31	
	2018	**2017**
The Group’s share of:		
Profit from continuing operations	$ 3,384	$ 868
Other comprehensive loss	(2,753)	(21,725)
Total comprehensive income (loss) for the year	$ 631	$ (20,857)

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	**2017**
The Group’s share of:		
Profit from continuing operations	$ 91,750	$ 102,499
Other comprehensive loss	(27,067)	(1,689)
Total comprehensive income for the year	$ 64,683	$ 100,810

The group’s ownership interest and percentage of voting right in associate at the end of the reporting period were as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	**2018**	**2017**
CGPC	8.07%	8.07%
ACME	4.35%	4.35%
CGTD	33.33%	33.33%
ACME (Cayman)	16.64%	16.64%
SPC	7.95%	7.95%
TUVC	8.33%	8.33%
TMC	30.42%	30.42%
Swanson Technologies Corporation	15.00%	15.00%
USIO	9.20%	9.20%

Refer to Table 6 “Information on Investees” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

The Group’s percentage of ownership over CGPC, ACME, ACME (Cayman), SPC, TUVC, Swanson Technologies Corporation, and USIO was less than 20%. These associates were accounted for using the equity method, as the Group retained significant influence over them.

The Company and USI Corporation originally scheduled to sign a joint venture arrangement for Fujian Gulei Petrochemical Co., Ltd. on April 17, 2014. But due to an increase in the investment plan funding requirements, the joint venture arrangement was re-signed on September 30, 2016. The Company and USI Corporation established Ever Conquest Global Ltd., so as to invest in the joint venture through a holding company registered in a third region. As of December 31, 2018, the Company and USI Corporation had respectively invested US$103,240 thousand (approximately $3,190,905 thousand) and US$176,268 thousand (approximately $5,442,336 thousand). Refer to Note 32 for more information.

For the purposes of strengthening its financial structure, a cash injection plan of $410,000 thousand was approved by USIO's board of directors on February 22, 2017. And USIO held a shareholders meeting on April 7, 2017, resolving to reduce its capital by $966,795 thousand to offset losses and eliminated 96,680 thousand ordinary shares, with a capital reduction ratio of 80.18%. The Company's board of directors approved its participation in the cash injection plan of USIO within a $60,000 thousand injection, and completed its subscription for 5,972 thousands shares on June 7, 2017, with a resulting proportion of ownership of 9.20% after the cash injection.

The Company uses the equity method to account for its investments in USIO. As of December 31, 2017, their book values were higher than the carrying amounts of the Company's interests in its investments in USIO by $6,583 thousand. An impairment loss of $6,583 thousand was assessed and recognized on the Group's share of profit or loss of associates for the year ended December 31, 2017.

The market prices of the investments accounted for using the equity method in publicly traded shares calculated by the closing price at the end of the reporting period are summarized as follows.

	December 31	
Name of Associate	**2018**	**2017**
CGPC	$ 899,613	$ 1,286,296
ACME	$ 105,616	$ 146,117

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associates' financial statements which were audited for the same years.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings Improvements	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost						
Balance at January 1, 2017	$ 230,587	$ 762,745	$ 6,187,769	$ 90,679	$ 85,640	$ 7,357,420
Additions	-	-	25,444	2,082	94,845	122,371
Disposals	-	-	(6,118)	(8,046)	-	(14,164)
Reclassification	(2,358)	3,950	80,515	2,573	(87,038)	(2,358)
Effect of foreign currency exchange differences	-	-	(164)	(55)	-	(219)
Balance at December 31, 2017	$ 228,229	$ 766,695	$ 6,287,446	$ 87,233	$ 93,447	$ 7,463,050
Accumulated depreciation						
Balance at January 1, 2017	$ -	$ 218,303	$ 3,263,254	$ 80,310	$ -	$ 3,561,867
Depreciation expenses	-	20,063	259,927	4,597	-	284,587
Disposals	-	-	(6,109)	(8,031)	-	(14,140)
Effect of foreign currency exchange differences	-	-	(428)	214	-	(214)
Balance at December 31, 2017	$ -	$ 238,366	$ 3,516,644	$ 77,090	$ -	$ 3,832,100
Carrying amounts at December 31, 2017	$ 228,229	$ 528,329	$ 2,770,802	$ 10,143	$ 93,447	$ 3,630,950

(Continued)

	Freehold Land	Buildings Improvements	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost						
Balance at January 1, 2018	$ 228,229	$ 766,695	$ 6,287,446	$ 87,233	$ 93,447	$ 7,463,050
Additions	-	-	27,352	-	131,678	159,030
Disposals	-	-	(98,164)	(314)	-	(98,478)
Reclassification	-	7,618	78,773	11,855	(98,246)	-
Effect of foreign currency exchange differences	-	-	(35)	51	-	16
Balance at December 31, 2018	$ 228,229	$ 774,313	$ 6,295,372	$ 98,825	$ 126,879	$ 7,523,618
Accumulated depreciation						
Balance at January 1, 2018	$ -	$ 238,366	$ 3,516,644	$ 77,090	$ -	$ 3,832,100
Depreciation expenses	-	21,336	261,426	4,523	-	287,285
Disposals	-	-	(98,164)	(314)	-	(98,478)
Effect of foreign currency exchange differences	-	-	(32)	51	-	19
Balance at December 31, 2018	$ -	$ 259,702	$ 3,679,874	$ 81,350	$ -	$ 4,020,926
Carrying amounts at December 31, 2018	$ 228,229	$ 514,611	$ 2,615,498	$ 17,475	$ 126,879	$ 3,502,692

(Concluded)

There was no indication of impairment for the years ended December 31, 2018 and 2017.

The board of directors passed an EVA capacity expansion in the Linyuan plant and authorized the chairman with full power on December 28, 2011. The Group signed the EVA equipment contract with CTCI Corporation on November 8, 2012. On March 5, 2014 and May 31, 2017, respectively, the Group signed the EVA equipment renewal contracts and the amendment with CTCI Corporation. The total contract fee was $2,608,911 thousand (including addition costs), which is paid monthly according to the progress of the project. The project was completed in 2018, and total fees and charges have been paid.

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

Buildings improvements	
Factory and improvements	15 to 40 years
Main buildings and improvements	10 to 40 years
Storage rooms	11 to 45 years
Engineering systems	35 to 40 years
Others	2 to 20 years
Machinery and equipment	3 to 22 years
Other equipment	3 to 13 years

16. INVESTMENT PROPERTIES

	Land	Buildings and Improvements	Total
Cost			
Balance at January 1, 2017	$ 367,844	$ 269,185	$ 637,029
Disposals	-	(2,262)	(2,262)
Transfers from property, plant and equipment	2,358	-	2,358
Effect of foreign currency exchange differences	-	(10,441)	(10,441)
Balance at December 31, 2017	$ 370,202	$ 256,482	$ 626,684

(Continued)

	Land	Buildings and Improvements	Total
Accumulated depreciation			
Balance at January 1, 2017	$ -	$ 110,584	$ 110,584
Disposals	-	(1,765)	(1,765)
Depreciation expenses	-	5,221	5,221
Effect of foreign currency exchange differences	-	(3,382)	(3,382)
Balance at December 31, 2017	$ -	$ 110,658	$ 110,658
Carrying amounts at December 31, 2017	$ 370,202	$ 145,824	$ 516,026
Cost			
Balance at January 1, 2018	$ 370,202	$ 256,482	$ 626,684
Effect of foreign currency exchange differences	-	4,004	4,004
Balance at December 31, 2018	$ 370,202	$ 260,486	$ 630,688
Accumulated depreciation			
Balance at January 1, 2018	$ -	$ 110,658	$ 110,658
Depreciation expenses	-	4,785	4,785
Effect of foreign currency exchange differences	-	1,405	1,405
Balance at December 31, 2018	$ -	$ 116,848	$ 116,848
Carrying amounts at December 31, 2018	$ 370,202	$ 143,638	$ 513,840

(Concluded)

The investment properties held by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Main buildings and improvements	5 to 50 years

The fair value of the investment property (i.e. the land) located in Linyuan Industrial Park, which is for industrial use, cannot be reliably determined due to infrequent market transactions.

The fair value of investment properties - land, excluding the land located in the Linyuan Industrial Park, was $1,425,495 thousand as at December 31, 2018. This fair value was not evaluated by an independent evaluator but was measured by the Group’s management using the valuation model that market participants would use in determining fair value, and the fair value was measured by using Level 3 inputs. The evaluation referred to the transaction price of similar real estate in the neighboring areas. When the transaction price per square meter to increase or decrease by 10%, the fair value of the investment properties would increase or decrease respectively by $142,550 thousand as at December 31, 2018.

17. INTANGIBLE ASSETS

	Carrying Amounts December 31 2018	2017
Computer software	$ 88	$ 318

The amortization expense is recognized on a straight-line basis according to the following estimated useful life:

Computer software	3 years

18. BORROWINGS

a. Short-term borrowings

	December 31 2018	2017
Unsecured borrowings		
Bank loans	$ 1,350,000	$ 500,000

The range of interest rates on bank loans was 0.90%-1.10% and 0.88%-0.89% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	December 31 2018	2017
Commercial paper	$ 600,000	$ 700,000
Less: Unamortized discount on bills payable	(86)	(166)
	$ 599,914	$ 699,834
Range of interest rates	0.49%-0.80%	0.40%-0.75%

c. Long-term borrowings

	December 31 2018	2017
Unsecured borrowings	$ 3,100,000	$ 2,900,000
Less: Current portions	-	(450,000)
Long-term borrowings	$ 3,100,000	$ 2,450,000
Range of interest rates	0.988%-1.175%	1.036%-1.307%

To maintain medium- and long-term working capital, the Group signed a three-year medium- and long-term credit agreement with TS Bank. A credit line of $300,000 thousand was granted to the Group. Under the credit agreement, the Group should maintain financial ratios in which the current ratio is not below 100%, the debt ratio does not exceed 100% and the amount of equity is not below $7,000,000 thousand.

To maintain medium- and long-term working capital, the Group signed a three-year medium- and long-term credit agreement with SK Bank. A credit line of $450,000 thousand was granted to the Group, with a revolving credit line within the terms of the agreement. Under the credit agreement, the Group should maintain financial ratios in which the current ratio is not below 100%, the debt ratio does not exceed 150% and the amount of equity is not below $7,000,000 thousand.

To maintain medium- and long-term working capital, the Group signed a three-year medium- and long-term credit agreement with Bank SinoPac. A credit line of $500,000 thousand was granted to the Group, with a revolving credit line within the terms of the agreement. Under the credit agreement, the Group should maintain financial ratios in which the current ratio is not below 100% and the debt ratio does not exceed 100%.

To maintain medium- and long-term working capital, the Group signed a three-year medium- and long-term credit agreement with KGI Bank. A credit line of $600,000 thousand was granted to the Group, including a $400,000 thousand with a revolving credit line within the terms of the agreement and $200,000 thousand that would be used in fixed rates. Under the credit agreement, the Group should maintain financial ratios in which the current ratio is not below 150% and the debt ratio does not exceed 125%.

As of December 31, 2018, the Company did not violate these financial ratios and terms.

19. ACCOUNTS PAYABLE

	December 31	
	2018	2017
Accounts payable (including related parties)		
Operating	$ 341,478	$ 177,533

The average credit period was 1 month. The Group had financial risk management policies in place to ensure that all payables were paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	December 31	
	2018	2017
Payables for utilities	$ 35,321	$ 33,087
Payables for salaries or bonuses	29,804	57,845
Payables for annual leave	14,664	13,045
Payables for freight fees	13,123	10,363
Payables for equipment	13,073	1,742
Payables for dividends	8,018	9,331
Payables for insurance	1,994	2,099
Others	22,912	23,980
	$ 138,909	$ 151,492

21. PROVISIONS - CURRENT

	December 31	
	2018	2017
Customer returns and rebates	$ -	$ 5,899

The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the period in which the related goods were sold.

Starting from January 1, 2018, the Group applied IFRS 15 and recognized estimated sales returns and rebates as refund liabilities.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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 10% 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. 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 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	$ 418,170	$ 431,266
Fair value of plan assets	(209,500)	(219,057)
Net defined benefit liabilities	$ 208,670	$ 212,209

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	$ 435,749	$ (196,622)	$ 239,127
Service cost			
Current service cost	4,520	-	4,520
Net interest expense (income)	4,309	(1,970)	2,339
Recognized in profit or loss	8,829	(1,970)	6,859
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	200	200
Actuarial loss - changes in financial assumptions	7,968	-	7,968
Actuarial loss - changes in demographic assumptions	1,049	-	1,049
Actuarial loss - experience adjustments	2,944	-	2,944
Recognized in other comprehensive income	11,961	200	12,161
Contributions from the employer	-	(45,938)	(45,938)
Benefits paid	(25,273)	25,273	-
Balance at December 31, 2017	$ 431,266	$ (219,057)	$ 212,209
Balance at January 1, 2018	$ 431,266	$ (219,057)	$ 212,209
Service cost			
Current service cost	4,506	-	4,506
Net interest expense (income)	4,217	(2,200)	2,017
Recognized in profit or loss	8,723	(2,200)	6,523
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,242)	(6,242)
Actuarial loss - changes in financial assumptions	3,794	-	3,794
Actuarial loss - changes in demographic assumptions	8	-	8
Actuarial loss - experience adjustments	2,775	-	2,775
Recognized in other comprehensive income	6,577	(6,242)	335
Contributions from the employer	-	(10,397)	(10,397)
Benefits paid	(28,396)	28,396	-
Balance at December 31, 2018	$ 418,170	$ (209,500)	$ 208,670

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

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

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

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

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

	December 31	
	2018	**2017**
Discount rate	0.88%	1.00%
Expected rate of salary increase	2.25%	2.25%

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

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (7,533)	$ (8,177)
0.25% decrease	$ 7,755	$ 8,426
Expected rate of salary increase		
0.25% increase	$ 7,514	$ 8,171
0.25% decrease	$ (7,338)	$ (7,972)

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

	December 31	
	2018	**2017**
Expected contributions to the plan for the next year	$ 10,000	$ 21,000
Average duration of the defined benefit obligation	7.5 years	7.9 years

23. EQUITY

a. Ordinary shares

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	620,000	620,000
Shares authorized	$ 6,200,000	$ 6,200,000
Number of shares issued and fully paid (in thousands)	554,382	518,114
Shares issued	$ 5,543,827	$ 5,181,147

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

The shareholders held their regular meeting on June 8, 2017 and, in that meeting, resolved to issue 15,091 thousand ordinary shares as share dividends appropriated from earnings, with a par value of $10, which increased the share capital issued and fully paid to $5,181,147 thousand. On June 21, 2017, the transaction was approved by the FSC, and the subscription base date was determined as at August 4, 2017 by the board of directors.

The shareholders held their regular meeting on June 5, 2018 and, in that meeting, resolved to issue 36,268 thousand ordinary shares as share dividends appropriated from earnings, with a par value of $10, which increased the share capital issued and fully paid to $5,543,827 thousand. On July 2, 2018, the transaction was approved by the FSC, and the subscription base date was determined as at August 3, 2018 by the board of directors.

b. Capital surplus

	December 31	
	2018	**2017**
Unpaid dividends	$ 18,325	$ 15,252
Share of changes in capital surplus of associates	1,294	1,182
	$ 19,619	$ 16,434

Capital surplus which arises from the consideration received from issuance of shares (including consideration from issuance of ordinary shares) and donations may be used to offset a deficit, in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital.

Capital surplus which arises from unclaimed dividends may be used to offset a deficit only, and the share of changes in capital surplus of associates may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends 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 a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 25-e.

As the Company is in the maturation stage, for research and development needs and business diversification, the amount of dividends for shareholders shall be no less than 10% of distributable retained earnings for the current year, among which the amount of cash dividends shall be no less than 10%. If the distributable retained earnings per share of the current year are less than $0.1, the retained earnings are not to be distributed.

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

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

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 5, 2018 and June 8, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 56,535	$ 66,582		
Cash dividends	103,623	301,814	$0.2	$0.6
Share dividends	362,680	150,907	0.7	0.3

The appropriation of earnings for 2018 were proposed by the Company's board of directors on March 6, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 28,683	$ -
Cash dividends	166,315	0.3
Share dividends	-	-

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 24, 2019.

d. Other equity items

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (56,751)	$ (5,656)
Effect of change in tax rate	1,075	-
Recognized for the year		
Exchange differences on translating foreign operations	90	(44,287)
Share of exchange differences of associates accounted for using the equity method	(3,688)	(14,337)
Related income tax	(18)	7,529
Other comprehensive income recognized for the year	(2,541)	(51,095)
Balance at December 31	$ (59,292)	$ (56,751)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ 305,553
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	96,585
Share from associates accounted for using the equity method	12,558
Related income tax	(1,147)
Reclassification adjustment	
Disposal of available-for-sale financial assets	7,739
Other comprehensive income recognized for the year	115,735
Balance at December 31, 2017 per IAS 39	421,288
Adjustment on initial application of IFRS 9	(421,288)
Balance at January 1, 2018 per IFRS 9	$ -

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

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	448,780
Balance at January 1 per IFRS 9	448,780
Effect of change in tax rate	(85)
Recognized for the year	
Unrealized loss on equity instruments	(419,766)
Share from associates accounted for using the equity method	(23,616)
Related income tax	(2,334)
Other comprehensive income recognized for the year	(445,801)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	(4,044)
Balance at December 31	$ (1,065)

24. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 6,375,134	$ 6,404,467

25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations included the following:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 12,279	$ 10,202
Financial assets at FVTPL	5,834	5,879
Reverse repurchase agreements collateralized by bonds	376	345
	18,489	16,426
Rental income	53,363	52,867
Dividends		
Financial assets at FVTPL	3,615	4,518
Available-for-sale financial assets	-	91,811
Investments in equity instruments at FVTOCI	95,172	-
	98,787	96,329
Others	8,543	10,144
	$ 179,182	$ 175,766

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of available-for-sale financial assets	$ -	$ 7,739
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	5,877	(5,665)
Financial liabilities held for trading	(3,419)	(10,572)
Financial asset impairment loss	-	(7,906)
Net foreign exchange gains (losses)	6,582	(21,773)
Gain on disposal of property, plant and equipment	-	186
Loss on disposal of investment properties	-	(497)
Others	1,667	(14,020)
	$ 10,707	$ (52,508)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 287,285	$ 284,587
Investment properties	4,785	5,221
Intangible assets	336	954
	$ 292,406	$ 290,762

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 287,129	$ 284,342
Operating expenses	156	245
Other gains and losses	4,785	5,221
	$ 292,070	$ 289,808
An analysis of amortization by function		
Operating expenses	$ 336	$ 954

(Concluded)

d. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (see Note 22)		
Defined contribution plans	$ 7,346	$ 7,318
Defined benefit plans	6,523	6,859
	13,869	14,177
Other employee benefits	306,100	333,313
Total employee benefits expense	$ 319,969	$ 347,490
An analysis of employee benefits expense by function		
Operating costs	$ 258,492	$ 275,560
Operating expenses	61,477	71,930
	$ 319,969	$ 347,490

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 6, 2019 and March 12, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	$ 3,180	$ 6,593
Remuneration of directors	-	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 42,549	$ 27,683
Foreign exchange losses	(35,967)	(49,456)
	$ 6,582	$ (21,773)

26. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 18,205	$ 76,095
Income tax on unappropriated earnings	3,121	11,771
Adjustments for prior years	64	-
	21,390	87,866
Deferred tax		
In respect of the current year	12,994	2,606
Adjustments to deferred tax attributable to changes in tax rates and laws	(4,347)	-
Adjustments for prior years	-	(73)
	8,647	2,533
Income tax expense recognized in profit or loss	$ 30,037	$ 90,399

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 316,863	$ 655,753
Income tax expense calculated at the statutory rate	$ 64,158	$ 114,591
Nondeductible expenses in determining taxable income	(11,828)	(19,451)
Tax-exempt income	(21,254)	(16,512)
Additional income tax under the Alternative Minimum Tax Act	123	-
Income tax on unappropriated earnings	3,121	11,771
Effect of tax rate changes	(4,347)	-
Adjustments for prior years' tax	64	-
Income tax expense recognized in profit or loss	$ 30,037	$ 90,399

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 the subsidiaries APC BVI, USIIC and USITA is 0%, 0% and 25%, respectively.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences on the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ 2,383	$ -
In respect of current year		
Translation of foreign operations	(18)	$ 7,529
Fair value changes of available-for-sale financial assets	-	(1,147)
Fair value changes of financial assets at FVTOCI	(2,334)	-
Remeasurement on defined benefit plans	67	2,067
Total income tax recognized in other comprehensive income	$ 98	$ 8,449

c. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 10,309	$ 41,078

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation and obsolescence losses	$ 1,816	$ (901)	$ -	$ 915
Allowance for office supplies impairment losses	7,882	(944)	-	6,938
Customer rebates	1,003	177	-	1,180
Allowance for production supplies losses	1,115	201	-	1,316
FVTPL financial liabilities	114	301	-	415
Payables for annual leave	1,926	702	-	2,628
Defined benefit obligation	35,890	4,165	1,460	41,515
Inventory tax differences	519	(462)	-	57
Exchange differences on foreign operations	6,093	-	1,057	7,150
Foreign exchange losses	216	(216)	-	-
	$ 56,574	$ 3,023	$ 2,517	$ 62,114
Deferred tax liabilities				
Land value increment tax reserve	$ (21,469)	$ -	$ -	$ (21,469)
Allowance for impaired receivables	(227)	(40)	-	(267)
Foreign exchange gains	-	(548)	-	(548)
Depreciation tax differences	(377)	(58)	-	(435)
Share of profit of associates	(17,347)	(11,025)	-	(28,372)
FVTPL financial assets	(482)	-	(2,419)	(2,901)
Others	(66)	1	-	(65)
	$ (39,968)	$ (11,670)	$ (2,419)	$ (54,057)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation and obsolescence losses	$ 60	$ 1,756	$ -	$ 1,816
Allowance for office supplies impairment losses	7,497	385	-	7,882
Customer rebates	1,003	-	-	1,003
Allowance for production supplies losses	1,084	31	-	1,115
FVTPL financial assets	665	-	(665)	-
FVTPL financial liabilities	295	(181)	-	114
Payables for annual leave	1,918	8	-	1,926
Defined benefit obligation	40,461	(6,638)	2,067	35,890
Inventory tax differences	1,014	(495)	-	519
Exchange differences on foreign operations	-	-	6,093	6,093
Foreign exchange losses	-	216	-	216
	$ 53,997	$ (4,918)	$ 7,495	$ 56,574
Deferred tax liabilities				
Land value increment tax reserve	$ (21,469)	$ -	$ -	$ (21,469)
Allowance for impaired receivables	(227)	-	-	(227)
Foreign exchange gains	(1,633)	1,633	-	-
Depreciation tax differences	(406)	29	-	(377)
Share of profit of associates	(18,069)	722	-	(17,347)
Exchange differences on foreign operations	(1,436)	-	1,436	-
FVTPL financial assets	-	-	(482)	(482)
Others	(67)	1	-	(66)
	$ (43,307)	$ 2,385	$ 954	$ (39,968)

e. Income tax assessments

The Company and ROC subsidiary’s income tax returns through 2016 and 2017, respectively, have been assessed by the tax authorities.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 0.52	$ 1.02
Diluted earnings per share	$ 0.52	$ 1.02

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 3, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	**After Retrospective Adjustment**
Basic earnings per share	$ 1.09	$ 1.02
Diluted earnings per share	$ 1.09	$ 1.02

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Earnings used in the computation of basic and diluted earnings per share	$ 286,826	$ 565,354

Weighted average number of ordinary shares outstanding (In thousand shares)

	For the Year Ended December 31	
	2018	**2017**
Shares		
Weighted average number of ordinary shares in computation of basic earnings per share	554,382	554,382
Effect of potentially dilutive ordinary shares:		
Employees' compensation	340	486
Weighted average number of ordinary shares used in the computation of diluted earnings per share	554,722	554,868

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

28. OPERATING LEASE AGREEMENTS

a. The Group as lessee

Operating leases relate to leases of office space with lease terms of 3 years.

As of December 31, 2018 and 2017, the Group's refundable deposits paid under operating leases amounted to $1,405 thousand.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	**2017**
Not later than 1 year	$ 1,030	$ 1,751
Later than 1 year and not later than 5 years	285	1,156
	$ 1,315	$ 2,907

b. The Group as lessor

Operating leases relate to leases of investment properties with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to renew. The lessees do not have bargain purchase options to acquire the properties at the expiry of the lease periods.

As of December 31, 2018 and 2017, the Group's guaranteed deposits received under operating lease agreements amounted to $6,114 thousand and $6,028 thousand, respectively.

The future minimum lease payments of non-cancellable operating leases were as follows:

	December 31	
	2018	**2017**
Not later than 1 year	$ 37,580	$ 37,831
Later than 1 year and not later than 5 years	31,040	26,926
	$ 68,620	$ 64,757

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall management strategy remains unchanged from 2013.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings, and other equity).

30. FINANCIAL INSTRUMENTS

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

The Group's management believes that the carrying amounts of financial assets and financial liabilities which are recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed shares and emerging market shares	$ 60,360	$ -	$ -	$ 60,360
Mutual funds	1,552,351	-	-	1,552,351
Overseas unlisted shares	-	-	-	-
	$ 1,612,711	$ -	$ -	$ 1,612,711
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	$ 2,044,531	$ -	$ -	$ 2,044,531
Foreign listed shares	6,282	-	-	6,282
Domestic unlisted shares	-	-	247,559	247,559
Foreign unlisted shares	-	-	80,222	80,222
	$ 2,050,813	$ -	$ 327,781	$ 2,378,594
Financial liabilities at FVTPL				
Derivatives	$ -	$ 2,074	$ -	$ 2,074

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 1,440,940	$ -	$ -	$ 1,440,940
Available-for-sale financial assets				
Securities listed in the ROC				
Equity securities	$ 2,504,909	$ -	$ -	$ 2,504,909
Securities listed in other countries				
Equity securities	17,212	-	-	17,212
	$ 2,522,121	$ -	$ -	$ 2,522,121
Financial liabilities at FVTPL				
Derivatives	$ -	$ 666	$ -	$ 666

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2018	$ 296,680
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	52,178
Return of capital	(21,077)
Balance at December 31, 2018	$ 327,781

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.

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

The Group's financial department used valuation techniques in measuring Level 3 fair value of financial instruments. The assumptions of and the inputs to the measurement are based on information from independent resources. The results of the measurement are evaluated against the market state and reviewed periodically to ensure that they are reasonable. The fair values of domestic and foreign unlisted equity securities were determined using the asset-based approach. In this approach, the fair value is determined by the latest net value of the investee company and the financial and business conditions of an observable company. If the discount for the lack of marketability decreases, the fair value of investments will increase. When the net asset value of investees increases/decreases by 1%, the fair value will increase/decrease by $3,278 thousand.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTPL		
Held for trading	$ -	$ 1,440,940
Mandatorily classified as at FVTPL	1,612,711	-
Loans and receivables (1)	-	2,724,825
Available-for-sale financial assets (2)	-	2,770,922
Financial assets at amortized cost (3)	2,017,906	-
Financial assets at FVTOCI		
Equity instruments	2,378,594	-

(Continued)

	December 31			
	2018		2017	
Financial liabilities				
Financial liabilities at FVTPL				
Held for trading	$	2,074	$	666
Financial liabilities measured at amortized cost (4)		5,659,705		4,731,392
				(Concluded)

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties) and other receivables (including related parties and excluding tax refund receivable).

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, notes receivable, accounts receivable (including related parties) and other receivables (including related parties and excluding tax refund receivable).

4) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans (including current portion), short-term bills payable, accounts payable (including related parties) and other payables (including related parties).

d. Financial risk management objectives and policies

The Group's risk control and hedging strategy are influenced by its operational environment. The Group properly monitors and manages the risks related to business nature and according to the principle of risk diversification. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Group used the natural offset between foreign currency assets and liabilities and foreign exchange forward contracts on the net position. The Group sought to minimize the effects of these risks by using foreign exchange forward contracts to hedge risk exposures. The use of foreign exchange forward contracts was governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by internal auditors on a continuous basis. The Group did not enter into or trade foreign exchange forward contracts for speculative purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities is set out in Note 33 and of the derivatives exposing the Group to foreign currency risk at the end of the reporting period are set out in Note 7.

Sensitivity analysis

The Group was mainly exposed to the USD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period. For a 3% strengthening/weakening of the Group's functional currency against the USD, there would be a decrease/an increase of $7,432 thousand and $10,404 thousand in pre-tax profit for the years ended December 31, 2018 and 2017, respectively.

In management's opinion, this sensitivity analysis is unrepresentative of the Group's inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to fair value interest rate risk because the Group held financial assets and financial liabilities at fixed rates; the Group was exposed to cash flow interest rate risk because the Group held financial assets and financial liabilities at floating rates. The Group's management personnel monitors the changes in the market rates on a regular basis and adjusts the floating rate financial liabilities to make the Group's rates approach market rates in response to the risk caused by changing market rates.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 990,364	$ 1,910,552
Financial liabilities	1,949,914	1,199,834
Cash flow interest rate risk		
Financial assets	135,909	189,685
Financial liabilities	3,100,000	2,900,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both financial assets and liabilities at the end of the reporting period. A 50-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 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 have decreased/increased by $14,820 thousand and $13,552 thousand, respectively.

c) Other price risk

The Group was exposed to securities price risk through its investments in securities listed in the ROC or other countries. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor price risk.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to securities price risk at the end of the reporting period.

If securities prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by $80,636 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 $118,930 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If securities prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2017 would have increased/decreased by $72,047 thousand as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the year ended December 31, 2017 would have increased/decreased by $126,106 thousand as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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. The Group’s exposure and the credit ratings of its counterparties are continuously monitored.

The Group transacted with a large number of unrelated customers in a variety of areas, and, thus, no concentration of credit risk was observed. Ongoing credit evaluations are performed on the financial conditions of trade receivables; therefore, the Group’s credit risk is limited.

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.

As such cash and cash equivalents are sufficient to finance the Group’s operations, there is no liquidity risk arising from the deficiency of funds to fulfill contractual obligations.

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

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods based on the probable earliest repayment dates. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

December 31, 2018

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 547,240	$ 32,860	$ -
Floating interest rate liabilities	0.91%	1,950,000	-	-
Fixed interest rate liabilities	1.06%	-	3,100,000	-
		$ 2,497,240	$ 3,132,860	$ -

December 31, 2017

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 553,356	$ 26,950	$ -
Floating interest rate liabilities	0.71%	1,200,000	-	-
Fixed interest rate liabilities	1.10%	450,000	2,450,000	-
		$ 2,203,356	$ 2,476,950	$ -

b) Financing facilities

Bank loans are an essential source of liquidity for the Group. The table below details the used and unused amount of bank loans at the end of the reporting period.

	December 31	
	2018	2017
Unsecured bank facilities		
Amount used	$ 5,050,000	$ 4,100,000
Amount unused	3,028,943	3,569,493
	$ 8,078,943	$ 7,669,493

31. TRANSACTIONS WITH RELATED PARTIES

The Company's ultimate parent is USI Corporation, which held 36.08% of the ordinary shares of the Company as of December 31, 2018 and 2017.

Balances and transactions between the Company and its subsidiaries (which are related parties of the Company) have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties' names and relationships

Related Party Name	Relationship with the Company
USI Corporation	Ultimate parent entity
Union Polymer Int'l Investment Corp. ("Union Polymer")	Parent entity

(Continued)

Related Party Name	Relationship with the Company
China General Plastics Corporation (“CGPC”)	Associate
China General Terminal & Distribution Corporation (“CGTD”)	Associate
Acme Electronics Corporation (“ACME”)	Associate
Thintec Materials Corporation (“TMC”)	Associate
USI Optronics Corporation (“USIO”)	Associate
Swanson Plastics Corporation (“SPC”)	Associate
Taiwan United Venture Capital Corp. (“TUVC”)	Associate
Taiwan VCM Corporation (“TVCM”)	Associate
CGPC Polymer Corporation (“CGPCP”)	Associate
Forever Young Company Limited (”Forever Young”)	Associate
Taita Chemical Company, Limited (“TTC”)	Fellow subsidiary
Taiwan United Venture Management Corporation (“TUVM”)	Fellow subsidiary
USI Management Consulting Corporation (“UM”)	Fellow subsidiary
USIFE Investment Co., Ltd. (“USII”)	Fellow subsidiary
Chong Loong Trading Co., Ltd. (“CLT”)	Fellow subsidiary
USI (Hong Kong) (“USI (HK)”)	Fellow subsidiary
USI Education Foundation (“USIF”)	Essential related party

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Ultimate parent entity		
USI Corporation	$ 671,528	$ 596,780
Associate	70,150	155,133
Fellow subsidiary	27,452	25,704
	$ 769,130	$ 777,617

Sales of goods to related parties were made at the Group’s usual prices and conditions which were the same as those to unrelated parties.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Ultimate parent entity		
USI Corporation	$ 266,445	$ 275,942
Associate	36,708	38,933
Fellow subsidiary	104,808	6,942
	$ 407,961	$ 321,817

Purchases from related parties were made at market prices which were at the Group’s usual prices and conditions which were the same as those from unrelated parties.

d. Management fees (under general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Ultimate parent entity		
USI Corporation	$ 5,879	$ 6,474
Fellow subsidiary		
UM	33,357	30,268
Others	807	950
	34,164	31,218
	$ 40,043	$ 37,692

e. Rental expenses (under selling and marketing expenses and general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Ultimate parent entity		
USI Corporation	$ 2,433	$ 2,240

f. Donation expenses (under general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Essential related party		
USI Education Foundation	$ 2,000	$ 2,000

g. Management income (under other income)

Related Party Category	For the Year Ended December 31 2018	2017
Associate	$ 1,738	$ 1,745

h. Rental income (under other income)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Ultimate parent entity		
USI Corporation	$ 2,640	$ 3,297
Parent entity		
Union Polymer	140	202
Associate		
TVCM	12,790	13,679
Others	6,912	7,412
	19,702	21,091
Fellow subsidiary		
TTC	7,049	7,622
Others	3,408	3,380
	10,457	11,002
	$ 32,939	$ 35,592

The previously indicated associates leased pipelines from the Group with lease terms of 1 years. The lease contracts are to be regarded as renewed if there is no declaration of termination. The lease payments are calculated according to actual operating volume and are paid on a monthly basis.

i. Investment consultant fees (under other gains and losses)

	For the Year Ended December 31	
Related Party Category	**2018**	**2017**
Fellow subsidiary	$ 1,822	$ 1,822

j. Accounts receivable from related parties

	December 31	
Related Party Category/Name	**2018**	**2017**
Ultimate parent entity		
USI Corporation	$ 162,209	$ 99,228
Associate	1,675	12,303
Fellow subsidiary	2,472	1,404
	$ 166,356	$ 112,935

k. Other receivables from related parties

	December 31	
Related Party Category/Name	**2018**	**2017**
Ultimate parent entity		
USI Corporation	$ 220	$ 425
Associate		
TVCM	56	2,945
CGTD	959	920
Others	304	513
	1,319	4,378
Fellow subsidiary		
TTC	858	1,609
Others	73	117
	931	1,726
	$ 2,470	$ 6,529

Other receivables from related parties were the payments from the ultimate parent entity and associates to allocate and transfer raw materials from the Company.

l. Accounts payable to related parties

Related Party Category/Name	December 31 2018	December 31 2017
Ultimate parent entity		
USI Corporation	$ 47,100	$ 63,843
Associate	4,945	3,881
Fellow subsidiary		
TTC	31,162	-
	$ 83,207	$ 67,724

m. Other payables to related parties

Related Party Category/Name	December 31 2018	December 31 2017
Ultimate parent entity		
USI Corporation	$ 127,844	$ 297,039
Associate	939	4,854
Fellow subsidiary	621	640
	$ 129,404	$ 302,533

Other payables to related parties were the payments from the Company for the allocation and transfer of ethylene from related parties.

n. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 16,663	$ 10,514
Post-employment benefits	108	108
	$ 16,771	$ 10,622

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

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Significant commitments

The amount available under unused letters of credit as of December 31, 2018 was $345,358 thousand.

b. Significant contract

1) The Company and USI Corporation signed a joint venture contract for a Fujian Gulei Petrochemical Co., Ltd. investment on April 17, 2014. The related entities of the contract or commitments are Ho Tung Chemical Corporation, LCY Chemical Corporation, Hengtai Petroleum Company Limited, Chenergy Global Corporation and Lien Hwa Corporation. The main contents of the contract and commitments include: (1) the shareholders shall establish Ever Victory Global Limited (hereinafter referred to the “Joint Venture”) and agree to pass the establishment of the 100% owned company

named Dynamic Ever Investments Limited in Hong Kong (hereinafter referred to as the "Hong Kong Company"), whose purpose is to build oil refineries and produce ethylene as well as seven other products on the Gulei Peninsula in Zhangzhou, Fujian Province, as approved by the Investment Commission at Taiwan's Ministry of Economic Affairs and according to the operating business permitted by the Joint Venture's board of directors; and (2) the Hong Kong Company will establish a joint venture company in accordance with the laws of the People's Republic of China between China Petrochemical Corporation or its affiliated enterprises; Fujian Refining and Chemical Co., Ltd. will establish a joint venture company in accordance with the laws of the People's Republic of China in Fujian Province between China Petrochemical Corporation or its affiliated enterprises (hereinafter referred to as "Gulei Company") and acquire 50% of the shares of Gulei Company as a basis for cooperative investment. The amount which the Joint Venture invested in Gulei Company after the signing of the original investment contract increased due to the capital needs of the investment plan, which led to part of the original related contract entities being unable to purchase the shares based on their respective investment ratio as provided by the original contract. Therefore, the Company and USI Corporation resigned the joint venture contract on September 30, 2016 and added a new contractually promised related entity, CTCI Corp. Also, the termination stipulations of the original joint venture contract are the same time.

The Company and USI Corporation originally invested US$2,171 thousand (approximately $65,202 thousand) and US$3,131 thousand (approximately $94,221 thousand), respectively, to establish Ever Conquest Global Limited (recognized as investments accounted for using the equity method) in order to invest in the Joint Venture via the third party.

The Company and USI Corporation increased the investment in Ever Conquest Global Limited by US$44,099 thousand (approximately $1,377,923 thousand) and US$74,215 thousand (approximately $2,313,514 thousand) in January and July 2017, respectively.

The Company and USI Corporation increased the investment in Ever Conquest Global Limited by US$56,970 thousand (approximately $1,747,780 thousand) and US$98,922 thousand (approximately $3,034,601 thousand), respectively, in August 2018.

As of December 31, 2018, the Company and USI Corporation invested US$103,240 thousand (approximately $3,190,905 thousand) and US$176,268 thousand (approximately $5,442,336 thousand), respectively, in Ever Conquest Global Limited. Via Ever Conquest Global Limited, the Company and USI Corporation increased the capital in the Joint Venture by US$279,508 thousand. The Joint Venture reinvested in the Hong Kong Company US$82,588 thousand, US$82,689 thousand and US$178,700 thousand in January and July 2017, and August 2018, respectively. The Hong Kong Company invested a total amount of RMB2,304,800 thousand (approximately US$335,901 thousand) in Gulei Company in April and August 2017, and November 2018.

2) The Group was involved in a proposal of urban renewal, in which it coordinates with neighbors by right of transfer dominated by Huaku Development Co., Ltd. and provides around ten of its investment properties (located at Yanji St., Songshan Dist., Taipei City) to increase its operating efficiency. Thus, the Group signed an agreement with Huaku Development Co., Ltd. and received $6,400 thousand as security deposits. The Taipei City Government approved the proposal on November 30, 2017. In addition, the Group, Huaku Development Co., Ltd. and the Trust Department of E.SUN Commercial Bank, who was commissioned to manage, consolidate, split up, transfer and dispose of the properties and buildings within the duration of the agreement, signed a tripartite agreement on the real estate trust. As of December, 31, 2018, the properties were handed over.

c. Contingencies

Regarding China General Terminal & Distribution Corporation (hereinafter "CGTD"), who had been commissioned to operate the LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014, the first instance judgment of the criminal procedures was reached on May 11, 2018, whereby three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees in appealing against the judgment.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,167 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 2019, the provisionally attached property was worth $141,255 thousand.

As for the victims, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 32 victims' families on July 17, 2015. Each victim's family received $12,000 thousand, and the compensation was $384,000 thousand in total, which was paid in four annual payments by LCY Chemical Corp. LCY Chemical Corp. was in charge of negotiating the compensation with the victims' families and signing the settlement agreement on behalf of the three parties.

As for the seriously injured, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 65 seriously injured victims' families on October 25, 2017. Compensation was paid by CGTD and the Kaohsiung City Government, and CGTD was in charge of negotiating the compensation with the seriously injured victims' families and signing the settlement agreement on behalf of the three parties with the 64 seriously injured victims' families.

As of February 28, 2019, the victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim for $23,919 thousand, and the amount of the settlement was $3,899 thousand. Along with the case still in litigation and the above-mentioned compensation, the accumulated amount of compensation is $3,881,291 thousand. The first-instance judgments of some of the abovementioned civil cases (with a total amount of compensation of approximately $1,177,192 thousand) have been gradually announced, starting from June 22, 2018. The proportion of fault liability of the Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3 in most judgments. The total amount of compensation that CGTD, LCY Chemical Corp. and the other defendants should pay is about $383,831 thousand, of which CGTD was exempted for $6,194 thousand, but should pay $188,818 thousand, the estimated portion of compensation that CGTD should pay at the moment according to the judgment of the first instance. CGTD has appealed in those civil cases which were announced but not yet settled and entered into the second-instance trials. In addition, with regard to the above-mentioned compensation, CGTD estimated and recognized an amount of $136,375 thousand based on its fault liability proportion in the first-instance judgment. The actual liability of CGTD depends on the future judgments of the remaining civil cases.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate		Functional Currency (In Thousands)	Carrying Amount
Financial assets					
Monetary items					
USD	$ 10,829	30.715	(USD:NTD)	$ 332,599	$ 332,599
USD	163	6.8632	(USD:RMB)	1,119	5,008
RMB	1,137	0.1457	(RMB:USD)	166	5,099
RMB	93,091	4.4753	(RMB:NTD)	416,609	416,609
JPY	5	0.2780	(JPY:NTD)	1	1
					$ 759,316
Non-monetary items					
Investments accounted for using the equity method					
USD	103,134	30.715	(USD:NTD)	3,167,773	$ 3,167,773
Derivative instruments					
USD	2,710	30.715	(USD:NTD)	132	132
					$ 3,167,905
Financial liabilities					
Monetary items					
USD	2,926	30.715	(USD:NTD)	89,881	$ 89,881
RMB	597	0.1457	(RMB:USD)	87	2,673
					$ 92,554
Non-monetary items					
Derivative instruments					
RMB	70,200	4.4753	(RMB:NTD)	2,206	$ 2,206

December 31, 2017

	Foreign Currency (In Thousands)	Exchange Rate		Functional Currency (In Thousands)	Carrying Amount
Financial assets					
Monetary items					
USD	$ 12,719	29.760	(USD:NTD)	$ 378,528	$ 378,528
USD	105	6.5342	(USD:RMB)	684	3,115
RMB	1,939	0.1530	(RMB:USD)	297	8,839
RMB	38,479	4.5545	(RMB:NTD)	175,252	175,252
JPY	5	0.2642	(JPY:NTD)	1	1
					$ 565,735
Non-monetary items					
Investments accounted for using the equity method					
USD	$ 47,747	29.760	(USD:NTD)	1,420,944	$ 1,420,944
Derivative instruments					
USD	2,300	29.760	(USD:NTD)	449	449
					$ 1,421,393
Financial liabilities					
Monetary items					
USD	1,171	29.760	(USD:NTD)	34,858	$ 34,858
JPY	7,500	0.2642	(JPY:NTD)	1,982	1,982
					$ 36,840
Derivative instruments					
RMB	33,600	4.5545	(RMB:NTD)	1,115	$ 1,115

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were $6,582 thousand and $(21,773) 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.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 1)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 2)

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 5)

11) Information on investees. (Table 6)

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 7)

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 8)

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 during the period, 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 period or on the financial position, such as the rendering or receipt of services.

Besides Tables 1 to 8 as disclosed, there was no other information about significant transactions, investees and investments in mainland China which should be disclosed.

35. SEGMENT INFORMATION

a. Operating segments

According to IFRS 8 "Operating Segments", the Group is a single operating segment that produces and sells petrochemical products, and therefore, there is no need to disclose the information of operating segments.

b. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		**Non-current Assets**	
	For the Year Ended December 31		**December 31**	
	2018	**2017**	**2018**	**2017**
Taiwan	$ 2,218,046	$ 2,592,302	$ 3,933,869	$ 4,064,537
Asia	4,088,926	3,772,552	82,751	82,757
Others	68,162	39,613	-	-
	$ 6,375,134	$ 6,404,467	$ 4,016,620	$ 4,147,294

Non-current assets exclude financial instruments, deferred tax assets and refundable deposits.

c. Information about major customers

Single customers who contributed 10% or more to the Group's revenue were as follow:

	For the Year Ended December 31	
	2018	**2017**
Customer A	$ 671,528	$ 596,780

TABLE 1

ASIA POLYMER CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Asia Polymer Corporation	Ordinary shares							
	Harbinger Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income - non-current	123,600	$ 1,136	1.20	$ 1,136	
	Riselink Venture Capital	-	Financial assets at fair value through other comprehensive income - non-current	438,624	4,330	1.67	4,330	
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	16,707,600	242,093	11.90	242,093	
	USI Corporation	Ultimate parent company	Financial assets at fair value through other comprehensive income - non-current	101,355,673	1,206,132	8.53	1,206,132	
	CTCI Corporation	-	Financial assets at fair value through other comprehensive income - non-current	14,496,107	643,627	1.90	643,627	
	AU Optronic Corporation	-	Financial assets at fair value through other comprehensive income - non-current	9,618,516	118,308	0.10	118,308	
	Wafer Works Corporation	-	Financial assets at fair value through other comprehensive income - current	2,017,946	67,601	0.39	67,601	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss - current	229,127	1,794	0.01	1,794	
	Evergreen Marine Corp.	-	Financial assets at fair value through profit or loss - current	1,664,722	19,810	0.04	19,810	
	Quanta Computer Inc.	-	Financial assets at fair value through profit or loss - current	500,000	26,350	0.01	26,350	
	Beneficiary securities							
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	4,901,000	72,829	-	72,829	
	Cathay No. 2 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	2,500,000	37,575	-	37,575	
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	2,000,000	30,140	-	30,140	
	Fubon No. 2 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	5,000,000	63,000	-	63,000	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,993,164	50,002	-	50,002	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	7,165,538	106,003	-	106,003	
	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,070,291	50,024	-	50,024	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,183,308	50,277	-	50,277	
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,993,389	100,003	-	100,003	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,536,352	169,335	-	169,335	
	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	9,403,369	103,476	-	103,476	
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,358,474	33,454	-	33,454	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	280,711	50,002	-	50,002	
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,892,948	90,024	-	90,024	
	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,332,917	100,003	-	100,003	
	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,192,114	50,002	-	50,002	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018 Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,364,176	$ 100,003	-	$ 100,003	
	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,530,557	41,077	-	41,077	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,655,234	25,036	-	25,036	
	Shin Kong Chi-Shin Money-Market Fund	-	Financial assets at fair value through profit or loss - current	3,232,961	50,002	-	50,002	
	TCB Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,639,471	128,235	-	128,235	
APC (BVI) Holding Co., Ltd.	Shares							
	Budworth Investment Ltd. - ordinary shares	-	Financial assets at fair value through other comprehensive income - non-current	256,140	5,079	4.45	5,079	
	Silicon Technology Investment (Cayman) Corp. - preference shares	-	Financial assets at fair value through other comprehensive income - non-current	1,519,701	71,896	2.95	71,896	
	NeuroSky, Inc. - series D preference shares	-	Financial assets at fair value through other comprehensive income - non-current	2,397,364	3,247	0.37	3,247	
	Solargiga Energy Holdings Ltd.		Financial assets at fair value through other comprehensive income - non-current	15,863,333	6,282	0.49	6,282	
	Teratech Corp. - ordinary shares	-	Financial assets at fair value through profit or loss - non-current	112,000	-	0.67	-	Note 1
	TGF Linux Communication, Inc. - preference shares	-	Financial assets at fair value through profit or loss - non-current	300,000	-	-	-	Note 1
	Sohoware, Inc. - preference shares	-	Financial assets at fair value through profit or loss - non-current	450,000	-	-	-	Note 1
	Boldworks, Inc. - preference shares	-	Financial assets at fair value through profit or loss - non-current	689,266	-	-	-	Note 1
APC Investment Co., Ltd.	Ordinary shares							
	USI Corporation	Ultimate parent company	Financial assets at fair value through profit or loss - current	44,808	533	-	533	
	Evergreen Marine Corp.	-	Financial assets at fair value through profit or loss - current	554,907	6,603	0.01	6,603	
	Quanta Computer Inc.	-	Financial assets at fair value through profit or loss - current	100,000	5,270	-	5,270	
	Beneficiary securities							
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,784,986	26,999	-	26,999	
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,999,525	24,850	-	24,850	
	Ordinary shares							
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,131,920	8,863	0.04	8,863	

Note 1: The carrying amount was zero as of December 31, 2018 due to the impairment loss recognized in prior years.

Note 2: Refer to Tables 6 and 7 for information about subsidiaries and associates.

(Concluded)

ASIA POLYMER CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
APC Corporation	Shares Ever Conquest Global Limited.	Investments accounted for using the equity method	-	Associate	46,270,000	$ 1,420,944	56,970,000	$ 1,747,780	-	$ -	$ -	$ -	103,240,000	$ 3,167,773 (Note 1)
	Fund Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	3,534,072	52,028	20,867,472	308,000	17,236,006	254,543	254,028	515	7,165,538	106,003 (Note 2)

Note 1: The ending balance includes the original investment amount, the share of profit (loss) of investees and other related adjustments.

Note 2: The ending balance includes the original investment amount of $106,003 thousand and adjustments for fair value changes of $3 thousand.

ASIA POLYMER CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance		% of Total
Asia Polymer Corporation	USI Corporation	Ultimate parent company	Sale	$ (670,909)	(10.52)	60 days	No significant difference	No significant difference	Accounts receivable - related parties	$ 162,209	18.44
USI Trading (Shanghai) Co., Ltd.	USI Corporation	Ultimate parent company	Sale	(619)	(0.01)	60 days	No significant difference	No significant difference	Accounts receivable - related parties	-	-
Asia Polymer Corporation	USI Corporation	Ultimate parent company	Purchase	131,257	2.72	30 days	No significant difference	No significant difference	Accounts payable - related parties	(18,496)	(5.42)
USI Trading (Shanghai) Co., Ltd.	USI Corporation	Ultimate parent company	Purchase	135,188	2.80	30 days	No significant difference	No significant difference	Accounts payable - related parties	(28,604)	(8.38)

ASIA POLYMER CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance		Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
						Amount	Actions Taken		
Asia Polymer Corporation	USI Corporation	Ultimate parent company	Receivables	$ 162,209	5.13	$ -	-	$ 162,209	Note 1
			Other receivables	190		-	-	190	Note 1

Note 1: There is no allowance of impairment loss after an impairment assessment.

Note 2: The subsequent period is between January 1 and March 6, 2019.

TABLE 5

ASIA POLYMER CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount (Note 4)	Payment Terms	% of Total Sales or Assets (Note 3)
0	Asia Polymer Corporation	APC Investment Co., Ltd.	1	Non-operating income and expenses - rental income	$ 135	No difference	-
		USI Trading (Shanghai) Co., Ltd.	1	Accounts receivable from related parties	7,371	No difference	0.05
				Sales revenue	87,418	No difference	1.37
				Commission expenses	903	No difference	0.01
				Other payables to related parties	37	No difference	-
1	USI International Corp.	USI Trading (Shanghai) Co., Ltd.	3	Other receivables from related parties	11,312	No difference	0.07
				Other payables to related parties	2,792	No difference	0.02
				Operating expenses - rental income	1,521	No difference	0.02
				Management services expense	132	No difference	-

Note 1: The correlation between the numeral and the entity are stated as follows:

a. The Company: 0.
b. The subsidiaries: 1 onward.

Note 2: The direction of the investment is as follows:

a. The Company to the subsidiaries: 1.
b. The subsidiaries to the Company: 2.
c. Between subsidiaries: 3.

Note 3: The following numerals indicate the manner of ratio calculation of the respective transaction type:

a. Asset or liability: The ratio was calculated based on the ending balance of total consolidated assets;
b. Income or loss: The ratio was calculated based on the midterm accumulated amounts of total consolidated sales revenue.

Note 4: All intercompany transactions have been eliminated on consolidation.

ASIA POLYMER CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Asia Polymer Corporation	APC (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 423,093 (US$ 13,774,806)	$ 423,093 (US$ 13,774,806)	11,342,594	100.00	$ 477,505	$ 31,477	$ 31,477	Subsidiary (Note)
	APC Investment Co., Ltd.	Taipei, Taiwan	Investment	200,000	200,000	20,000,000	100.00	97,433	(4,199)	(4,199)	Subsidiary (Note)
	USI International Corp.	British Virgin Islands	Reinvestment	86,002 (US$ 2,800,000)	86,002 (US$ 2,800,000)	2,800,000	70.00	130,090	7,086	4,960	Subsidiary (Note)
	China General Plastics Corporation	Taipei, Taiwan	Manufacture and marketing of PVC plastic cloth and three-time processed products	247,412	247,412	40,891,494	8.07	675,767	1,276,156	102,976	Investments accounted for using the equity method
	China General Terminal & Distribution Corporation	Taipei, Taiwan	Warehousing and transportation of petro chemical raw materials	41,082	41,082	18,667,464	33.33	228,250	(75,720)	(25,240)	Investments accounted for using the equity method
	Swanson Plastics Corporation	Taipei, Taiwan	Manufacture and marketing of stretch film, diaper film, embossed film, heavy-duty sacks	75,242	75,242	12,266,779	7.95	196,411	76,311	5,441	Investments accounted for using the equity method
	Acme Electronics Corporation	Taipei, Taiwan	Manufacture and marketing of manganese-zinc and ferrite core	61,348	61,348	6,056,623	3.32	46,332	56,187	1,865	Investments accounted for using the equity method
	Taiwan United Venture Capital Corp.	Taipei, Taiwan	Investment in high technology businesses	52,791	52,791	3,913,533	8.33	21,860	(4,921)	(410)	Investments accounted for using the equity method
	Thintec Materials Corporation	Taipei, Taiwan	Manufacture and marketing of reinforced plastic products	36,250	36,250	1,825,000	30.42	4,415	(10,525)	(3,201)	Investments accounted for using the equity method
	USI Optronics Corporation	Taipei, Taiwan	Manufacture and marketing of sapphire products	59,725	59,725	5,972,464	9.20	28,512	(165,012)	(15,185)	Investments accounted for using the equity method
	Ever Conquest Global Ltd.	British Virgin Islands	Reinvestment	3,171,017 (US$ 103,240,000)	1,421,183 (US$ 46,270,000)	103,240,000	36.94	3,167,773	8,889	3,384	Investments accounted for using the equity method
APC (BVI) Holding Co., Ltd.	ACME Electronics (Cayman) Corp.	British Virgin Islands	Reinvestment	161,097 (US$ 5,244,903)	161,097 (US$ 5,244,903)	8,316,450	16.64	213,812	164,621	-	Investments accounted for using the equity method
	USI International Corp.	British Virgin Islands	Reinvestment	36,858 (US$ 1,200,000)	36,858 (US$ 1,200,000)	1,200,000	30.00	55,753	7,086	-	Investments accounted for using the equity method (Note)
APC Investment Co., Ltd.	Acme Electronics Corporation	Taipei, Taiwan	Manufacture and marketing of manganese-zinc and ferrite core	14,889	14,889	1,884,548	1.03	14,416	56,187	-	Investments accounted for using the equity method
	Swanson Technologies Corporation	Taipei, Taiwan	Manufacture and marketing of EVA film	30,000	30,000	3,000,000	15.00	(11,869)	(16,486)	-	Investments accounted for using the equity method

Note: All intercompany transactions have been eliminated on consolidation.

ASIA POLYMER CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, U.S. Dollars and Renminbi in Thousands, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method and Medium of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 3)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow (Note 3)	Inflow						
ACME Electronics (Kunshan) Co., Ltd.	Manufacture and marketing of manganese-zinc soft ferrite core	$ 943,718 (US$ 30,725,000)	(2) ACME Electronics (Cayman) Corp.	$ 128,308 (US$ 4,177,369)	$ -	$ -	$ 128,308 (US$ 4,177,369)	(Note 2,b,2) $ 150,562	16.64	$ 25,057	$ 140,748	$ -
USI Trading (Shanghai) Co., Ltd.	Management of chemical products, equipment, and plastic products; wholesale of electronic materials, commission agency services and related supporting import and export services	76,788 (US$ 2,500,000)	(2) APC (BVI) Holding Co., Ltd.	93,238 (US$ 3,035,601)	-	-	93,238 (US$ 3,035,601)	(Note 2,b,2) 1,982	100.00	1,982	99,982	-
Fujian Gulei Petrochemical Co., Ltd.	Manufacture of crude oil and petroleum products	20,629,343 (RMB 4,609,600,000)	(2) Dynamic Ever Investments Ltd.	1,326,145 (US$ 43,175,806)	1,622,390 (US$ 52,820,780)	-	2,948,535 (US$ 95,996,586)	(Note 2,b,1) 64,542	14.31	8,167	2,958,581	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$3,318,132 (Note 4) (US$108,029,692)	$4,956,836 (US$161,381,608)	$ - (Note 5)

Note 1: Investments are divided into three categories as follows:

a. Direct investment: 1.
b. Investments through a holding company registered in a third region: 2.
c. Others: 3.

Note 2: For the column of investment gain (loss):

a. If there is no investment gain (loss) during the preparation, it should be noted.
b. If the basis for the recognition of investment gain (loss) is classified into the following three type, it should be noted as follows:

1) Financial statements audited by international accounting firms which have a cooperation relationship with an accounting firm in the Republic of China.
2) Financial statements audited by the parent company's CPA.
3) Others.

Note 3: The calculation was based on the exchange rate as at December 31, 2018.

Note 4: The accumulated outward remittance includes the investments in Wafer Works Epitaxial Corp., Wafer Works (Shanghai) Corp., Shanghai JingJi Electronic Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., Jinzhou Youhua Silicon Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., Qinghai Chenguang New Energy Co., Ltd., USI Trading (Shanghai) Co., Ltd. ("USIT"), and Fujian Gulei Petroleum Company.

a. The Company invested in Wafer Works Epitaxial Corp. and Wafer Works (Shanghai) Corp. through Silicon Technology Investment (Cayman) Corp.

b. The Company invested in Solar Technology Investment (Cayman) Corp. and Risheng Investment Limited through Solargiga Energy Holdings Limited, which indirectly invested in Solar Energy Silicon Materials Co., Ltd. and then in Shanghai JingJi Electronic Materials Co., Ltd. Risheng Investment Limited indirectly invested in Jinzhou Yangguang Energy Co., Ltd., Jinzhou Youhua Silicon Materials Co., Ltd., Jinzhou Yangguang Energy Co., Ltd., and Qinghai Chenguang New Energy Co., Ltd.

Note 5: As the Company has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA in Order No. 10520427730 on November 11, 2016, the upper limit on investments in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

ASIA POLYMER 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	%		
USI Trading (Shanghai) Co., Ltd.	Sales revenue	$ 87,418	1.37	No significant difference	T/T 90 days	No significant difference	$ 7,371	0.83	$ -	-
	Commission expenses	903	-	-	-	-	-	-	-	-
	Non-operating income and expenses - rental income	1,521	-	-	-	-	-	-	-	-
	Management service expenses	132	-	-	-	-	-	-	-	-
	Other payables from related parties	2,829	-	-	-	-	-	-	-	-
	Other receivables from related parties	11,312	-	-	-	-	-	-	-	-

Note: All intercompany transactions have been eliminated on consolidation.