Stock Code: 1308

Asia Polymer Corporation

2017 Annual Report

APC corporate website: http://www.apc.com.tw
Annual report query website: http://mops.twse.com.tw

Publication date: April 30, 2018

1. Spokesperson of the Company:

Name: Ching-Wei Tseng
Title: Sales Manager
Tel: (02) 8751-6888 ext. 3207
Email: SamsonTseng@apc.com.tw

Acting spokesperson of the Company:

Name: Cheng-Shun Chen
Title: Accounting Manager
Telephone: (02) 8751-6888 ext. 3788
E-mail: nicolaschen@tpe.usife.com.tw

2. Contact Information of the Head Office, Branch Offices and Plants:

Title	Address	Telephone
Head office and Linyuan Plant	No. 3, Gongye 1st Road, Linyuan District, Kaohsiung City	(07)704-0988
Kaohsiung Branch	No. 3, Gongye 1st Road, Linyuan District, Kaohsiung City	(07)704-0988
Taipei Office	12F, No. 37 Jihu Road, Taipei City	(02) 8751-6888

3. Name, Address, and Telephone Number of Share Transfer Agency:

Name: Stock Affairs Department of Asia Polymer Corporation
Address: 6F, No. 17, Lane 120, Section 1, Neihu Road, Neihu District, Taipei City
Phone: (02) 2650-3773
Joint Stock Affairs Website: http://www.usig.com.tw/USIGStockHome.aspx

4. Name of the CPA Auditing the Financial Statements in the Most Recent Year:

Certifying CPA: Huang, Hsiu-Chun and Wu, Shih-Tsung
Name of accounting firm: Deloitte
Address: 12F, No.156, Section 3, Minsheng East Road, Songshan District, Taipei City
TEL: (02)2545-9988
Website: http://www.deloitte.com.tw

5. Overseas Securities Listing Exchange and Information: None

6. Corporate website: http://www.apc.com.tw

Asia Polymer Corporation
Table of Contents

Page

Chapter 4. Funding Status

Chapter 5 Operations Overview

Chapter 6 Financial Summary

Chapter 7 Review and Analysis of Financial Position and Performance and Associated Risks

Chapter 1 Letter to Shareholders

Dear Shareholders,

The Company's 2017 consolidated net operating revenue was NT$ (same hereunder) 6.404 billion which was an increase of $511 million from last year. The Company's consolidated net income before tax was NT$ (same hereunder) 656 million which was a decrease of $137 million from last year. The annual net profit was $565 million and the budget achievement rate was 84%.

(I) Accomplishments in 2017

Sales and Marketing:

With regard to LDPE, the supply and demand in the domestic market remained relatively stable. Although we have focused on high-end products for long-term exports and obtained market segmentation experience, the increase of new productivity in Asia in the second half of the year contributed to new competition and pressure in sales. With new EVA producers in the market, we have added flexible adjustments to product portfolio. In addition to continuous development in existing markets, we have also strengthened sales channels in high-end markets and achieved great results. However, as competition intensifies in non-niche markets, we have reduced production appropriately to reduce the impact of low-price competition. In conclusion, the average domestic and export sales price of LDPE increased by 7% and decreased by 1%, respectively from 2016 while the average domestic and export sales price of EVA increased by 9% and maintained at the same level, respectively. LDPE sales volume remained the same as 2016 while EVA sales volume benefited from the investment of new production lines and increased by 19% from 2016. The total sales volume was 135,572 tons which was an increase of 6% from 2016.

Materials and cost:

Cracking plants in Asia underwent longer periods of overhaul at the beginning and end of the year and reduced supply of materials in the region while OPEC and partner countries decided to extend the production cut period. The unexpected development supported the rise of oil prices. The competition from other producers of ethylene derivatives with higher purchasing power also contributed to the increase of raw material prices. The unit cost of consumed ethylene in 2017 increased by approximately 7% from the previous year, which was 2% higher than the budget. The average consumption cost of EVA's other main material VAM also increased by 9%, which was 7% higher than the budget.

Production, research and development:

We completed the installation of various materials recycling system during suspensions of operations during the year. We also replaced old equipment to maintain efficiency in operations. We actively developed new products such as high-end shoe materials in response to market demands and continued to dedicate efforts to the implementation of occupational safety and health management to ensure safety in the operations of the plants. The annual LD/EVA production volume was 135,077 tons which was a 10% increase from 2016 and the budget achievement ratio was 94%.

Comprehensive Annual Operating Performance:

Despite the commercial operations of new product lines and satisfactory results from our investment and development of high-value application product markets, we faced competitors' new productivity and price competition which made it difficult to offset the price increase of materials and reduced the profit margins between sales price and materials significantly. The consolidated net operating profit of the year amounted to $470 million which was a reduction of $97 million from the same period in the previous year. The consolidated non-operating income and expenses was a net profit of NT$185 million which was mainly caused by income from investment and dividends accounted for through the equity method.

(II) 2018 Business Plan Outline and Future Development Strategies:

With regard to macroeconomic factors, the world's main economy —the US economy —has steadily recovered due to significant improvements in the job market. Although growth in the Chinese economy has slowed, the intensified implementation of supply-side reforms has achieved results. Despite conflicts involving trade barriers between China and the United States and frequent geopolitical issues, research institutes have predicted growth for the global economy based on the advancement of the two large economies which have injected vibrancy into the petrochemicals industry that is closely associated with economic growth. With regard to the regulatory environment, the Company shall comply with requirements in the Autonomous Regulations for Environmental Protection and Maintenance in response to the local city's goals for sustainable development and striking a balance between environmental protection and economic development. The inspections of raw material transmission pipelines shall be performed and listed as a key item in the annual plans. In industrial developments, market competition has not diminished as new production capacity continues to come online in recent years. In addition, the supply of raw materials at stable prices has also become difficult with volatility in the market. Faced with an uncertain business environment, the Company shall uphold the core value of professional business in pursuit of excellence in order to enhance our differentiated advantages in product quality and customer services and improve the Company's overall competitiveness. The annual LDPE/EVA sales target is approximately 140,000 tons. We shall continue to pay attention to supply and demand conditions in the market and respond flexibly with optimized product portfolios. We shall also follow market trends in differentiated products and continue to develop niche or high-value products to achieve business objectives.

I wish you all good health and good fortune.

Wu I-Kuei, Chairman of the Board

Li Kuo-Hung, General Manager

Chapter 2 Company Profile

I. Date of Founding: June 25, 1977

II. Company History:

In response to the government's policy to promote investment, the first chairman of the Company Mr. Chao Ting-Chen invited famous domestic and foreign corporate figures and plastic processing companies to jointly raise NT$600 million in share capital in order to build a medium- and low-density polyethylene plant in Linyuan Petrochemical Industrial Park. After its completion in March 1979, the plant immediately began operation and produced an annual output of 75,000 metric tons of medium- and low-density polyethylene.

The Company's main products include various film-grade, injection-grade and laminating film-grade low-density polyethylene. As the Company imported and incorporated the latest technology from the Gulf Oil Company into its initial manufacturing methods, its film-grade products possess good optical properties and processability, while its injection-grade products possess excellent gloss and toughness. Thereafter, the Company modified its manufacturing methods to produce laminating films of excellent quality.

In 1980, the Company increased its capital by NT$90 million using its retained earnings in 1979. In order to enhance its capital structure in 1982, the Company increased its capital by NT$110 million upon approval during the shareholders' meeting, thereby increasing its paid-in capital to NT$800,000,000.

In May 1984, construction began on the third production line. The production line officially started operation in September 1985, thereby increasing the Company's production capacity from 75,000 tons to 100,000 tons.

In addition, since June 20, 1986, the Company's shares have been publicly listed on the Taiwan Stock Exchange in response to the government's economic development policy of "securitization of capital and popularization of securities". In November 1986, BTR Nylex invested in the Company and acquired 51 percent of the Company's shares and transferred all its equity in the Company to its subsidiary - BTRN Asia in December within the same year.

In 1987, the Company increased its capital by NT$80 million using its retained earnings in 1986, thus increasing its paid-in capital to NT$880,000,000.

In 1988, during the shareholders’ meeting, the shareholders approved the resolution to increase the Company’s authorized capital to NT$1.4 billion, and the Board of Directors was authorized to issue shares in several installments. Within the same year, the Company increased its capital by NT$264 million using its retained earnings in 1987 as part of the funds required for the addition of co-generation equipment, thereby increasing its paid-in capital to NT$1,144,000,000.

In 1989, the Company increased its capital by NT$228.80 million in order to repay the first corporate debt issued by the Company for the construction of the third production line at the LDPE plant, thus increasing its paid-in capital to NT$1,372,800,000.

In 1990, the Company increased its capital by NT$137.28 million for the addition of co-generation equipment in order to deal with shortage of funds in 1987, thereby increasing its paid-in capital to NT$1,510,080,000.

In March 1997, BTR Asia transferred its 51 percent stake in the Company to Bermuda Fiji Guinea Co., Ltd. This company was an overseas holding company jointly and indirectly invested in by USI Corporation and UPC Group. In addition, Taiwan Union International Investment Co. replaced BTR Asia as the Company's director and supervisor.

In 1997, the Company increased its capital by NT$256.71 million and NT$120.81 million using its retained earnings and capital reserve in 1996 respectively to increase its working capital, thereby increasing its paid-in capital to NT$1,887,600,000.

In March 1997, the Company's Board of Directors approved the resolution to establish APC (BVI) Holding Co. Ltd. in order to facilitate overseas investment projects.

In June 1998, Bermuda Fiji Guinea Co., Ltd. transferred 7.65 percent and 43.35 percent out of its 51 percent stake in the Company to Taiwan Union International Investment Co. and Union Polymer Int'l Investment Corp., which was jointly and directly in invested by USI Corporation and UPC Group, and Union Polymer International Investment Corp. respectively

In 1998, the Company increased its capital by NT$283.14 million using its retained earnings in 1997, thereby increasing its paid-in capital to NT$2,170,740,000.

In 1999, the Company increased its capital by NT$54,268,500 and NT$54,268,500 using its retained earnings and capital reserve in 1998 respectively, thereby increasing its paid-in capital to NT$2,279,277,000.

During the re-election of directors and supervisors at the 2001 Annual General Meeting, Union Polymer Int'l Investment Corp. replaced Taiwan Union International Investment Co. as the Company's director and supervisor, and Taiwan VCM Corporation was elected a supervisor of the Company.

In July 2003, the Company's Board of Directors approved the resolution to jointly invest in USI International Corp. with APC (BVI) Holding Co., Ltd., and establish an office in Shanghai in the name of USI International Corp., as its base to expand into the Mainland Chinese market

In 2004, the Company increased its capital by NT$182,342,160 using its retained earnings in 2003, thus increasing its paid-in capital to NT$2,461,619,160. During the re-election of directors and supervisors during the 2004 Annual General Meeting, the Company's previous supervisor, Taiwan VCM Corporation was replaced by Union Polymer Int'l Investment Corp.

In 2005, the Company increased its capital by NT$147,697,150 using its retained earnings in 2004, thereby increasing its paid-in capital of NT$2,609,316,310.

During the re-election of directors and supervisors at the 2007 Annual General Meeting, the Company's previous supervisor, Union Polymer Int'l Investment Corp. was replaced by China General Terminal & Distribution Corporation. and Mr. Yeh Te-Chang.

In August 2007, the Company's Board of Directors approved the resolution to establish APC Investment Corporation in order to facilitate domestic investment projects.

During the re-election of directors and supervisors at the 2010 Annual General Meeting, the Company's previous supervisors, Mr. Yeh Te-Chang and Mr. Wu Sheng-Chuan, the representative of China General Terminal & Distribution Corporation, were replaced by Mr. Chiang Hui-Chung and Mr. Wu Sheng-Chuan, the representative of Taiwan Union International Investment Co.

In 2010, the Company increased its capital by NT$521,863,260 using its retained earnings in 2009, thereby increasing its paid-in capital to NT$3,131,179,570.

In 2011, the Company increased its capital by NT$782,794,890 using its retained earnings in 2010, thereby increasing its paid-in capital to NT$3,913,974,460.

On December 25, 2011, the Company's Board of Directors approved the resolution to invest approximately NT$3.1 billion to build an EVA production line with an annual production capacity of 40,000 to 45,000 tons. The production line was completed in May 2016.

In 2012, the Company increased its capital by NT$782,794,890 using its retained earnings in 2011, thereby increasing its paid-in capital to NT$4,696,769,350.

In February 2014, the Company's Board of Directors approved the resolution to indirectly invest in the manufacture of petrochemical-related products at Gulei Petrochemical Park located in Zhangzhou, Fujian, China via an investment company established in a third region other than Taiwan and Mainland China. In March 2016, the Company's Board of Directors approved the resolution to indirectly invest not more than NT$6 billion in the abovementioned project.

On June 26, 2014, the Company obtained the approval of the Ministry of Economic Affairs to increase its authorized capital by NT$1 billion, thereby increasing its total capital to NT$5,696,769,350 for future capital increase.

In 2015, the Company increased its capital by NT$234,838,460 using its retained earnings in 2014, thereby increasing its paid-in capital to NT$4,931,607,810.

In January 2016, the Company's Board of Directors approved the resolution to acquire all the shares of USI Trading (Shanghai) Co., Ltd owned by Swanlake Traders Ltd. via APC (BVI) Holding Co., Ltd. This equity transfer was approved by the Investment Commission under the Ministry of Economic Affairs in August 2016 and was completed in October 2016.

In March 2016, the Company's Board of Directors approved the resolution to move its headquarters from Taipei City to Kaohsiung City. The move was completed in June within the same year.

In 2016, the Company increased its capital by NT$98,632,150 using its retained earnings in 2015, thereby increasing its paid-in capital to NT$5,030,239,960.

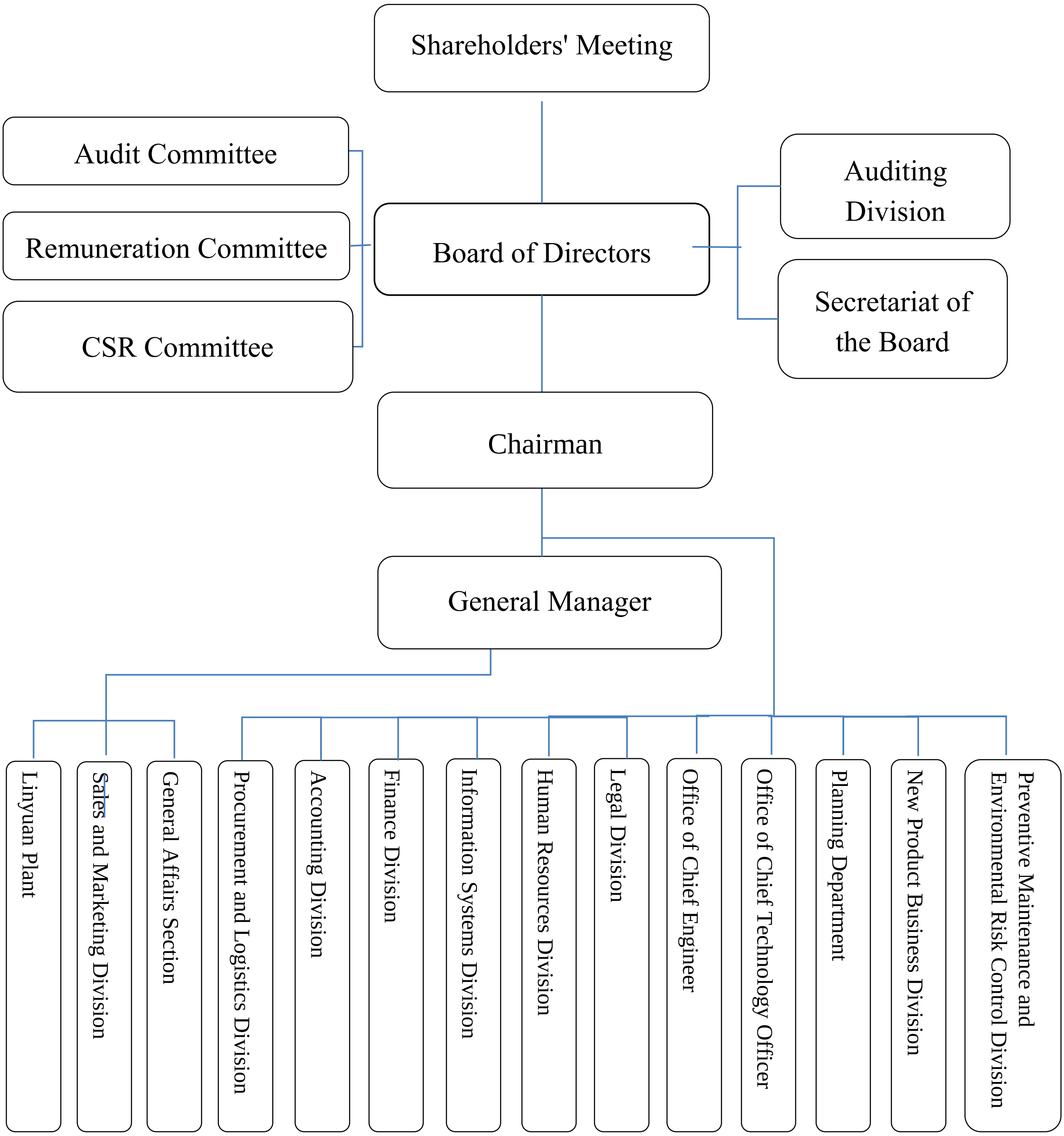
In 2017, the Company increased its capital by NT$150,907,190 using its retained earnings in 2016, thereby increasing its paid-in capital to NT$5,181,147,150.

Chapter 3 Corporate Governance Report

I. Organization System

(I). Organizational Structure

Organizational Chart, as of April 30, 2018



(II). Responsibilities and Functions of Major Departments

Department	Main Duties
General Manager	Management of the Company's operations.
Linyuan Plant	Responsible for matters related to manufacturing, research and development (R&D), storage, coordinating transportation of company products and maintenance of plant equipment, work safety and environmental protection.
Sales and Marketing Division	Responsible for processing product sales, market development, and after-sales services.
General Affairs Section	Responsible for processing personnel evaluation, salary, and general administrative tasks.
Audit Office	1. Implement internal audit and improve work flows in the Company 2. Evaluate the soundness and reasonableness of the Company's internal control systems, as well as the effectiveness of their implementations at all departments and divisions
Secretariat of the Board	1. Plan and handle matters related to Board of Directors' meetings 2. Handle matters related to shareholders' meetings such as convening shareholders' meetings, dealing with various announcements and reporting associated with shareholders' meetings, preparing agenda handbooks and keeping information regarding shareholders present at shareholders' meetings in accordance with the law 3. Assist in promoting and handling decrees issued by the competent authority
Procurement and Logistics Division	1. Purchase and audit major capital expenditures including raw materials, machinery and equipment 2. Plan the supervision and execution of trading and transportation, warehousing and customs-related operations
Accounting Division	1. Preparation and analysis of financial statements and budgets to be used by decision-making units for the management and formulation of strategies 2. Establishment, evaluation and implementation of accounting systems 3. Planning and reporting of various taxes 4. Regular announcement or reporting of financial performance
Finance Division	1. Fund management, and planning and scheduling of fundraising activities 2. Short-term financing and long-term investments 3. Property insurance 4. Credit control and collection of delayed payments 5. Handling of various shares-related matters
Information Systems Division	Plan, build, develop and manage various information systems and facilities at the Company
Human Resources Division	1. Plan human resources strategies and systems 2. Plan training and organizational development strategies 3. Plan and handle salary and benefits 4. Provide employee services and handle general affairs 5. Assist overseas branches in organizational planning, as well as dispatch and training of personnel
Legal Division	Provide legal advice, handle legal cases and affairs
Office of Chief Engineer	1. Assist and participate in the construction of new plants, or deal with such constructions entirely 2. Assist and participate in the improvement of equipment and local manufacturing processes in operation, or deal with such cases entirely 3. Integration of engineering personnel and engineering specifications

Office of Chief Technology Officer	Product research, development, and innovation.
Planning Department	1. Develop and propose product trees, according to markets for current products and products to be invested in the future, as well as the technical strengths and weaknesses of such products, for future planning and development 2. Track and analyze the macroeconomy 3. Investigate and analyze upstream industries and future competitors 4. Project coordinate and follow-up
New Product Business Department	1. Assist in formulating marketing strategies for new businesses, and establish appropriate business models 2. Responsible for developing new products or acquiring new customers to increase revenue 3. Integrate company resources and generate synergy so as to enhance the successful development of new businesses
Preventive Maintenance and Environmental Risk Control Division	1.Assist the Group in establishing preventive maintenance systems at all plants 2.Improve and enhance existing equipment 3.Equipment fault management and prevention 4.Routine/non-routine audit, counseling and training 5.Environment risk management planning and technical supervision 6.Plan and promote compliance with laws related to energy conservation and carbon reduction, and establish related systems

II. Information Regarding Directors, Supervisors, General Manager, Deputy General Manager and Heads of Departments

(I). Board of Directors (1)

April 7, 2018

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected Date	Term	Date First Elected (Note 2)	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 3)	Current Position Held in the Company and Other Companies	Executive Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship
							177,951,528	36.08%	186,955,874	36.08%	－	－	0	0%	Chairman of USI	(Note 5)	None		
	Date	Representative: Wu I-Kuei	Male			1997.02.28	-	-	0	0%	-	-	0	0%					
Director	Republic of China	Tai Lien International Investment Co., Ltd.	－	2016.06.08	3 years	2010.06.15	18,621,125	3.78%	19,563,353	3.78%	-	-	0	0%	B.S. in Electrical Engineering, U.C. Berkeley, Master in Business Administration of California Univ. at Santa Clara (U.S.A.)	(Note 6)	None		
	USA	Representative: Matthew Miau (Note 4)	Male			1997.02.28	-	-	0	0%	0	0%	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp.	－	2016.06.08	3 years	2001.06.18	177,951,528	36.08%	186,955,874	36.08%	-	-	0	0%	Department of Chemical Engineering of National Taiwan University, General Manager of Taiwan VCM Corporation, General Manager of this Company, and General Manager of USI	Director: USI Supervisor: Taiwan VCM Corporation	None		
	Republic of China	Representative: Huang Kuang-Che	Male			1997.02.28	-	-	0	0%	0	0%	0	0%					
Director and General Manager	Republic of China	Union Polymer Int'l Investment Corp.	－	2016.06.08	3 years	2001.06.18	177,951,528	36.08%	186,955,874	36.08%	-	-	0	0%	Department of Chemical Engineering of Chung Yuan Christian University, General Manager of Taiwan VCM Corporation, and Deputy General Manager of USI.	(Note 7)	None		
	Republic of China	Representative: Li Kuo-Hung	Male			2007.06.15	-	-	0	0%	0	0%	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp.	－	2016.06.08	3 years	2001.06.18	177,951,528	36.08%	186,955,874	36.08%	-	-	0	0%	PhD in Chemical Engineering, Pennsylvania State University (U.S.A.)	(Note 8)	None		
	Republic of China	Representative: Liu Han-Tai	Male			2013.06.10	-	-	0	0%	-	-	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp.	－	2016.06.08	3 years	2001.06.18	177,951,528	36.08%	186,955,874	36.08%	-	-	0	0%	PhD in Business Administration, Nova Southeastern University (U.S.A.)	(Note 9)	None		
	Republic of China	Representative: Liu Chen-Tu	Male			2001.06.18	-	-	0	0%	0	0%	0	0%					
Director	Republic of China	Tai Lien International Investment Co., Ltd.	－	2018.03.13	3 years	2010.06.15	18,621,125	3.78%	19,563,353	3.78%	-	-	0	0%	Department of Chemical Engineering of Chung Yuan Christian University, United Nylon, China Phosphate Co., Ltd., TSRC Corporation	(Note 10)	None		
	Republic of China	Representative: Ko I-Shao (Note 4)	Male			2018.03.13	-	-	0	0%	0	0%	0	0%					

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected Date	Term	Date First Elected (Note 2)	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 3)	Current Position Held in the Company and Other Companies	Executive Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship
Independent Director	Republic of China	Chen Ta-Hsiung	Male	2016.06.08	3 years	2016.06.08	0	0%	0	0%	0	0%	0	0%	College of Law of National Taiwan University, Trustee of Mitsubishi Corporation (Taiwan) Ltd., Chairman of New Northern Knitting Co., Ltd., Chairman of Shanghai Jianeng Textile Co., Ltd., Chairman of the Board of Supervisors of the National Association of Small & Medium Enterprises R.O.C., Representative of Chinese Taipei in the APEC Business Advisory Council (ABAC), Executive Director of the Importers and Exporters Association of Taipei, and Director of the Republic of China Trade Education Foundation	Chairman: Pershing Systems Corporation, Pan Asia Shipping Company (Canada), Hsiu Tzu International Co. Ltd., Hsiu Chih Co., Ltd. Director: Yang Tang-Hai Social Welfare and Charity Foundation	None		
Independent Director	Republic of China	Shen Shang-Hung	Male	2016.06.08	3 years	2016.06.08	0	0%	0	0%	0	0%	0	0%	MBA from Emory University, Department of Electrical Engineering of National Taiwan University, and AT&T Manager	(Note 11)	None		
Independent Director	Republic of China	Cheng Tun-Chien	Male	2016.06.08	3 years	201.06.08	0	0%	0	0%	0	0%	0	0%	MBA from Columbia University (U.S.A.), General Manager of UMC Capital, Director and General Manager of United Management Consultancy Investment Co., Ltd., Executive Director and General Manager of Taiwan of Morgan Stanley Asia Limited, Executive Director of Goldman Sachs Asia L.L.C.	Chairman: Hung Ting Capital , Clientron Corp., and Shih Ting Venture Capital Director: Topoint Technology Co., Ltd. and Fusheng Precision Co., Ltd. Independent Director: Edom Technology Co., Ltd. and Ta Ya Electric Wire & Cable	None		

Note 1: For juristic person shareholders, their names and representatives shall be stated (for representatives, the names of juristic person shareholders they represent shall be indicated respectively) and filled in Table 1.

Note 2: Any disruption of duty as a director or supervisor after the date he/she is elected shall be included in a separate note.

Note 3: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.

Note 4: juristic person shareholder Tai Lien International Investment Co., Ltd. appointed Mr. Ko I-Shao as its representative to serve as director in place of Mr. Matthew Miau on March 13, 2018. Information on Mr. Matthew Miau was disclosed till the date he was replaced.

Note 5: Chairman: USI, CGPC, TTC, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technologies Corporation, Chong Loong Trading Co., Ltd., USI Investment Co., Ltd., CGPC Polymer Corporation, Asia Polymer Investment Corporation , Taiwan United Venture Capital Corporation, USI Management Consulting Corporation, Taiwan United Venture Management Corporation, Thintec Materials Corporation, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.

Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics (India) Private Limited, Swanson (Vietnam), Swanson Plastics (Kunshan) Co., Ltd., Golden Amber Enterprises, ACME Electronics (BVI) Corporation, Acme Electronics (Kunshan) Co., Ltd., Acme Electronics (Guangzhou) Co., Ltd., Forum Pacific Trading Ltd., Taita (BVI) Holding Co., APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., CGPC America Corporation, Krystal Star International Corporation, A.S.

Holdings (UK) Limited, ASK-Swanson (Kunshan) Co., Ltd., Acme Ferrite Products Sdn. Bhd., Swanson Plastics (Tianjin) Co., Ltd., Cypress Epoch Limited, Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USIG (Shanghai) Co., Ltd., PT. Swanson Plastics Indonesia, Emerald Investment Corporation, KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd. and CTCI Group.

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

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

Executive Director: Chinese National Federation of Industries

Note 6: Chairman: UPC Group, Lien Hwa Industrial Corp., MiTAC Holdings Corporation, Synnex Technology International Corporation and MiTAC Inc.

Director: TTC, Getac Technology Corporation, MiTAC Information Technology Corp., Winbond Electronics Corp., BOC Lien Hwa Industrial Co., Ltd., Taita (BVI) Holding Co., APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., Krystal Star, Fujian Gulei Petrochemical, and Synnex Corporation

Independent Director: Cathay Financial Holdings Co., Ltd., Cathay Financial Holdings Co., Ltd., Cathay Century Insurance, Cathay United Bank, and Cathay Securities

Executive Director: Chinese National Federation of Industries

Note 7: Chairman: USI Trading (Shanghai) Co., Ltd.

Director: Asia Polymer Investment Corporation, Swanson Technologies Corporation, Taiwan VCM Corporation, USI International Corporation, APC(BVI) Holding Co. Ltd., Swanson Plastics Corp., Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USI Optronics Corporation, USI Education Foundation, China General Terminal & Distribution Corporation and Fujian Gulei Petrochemical

General Manager: APC and USI Trading (Shanghai) Co., Ltd.

Note 8: Director: Ever Victory Global Ltd., Dynamic Ever Investments Ltd., TTC, China General Plastics Corporation, Thintec Materials Corporation, Taiwan VCM Corporation, Swanson Plastics Corp., and INOMA Corporation

Supervisor: China General Terminal and Distribution Corporation

Deputy General Manager: USI

Note 9: Director: APC(BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., Forever Young Co., Ltd., Forum Pacific Trading Ltd., Swanlake, Taita (BVI) Holding Co., USI International Corporation, Ever Victory Global Limited, Dynamic Ever Investments Limited, Zhongshan Huaju, Taita Chemical (ZhongShan) Co., Ltd., Taita Chemical Co., Ltd., USI Optronics Corporation, USI Management Consulting Corp., Chong Loong Trading Co., Ltd., China General Plastics Corporation, Continental General Plastics (ZhongShan) Co., Ltd., China General Terminal & Distribution Co., Acme Electronics (Kunshan) Co., Ltd., Swanson Technologies Corporation, Swanson Plastics Corp., Taiwan United Venture Capital Corp., Taiwan United Venture Management Corporation, Wafer Works Corp. (Note A), Wafer Works Corporation and USI Education Foundation (Note B)

Note A: Served as Director of Wafer Works Corp. whose main business operations are: Research, development, design, manufacture, import/export, agency, and distribution of semiconductors and materials

Note B: Served as Director of the USI Education Foundation which was founded to perform public welfare and education operations. The foundation has carried out the following activities in accordance with the relevant laws:

1. Sponsor education in rural areas
2. Establish scholarships
3. Hold talks, seminars or other education-related charitable activities
4. Sponsor schools at various levels or educational groups to engage in activities such as literature, sports, music, dance, arts and drama
5. Industry-academia collaboration
6. Other education-related charitable services that are consistent with the objectives of the foundation

Supervisor: USIFE Investment Co., Ltd., APC Investment Corporation, USIG (Shanghai) Co., Ltd. and Fujian Gulei Petrochemical

Deputy General Manager: USI Management Consulting Corp.

Note 10: Chairman: Zhenjiang UPC, Zhongshan UPC, Zhuhai UPC, Taizhou UPC, Taizhou Warehousing, Taizhou Plastic, Tai Lien International, Jiangsu Logistics, Guangdong Logistics, Panjin UPC, Panjin Materials, Nanchong UPC, and Sichuan Logistics

Executive Director: Zhenjiang Lianju

Director: TTC, China General Terminal & Distribution Co., UPC Group, UPC Venture Capital, United Industrial Gases Co., Ltd., UPC Chemicals (Malaysia) SDN.BHD

General Manager: UPC Group, Zhenjiang UPC, Zhongshan UPC, Zhuhai UPC, Taizhou UPC, Taizhou Warehousing, Taizhou Plastic, Jiangsu Logistics, Guangdong Logistics, Panjin Warehousing, Panjin Materials, Nanchong UPC, and Sichuan Logistics

Note 11: Chairman: Ta Ya Electric Wire & Cable Co., Ltd., Cuprime Material Co., Ltd., Jia Hsi Investment Holding Co. Ltd., Chia Shang Capital, Honeyed Investment Co., Ltd., Taya Venture Capital Co., Ltd., HUA YA Venture Capital Co., Ltd., TA YA Innovation Investment Co., Ltd., Ta Ya Green Energy Technology Co., Ltd., Touch Solar Power Co., Ltd., BOSI SOLAR ENERGY CO., LTD., Cugreen Metal Tech Co., Ltd., United Electric Industry Co., Ltd., Po Shuo Power, and Union Storage Energy System Ltd.

Director: Ta An Precision Co., Ltd., Honghui Investment Co., Ltd., Nownews Network Co., Ltd., Iridium Medical Technology Co., Ltd., Jung Shing Wire Co. Ltd., and Bora Pharmaceuticals

Independent Director: Mercuries Data Systems Ltd.

Supervisor: Vsense Medtech. Co. Ltd., Ta Ho Engineering Co., Ltd., and Hongqun Investment Co., Ltd.

Table 1: Major shareholders of juristic person shareholders

April 7, 2018

Name of Juristic Person Shareholder (Note 1)	Major Shareholders of Juristic Person Shareholders (Note 2)	
Union Polymer Int'l Investment Corp.	USI Corporation	100%
Tai Lien International Investment Co., Ltd.	UPC Technology Corporation	100%

Note 1: For directors and supervisors who are the representatives of juristic person shareholders, the names of the juristic person shareholders shall be disclosed.

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

Table 2: Main shareholders of corporate shareholders in Table 1

April 7, 2018

Name of Juristic Person (Note 1)	Major Shareholders of Juristic Persons (Shareholding Percentage) (Not	
USI Corporation	Shing Lee Enterprise (Hong Kong) Limited	25.28%
	Asia Polymer Corporation	8.53%
	Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	1.75%
	Yueh Hsing Hua Investment Co., Ltd.	1.73%
	Lin Su Shan Shan	1.67%
	Taita Chemical Company, Ltd.	1.27%
	Wu Hsiao-Chun	1.04%
	JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund Investment Account, a series of Vanguard Star Funds	1.00%
	Standard Chartered Bank (Taiwan) Limited as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	1.00%
	Yu Wen-Hsuan	0.94%
	Yu Wen-Tsung	0.94%
	Yu Wen-Yu	0.94%
UPC Technology Corporation	Lien Hwa Industrial Corp.	31.25%
	Synnex Technology International Corporation	5.17%
	Yi Yuan Investment Co., Ltd.	1.61%
	Liberty Stationery Corporation	1.55%
	Tung Ta Investment Co., Ltd.	1.24%
	Tsu Feng Investment Co., Ltd.	1.23%
	MiTac International Corp.	1.21%
	Citibank (Taiwan) Limited as custodian of Norges Bank	1.16%
	Mei An Investment Co., Ltd.	1.14%
	Pornchai Engineering & Trading Company Limited	1.12%

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

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

(I). Board of Directors (2)

April 7, 2018

Criteria / Name (Note 1)	Does the individual have over 5 years of professional experience and the following professional qualifications?			Status of Independence (Note 2)										Number of companies in which the director or supervisor also serves concurrently as an Independent Director
	Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Have work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8	9	10	
Wu I-Kuei			✓			✓					✓	✓		0
Matthew Miau (Note 2)			✓	✓		✓	✓			✓	✓	✓		4
Huang Kuang-Che			✓	✓		✓	✓	✓	✓		✓	✓		0
Li Kuo-Hung			✓			✓	✓	✓		✓	✓	✓		0
Liu Han-Tai			✓			✓	✓			✓	✓	✓		0
Liu Chen-Tu			✓			✓	✓		✓		✓	✓		0
Ko I-Shao (Note 2)			✓	✓		✓	✓			✓	✓	✓		0
Chen Ta-Hsiung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shen Shang-Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Cheng Tun-Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: Adjust the number of rows where necessary.

Note 2: juristic person shareholder Tai Lien International Investment Co., Ltd. appointed Mr. Ko I-Shao as its representative to serve as director in place of Mr. Matthew Miau on March 13, 2018. Information on Mr. Matthew Miau was disclosed till the date he was replaced.

Note 3: For any director or supervisor who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the "V" sign in the corresponding field.✓

(1) Not employed by the Company or any of its affiliated companies

(2) Not serving as a director or supervisor of any of the Company's affiliated companies (this restriction does not apply to independent directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country)

（3） Not a natural person shareholder who holds more than one (1) percent of total shares issued by the Company or is ranked top 10 in terms of number of shares held, including shares held in the name of the person's spouse and minors, or in the name of others

（4） Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding criteria

（5） Not a director, supervisor, or employee of a juristic person shareholder that directly holds more than five (5) percent of the total number of shares issued by the Company or is one of the top 5 shareholders in terms of number of shares held

（6） Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer or shareholder who holds more than five (5) percent of the number of shares of companies or institutions that have financial or business dealings with the Company

（7） Neither a professional nor an owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officers and their spouses of a sole proprietorship, partnership, company, or institution who provides commercial, legal, financial, accounting, or consultation services to the Company or to any of its affiliated companies, or spouse thereof However, this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter

（8） Not a spouse or a relative within the second degree of kinship with any director

（9） Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies

（10） Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act

(II). Information Regarding General Manager, Deputy General Manager and Heads of Departments

April 7, 2018

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shares Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 2)	Concurrent positions in other companies	Managerial officers who are spouses or relatives within the second degree of kinship		
					Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held			Title	Name	Relationship
Chief Executive Officer	Republic of China	Wu I-Kuei	Male	09/01/2009	0	0%	-	-	0	0%	Chairman of USI	(Note 3)	None	None	None
General Manager	Republic of China	Li Kuo-Hung	Male	05/02/2007	0	0%	0	0%	0	0%	Graduated from Dept. of Chemical Engineering of Chung Yuan Christian University, General Manager of Taiwan VCM Corporation, and Deputy General Manager of USI	(Note 4)	None	None	None
Assistant VP of Sales Department	Republic of China	Wu Ming-Tsung	Male	01/21/2016	0	0%	0	0%	0	0%	Master in Chemical Engineering, National Taiwan University	Assistant VP, Sales Division, USI Corporation	None	None	None
Director of Linyuan Plant	Republic of China	Chen Jung-Hung	Male	02/16/2016	0	0%	0	0%	0	0%	Graduated from Dept. of Chemical Engineering, Tamkang University	None	None	None	None
Accounting Manager	Republic of China	Chen Cheng-Shun	Male	09/01/2015	0	0%	0	0%	0	0%	Graduated from Dept. of Accounting, Fu Jen Catholic University	China General Terminal & Distribution Co. Manager of Accounting Department	None	None	None
Finance Manager	Republic of China	Shih Ju-Hsuan	Female	09/01/2014	0	0%	-	-	0	0%	Graduated from Dept. of Accounting, Soochow University	None	None	None	None
Sales Manager	Republic of China	Tseng Ching-Wei	Male	01/01/2008	0	0%	-	-	0	0%	Graduated from Dept. of Chemical Engineering, Tamkang University	None	None	None	None

Note 1: Information regarding General Manager, Deputy General Manager, senior managers, heads of departments and branches shall be included, whereas information regarding positions equivalent to General Manager, Deputy General Manager or senior managers shall be disclosed regardless of job title.

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

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

Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics

(India) Private Limited, Swanson (Vietnam), Swanson Plastics (Kunshan) Co., Ltd., Golden Amber Enterprises, ACME Electronics (BVI) Corporation, Acme Electronics (Kunshan) Co., Ltd., Acme Electronics (Guangzhou) Co., Ltd., Forum Pacific Trading Ltd., Taita (BVI) Holding Co., APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., CGPC America Corporation, Krystal Star International Corporation, A.S. Holdings (UK) Limited, ASK-Swanson (Kunshan) Co., Ltd., Acme Ferrite Products Sdn. Bhd., Swanson Plastics (Tianjin) Co., Ltd., Cypress Epoch Limited, Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USIG (Shanghai) Co., Ltd., PT. Swanson Plastics Indonesia, Emerald Investment Corporation, KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd. and CTCI Group.

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

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

Executive Director: Chinese National Federation of Industries

Note 4: Chairman: USI Trading (Shanghai) Co., Ltd.

Director: Asia Polymer Investment Corporation, Swanson Technologies Corporation, Taiwan VCM Corporation, USI International Corporation, APC(BVI) Holding Co. Ltd., Swanson Plastics Corp., Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USI Optronics Corporation, USI Education Foundation, China General Terminal & Distribution Co. and Fujian Gulei Petrochemical

General Manager: USI Trading (Shanghai) Co., Ltd.

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

If any of the following applies to a company, the name of the director or supervisor involved and the remuneration paid to him/her shall be disclosed: None

(1) If post-tax losses have been recorded in a company's financial statements in the most recent two (2) fiscal years, the name and remuneration of "directors and supervisors" shall be disclosed individually. However, the preceding sentence shall not apply if the company's financial statements in the most recent fiscal year indicates a net income after taxes which is sufficient to cover cumulative losses. Where International Financial Reporting Standards (IFRS) is adopted, the name and remuneration of "directors and supervisors" shall be disclosed individually if pre-tax losses have been recorded in its parent company-only or individual financial statements in the most recent two (2) fiscal years. However, the preceding sentence shall not apply if the company's parent company-only or individual financial statements in the most recent fiscal year indicates a net income after taxes which is sufficient to cover cumulative loss.

(2) A company with directors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual directors. A company with supervisors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual supervisors.

(3) A company with an average ratio of shares pledged by directors or supervisors that exceeds 50 percent in any three (3) months during the most recent fiscal year shall disclose the remuneration paid to each individual director or supervisor who owns a ratio of shares pledged that exceeds 50 percent for each of these three months.

(4) If the total amount of remuneration received by all the directors and supervisors of a company from all the companies listed in its financial statements exceeds two (2) percent of its net income after taxes, and the amount of remuneration received by any individual director or supervisor exceeds NT$15 million, the company shall disclose the amount of remuneration paid to individual directors or supervisors.

(I). Remuneration of Directors, Supervisors, General Manager and Deputy General Manager

1. Remuneration paid to directors (including independent directors) (range of remuneration with name disclosure)

Unit: NT$ thousands

Title	Name	Remuneration of Directors								Sum of items A, B, C and D to NIAT Ratio (Note 10)		Relevant remuneration received by directors who also serve as employees								Percentage of the total of 7 items A, B, C, D, E, F and G to net income after taxes (Note 10)		Compensation from an Invested Company Other than the Company's Subsidiary (Note 11)
		Remuneration (A) (Note 2)		Separation Pay and Pension (B)		Directors' Compensation (C) (Note 3)		Costs Incurred from Performance of Duty (D) (Note 4)				Salary, Bonus and Allowances (G) (Note 5)		Separation Pay and Pension (F)		Employee Rewards (G) (Note 6)						
																The Company		All the Companies Included in the Financial Statements (Note 7)				
		The Company	All the Companies Included in the Financial Statements (Note 7)	The Company	All the Companies Included in the Financial Statements (Note 7)	The Company	All the Companies Included in the Financial Statements (Note 7)	The Company (Merge)	All the Companies Included in the Financial Statements (Note 7)	The Company	All the Companies Included in the Financial Statements (Note 7)	The Company	All the Companies Included in the Financial Statements (Note 7)	The Company	All the Companies Included in the Financial Statements (Note 7)	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	All the Companies Included in the Financial Statements (Note 7)	
Chairman of the Board	Wu I-Kuei	3,600	3,600	0	0	0	0	1,896	1,896	0.972%	0.972%	11,527	11,527	108	108	56	0	56	0	3.04%	3.04%	29,474
Director	Li Kuo-Hung																					
Director	Huang Kuang-Che																					
Director	Liu Chen-Tu																					
Director	Liu Han-Tai																					
Director	Matthew Miau																					
Independent Director	Chen Ta-Hsiung																					
Independent Director	Cheng Tun-Chien																					
Independent Director	Shen Shang-Hung																					

*Unless disclosed above, the Directors of the current year received remuneration for providing services (e.g. serving as a non-employee consultant) to the companies listed in this financial report: None.

Range of remuneration

Range of Remuneration Paid to the Directors of the Company	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All the Companies Included in the Financial Statements (Note 9) H	The Company (Note 8)	All companies listed in this financial report (Note 9) I
Less than NT$2,000,000	Wu I-Kuei, Matthew Miau, Huang Kuang-Che, Liu Chen-Tu, Liu Han-Tai, Li Kuo-Hung, Chen Ta-Hsiung, Cheng Tun-Chien, Shen Shang-Hung	Wu I-Kuei, Matthew Miau, Huang Kuang-Che, Liu Chen-Tu, Liu Han-Tai, Li Kuo-Hung, Chen Ta-Hsiung, Cheng Tun-Chien, Shen Shang-Hung	Matthew Miau, Huang Kuang-Che, Liu Chen-Tu, Liu Han-Tai, Chen Ta-Hsiung, Cheng Tun-Chien, Shen Shang-Hung	Matthew Miau, Huang Kuang-Che, Liu Chen-Tu, Chen Ta-Hsiung, Cheng Tun-Chien, Shen Shang-Hung
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)			Wu I-Kuei	
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)			Li Kuo-Hung	Li Kuo-Hung, Liu Han-Tai
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)				Wu I-Kuei
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive)～NT$100,000,000 (exclusive)				
More than NT$100,000,000				
Total	5,496 thousand	5,496 thousand	17,187 thousand	46,661 thousand

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

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

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

Note 4: Business expenses paid to the directors in the most recent fiscal year (including services and goods provided such as transportation allowances, special allowances, various allowances, accommodation and vehicle). If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rent fees and fuel costs calculated based on the actual amount or fair market value, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. The Company provides a corporate vehicle and assigns one driver whose compensation for 2017 was $883 thousand. Related fuel expenses were $32 thousand and the rent of the corporate vehicle was $428 thousand.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and vehicle received by directors who concurrently serve as employees (including general manager, deputy general manager, other managerial officers and employees) in the most recent fiscal year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rent fees and fuel costs calculated based on the actual amount or fair market value, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - “Share-Based Payment” section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 6: For directors concurrently serving as employees (including general manager, deputy general manager, other managerial officers and employees) who receive employee rewards (including shares and cash), the amount of employee rewards that have been approved by the Board of Directors and are distributed to them in the most recent fiscal year shall be disclosed. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3.

Note 7: The total amount of all the remuneration paid to the company's directors by all the companies (including the company) listed in its consolidated financial statements shall be disclosed.

Note 8: The name of each director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the director by the company.

Note 9: The total amount of all the remuneration paid to each director of the company by all the companies (including the company) listed in its consolidated financial statements shall be disclosed. The name of each director shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 10: Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company-only or individual financial statements in the most recent fiscal year.

Note 11: a. The amount of remuneration received from subsidiaries other than investment companies by the company's directors shall be stated clearly in this column.

b. If a director of the company receives remuneration from investment companies other than subsidiaries, the amount of remuneration received by the director from investment companies other than subsidiaries shall be combined into Column I of the table for ranges of remuneration, and this column shall be renamed as "All Investment Companies".

c. Remuneration refers to the compensation, rewards (including rewards distributed to employees, directors and supervisors) and remuneration related to business expenses that are received by the company's directors who serve as directors, supervisors or managerial officers at investment companies other than subsidiaries.

＊A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

2. Remuneration of Supervisors: Not applicable as the Company has an Audit Committee that replaces the functions of supervisors.
3. Remuneration paid to General Manager and Deputy General Manager (range of remuneration with name disclosure)

Unit: NT$ thousands

Title	Name	Salary (A) (Note 2)		Separation Pay and Pension (B)		Bonuses and special expenses (C) (Note 3)		Dollar Amount of Employee Rewards (D) (Note 4)				Proportion of the sum of A, B, C, and D (%) to NIAT (Note 8)		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 9)
		The Company	All the Companies Included in the Financial Statements (Note 5)	The Company	All the Companies Included in the Financial Statements (Note 5)	The Company	All the Companies Included in the Financial Statements (Note 5)	The Company		All the Companies Included in the Financial Statements (Note 5)		The Company	All the Companies Included in the Financial Statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chief Executive Officer	Wu I-Kuei	6,022	6,022	108	108	5,505	5,505	56	0	56	0	2.07%	2.07%	20,335
General Manager	Li Kuo-Hung													

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

Note 1: The Company provides a corporate vehicle and assigns one driver whose compensation for 2017 was $883 thousand. Related fuel expenses were $32 thousand and the rent of the corporate vehicle was $428 thousand.

Note 10: The separation pay and pension received by the general manager is the amount contributed for expensing separation pay and pension.

Range of remuneration

Range of Remuneration Paid to the General Manager and Deputy General Manager of the Company	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	Invested Companies (Note 7) E
Less than NT$2,000,000		
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Wu I-Kuei	
NT$5,000,000 (inclusive)～NT$10,000,000 (exclusive)	Li Kuo-Hung	Li Kuo-Hung
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)		Wu I-Kuei
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
More than NT$100,000,000		
Total	11,691 thousand	32,026 thousand

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

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

Note 3: Fill the amount of various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation and vehicle received by the general manager and deputy general manager in the most recent fiscal year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rent fees and fuel costs calculated based on the actual amount or fair market value, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - “Share-Based Payment” section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

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

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

Note 6: The name of each general manager and deputy general manager should be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the general manager and deputy general manager by the company.

Note 7: The total amount of all the remuneration paid to each general manager and deputy general manager of the company by all the companies (including the company) listed in its consolidated financial statements shall be disclosed. The name of each general manager and deputy general manager shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 8: Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company-only or individual financial statements in the most recent fiscal year.

Note 9: a. The amount of remuneration received from investment companies other than subsidiaries by the company's general manager and deputy general manager shall be stated clearly in this column.

b. If the general manager and deputy general manager of the company receives remuneration from investment companies other than subsidiaries, the amount of remuneration received by the general manager and deputy general manager from investment companies other than subsidiaries shall be combined into Column E of the table for ranges of remuneration, and this column shall be renamed as "All Investment Companies".

c. Remuneration refers to the compensation, rewards (including rewards distributed to employees, directors and supervisors) and remuneration related to business expenses that are received by the company's general manager and deputy general manager who serve as directors, supervisors or managerial officers at subsidiaries other than investment companies.

∗A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

4. Name of managerial officers to which employee rewards are distributed, and the status of distribution

Collective disclosure

Unit: NT$ thousands

<table>
<tr><th></th><th>Title
(Note 1)</th><th>Name
(Note 1)</th><th>Stock</th><th>Cash</th><th>Total</th><th>Percentage of total compensations to NIAT (%)</th></tr>
<tr><td rowspan="7">Managers</td><td>Chief Executive Officer</td><td>Wu I-Kuei</td><td rowspan="7">0</td><td rowspan="7">196</td><td rowspan="7">196</td><td rowspan="7">0.03%</td></tr>
<tr><td>General Manager</td><td>Li Kuo-Hung</td></tr>
<tr><td>Assistant VP of Sales Department</td><td>Wu Ming-Tsung</td></tr>
<tr><td>Director of Linyuan Plant</td><td>Chen Jung-Hung</td></tr>
<tr><td>Accounting Manager</td><td>Chen Cheng-Shun</td></tr>
<tr><td>Finance Manager</td><td>Shih Ju-Hsuan</td></tr>
<tr><td>Sales Manager</td><td>Tseng Ching-Wei</td></tr>
</table>

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

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

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

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

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

(II). Analysis and comparison of percentages of remuneration paid to the company's directors, supervisors, general and deputy general manager by the company and all the companies listed in its consolidated financial statements in the most recent two fiscal years to the net income after taxes recorded in its parent company-only or individual financial statements, and explanation on the remuneration policies, standards and packages, procedures for determining remuneration and their correlations with its business performance and future risk exposure

Year / Category	2017		2016	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Directors (excluding those who concurrently serve as employees and receive remuneration)	0.972%	0.972%	0.529%	0.529%
Directors (including those who concurrently serve as employees and receive remuneration)	3.040%	3.040%	2.259%	2.259%
Supervisors	-	-	0.020%	0.020%
General Manager and Deputy General Manager	2.070%	2.070%	1.730%	1.730%

A. Remuneration policy: According to Article 18 of the Company’s Articles of Incorporation, the bonus to directors shall not exceed 1% of the annual profits. Nevertheless, only for this year, directors received travel allowances and attendance fees, whereas managerial officers received salaries and bonuses.

B. Remuneration standards: The Chairman shall receive a monthly travel allowance of NT$60,000, while other directors shall receive a monthly travel allowance of NT$10,000. Managerial officers shall receive salaries by reference to seniority, salary levels in the industry and business performance.

C. Procedures for determining remuneration: Travel allowances for the Chairman and directors are approved during the shareholders' meeting, whereas the salary levels of managerial officers are approved by the Board of Directors

D. Correlations with business performance and future risk exposure: The travel allowances received by directors and supervisors are fixed expenditures, whereas the rewards and bonuses received by managerial officers are related to business performance and future risk exposure.

IV. Implementation of Corporate Governance

(I). Operation of Board of Directors

A total of six (6) meetings (A) were held by the Board of Directors in the most recent fiscal year (2017). The attendance of the members of the Board are as follows:

Title	Name (Note 1)	Fourth meeting 03/14/2017	Fifth meeting 42952	Sixth meeting 06/19/2017	Seventh meeting 42986	Eighth meeting 42989	Ninth meeting 12/22/2017	Attendance in Person	Attendance by Proxy	Attendance in person rate (%) [B/A] (Note 2)	Remarks (Note 3)
Chairman	Wu I-Kuei (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	
Director	Matthew Miau (representative of Tai Lien International Investment Co., Ltd.)	◎	◎	◎	☆	☆	☆	3	3	50	
Director	Huang Kuang-Che (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	☆	◎	◎	5	1	83.33	
Director	Li Kuo-Hung (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	
Director	Liu Han-Tai (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	☆	◎	5	1	83.33	
Director	Liu Chen-Tu (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	
Independent Director	Chen Ta-Hsiung	◎	◎	◎	◎	◎	◎	6	0	100	
Independent Director	Shen Shang-Hung	◎	◎	◎	◎	◎	◎	6	0	100	
Independent Director	Cheng Tun-Chien	◎	◎	☆	◎	◎	◎	5	1	83.33	

Note: Attendance in person: ◎; attendance by proxy:☆; absent: ✻.

Other matters to be noted:

I. If any of the following applies to the operations of the Board of Directors, the date and session of the Board of Directors' Meeting, as well as the resolutions, opinions of independent directors and the company's actions in response to the opinions of independent directors shall be stated:
   (I). Items listed in Article 14-3 of the Securities and Exchange Act
   (II). In addition to the preceding matter, other resolutions of the Board of Directors on which independent directors have dissenting opinions or qualified opinions, and that are documented or issued through written statements.

Board of Directors	Resolution and Follow-up Actions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting Opinion or Qualified Opinion by Independent Directors
1st Meeting in 2017.03.14	1. Amend certain articles in the Procedures for Handling Acquisitions or Disposal of Assets.	Yes	None
	2. Amend certain articles in the Procedures for Loaning of Funds to Others	Yes	None
	3. Compensation paid to the certifying CPAs for 2016	Yes	None
	4. Appoint CPAs for 2017	Yes	None
	5. Pass the change of chief auditor.	Yes	None
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: All the directors present voted in favor of the resolution without any dissenting opinion.		
	6. Approve the recommendation to lift competition restrictions against directors at the general shareholders' meeting	Yes	None
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: (The chairman and the directors in attendance Matthew Miau, Li Kuo-Hung, Liu Han-Tai, Liu Chen-Tu, and Shen Shang-Hung recused themselves due to conflicts of interest and the chairman appointed the independent director Chen Ta-Hsiung to temporarily take the place of the chair.) With the exception of the aforementioned recusals due to conflicts of interest, the acting chairman asked for the opinions of other directors in attendance and the proposal was passed unanimously.		
2nd Meeting in 2017.05.08	Amended the Company's internal control system	Yes	None
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: All the directors present voted in favor of the resolution without any dissenting opinion.		
4th Meeting in 2017.08.09	Approve the lifting of competition restrictions against independent director Mr. Shen Shang-Hung	Yes	None
	Amended clauses of the "Audit Committee Charter".		
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Voting results: The Chair consulted all the directors present, except for independent director Shen Shang-Hung who had to recuse himself from voting due to conflict of interest, and they voted in favor of the resolution.		

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

Name of Director	Proposal	Reason for Recusal	Participation in Voting	Remarks
Wu I-Kuei Matthew Miau Li Kuo-Hung Liu Han-Tai Liu Chen-Tu Shen Shang-Hung	Removal of the non-compete clause for Directors	The Director has an interest in the matter	Did not participate in voting	1st Meeting in 2017
Wu I-Kuei Li Kuo-Hung Liu Chen-Tu	Donations to the USI Education Foundation	Recused himself due to conflict of interest as he serves as a director in the foundation	Did not participate in voting	1st Meeting in 2017
Shen Shang-Hung	Approve the lifting of competition restrictions against independent director Mr. Shen Shang-Hung	The Director has an interest in the matter	Did not participate in voting	4th Meeting in 2017

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

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

In order to enhance corporate governance and the functions of the Board of Directors, the Company passed the resolution on the amendment of Article 11-1 and Article 11-2 of the Company's Articles of Association at the Annual General Meeting held on June 2, 2015, where these articles stipulate the appointment of independent directors and the establishment of an audit committee in due course according to the law. Related measures for the establishment of the Audit Committee was passed in the board meeting on March 11, 2016 and the Audit Committee Charter was passed in the board meeting on April 25, 2016.

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

Implementation of Performance Appraisal on the Board of Directors (Audit Committee) in 2017:

(1) Appraisal Period: January 1, 2017 to December 31, 2017

(2) The Company has established a set of regulations governing the evaluation of performance of the Board of Directors and performance appraisal methods, proposing the self-evaluation of the performance of the Board of Directors (Audit Committee) on a regular basis every year based on the implementation of assessment indicators including degree of participation in the Company's operation, improvement of the quality of decision-making of the Board of

Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. The overall results of performance appraisal performed on the Board of Directors (Audit Committee) in 2017 were as follows:

Appraisal Item	Results
Degree of participation in the Company's operations	Excellent
Improvement in the quality of decision-making of the Board of Directors	Excellent
Composition and structure of the Board of Directors	Excellent
Election and continuous education of directors	Excellent
Internal control and communications with the Audit Committee	Excellent

(3) Results for the self-evaluation of directors: Excellent.

2. Evaluation of target implementation:

The Audit Committee was established after the appointment of independent directors during the 2016 Annual General Meeting. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2017 has been disclosed on the Company's website on January 5, 2018 and has been reported in the first Board of Directors' Meeting in 2018 (March 12, 2018).

3. Hold training courses for directors and managerial officers, as well as encourage directors and managerial officers to attend corporate governance-related courses The status of continuing education among the directors and managerial officers of the Company is as follows:

Title	Name	Date of Training	Organizer	Course Title	Number of Hours
Chairman	Wu I-Kuei	07/04/2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		10/30/2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Matthew Miau	02/15/2017	Taiwan Institute of Directors	Rise of Innovation Economy: Changes and Challenges in Corporate Management	3
		07/06/2017	Taiwan Corporate Governance Association	Power TPC's Transition; Can IOT Make Semiconductor Great Again?	3
Director	Huang Kuang-Che	12/14/2017	Accounting Research and Development Foundation	Impact of New Standard "Forming an Opinion and Reporting on Financial Statements" on Enterprises and Related Responses	3
		12/15/2017	Accounting Research and Development Foundation	Analysis on Key Points of the Latest Practices and Legal Liabilities in the Supervision of Securities Trading in the U.S. and Taiwan	3
Director	Li Kuo-Hung	07/04/2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		10/30/2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Liu Han-Tai	07/04/2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		10/30/2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Liu Chen-Tu	05/11/2017	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Risk Management Trends and Implementation Analysis	3
		05/18/2017	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Corporate Governance Theory and Practice from a Legal Perspective	3
		07/04/2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		07/25/2017	Taiwan Corporate Governance Association	How Directors Perform Fiduciary Duties, and Commercial Courts and International Trends	1
		08/29/2017	Taiwan Corporate Governance Association	The Promoter of Corporate Governance - Unveiling the "Company Secretary"	1
		10/30/2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Independent Director	Chen Ta-Hsiung	07/04/2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		10/30/2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Independent Director	Shen Shang-Hung	10/11/2017	Taiwan Corporate Governance Association	Business Mergers and Acquisitions from the Perspective of Directors and Supervisors	3
Independent Director	Cheng Tun-Chien	04/25/2017	Taiwan Corporate Governance Association	Key Points in Merger and Acquisition Contracts	3
		10/19/2017	Securities & Futures Institute	Enterprise Financial Crisis Early Warning and Type Analysis	3
Accounting Manager	Chen Cheng-Shun	07/04/2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		07/13/2017 to 07/14/2017	Accounting Research and Development Foundation	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer (Accounting, Auditing, Finance, and Ethics)	12
		10/30/2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Finance Manager	Shih Ju-Hsuan	07/04/2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		10/30/2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3

Title	Name	Date of Training	Organizer	Course Title	Number of Hours
Audit Specialist	Chuang Chia-Fang	06/02/2017	Accounting Research and Development Foundation	New Internal Auditing Regulations and Computerized Auditing in Practice	6
		07/04/2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		09/15/2017	The Institute of Internal Auditors, R.O.C.	Auditing Tasks in Live Implementation	6
		10/30/2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3

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

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

Note 2: (1) Where a director or a supervisor resigns before the end of the fiscal year, the Remark column shall be filled with the director's or supervisor’s resignation date, whereas his/her percentage of attendance in person (%) shall be calculated based on the number of Board of Directors' meetings held and the actual attendance in person during the period during his/her term of office.

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

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

1. Operations of the Audit Committee:

(1) The functions of the Audit Committee are as follows:

- Adoption or amendment of internal control systems in accordance with Article 14-1 of the Securities and Exchange Act.
- Evaluation of the effectiveness of internal control systems.
- Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- Items involving the interests of directors
- Major assets or derivative trading.
- Major loaning of funds, making of endorsements or provision of guarantees.
- Offering, issuance, or private placement of any equity-type securities.
- Appointment, dismissal and compensation of CPAs
- Appointments and dismissal of finance, accounting and internal audit managers
- Audit of annual and semi-annual financial statements
- Accept and deal with whistleblowing cases in accordance with the functions listed in this article
- Other major items required by other companies or the competent authority

(2) The Auditing Department held 5 meetings(A) in the most recent year. The attendance of Independent Directors was as follows:

Title	Name	Attendance in Person (B)	Attendance by proxy	Percentage of Attendance in Person (%) (B/A) (Note)	Remarks
Independent Director	Chen Ta-Hsiung	5	0	100	
Independent Director	Shen Shang-Hung	5	0	100	
Independent Director	Cheng Tun-Chien	5	0	100	

Other matters to be noted:

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

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

(II). In addition to the items in the preceding sentence, other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee

Date of Meeting (Term)	Resolution and Follow-up Actions	Items Listed in Article 14-5 of the Securities and Exchange Act	Other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee
03/14/2017 3rd Meeting of 1st Audit Committee Audit Committee	1. 2016 Account Book	Yes	None
	2. Propose the capital increase by retained earnings in new shares issuance	Yes	None
	3. Amend certain articles in the Procedures for Handling Acquisitions or Disposal of Assets	Yes	None
	4. Amend certain articles in the Procedures for Loaning of Funds to Others	Yes	None
	5. Removal of the non-compete clause for Independent Directors	Yes	None
	6. Compensation paid to the CPAs for 2016	Yes	None
	7. Appoint CPAs for 2017	Yes	None
	8. Issuance of the 2016 "Statement on Internal Control System"	Yes	None
	9. Change of internal chief auditor	Yes	None
	Audit Committee resolution: With the exception of Case 5: the Audit Committee unanimously agreed. Case 5: With the exception of the recusal of Independent Director Shen Shang-Hung due to conflicts of interest, the chairman asked for the opinions of other members in attendance and the proposal was passed unanimously.		
	The Company's response to the comments of the Audit Committee: With the exception of Case 5: all directors present voted in favor. Case 5: Except for the recusals, all directors present voted in favor.		
05/08/2017 4th Meeting of 1st Audit Committee Audit Committee	Amend the Company's internal control system.	Yes	None
	Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.		
	The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution.		
08/09/2017 5th Meeting of 1st Audit Committee Audit Committee	1. Reviewed the 2017 Q2 Consolidated Financial Report	Yes	None
	2. Amended clauses of the Company's "Audit Committee Charter"	Yes	None
	3. Removal of the non-compete clause for Independent Directors	Yes	None
	Audit Committee resolution: Cases 1 and 2: the Audit Committee unanimously agreed. Case 3: With the exception of the recusal of Independent Director Shen Shang-Hung due to conflicts of interest, the chairman asked for the opinions of other members in attendance and the proposal was passed unanimously.		
	The Company's response to the comments of the Audit Committee: Cases 1 and 2: all directors present voted in favor. Case 3: Except for the recusals, all directors present voted in favor.		
11/09/2017 6th Meeting of 1st Audit Committee Audit Committee	1. Review the 2018 audit plan	Yes	None
	5. Formulate the Procedures for "Handling Cases of Illegal and Unethical or Dishonest Conduct"	Yes	None
	Audit Committee resolution: Cases 1 and 2: the Audit Committee unanimously agreed.		
	The Company's response to the comments of the Audit Committee: Cases 1 and 2: all directors present voted in favor.		
12/22/2017 7th Meeting of the 1st Audit Committee	Amend the certain clauses of "Handling Cases of Illegal and Unethical or Dishonest Conduct"	Yes	None
	Voting results in the Audit Committee: All the members of the Audit Committee voted in favor of the resolution.		
	The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution.		

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

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

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

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

(III). Communications between independent directors and head of internal audit and CPAs:

Date: March 14, 2017
Meeting: 3rd Meeting of the 1st Audit Committee
Key Communication Points:

1. Audit execution report and opinions mailbox processing report for November 2016 to February 2017.
2. The CPAs' audit status and report on the 2016 Consolidated and Parent Company Only Financial Statements reports (including key audit matters (KAM)).
3. The CPA has stated compliance to the No. 10 Statement on Professional Ethics Standards for ROC Accountants - "Integrity, Objectivity and Independence" published by the ROC Certified Public Accountants Association and has not violated its independence.
4. The CPA has discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact.

Date: May 8, 2017
Meeting: 4th Meeting of the 1st Audit Committee
Key Communication Points:

1. Audit execution report and Audit Committee opinions mailbox processing report for March 2017 to April 2017.
2. Discussed and communicated the amendment to stock affair procedure of the internal control system and related working paper of internal audit by self-assessment.

Date: August 9, 2017
Meeting: 5th Meeting of the 1st Audit Committee
Key Communication Points:

1. Audit execution report and Audit Committee opinions mailbox processing report for May 2017 to July 2017.
2. CPAs' audit execution status and report for the consolidated financial statements for Q2, 2017.
3. CPAs discussed and communicated issues raised by the participants.

Date: November 9, 2017
Meeting: 6th Meeting of the 1st Audit Committee
Key Communication Points:

1. Audit execution follow-up report and Audit Committee opinions mailbox processing report for August 2017 to October 2017.
2. CPAs' audit execution status and report for the consolidated financial statements for Q3, 2017.
3. Communication for the 2017 audit plan report and key audit matters in the audit report for the CPA.
4. Approved the 2018 audit plan.

5. CPAs discuss and communicate issues raised by the participants.

Note:

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

2. Participation of supervisors in the operations of the Board of Directors:
   Not applicable as the Company has an Audit Committee that replaces the functions of supervisors.

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

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
I. Has the company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies?	V		The Company has established its Corporate Governance Best Practice Principles and complied with the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies to promote the implementation of corporate governance and discloses such information on its own website.	No material discrepancy
II. Shareholder Structure and Shareholders' Rights				
(I). Has the company established an internal operating procedure for handling matters related to shareholders' recommendations, doubts, disputes and lawsuits, and implemented them accordingly?	V		The Company has appointed specific personnel to take change of such matters.	No material discrepancy
(II). Does the company maintain a list of major shareholders who have actual control over the company and persons who have ultimate control over the major shareholders?	V		The Company has been maintaining contact with its major shareholders and persons who have ultimate control over the major shareholders.	No material discrepancy
(III). Has the company established and implemented risk control and firewall mechanisms among its affiliated companies?	V		The Company has established and implemented a system to monitor its subsidiaries.	No material discrepancy
(IV). Has the company formulated internal regulations that prohibit insiders of the company from trading securities using undisclosed information in the market?	V		The Company has formulated its Procedures for Ethical Management and Guidelines for Conduct, in which Article 14 stipulates the prevention of insider trading.	No material discrepancy
III. Composition and Responsibilities of the Board of Directors				
(I). Has the Board of Directors drawn up policies on diversity	V		According to Article 20 of the Company's Corporate Governance Best Practice Principles, diversity shall be	No material discrepancy

<table>
<tr><th rowspan="2"><u>Evaluation Item</u></th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th><u>Yes</u></th><th><u>No</u></th><th>Summary</th></tr>
<tr><td>of its members and implemented them?</td><td></td><td></td><td>considered in the composition of the Company's Board of Directors, and members of the Board of Directors shall possess the knowledge, skills and qualities required to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:
1. Ability to make sound business judgment;
2. Ability to conduct accounting and financial analysis;
3. Business management ability;
4. Crisis management ability;
5. Knowledge of the industry;
6. An understanding of international markets;
7. Leadership;
8. Ability to make decisions.
In addition to the eight competencies above, the Company has also added two professional abilities, namely legal capability and environmental protection by taking into consideration the growing importance of global issues concerning corporate governance and environmental protection at present, so that the functions of the Board of Director can be more complete. At present, existing members of the Board of Directors possess the knowledge, skills and qualities required to perform their duties, and specialize in professional areas including accounting and finance, international markets, law and environmental protection. For details on the diversity of Board members, refer to the table below:
<table>
<tr><th rowspan="2">Director Name</th><th rowspan="2">Gender</th><th colspan="10">Core Competence</th></tr>
<tr><th>Sound business judgments</th><th>Accounting and finance</th><th>Business management</th><th>Crisis management</th><th>Knowledge of the industry</th><th>nternational markets</th><th>Leadership ability</th><th>Decision making abilities</th><th>LegAl</th><th>nvironmental protection</th></tr>
<tr><td>Wu I-Kuei</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Huang Kuang-Che</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Li Kuo-Hung</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Liu Han-Tai</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Liu Chen-Tu</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Matthew Miau</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Chen Ta-Hsiung</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>hen Shang-Hung</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>heng Tun-Chien</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
</table>
Appraisal Period: January 1, 2017 to December 31, 2017</td><td></td></tr>
</table>

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
(II). Has the company voluntarily established other functional committees, other than the remuneration committee and audit committee that are established in accordance with the law?	V		The Company has established a remuneration committee and an audit committee which exercise their authority in accordance with the Remuneration Committee Charter and the Audit Committee Charter respectively with favorable performance. The Company has voluntarily established a Corporate Social Responsibility Committee which exercises its authority in accordance with the Corporate Social Responsibility Committee Charter with favorable performance.	No material discrepancy
(III). Has the company established any rules for evaluating the performance of the Board of Directors and methods for evaluating them? Does the company perform such evaluations every year?	V		The Company has established the "Board of Directors Assessment Regulations" in November 9, 2017. At the end of each year, performance appraisal shall be performed on the Board of Directors (Audit Committee) for the current year based on the actual implementation of assessment indicators including degree of participation in the Company, improvement of the quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. Performance appraisal results shall be reviewed and improved upon in the most recent Board of Directors' Report in the following year.	No material discrepancy
(IV). Does the company regularly evaluate the independence of CPAs?	V		The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2017 has been disclosed on the Company's website on January 5, 2018 and has been reported in the first Board of Directors' Meeting in 2018 (March 12, 2018). The company assesses the independence of the CPA regularly in accordance with Article 30 of the "Corporate Governance Best Practice Principles". The Company has approved the assessment on March 12, 2018 in the board meeting (1st Meeting in 2018). The independent assessment standards are provided in Note 2 and the statement submitted by the CPA is provided in Note 3.	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
IV. Does the TWSE or TPEx listed company have a dedicated full-time (or part-time) corporate governance unit or personnel in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters related to Board of Directors' meetings and Shareholders' meetings, handling company registration and change registration, and producing minutes of Board of Directors' meetings and Shareholders' meetings)?	V		The manager Chen Cheng-Shun is responsible for the Corporate Governance Team of the General Manager's Office. The following units are responsible for the Company's corporate governance affairs: 1. Chief Financial Officer, Financial Officer and full-time (or part-time) staff at the Stock Affairs Department: Matters related to the Shareholders' meetings 2. Full-time staff at the Secretariat of the Board: Matters related to the Board of Directors' meetings 3. Full-time (or part-time) staff at the Accounting Division: Matters related to the meetings held by the Audit Committee 4. Full-time (or part-time) staff at the Human Resources Division: Matters related to the meetings held by the Remuneration Committee 5. Full-time (or part-time) staff at the Legal Division: Matters related to company registration and change registration The Corporate Governance Team is responsible for related corporate governance affairs. Main Duties: 1. Supervise company registration and change registration in accordance with regulations. 2. Supervise and assist the progress of the Board of Directors meetings and meeting minutes in accordance with regulations and assist the company with compliance with laws and regulations governing such meetings. 3. Coordinate with related units to provide Independent Directors and Directors with information and regulations required for the exercise of their duties and arrange courses for Directors in accordance with laws. 4. Supervise and coordinate with related units to promptly process affairs related to investor relations. 5. Other matters set forth in the Company's Articles of Incorporation or contracts.	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
V. Has the company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section of the company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	V		The Company has set up a stakeholders' section under Corporate Social Responsibility on its website, which features contact information as channels of communication and discloses issues related to quality, the environment, occupational safety and health policies, employee rights, as well as social and product liabilities.	No material discrepancy
VI. Does the company commission a professional shareholder services agency to arrange shareholders' meetings and other relevant affairs?		V	The Company takes charge of its own shares-related affairs and handles matters related to shareholders' meetings in accordance with the law.	The Company handles its own shares-related affairs to ensure quality and efficiency.
VII. Information Disclosure				
(I). Has the company established a website to disclose information on financial operations and corporate governance?	V		The Company has set up a website and regularly discloses company information. The Company has appointed specific personnel in charge of the collection and disclosure of company information and has implemented a spokesperson system.	No material discrepancy
(II). Has the company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company’s website)?	V			No material discrepancy

VIII. Has the company provided important information to better understand the state of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, progress of training of directors and supervisors, risk management policy and implementation of risk impact standards, implementation of customer policies and the company's purchase of liability insurance for its directors and supervisors)?	V		(1) The Company provides its employees with comprehensive health care. In addition to the formulation of guidelines related to employee assistance services and gender equality in the workplace, the Company also provides annual health checkups, sports and fitness equipment, organizes various outdoor recreational activities and talks on mental, emotional and spiritual health, purchases group insurance and issues LOHAS e-newsletters. Furthermore, the Company's employees have voluntarily set up the Employee Assistance Program Center (EAPC) to help their colleagues solve work, life and psychological problems. (2) The Company has always been committed to the principle of equal opportunities, and recognizes the contribution of employees from different backgrounds. The Company adopts an open selection process and hires the right talent for the right position, instead of restricting employees' career development based on their race, gender, age, religion, nationality or political affiliation. (3) The Company has appointed a spokesperson to answer various types of questions raised by shareholders and serves as the bridge to connect the Company with its shareholders. Additionally, the Company maintains contact with its major shareholders. (4) The Company maintains a good relationship with major suppliers, and the supply status is normal. (5) The Company maintains a good and stable relationship with its customers in order to generate profits. (6) The Company encourages its directors to participate in continuing education. In addition to providing its directors with various information on continuing education, the Company also organizes such courses from time to time and invites its directors to attend courses related to corporate governance. (7) Purchase of liability insurance for the Company's directors and supervisors: The Group has purchased liability insurance for its directors, supervisors and key employees. In 2017, the total amount of co-insurance was US$30 million and the insurance policy was for the period from May 1, 2017 to May 1, 2018. Related information can be obtained from the Market Observation Post System (MOPS). Matters related to liability insurance have been included in the Board of Directors' report on May 4, 2018.	No material discrepancy
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved (Leave this section blank if the company is not included in the evaluation process) Parts that have been improved are as follows: New number (original number Contents Number (3.13) The Company has established a Corporate Social Responsibility Committee with four members, more than half of which are Independent Directors. The Company has also disclosed the composition, duties, and operations of the Committee on the company website.				

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	

Number (3.31) The Company has established the Regulations Governing the Evaluation of the Performance of the Board of Directors, and these regulations have been approved by the Board of Directors. In addition, the Company will perform self-evaluation once every year, and will disclose the evaluation results on the Company's website and annual reports.

Number (3.33) The Company has purchased liability insurance for all Directors and Supervisors and reported to the Board of Directors.

Number (5.12) The Company set up a whistleblower system for reporting of illegal (including bribery) and unethical conducts carried out by the Company's personnel inside and outside of the Company. The information has been detailed on the company website.

Priority parts to be enhanced are as follows:

New number (original number)	Contents
Number 1.9 (2.9)	The Company uploads the English version of the notification for shareholders' meeting 30 days prior to the date of the meeting along with the Chinese version.
Number 1.10 (2.15)	The Company uploads the English meeting agenda and supplementary information for shareholders' meeting 21 days prior to the date of the meeting along with the Chinese version.
Number 1.11 (2.8)	The Company uploads the English version of the annual report 7 days before the shareholders' meeting.
Number 3.2 (4.2)	Important Information are announced in English at the same time.
Number 3.5 (4.5)	The Company discloses annual financial reports (including financial statements and notes) in English on the its website or the Market Observation Post System (MOPS).
Number 2.21 (New)	The Corporate Governance Team is established to take charge of related corporate governance affairs.
Number 4.6 (New)	The Company formulates policies to protect human rights in accordance with the International Bill of Human Rights and discloses them in the Annual Report or the company website.

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

Note 2: CPA independence evaluation criteria

Item	Evaluation Results	Whether the CPA is independent
1. As of the most recent assurance operation, no CPA has yet to be replaced for seven (7) years.	Yes	Yes
2. The CPA does not have significant financial interest in his/her trustor.	Yes	Yes
3. The CPA avoids any inappropriate relationship with his/her trustor.	Yes	Yes
4. The CPA shall ensure that his/her assistants are honest, fair and independent.	Yes	Yes
5. The CPA may not perform audit and assurance services on the financial statements of companies he/she has served within two (2) years before practicing.	Yes	Yes
6. The CPA may not permit others to practice under his/her name.	Yes	Yes
7. The CPA does not own any shares of the Company and its affiliated companies.	Yes	Yes
8. The CPA has not engaged in lending and borrowing of money with the Company and its affiliated companies.	Yes	Yes
9. The CPA has not engaged in joint investments or benefit sharing with the Company or its affiliated companies.	Yes	Yes
10. The CPA does not concurrently serve as a regular employee of the Company or its affiliated companies and does not receive a fixed salary from them.	Yes	Yes
11. The CPA is not involved in the decision-making process of the Company and its affiliated companies.	Yes	Yes
12. The CPA does not concurrently engage in other businesses that may lead to loss of independence.	Yes	Yes
13. The CPA does not have a spouse, immediate family members or relatives within the second degree of kinship who serve in the senior management of the Company.	Yes	Yes
14. The CPA has not collected any commission related to his/her service.	Yes	Yes
15. As of now, the CPA has not engaged in any matter that may result in disciplinary actions taken against him/her or damage to the principle of independence.	Yes	Yes

Note 3: Letter of Declaration issued by CPA

Chin Shen 10700970 dated February 14, 2018

-

Attn: Asia Polymer Corporation

Subject: The firm intends to accept the offer to audit your company's financial statements for year 2018. In accordance with the No. 10 Bulletin - "Integrity, Objectivity and Independence" in the Norm of Professional Ethics for Certified Public Accountant of the Republic of China set forth by the National Federation of Certified Public Accountant Associations of the Republic of China, the members of the audit team declare that they have complied with the following regulations and have not committed an independence violation.

Description:

I. Members of the audit team and their spouses and dependents are not involved in the following:
   a. Directly or indirectly hold significant financial interests in your company
   b. Have business relations with your company or directors, supervisors and managerial officers at your company, where such relations may affect our independence

II. During the audit, members of the audit team, their spouses and dependents do not serve as directors, supervisors or managerial officers at your company or do not assume positions that may directly and significantly affect the auditing process.

III. Members of the audit team do not have spouses, immediate family members or relatives within the second degree of kinship who serve as directors, supervisors or managerial officers at your company.

IV. Members of the audit team have not received gifts or presents of significant value (where their values have not exceeded the general etiquette standards) from your company or directors, supervisors, managerial officers or major shareholders at your company.

V. Members of the audit team have performed the necessary procedures for evaluating independence or conflict of interests and have not been found to commit independence violations or be involved in unresolved conflicts of interest.

Deloitte & Touche
CPA: Huang Hsiu-Chun

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

1. Information regarding the members of the Remuneration Committee

Title (Note 1)	Criteria / Name	Does the individual have over 5 years of professional experience and the following professional qualifications?			Status of Independence (Note 2)								Number of publicly listed companies in which the member concurrently serves as a remuneration committee member	Remarks
		Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chen Ta-Hsiung			V	V	V	V	V	V	V	V	V	0	
Independent Director	Cheng Tun-Chien			V	V	V	V	V	V	V	V	V	2	
Independent Director	Shen Shang-Hung			V	V	V	V	V	V	V	V	V	1	

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

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

(1) Not employed by the Company or any of its affiliated companies.

(2) Not serving as the director and supervisor of the Company or any of its affiliated companies However, this restriction does not apply to independent directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country.

(3) Not a natural person shareholder who holds more than one (1) percent of total shares issued by the Company or is one of the top 10 shareholders by number of shares held, including shares held in the name of the person’s spouse and minors, or in the name of others

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the 3 preceding criteria

(5) Not a director, supervisor, or employee of a juristic person shareholder that directly holds more than five (5) percent of the total number of shares issued by the Company or is one

of the top 5 shareholders by number of shares held

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company

(7) Neither a professional nor an owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer and their spouses of a sole proprietorship, partnership, company, or institution who provides commercial, legal, financial, accounting, or consultation services to the Company or to any of its affiliated companies or spouse thereof

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Responsibilities of the Remuneration Committee:

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

(1) Regularly review the Committee's charter and propose recommendations to amend it when necessary

(2) Establish and regularly review the annual and long-term performance targets, as well as remuneration policies, systems, standards and structure of the Company's directors and managerial officers.

(3) Regularly evaluate the performance targets of the Company's directors, supervisors and managerial officers, and develop the content and amount of their remuneration individually

3. Operations of the Remuneration Committee

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

(2) The term of office of the current members of the Remuneration Committee June 22, 2016 to June 7, 2019. A total of two (2) meetings (A) were conducted by the Remuneration Committee in the most recent fiscal year (2017), where the attendance of the members are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Percentage of Attendance in Person (%) (B/A) (Note)	Remarks
Convener	Chen Ta-Hsiung	2	0	100%	
Commissioner	Cheng Tun-Chien	2	0	100%	
Commissioner	Shen Shang-Hung	2	0	100%	
Other matters to be noted: I. If the Board of Directors does not adopt or amend the recommendations made by the Audit Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions of the Remuneration Committee by the Company shall be disclosed (if the remuneration approved by the Board of Directors is better than that of the Remuneration Committee, the discrepancies and related reasons shall be stated): None. II. 2. If the members of the Remuneration Committee have any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions shall be stated: None.					

Note: 1. Where a member of the Remuneration Committee resigns before the end of the fiscal year, the Remark column shall be filled with the member's resignation date, whereas his/her percentage of attendance in person (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

2. If members of the Remuneration Committee are re-elected before the end of the fiscal year, incoming and outgoing members shall be listed accordingly, and the Remark column shall indicate whether the status of a member is "outgoing", "incoming" or "re-elected", and the date of re-election. Actual attendance percentage (%) is calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

(V). Fulfillment of Corporate Social Responsibility (CSR):

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
I. Exercising Corporate Governance				Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(I). Has the company established CSR policies or systems and reviewed their effectiveness?	V		(I). The Company issued the 2017 Corporate Social Responsibility Report in June 2017. The report can be downloaded from the Company's website (http://www.apc.com.tw/). The content of this report discloses its CSR vision and sustainable development strategies, where each department promotes CSR-related work according to its functions and regularly review the results of such work. Additionally, the report also responds to its stakeholders by highlighting CSR management and performance in three aspects - operations, environment and society. Please refer to the Company's 2016 Corporate Social Responsibility Report.	
(II). Does the company regularly hold CSR training?	V		(II). The Company regularly organizes CSR-related education and training and promotes CSR.	
(III). Has the company established a dedicated full-time (or part-time) unit to promote CSR? Has the Board of Directors authorized senior management to handle such matters and report its implementation to the Board of Directors?	V		(III). The Company has established the Corporate Social Responsibility Committee, in which the independent director serves as chief commissioner and the general manager serves as deputy chief commissioner. Three promotion teams have been established under the Committee, namely the Corporate Governance Task Force, the Environmental Protection Task Force and the Social Relations Task Force, where each team is responsible for the establishment of the CSR policy's strategy, goals and programs. In addition, the Committee reports the status of CSR implementation to the Board of Directors. (Note 3)	
(IV). Has the company formulated a reasonable remuneration policy and combined both employee performance appraisal and CSR policies? Has the company established a clear reward and punishment system?	V		(IV). The Company has established the Remuneration Committee to regularly review its remuneration policies and report rewards and punishments based on outcomes of performance appraisal so as to ensure that its reward and punishment system is effective.	
II. Fostering A Sustainable Environment				Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(I). Is the company committed to improving the efficiency of using various resources, and to the use of recycled materials with reduced environmental impact?	V		(I). The Company emphasizes the importance of environmental protection and responds to clean production and green environment movements. The Company enhances pollution prevention through process improvement, as well as tracks and reviews the progress of implementation goals of	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(II). Has the company established an appropriate environmental management system based on the characteristics of the industry to which it belongs? (III). Is the company concerned with the effects of climate change on its business activities? Has the company implemented greenhouse gas (GHG) inventory audit, and formulated strategies for energy conservation, carbon reduction and GHG reduction?	V V		annual plans formulated by the Company. (II). The Company has successfully obtained the ISO 14001 management system certification, and its occupational safety and health department performs regular inspections and tracking to implement disaster prevention and pollution prevention. In addition, the Company complies with the Restriction of Hazardous Substances (RoHS) directive in the European Union, and enhances education and training related to environmental protection. (III). The Company's carbon dioxide emissions in 2017 and 2016 were 110,863 metric tons and 101,324 metric tons respectively. In response to the MOEA Bureau of Energy's "Energy User Establishment of Energy Conservation Targets and Implementation Plan Regulations" which requires energy users to achieve average annual electricity consumption reduction by 1% from 2015 to 2019 and the "Greenhouse Gases Reduction and Management Act" promulgated by the Environmental Protection Administration of the Executive Yuan on July 1, 2015, the Group has established energy management goals for reducing electricity consumption by 1%, energy consumption by 2%, carbon emissions by 1.5%, and water consumption by 1% from 2016. The Company also organizes energy management meetings each quarter to discuss the implementation of energy conservation plans and exchange of external resources.	
III. Preserving Public Welfare (I). Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?	V		(I). The Company has made reference to internationally recognized human rights standards including the International Bill of Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work to fully exercise CSR and implement human rights protection. Besides, the Company has established human rights policy to eliminate human rights violations so that our existing colleagues can enjoy reasonable and dignified treatment. 1. Follow relevant laws and regulations to provide a safe and healthy workplace 2. Committed to maintaining a workplace which is free of violence, harassment and intimidation, as well as respect the privacy and dignity of employees 3. Do not hire child labor 4. Prohibit forced labor	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

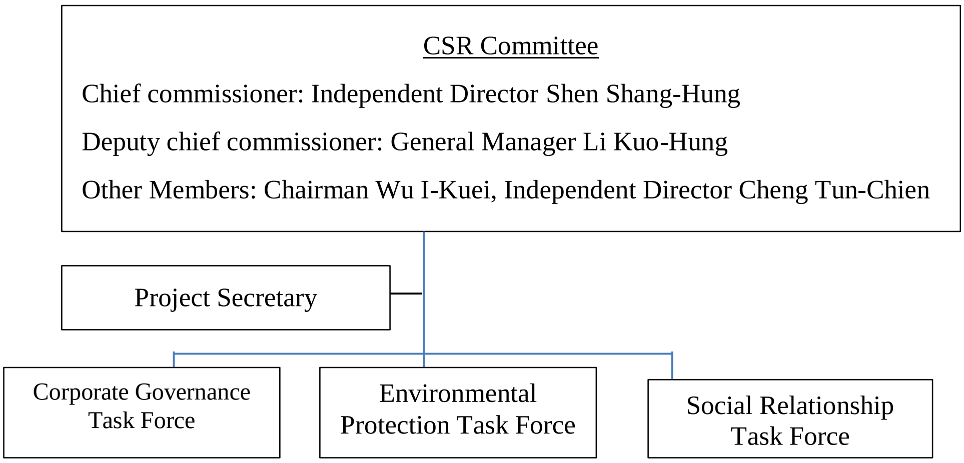
Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			5. Eliminate unlawful discrimination and reasonably ensure equal opportunity in employment and promotion 6. Respect employees' rights to organize and participate in legally recognized labor unions to protect their right to work	
(II). Has the company established employee complaint and grievance mechanisms and channels, and handled employee complaints and grievances appropriately?	V		(II). The Company has established the employee complaint and grievance mailbox and the suggestion mailbox, which allow employees to disclose their work-related problems. The suggestion mailbox is managed by related experts who will thoroughly understand and respond to employees' suggestions, so as to maintain a smooth communication channel for collecting employees' opinions and feedback.	
(III). Does the company provide a safe and healthy work environment for its employees, and regularly offer safety and health education to its employees?	V		(III). The Company has successfully obtained the OHSAS18001 Health and Safety Management System Certification. The occupational safety and health department and the construction department at the plant regularly perform various occupational safety and health inspections and examinations on a daily basis. In addition, the Company also joins the Taipei Responsible Care Association (TRCA) and Linyuan Industrial Park Safety and Health Promotion Association to observe and learn from each other in areas including occupational safety, health and environmental protection, thereby enhancing the protection of employees' safety and health. Furthermore, the Company regularly holds fire drills and occupational safety and health training every year, with the purpose of developing employees' abilities to respond to emergency incidents and manage personal safety. The Company regularly holds health checkups every year and equips its plant with certified nurses to provide its employees with health care and medical assistance.	
(IV). Has the company established mechanisms to regularly communicate with its employees and appropriately notified its employees of operational changes that may result in material effects?	V		(IV). The Company regularly holds meetings with employees and ensures that employees are made aware of changes in the business environment through meetings at different levels, electronic media and other communication mechanisms.	
(V). Has the company established an effective career developmental plan for its employees?	V		(V). The Company has always paid serious attention to employee education and training. Hence, the Company has formulated a set of standards for employee training procedures, as well as implemented various learning methods including pre-	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			employment training, on-the-job training, work instructions, classroom lectures, educational CDs or online learning based on the training needs of employees and departments, with a view to enhancing the qualities and skills of employees.	
(VI). Has the company established relevant customer rights policies and customer complaint and grievance procedures for research and development, purchasing, production, operations and service processes?	V		(VI). The Company has set up a Research and Development Division in Linyuan Plant, which focuses on customer service and product research and development, in order to develop new products and products for new applications, as well as assist customers in upgrading processing technologies. The Company has also established specifications concerning technical support, customer privacy, handling of customer complaints and customer satisfaction.	
(VII). Does the company comply with relevant laws and international regulations governing the marketing and labeling of its products and services?	V		(VII). The Company establishes long-term cooperation with high-quality suppliers based on quality, capability and environmental protection policies, fulfills corporate social responsibilities, and delivers the idea of environmental protection policies to contractors and carriers. At the same time, the Company complies with the RoHS directive and enhances environmental protection education and training. The Company also pays serious attention to the safety of construction companies in the plant area and ensures the safety of various operations so as to protect the safety and health of workers and jointly engage in good risk management with them.	
(VIII). Has the company evaluated any record of a supplier's impact on the environment and the society before engaging in commercial dealings with the said supplier?	V		(VIII). The Company has established long-term strategic partnerships with major raw material suppliers and set up safety stock according to the preparation schedule so that the supply chain can continue to run smoothly. To encourage continuous supplier optimization so that the Company can obtain raw materials and services at the right time, in the right quantity and at the right price, the Company regularly performs annual evaluation of suppliers according to aspects including quality, delivery dates, environmental protection and occupational safety and health, packaging, quality certification and services in coordination with production operations and environmental protection policies.	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(IX). Do contracts between the company and its major suppliers include terms where the company may terminate or rescind the contract at any time if the said suppliers violate the company's corporate social responsibility policy and have caused significant effects on the environment and the society?	V		(IX). The Company will continuously strengthen self-evaluation of supply chain sustainability, and gradually incorporate CSR performance into selection, evaluation and audit processes. The Company jointly fulfills corporate social responsibilities with its suppliers using its influence. Excellent CSR experience sharing and collaboration with suppliers serve as a vital foundation for the Company to establish sustainable businesses.	
IV. Enhancing Information Disclosure (I). Does the company disclose relevant and reliable information related to CSR on its official website and MOPS?	V		The Company has set up the Corporate Social Responsibility section on its website to disclose information on corporate social responsibility (http://www.usife.com.tw/zh-tw/dirCSR/frmCSR.aspx). The Company issued the Corporate Social Responsibility Report, where the content of the report was prepared according to the G4 Sustainability Reporting Guidelines published by the Global Reporting Initiative. The report has been disclosed on the Company's website and posted on MOPS where stakeholders can view and download the report.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
V. If the Company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies, state the discrepancies between these principles and its implementation: The Company added its Corporate Social Responsibility Best Practice Principles on March 11, 2015. There was no material discrepancy between these principles and its implementation.				
VI. Other important information that facilitates the understanding of the implementation of corporate social responsibility (such as systems and measures adopted by the company with regard to environmental protection, community engagement, contributions to the society, social services, social welfare, consumer rights, human rights, safety and health, as well as other social responsibilities, and their implementation): USI Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society". On December 30, 2011, USI Corporation and Asia Polymer Corporation jointly established the USI Education Foundation with a fund of NT$50 million. The USI Education Foundation aims to engage in education-related charitable activities, and focuses on care for the disadvantaged, people in rural areas and the ecology. The foundation has carried out the following activities in accordance with the relevant laws: 1. Sponsor education in rural areas 2. Establish scholarships 3. Hold talks, seminars or other education-related charitable activities 4. Sponsor schools at various levels or educational groups to engage in activities such as literature, sports, music, dance, arts and drama. 5. Industry-academia collaboration 6. Other education-related charitable services that are consistent with the objectives of the foundation In 2017, the total sponsorship expenditure of the USI Education Foundation was NT$6.24 million, including NT$1.25 million distributed as education scholarships, NT$1.5 million and NT$2 million were contributed to sponsor the Alliance Cultural Foundation and Junyi Experimental High School respectively. A total of NT$1.05 million was contributed to sponsor various educational and public welfare organizations such as Boyo Social Welfare Foundation, Teach for Taiwan and the "Exclamation Mark" Strategic Alliance, whereas NT$440 thousand was contributed to sponsor service-based society and club activities in colleges and universities. Since its founding six years ago, the total expenditure for various sponsorships was NT$27.42 million. The foundation has offered scholarships to outstanding students from poor families, who pursue studies in areas including chemical engineering, materials engineering, environmental science and ecology at more than 10				

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td colspan="5">public and private universities to promote education related to the aforementioned areas and talent cultivation, as well as encourage Bachelor's degree and Master's degree students to work hard, thereby nurturing outstanding talents for the society. In 2017, the foundation awarded NT$1.25 million worth of scholarships to 27 students from 24 departments in 16 public and private universities, including 3 PhD students, 16 Master's degree students and 8 Bachelor's degree students. 14 of them came from poor families. Since its founding, the foundation has cumulatively awarded NT$7.1 million worth of scholarships, where the number of departments sponsored have increased from 19 to 25, with the purpose of giving encouragement to more outstanding students who come from poor families.
Chairman of the Alliance Cultural Foundation, Mr. Stanley Yen who took over as the Chairman of Junyi Elementary and Secondary School (currently known as Junyi Experimental High School) in Taitung since 2011, hopes to provide students in rural areas with equal opportunities for learning through heuristic education, so as to create new value for education in Taiwan. The Alliance Cultural Foundation has also gradually shifted its manpower, time and resources to education. The USI Education Foundation recognizes Mr. Stanley Yen's care for rural education in Taiwan and his idea on sustainable development. Therefore, the foundation supports his efforts to implement various projects related to implementing and fostering rural education by sponsoring the Alliance Cultural Foundation and Junyi Experimental High School. In 2017, the USI Education Foundation awarded a sponsorship of NT$1.5 million to the Alliance Cultural Foundation and a sponsorship of NT$2 million to Junyi Experimental High School in Taitung, where the cumulative amount of sponsorship provided in the past six years was NT$12.9 million. The foundation is expected to continue sponsoring them in 2018.
The foundation has provided a sponsorship of NT$1.05 million in 2017 to other education-related public welfare organizations, including Boyo Social Welfare Foundation, Teach for Taiwan and the Exclamation Mark Strategic Alliance under Teco Technology Foundation which supports the young Bunun folk choir from Luanshan Elementary School in Taitung. To enable these socially recognized units receive stable support, the foundation is expected to continuously provide sponsorships to them in 2018 in order to assist more schoolchildren.
Furthermore, the USI Education Foundation also provides sponsorships to societies and clubs registered at various colleges and universities in order to encourage societies and clubs at colleges and universities to engage in services such as education-related public welfare activities for the disadvantaged, public welfare activities associated with rural education, as well as ecology and environmental protection education. The main types of activities sponsored by the foundation include education services activities in the following areas: languages, mathematics, nature, society, arts, life counseling, health, moral education, information education, environmental education and environmental protection education. The foundation hopes to provide the disadvantaged and rural people with diversified education through high-quality resources and manpower at colleges and universities. A total of 124 applications from 33 schools were filed in 2017 and 56 events in 28 schools were sponsored. The total sponsorship was NT$440 thousand. We have cumulatively awarded NT$2.49 million in the past six years. The total number of volunteers totaled approximately 6,626 and the number of schoolchildren participants totaled approximately 14,584. Due to a considerable number of applications over the past years, our performance in encouraging young students to organize public service club activities has been significant. We shall therefore continue to sponsor such activities in 2018.</td></tr>
<tr><td colspan="5">VII. A clear statement shall be made if the Company's corporate social responsibility report complies with verification standards of relevant certification bodies: None</td></tr>
</table>

Note 1: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.
Note 2: Companies that have already prepared their own CSR reports may specify ways to access the report and indicate the page numbers of the cited content in place of the abovementioned summary description.
Note 3. CSR Committee
The organizational chart and members are as follows:



Committee	Organization Rules	Members	Primary Functions	State of Operations
CSR Committee	The Committee is composed of the Chairman of the Board, General Manager, and two Independent Directors decided by the Board of Directors. One Independent Director shall serve as Chairman and the General Manager shall serve as the Deputy Chairman.	Chief commissioner: Independent Director Shen Shang-Hung Deputy chief commissioner: General Manager Li Kuo-Hung Other commissioners: Chairman Wu I-Kuei, Independent Director Cheng Tun-Chien	The responsibilities of the Committee shall include the following items: 1. Determining the CSR policy; 2. Outlining the CSR strategy, annual plan, and project plans; 3. Supervising the plans of SCR strategies, the implementation of the annual plan and project plans, and evaluate the implementation. 4. Reviewing and approving the corporate social responsibility report; 5. Report the implementation of CSR activities to the Board of Directors each year; 6. Other matters to be conducted by the committees per Board of Directors‘ resolution.	The first meeting was convened in March 2018.

(VI). Implementation of Ethical Corporate Management and Measures for its Implementation

Implementation of Ethical Corporate Management:

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
I. Formulating Ethical Corporate Management Policies and Programs (I). Does the company specify ethical corporate management policies and programs in its regulations and external documents? Do the Board of Directors and the management team actively advocate and implement these policies? (II). Has the company formulated solutions to prevent unethical conduct from taking place, specified all the solutions in its operating procedures, conduct guidelines, punishments for violations and complaint and grievance channels. and implemented these solutions? (III). Does the company take preventive measures against operating activities stipulated in Article 7, Subparagraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies or those with higher risks of unethical conduct in other scopes of business?	V V V		(I). The Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society" and exercises its corporate culture that "seeks truth, honesty and comprehensiveness". The Company has established its Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers to specify its ethical corporate management policies. The Company's Board of Directors and management team have promised to actively implement these policies. (II). The Company has formulated the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct, while the Group has also formulated the Code of Conduct for Employees Regarding Concurrent and Part-time Work. In addition, the Company has set up an Ethical Corporate Management section on its website to educate and promote ethical conduct and organizes related training courses. (III). The Company has effectively prevented bribery and illegal political contributions by establishing the Audit Committee mailbox, authorization regulations, internal control systems, routine audits and ad-hoc audits.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies
II. Implementing Ethical Corporate Management (I). Has the company evaluated the ethics records of counterparties to its business dealings, and specified ethical business policies in contracts with counterparties related to its business dealings? (II). Has the company established a full-time (or part-time) unit directly under the supervision of the Board, which is dedicated to promoting ethical	V V		(I). The Company has requested for terms of ethical conduct to be clearly defined in commercial contracts in accordance with its Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct. (II). The Company has designated the Human Resources Division as the unit responsible for implementing ethical corporate management. It reports the	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
corporate management and regularly reports its implementation to the Board of Directors? (III). Has the company established policies to prevent conflicts of interest, provided an appropriate channel for reporting such conflicts and implemented them? (IV). Has the company established an effective accounting system and international control systems to implement ethical corporate management, designated its internal audit unit to perform regularly audits or commissioned CPAs to perform audit? (V). Does the company regularly hold internal and external training related to ethical corporate management?	 V V V		implementation status to the Board of Directors regularly every year.. (III). The Company has formulated the "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers" to prevent conflict of interest and provide suitable channels for Directors, managers, and employees to explain any potential conflict of interest with the Company. (IV). The Company's accounting systems and internal control systems can run independently and objectively. Internal control personnel regularly report to the Audit Committee and the Board of Directors. CPAs appointed by the Company regularly perform internal audits and hold discussions with the management. (V). The Company continues to promote and hold education and training programs and a total of 131 participants recorded a total of 218 hours of attendance in related internal and external courses within the scope of ethical corporate management in 2017 (ethical corporate management legal compliance, information disclosure and prevention of Insider trading, accounting system and internal controls etc.).	
III. Implementation of the Company's Whistleblowing System (I). Has the company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers? (II). Has the company established standard operating procedures for investigating reported cases and related confidentiality mechanisms? (III). Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	 V V V		(I). The Company has established the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct and provided internal and external channels for whistleblowing. Moreover, the Company has also set up a designated unit to handle related matters. (II). The procedures above specify the handling procedures after receiving a whistleblowing report. The process is conducted in a confidential and rigorous manner. (III). The procedures above also specify that whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities fully maintained, so that they will not be subjected to unfair treatment or retaliation.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>IV. Enhancing Information Disclosure
Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</td><td>V</td><td></td><td>The Company has placed ethical corporate management policies and education information in the "Ethical Corporate Management" section in its internal website for employees to review and placed the "Ethical Corporate Management Best Practice Principles" and annual reports on the external website (http://www.apc.com.tw/zh-tw/dirServices/frmServices2.aspx) (as well as the MOPS) to disclose related information on ethical corporate management.</td><td>Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies</td></tr>
<tr><td colspan="5">V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies, state the discrepancies between these principles and its implementation:
The Company has established its Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers, the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, the Code of Conduct for Employees Regarding Concurrent and Part-time Work, and the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct. There was no material discrepancy during the implementation of these rules and regulations.</td></tr>
<tr><td colspan="5">VI. Other important information that facilitate the understanding of the implementation of ethical corporate management: (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles):
The Company issues a signed letter titled "Reiteration of Our Company's Ethical Corporate Management Policies" to suppliers to demonstrate its commitment to ethical corporate management, and continuously organizes related promotion and training activities.</td></tr>
</table>

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

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

1. The Company has established the following operating procedures:
   (1) Articles of Association
   (2) Regulations Governing the Acquisition and Disposal of Assets
   (3) Regulations Governing the Making of Endorsements / Guarantees
   (4) Regulations Governing the Loaning of Funds to Others
   (5) Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers
   (6) Regulations Governing the Election of Board Members
   (7) Rules of Procedure for Board of Directors' Meetings
   (8) Regulations Governing the Evaluation of the Performance of the Board of Directors
   (9) Procedures for Handling Material Inside Information
   (10) Ethical Corporate Management Best Practice Principles
   (11) Rules of Procedure for Shareholders' Meetings
   (12) Rules Governing the Scope of Powers of Independent Directors
   (13) Remuneration Committee Charter
   (14) Procedures for Ethical Management and Guidelines for Conduct
   (15) Corporate Governance Best Practice Principles
   (16) Audit Committee Charter
   (17) Corporate Social Responsibility Best Practice Principles
   (18) CSR Committee Charter
   (19) Employee Work Rules
   (20) Directions for the Management of Employee Complaint, Grievance and Suggestion Mailboxes
   (21) Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
   (22) Corporate Governance Self-Evaluation Report
2. As of the publication date of this annual report, refer to the following for the Company's Corporate Governance Best Practice Principles and other related regulations:
   (1) Corporate Governance section of the Market Observation Post System (http://mops.twse.com.tw/mops/web/index)
   (2) Corporate Governance section under Investor Relations on the Company's official website (http://www.apc.com.tw)

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

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

(IX). Implementation of Internal Control System

1. Statement on Internal Control

Asia Polymer Corporation

Statement on Internal Control System

March 12, 2018

According to the results from our self-evaluation, the Company shall make the following statements on our internal control system in 2017:

I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Company's Board of Directors and managerial officers, and thus the Company has established such a system. The objectives of the internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.

II. An internal control system has inherent constraints. No matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned objectives. In addition, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, the Company's internal control systems are equipped with self-monitoring mechanisms, thereby allowing the Company to take immediate remedial actions in response to any identified deficiency.

III. The Company determines whether or not the design and implementation of its internal control system is effective according to the items for determining the effectiveness of internal control systems as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The items for the determination of internal control systems adopted in the Regulations has identified five key components based on management control processes: (1) control environment, (2) risk assessment, (3) control operations, (4) information and communication, and (5) monitoring operations. Each component includes a number of items. For more information on the abovementioned items, please refer to the Regulations.

IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.

V. Based on the above results, the Company believes that the design and implementation of its internal control systems (including supervision and management of its subsidiaries), as of December 31, 2017, and the understanding of the level of goal achievement in regards to operational benefits and efficiency, as well as whether the reporting is reliable, timely and transparent and whether it complies with the relevant laws and regulations, is effective and can reasonably assure the accomplishment of the abovementioned goals.

VI. The Statement shall become the main content of the Company's annual report and prospectus and shall be made public. Should the abovementioned content contain illegalities such as fraudulent and hidden information, the Company shall assume legal liabilities involving Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. The Statement has been approved by the Company's Board of Directors on March 12, 2018, where zero out of the nine directors present voted against the resolution and the remaining directors agreed with the content of the Statement.

Asia Polymer Corporation

Chairman: Wu I-Kuei

General Manager: Li Kuo-Hung

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

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

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

1. Shareholders' Meeting

Year of Meeting	Date of Meeting	Key Resolutions and Implementation
2017	06/08/2017	The minutes of the Shareholders' Meeting were posted onto MOPS on June 26, 2017. The resolutions and their status of implementation are as follows: 1. Approve the 2016 Account Book Implementation status: Resolution passed 2. Approve the 2016 earnings distribution plan Implementation status: Resolution passed A total of NT$301,814,397 were distributed to the shareholders as cash dividends, and the record day was August 4, 2017. All the cash dividends were completely distributed on August 25, 2017. A total of NT$150,907,190 were distributed to the shareholders as stock dividends in which 15,090,719 new shares were distributed. All the stock dividends were completed distributed on September 14, 2017. 3. Deliberate on capital increase by retained earnings Implementation status: Resolution passed The resolution was declared effectively by the Securities and Futures Bureau under the Financial Supervisory Commission on June 21, 2017 and was approved as stated in the approved letter with Reference No. Ching Shou Shang Tzu 10601121270 dated August 30, 2017. The Company issued 15,090,719 new shares, where 30 new shares were distributed for each thousand shares held. The record date approved by the Board of Directors was August 4, 2017, and all the new shares were completely distributed on September 14, 2017. 4. Deliberate on the amendment of the Regulations Governing the Acquisition and Disposal of Assets Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 5. Deliberate on the amendment of the Procedures for Loaning of Funds to Others Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 6. Deliberate the removal of the non-compete clause for Directors Implementation status: Resolution passed

2. Board of Directors Meeting

Session (Year) of Meeting	Date of Meeting	Key Resolutions
1st Meeting in 2017	03/14/2017	1. Approved the 2016 reward distribution plan for directors and employees 2. Approved the 2016 Account Book 3. Approved the 2016 profit distribution plan 4. Approved capital increase by retained earnings 5. Approved the amendment of certain articles in the Regulations Governing the Acquisition and Disposal of Assets 6. Approved the amendment of certain articles in the Procedures for Loaning of Funds to Others 7. Approved the recommendation to lift competition restrictions against directors at the Annual General Meeting 8. Approved matters related to the convening of the 2017 Annual General Meeting 9. Established the period for acceptance of shareholders' proposals from April 1, 2017 to April 11, 2017 10. Approved remuneration of CPAs for year 2016 11. Approved the 2017 Evaluation of the Independence of Appointed CPAs 12. Approved the appointment of CPAs for year 2017 13. Approved the issuance of the 2016 Statement on Internal Control System 14. Approved the change of the chief auditor 15. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions 16. Approved donations to the USI Education Foundation
2nd Meeting in 2017	05/08/2017	1. Ratified short-term credit loan contracts and related documents signed with and delivered to financial institutions 2. Approved the amendment of internal control systems
3rd Meeting in 2017	06/19/2017	Approved the issuance of new shares
4th Meeting in 2017	08/09/2017	1. Ratified short-term credit loan contracts and related documents signed with and delivered to financial institutions 2. Approved the 2017 Quarter 2 Consolidated Financial Statements 3. Approved the amendment of certain articles in the Rules of Procedure for Board of Directors' Meetings 4. Approved the amendment of certain articles in the Audit Committee Charter 5. Approved the lifting of competition restrictions against independent director Mr. Shen Shang-Hung
5th Meeting in 2017	11/09/2017	1. Ratified short-term credit loan contracts and related documents signed with and delivered to financial institutions 2. Approved the 2018 company budget 3. Approved the 2018 audit plan 4. Approved the amendment of certain articles in the Rules Governing the Scope of Powers of Independent Directors 5. Approved the formulation of the Regulations Governing the Evaluation of the Performance of the Board of Directors 6. Approved the formulation of the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
6th Meeting in 2017	12/22/2017	1. Ratified three-year medium-term loan limit signed with First Commercial Bank 2. Ratified the mid-term unsecured comprehensive limit signed with O-Bank 3. Ratified three-year medium-term loan limit signed with Bank SinoPac 4. Approved to establish the Corporate Social Responsibility Committee and the Corporate Social Responsibility Committee Charter 5. Elected two Independent Directors Shen Shang-Hung and Cheng Tun-Chien as members of the CSR Committee and Director Shen Shang-Hung was appointed as convener.

Session (Year) of Meeting	Date of Meeting	Key Resolutions
		6. Passed the amendment of the certain clauses of "Handling Cases of Illegal and Unethical or Dishonest Conduct"
1st Meeting in 2018	03/12/2018	1. Ratified the renewal of the three-year medium-term loan limit signed with Yuanta Commercial Bank 2. Ratified the renewal of the three-year medium-term loan limit signed with KGI Bank 3. Approved the 2017 Account Book 4. Approved the 2017 reward distribution plan for directors and employees 5. Approved the 2017 earnings distribution plan 6. Approved capital increase by retained earnings 7. Approved the amendment of certain articles in the Regulations Governing the Making of Endorsements / Guarantees 8. Approved the recommendation to lift competition restrictions against directors at the Annual General Meeting 9. Approved matters related to the convening of the 2018 Annual General Meeting 10. Established the period for acceptance of shareholders' proposals: March 29, 2018 to April 8, 2018 11. Approved remuneration of CPAs for year 2017 12. Approved the 2018 Evaluation of the Independence of Appointed CPAs 13. Approved the appointment of CPAs for year 2018 14. Approved the issuance of the 2017 Statement on Internal Control System 15. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions 16. Approved donations to the USI Education Foundation

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

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

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

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

Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
Audit Manager	Tang Ta-Chun	03/05/2004	03/14/2017	Retired
Auditor	Chuang Chia-Fang	03/14/2017		Newly Appointed

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

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

V. Information Regarding CPA Fees

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

Name of CPA Firm	Name of CPA		Audit Period	Remarks
Deloitte & Touche	CPA Huang Hsiu-Chun	CPA Wu Shih-Tsung	2017	

Note: If the Company has replaced the CPAs or accounting firm in the current fiscal year, the audit period shall be listed separately, and the reason for replacement shall be stated in the Remark column.

Unit: NT$ thousands

Range of Fees \ Fee Item		Audit Fee	Non-Audit Fees	Total
1	Less than NT$2,000 thousand	0	40	40
2	NT$2,000 thousand (inclusive) - NT$4,000 thousand	3,020	0	3,020
3	NT$4,000 thousand (inclusive) - NT$6,000 thousand	0	0	0
4	NT$6,000 thousand (inclusive) - NT$8,000 thousand	0	0	0
5	NT$8,000 thousand (inclusive) - NT$10,000 thousand	0	0	0
6	Over NT$10,000,000 (inclusive)	0	0	0

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

Unit: NT$ thousands

Name of CPA Firm	Name of CPA	Audit Fee	Non-Audit Fees					Audit Period	Remarks
			System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal		
Deloitte & Touche	CPA Huang Hsiu-Chun CPA Wu Shih-Tsung	3,020	0	0	0	40	0	2017	Services to be Provided: Audit for recapitalization of retained earnings

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

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

(II). Where the CPA firm was replaced, and the audit fees in the fiscal year when the replacement was made were less than that in the previous fiscal year before replacement, the amount of audit fees paid before replacement and reasons for paying this amount shall be disclosed:
The Company did not replace the CPA firm in 2017. Therefore, this section is not applicable.

(III). Where the audit fees were reduced by more than 15 percent compared to the previous fiscal year, the amount and percentage of decrease in audit fees, as well as the reason for such decrease shall be disclosed:
The audit fees incurred to the Company in 2017 were not reduced by more than 15 percent compared to that in 2016. Therefore, this section is not applicable.

VI. Information on replacement of certified public accountants

(I). Previous CPAs: Not applicable

<table>
<tr><td>Date of Replacement</td><td colspan="5"></td></tr>
<tr><td>Reason for Replacement and Explanation</td><td colspan="5"></td></tr>
<tr><td rowspan="3">State whether the appointer or the CPAs have terminated the appointment, or whether the appointer or the CPAs have rejected the appointment</td><td colspan="2">Party
Status</td><td colspan="2">CPA</td><td>Appointer</td></tr>
<tr><td colspan="2">Termination initiated by client</td><td colspan="3" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">CPA declined to accept (continue) the appointment</td></tr>
<tr><td>Opinion and reason for the issuance of audit reports containing opinions other than unqualified opinions in the most recent two fiscal years</td><td colspan="5">Not applicable</td></tr>
<tr><td rowspan="7">Different opinions from the issuer</td><td rowspan="5">Yes</td><td colspan="2"></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td colspan="2"></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td colspan="2"></td><td colspan="2">Audit scope or procedures</td></tr>
<tr><td colspan="2"></td><td colspan="2">Others</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="4"></td></tr>
<tr><td colspan="5">Descriptions: None</td></tr>
<tr><td>Other items for disclosure (where Article 10, Subparagraph 6, Item 1-4 to Item 1-7 of the Regulations shall be disclosed)</td><td colspan="5"></td></tr>
</table>

(II). Successor CPAs: Not applicable

Name of CPA Firm	
Name of CPA	
Date of Appointment	
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	
Written opinions from successor CPAs with regards to matters with which former CPAs disagreed	

(III). Former CPAs' reply to Item 1 and 2-3, Subparagraph 6, Article 10, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable

VII. The Company's directors, general manager, managerial officer in charge of finance or accounting who has served in a CPA's accounting firm or its affiliated companies in the most recent fiscal year: Not applicable

VIII. Equity transfer or changes in equity pledged by the Company's directors, supervisors, managerial officers or shareholders with shareholding percentage exceeding ten (10) percent in the most recent fiscal year up to the publication date of this annual report:

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

Title	Name	2017		Current fiscal year up to April 30, 2018	
		Number of Shares Held Increase (Decrease)	Number of Pledged Shares Increase (Decrease)	Number of Shares Held Increase (Decrease)	Number of Pledged Shares Increase (Decrease)
Major Shareholder	Union Polymer Int'l Investment Corp.	5,445,316	(11,500,000)	0	0
Director	Wu I-Kuei (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Tai Lien International Investment Co., Ltd.	569,806	0	0	0
	Matthew Miau (representative of Tai Lien International Investment Co., Ltd.) (Dismissed on 2018/03/13)	0	0	0	0
	Ko I-Shao (representative of Tai Lien International Investment Co., Ltd.) (Appointed on 2018/03/13)	Not applicable		0	0
	Huang Kuang-Che (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Li Kuo-Hung (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Liu Han-Tai (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Liu Chen-Tu (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
Independent Director	Chen Ta-Hsiung	0	0	0	0
	Shen Shang-Hung	0	0	0	0
	Cheng Tun-Chien	0	0	0	0
Manager	Wu I-Kuei	0	0	0	0
	Li Kuo-Hung	0	0	0	0
	Wu Ming-Tsung	0	0	0	0
	Chen Jung-Hung	0	0	0	0
	Chen Cheng-Shun	0	0	0	0
	Shih Ju-Hsuan	0	0	0	0
	Tseng Ching-Wei	0	0	0	0

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

Note 2: Counterparties involved in equity transfer or pledging of equity are related parties and shall be listed in the following table.

(II). Information regarding equity transfer: Counterparties in equity transfers involving juristic persons and supervisors were non-related parties. Directors and major shareholders, supervisors who were natural persons and managerial officers did not engage in equity transfer. Therefore, this section is not applicable.

(III). Information regarding pledging of shares: Counterparties in the pledging of equity involving juristic person directors and major shareholders were non-related parties. Supervisors and managerial officers did not engage in the pledging of equity. Therefore, this section is not applicable.

IX. Information regarding the top 10 shareholders in terms of number of shares held, who are related parties or each other's spouses and relatives within the second degree of kinship:

April 7, 2018

Name (Note 1)	Shares Held by the Person		Shares held by the person's spouse and minors		Shares held in the name of other persons		Title or name and relationship of top 10 shareholders who are related parties or each other's spouses and relatives within the second degree of kinship (Note 3)		Remarks
	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Title (or Name)	Relationship	
Union Polymer Int'l Investment Corp.	186,955,874	36.08%	-	-	0	0%	China General Terminal & Distribution Corporation	Same ultimate parent company as the Company	
Representative: Wu I-Kuei	0	0%	-	-	0	0%	None	None	
Tai Lien International Investment Co., Ltd.	19,563,353	3.78%	-	-	0	0%	None	None	
Representative: Ko I-Shao	0	0%	-	-	0	0%	China General Terminal & Distribution Co.	Director	
Dunbei Branch of Standard Chartered Bank (Taiwan) Limited as custodian of iShares MSCI Emerging Markets Index ETF Fund Investment Account	8,010,977	1.55%	-	-	0	0%			
TransGlobe Life Insurance Inc.	6,900,024	1.33%	-	-	0	0%	None	None	
Representative: Peng Teng-Te	No information given by shareholders								
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund Investment Account, a series of Vanguard Star Funds	4,923,522	0.95%	-	-	0	0%	None	None	
Citibank (Taiwan) as custodian of Dimension Emerging Market Evaluation Fund Investment Account	4,834,075	0.93%	-	-					
China General Terminal & Distribution Corporation	4,616,599	0.89%	-	-	0	0%	Union Polymer International	Same ultimate parent company as the Company	
							Ko I-Shao	Director of China General	

Name (Note 1)	Shares Held by the Person		Shares held by the person's spouse and minors		Shares held in the name of other persons		Title or name and relationship of top 10 shareholders who are related parties or each other's spouses and relatives within the second degree of kinship (Note 3)		Remarks
	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Title (or Name)	Relationship	
								Terminal & Distribution Co.	
Representative: Chang Hung-Chiang	0	0%	0	0%	0	0%	None	None	
Standard Chartered Bank (Taiwan) Limited as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	4,238,182	0.82%	-	-	0	0%	None	None	
Citibank (Taiwan) as custodian of Dimensional Fund Advisors' Emerging Markets Core Portfolio Investment Account	3,834,888	0.74%	-	-	0	0%	None	None	
Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	3,446,799	0.67%	-	-	0	0%	None	None	

Note 1: All the top 10 shareholders shall be listed. For juristic person shareholders, their names and the name of their representatives shall be listed separately.
Note 2: Shareholding percentage is calculated separately based on the number of shares held in the name of the person, his/her spouse and minors, and others.
Note 3: Relationships between the aforementioned shareholders, including juristic person shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

X. Number of shares held by the Company, its directors, supervisors, managerial officers and directly or indirectly controlled investment companies in the same investment companies, and the combined calculation of shareholding percentages

Unit: shares; %; as of December 31, 2017

Reinvestment Entities (Note)	Invested by the Company		Investment by directors, supervisors, managerial officers and directly or indirectly controlled companies		Combined Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
APC (BVI) Holding Co., Ltd.	11,342,594	100.00%	0	0.00%	11,342,594	100.00%
USI International Corp.	2,800,000	70.00%	1,200,000	30.00%	4,000,000	100.00%
APC Investment Corporation	20,000,000	100.00%	0	0.00%	20,000,000	100.00%
China General Plastics Corporation	39,700,480	8.07%	122,844,609	24.97%	162,545,089	33.04%
China General Terminal & Distribution Co	17,079,107	33.33%	0	0.00%	17,079,107	33.33%
Acme Electronics Corporation	6,056,623	3.32%	2,877,013	1.58%	8,933,636	4.90%
Taiwan United Venture Capital Corp.	3,913,533	8.33%	0	0.00%	3,913,533	8.33%
Swanson Plastics Corp.	11,909,495	7.95%	206,523	0.14%	12,116,018	8.09%
Thintec Materials Corporation	1,825,000	30.42%	0	0.00%	1,825,000	30.42%
USI Optronics Corporation	5,972,464	9.20%	0	0.00%	5,972,464	9.20%
Ever Conquest Global Ltd.	46,270,000	37.43%	0	0.00%	46,270,000	37.43%

Note: Invested by the Company using the equity method

Chapter 4 Funding Status

I. Capital and Shares

(I). Source of Share Capital

Year Month	Issue Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2017.8	10	569,676,935 shares	NT$5,696,769,350	518,114,715 shares	NT$5,181,147,150	_	–	–

(Note): Approved in the MOEA Shou-Shang Tzu 10601121270 Letter dated August 30, 2017.

Note 1: Information for the current fiscal year shall be added as of the publication date of this annual report.
Note 2: For any capital increase, the effective (approval) date and the document number shall be added.
Note 3: Shares traded below par value shall be indicated in a clear manner.
Note 4: Capital increase by currency debts or technology shall be stated and the type and amount of assets involved in such capital increase shall be noted.
Note 5: Shares traded via private placement shall be indicated in a clear manner.

Share Type	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered common shares	518,114,715 shares	51,562,220 shares	569,676,935 shares	Listed

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

Information regarding shelf registration: Not applicable.

(II). Shareholder Structure

April 7, 2018

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Juristic Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	-	2	98	44,243	98	44,441
Number of Shares Held	-	6,900,384	220,833,401	247,682,773	42,698,157	518,114,715
Shareholding Percentage	-	1.33%	42.62%	47.81%	8.24%	100.00%

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

(III). Distribution of Equity Ownership

Common stocks:

April 7, 2018

Shareholder Ownership (Unit: Share	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1 to 999	20,799	3,705,163	0.72%
1,000 to 5,000	13,943	32,264,489	6.23%
5,001 to 10,000	4,209	29,817,632	5.76%
10,001 to 15,000	2,021	24,243,920	4.68%
15,001 to 20,000	927	16,315,595	3.15%
20,001 to 30,000	977	23,448,585	4.53%
30,001 to 50,000	746	28,724,621	5.54%
50,001 to 100,000	484	32,939,175	6.36%
100,001 to 200,000	215	29,110,440	5.62%
200,001 to 400,000	71	18,788,977	3.63%
400,001 to 600,000	15	6,922,458	1.34%
600,001 to 800,000	11	7,478,422	1.44%
800,001 to 1,000,000	4	3,507,779	0.68%
1,000,001 and above (This range can be further classified where necessary)	19	260,847,459	50.32%
Total	44,441	518,114,715	100.00%

Preferred shares : None.

(IV). List of Major Shareholders

April 7, 2018

Share / Name of Major Shareholders	Number of Shares Held	Shareholding Percentage
Union Polymer Int'l Investment Corp.	186,955,874	36.08%
Tai Lien International Investment Co., Ltd.	19,563,353	3.78%
Dunbei Branch of Standard Chartered Bank (Taiwan) Limited as custodian of iShares Core MSCI Emerging Market Index ETF Investment Account	8,010,977	1.55%
TransGlobe Life Insurance Inc.	6,900,024	1.33%
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,923,522	0.95%
Citibank (Taiwan) as custodian of Dimension Emerging Market Assessment Fund Investment Account	4,834,075	0.93%
China General Terminal & Distribution Corporation	4,616,599	0.89%
Standard Chartered Bank (Taiwan) Limited as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund	4,238,182	0.82%
Citibank (Taiwan) as custodian of Dimensional Fund Advisors' Emerging Markets Core Securities Portfolio Investment Account	3,834,888	0.74%
Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	3,446,799	0.67%

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

Item		Year	2017	2016	Current fiscal year up to April 30, 2018 (Note 8)
Market Price Stock price (Note 1)	Highest		20.15	20.95	19.35
	Lowest		17.85	15.80	16.80
	Average		19.00	18.56	18.26
Net Asset Value Per Share (Note 2)	Before distribution		18.95	18.88	18.96
	After distribution		-*	18.28	-*
Earnings Per Share (Note 3)	Weighted Average Number of Shares		518,114,715	503,023,996	518,114,715
	Earnings per share before retrospective adjustment		1.09	1.32	0.16
	Earnings per share after retrospective adjustment		1.09	1.29	-
Dividends Per Share (DPS)	Cash dividends		0.2*	0.60	-
	Stock dividends	Dividends from retained earnings	0.7*	0.30	-
		Dividends from capital reserve	-*	-	-
	Cumulative undistributed dividends (Note 4)		0	0	-
Return on investment	Price-to-earnings ratio (Note 5)		17.31	13.67	-
	Price/dividend ratio (Note 6)		94.35	30.08	-
	Cash dividend yield (Note 7)		1.06%	3.32%	-

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

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

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

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

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

Note 4: If there is any condition in issuing equity securities that allows for an undistributed dividend for the fiscal year to be accumulated to subsequent fiscal years in which there is profit, the Company shall separately disclose cumulative undistributed dividends up to that fiscal year.

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

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

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

Note 8: Data on net asset value per share and earnings per share from the latest quarter that has been verified by CPAs up to the date of publication of this annual report shall be filled. For all other columns, the Company shall fill information for the current fiscal year until the publication date of this annual report.

(VI).Dividend Policy of the Company and Its Implementation

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

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

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

2. Dividend distribution to be proposed to the shareholders' meeting:
   (1) Stock dividends: The allocation of NT$362,680,300 from retained earnings in 2017 for capital increase, in which 70 shares were distributed for every 1,000 shares held, has been proposed. The proposal is still pending approval at the Annual General Meeting before it is submitted to the competent authority for approval. The Board of Directors will set the date for the distribution of stock dividends.
   (2) Cash dividends: The allocation of NT$ 103,622,943 from retained earnings in 2017 for the distribution of cash dividends, where a dividend of NT$ 0.2 will be paid for every share, has been proposed. The proposal is still pending approval at the Annual General Meeting before the Chairman of the Board is given the authority to set the date for the distribution of cash dividends.
3. Any expected material changes to the dividend policy shall be further explained: Not applicable.

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

No financial forecast was prepared for year 2018. Therefore, there is no need to disclose forecast information.

<table>
<tr><td colspan="3">Year
Item</td><td>2018
(Estimated)</td></tr>
<tr><td colspan="3">Beginning paid-in capital</td><td>NT$5,181,147,150</td></tr>
<tr><td rowspan="3">Distribution of dividends in the current fiscal year</td><td colspan="2">Cash dividend per share</td><td>NT$0.20</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase by retained earnings</td><td>0.07 shares</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase by capital reserve</td><td>0 shares</td></tr>
<tr><td rowspan="7">Change in operating performance</td><td colspan="2">Operating income</td><td rowspan="13">Not applicable</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in operating profit over the same period in the previous fiscal year</td></tr>
<tr><td colspan="2">Net income after taxes (NIAT)</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in NIAT over the same period in the previous fiscal year</td></tr>
<tr><td colspan="2">Earnings Per Share</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in EPS over the same period in the previous fiscal year</td></tr>
<tr><td colspan="2">Annual average return on investment (reciprocal of average annual price/earnings ratio)</td></tr>
<tr><td rowspan="6">Pro forma earnings per share and price/earnings Ratio</td><td rowspan="2">If capital increase by retained earnings is entirely replaced by cash dividend distribution</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma average annual return on investment</td></tr>
<tr><td rowspan="2">If capital reserve is not used for capital increase</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma average annual return on investment</td></tr>
<tr><td rowspan="2">If capital reserve is not used for capital increase and capital increase by retained earnings is replaced by cash dividend distribution</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma average annual return on investment</td></tr>
</table>

Note: Distribution of dividends in 2018 is based on the earnings distribution plan approved by the Board of Directors on March 12, 2018.

1. The Company shall describe the underlying assumptions on which the estimates or information prepared are based.
2. If capital increase by retained earnings is fully replaced by cash dividend distribution, dividend per share = [Net profit after taxes - interest expense arising from cash dividends* x (1 - tax rate)] / (Total number of shares issued at the end of the current fiscal year - number of shares allocated from earnings**)

   Interest expense arising from cash dividends* = Amount of capital increase by retained earnings x one-year general loan interest rate
   Number of shares allocated from surplus earnings**: Number of shares added due to the allocation of shares from earnings in the previous fiscal year
3. Annual average price-to-earnings ratio = Annual average market price per share / Earnings per share reported in the annual financial statements

(VIII). Rewards Distributed to Employees and Directors:

1. Percentage or range of rewards distributed to employees and directors as stipulated in the Company's Articles of Association:
   (1) Employee rewards: Employee rewards shall not be less than one (1) percent of the Company's profit in the current fiscal year. The abovementioned employee rewards can be distributed in the form of shares or cash. Rewards shall be distributed to employees of the Company's subordinate companies when they meet certain conditions. Such conditions shall be set by the Board of Directors.
   (2) Directors' rewards: Directors' rewards shall not exceed one (1) percent of the Company's profit in the current fiscal year.
2. Basis for estimating the amount of rewards to be distributed to employees and directors, basis for calculating the number of shares to be distributed as employee rewards and accounting treatment for discrepancies between the actual and estimated amount of rewards to be distributed for this period:
   (1) Basis for estimating employee rewards: To be calculated based on the condition that employee rewards shall not be less than one (1) percent of the Company's profit in the current fiscal year.
   (2) Basis for calculating the number of shares to be distributed as employee rewards: Not applicable.
   (3) Accounting treatment for discrepancies between the actual and estimated amount of rewards to be distributed: Handled according to changes in accounting estimates
3. Distribution of rewards approved by the Board of Directors:
   (1) Rewards for employees and directors shall be distributed in the form of cash or shares. If there is any discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:
      Employee rewards: NT$6,592,721 is distributed in cash.
      Directors' rewards: None.
      There was no discrepancy between the amount of rewards to be distributed as approved by the Board of Directors and the recognized amount of rewards for employees and directors.
   (2) Amount of employee rewards distributed in the form of shares and its proportion to NIAT provided in the parent company-only or individual financial statements, as well as its proportion to the total amount of employee rewards:
      Not applicable as employee rewards were not distributed in the form of shares.
4. If there is any discrepancy between the actual amount of rewards distributed to employees and directors (including number and dollar amount of shares distributed, as well as share price) and the recognized amount of rewards for employees and directors in the previous fiscal year, the amount, causes and treatment of such discrepancies shall be stated:
   (1) Employee rewards: The shareholders' meeting resolved to distribute a total of NT$7,930,806 in employee rewards in cash.
   (2) Directors' rewards: None.

(3) If there is any discrepancy between the actual amount and the recognized amount of rewards for employees and directors in the previous fiscal year, the amount, causes and treatment of such discrepancy shall be noted:
There was no discrepancy between the actual amount and recognized amount of rewards distributed to employees and directors.

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

II. Issuance of Corporate Bonds: None.
III. Preferred Shares: None.
IV. Overseas Depository Receipt: None.
V. Issuance of Employee Stock Options: None.
VI. New Restricted Employee Shares: None.
VII. Status of New Share Issuance in Connection with Mergers and Acquisitions: None.
VIII. Capital Utilization Plan and Its Implementation: None.

Chapter 5 Operations Overview

I. Business Activities

(I). Scope of Business

1. Main content and proportion of businesses

(1) Manufacture, processing and sale of low-density polyethylene (LDPE)
(2) Manufacture, processing and sale of medium-density polyethylene (MDPE)
(3) Sale of high-density polyethylene (HDPE)
(4) Sale of linear low-density polyethylene (LLDPE)
(5) Manufacture, processing and sale of ethylene vinyl acetate (EVA) copolymer resins
(6) Manufacture and sale of degradable plastic materials
(7) Machinery wholesaling
(8) Investment industry
(9) Trading of plastic raw materials

In 2017, the Company's sales of low-density polyethylene resins accounted for 60% of its overall turnover while its sales of ethylene vinyl acetate resins constituted 40%.

The main business of its subsidiary, USI Trading (Shanghai) Co., Ltd is plastic raw material trading, and the revenue of this subsidiary is included in the operating income reported in the consolidated financial statements. On the other hand, its other subsidiaries including APC (BVI) Holding Co., APC Investment Corporation and USI International Corp. engage mainly in investments, and their revenues are included in the non-operating income reported in the consolidated financial statements.

2. Current product items:

Low-density polyethylene resins: film-grade, injection molding-grade and laminating film-grade products, as well as products for other uses (low crystallization point, microfiber or foaming)

Ethylene vinyl acetate resins: film-grade, foaming-grade, laminating film-grade, electric cable-grade and photovoltaic-grade products

3. Plans for new product development

Hot melt-grade, medical-grade and other special-grade ethylene vinyl acetate resin products

(II). Industry Overview

1. Current state and development of the industry:

APC's LDPE/EVA production volume in 2017 was 135,077 metric tons which was an increase of 12,842 metric tons from the 122,235 metric tons in 2016. The total sales volume was 135,572 metric tons which was an increase of 8,225 metric tons from the 127,347 metric tons in 2016.

The price of crude oil and light fuels remained steady in 2017 but ethylene prices fluctuated due to tight supply in the Asian market and speculative operations of intermediaries and quoted prices continued to increase in August. Part of the Company's ethylene demand is still unmet and parts relied on export which increased costs. The newly added LDPE and EVA production capacity in the Asian market also increased competition and made operations more difficult than past years starting in the third quarter.

LDPE export market in 2017: Due to long-term operations in high-end markets, the impact of price competition in the market has been resolved and customer operations have become smoother. However, the newly added production capacity in Asia entered the competition in mid to late Q3 and the cost of ethylene increased sales pressure. EVA: The addition of the fourth new production line allowed appropriate adjustment of EVA products. In addition to continuous development of photovoltaic-grade and electric cable-grade products, we also increased the sales volume of high-end foaming and coating products. However, prices on the traditional foaming market stagnated due to the addition of new production capacity from China and the Middle East. The Company has gradually reduced the production and sales volume in these markets. Domestic sales: The supply and demand order has been relatively stable. However, the price competition from imported materials has affected the market but fortunately, we have minimized the impact with appropriate strategies.

In summary, the total sales volume of LD/EVA in 2017 was 135,572 metric tons, an increase of 6.5% from the previous year, while sales increased by 8.7%. At the same time, the total sales volume also exceeded the actual packaging production volume.

2. Relationship between upstream, mid-stream and downstream companies:

At present, the Company mainly sources its ethylene and vinyl acetate from CPC Corporation and Dairen Chemical Corp. Hence, the Company not only continues to maintain good relationships with these companies but also continuously develops overseas supply channels in order to ensure stable supply of ethylene and reasonable cost control for the Company. In terms of sales, we have maintained parity with two domestic competitors and shall enhance product quality to meet market demands. We shall also improve the marketing of niche product and enhance inventory management to satisfy the demand of domestic and foreign customers. At the same time, we shall also develop new products and new markets to meet customer demands and expand niche and high-value products to continue the expansion of operations and company profits.

3. Product development trends and competition:

In terms of exports, LDPE coating products have always been the Company's main sales products. Past competitors were mostly European and American brands but the price gap has decreased as competition from Mainland China, Korea, and Thailand increased their quality, which forces the Company to adjust sales prices. Profits have invariably been affected and we developed other new molding materials to compensate for the sales gap and contribute to development of the Company. EVA: After the expansion of production capacity on new product lines, photovoltaic-grade materials became the main products and we have actively added the development and sales of electric cable-grade products and high-end foaming materials to satisfy production and sales scale. The old production lines were used to develop new customers to increase the sales of coating materials and strengthen relationships with loyal customers to retain the market share in traditional foaming markets. With regard to domestic sales, we face competition from two domestic competitors as well as imports in the market due to low tariffs. In addition, taxes for imported materials can be refunded after export processing and it contributed to the competitive advantages of imported materials. The Company actively strengthens customer relationships and adopts appropriate sales strategies to .maintain stable market sales

The business environment remains harsh in 2018 and we must strengthen our R&D capacity to improve quality of products and win customer recognition. With regard to sales, we must strengthen market development of high profitability products and actively expand emerging export markets to reduce our excessive dependence on existing markets.

(III). Technology, Research and Development Overview

1. Research and development (R&D) expenses in the most recent fiscal year up to the publication date of this annual report

2017: NT$6,226 thousand.

As of April 2018: NT$1,901 thousand.

2. Successfully developed technologies or products in the most recent fiscal year up to the publication date of this annual report

-Development of high-end, high VA and low MI foam/injection-molded foam EVA products for shoe materials, V33121

3. R&D projects in the most recent fiscal year

(1) Item: Development of batch production technologies for low crystallization point coating-grade EVA.

(2) Current progress of uncompleted R&D projects:

Development of batch production technologies for low crystallization point coating-grade EVA.

(3) Additional R&D expenses required: approximately NT$20,600 thousand.

(4) Estimated time for the completion of mass production: fourth quarter of 2018.

(5) Main factors affecting the success of R&D in the future:

* Cultivation of R&D talents and technological inheritance.

* Ample market intelligence (such as quality requirements, product usage and price acceptance).

* Addition of necessary equipment.

(IV). Long-term and Short-term Business Development Plans

Short-term plans:

1. In regards to LDPE, the Company will continue to steadily expand into the domestic and export markets for its products with good reputation. Moreover, the Company will also continuously enhance the quality performance of its special-grade products so as to expand into various categories of high-value domestic and export markets.
2. In terms of EVA, the Company will use the existing traditional market as a foundation to continuously strengthen its relationship with its customers. In addition, the Company has already started to enhance the level of its product technology in order to develop high-value markets for special EVA applications, thereby maximizing its existing production and sales capabilities.

Long-term plans:

1. The Company will stabilize and continuously enhance the quality and specificity of its LDPE / EVA products so as to solidify and expand the market for such products, as well as increase its sales and profitability.
2. The Company will also continuously investigate and evaluate the potential of markets for high value-added ethylene derivatives / copolymers and the feasibility of mass production for these products, choose an opportunity to carry out trial production in small quantities and develop them for customer trial.

II. Market, Production and Sales Overview

(I). Market Analysis

1. Sales regions for major products:

Among the domestic manufacturers of polyethylene (PE) plastic raw materials, the Company and USI Corporation, as well as Formosa Plastics Corporation mainly manufacture low-density polyethylene (LDPE) and ethylene vinyl acetate (EVA) resins. On the other hand, USI Corporation and Formosa Plastics Corporation also manufacture high-density polyethylene (HDPE) and .linear low-density polyethylene (LDPE) raw materials

At present, domestic sales still dominate the sales of LDPE raw materials manufactured by the Company (accounting for approximately 60% of the overall LDPE sales this year), whereas the Company's EVA raw materials are mainly .exported (accounting for approximately 94% of the overall EVA sales this year)

The ratio of domestic and export sales in 2017 was 37% to 63%, respectively. Export sales included exports to Mainland China/Hong Kong, Southeast Asia, .South Asia, Middle East, South Africa, and Japan

In terms of export volume, LDPE accounted for approximately 39% of its export volume, whereas EVA constituted 61%. For domestic sales, LDPE and EVA .sales made up 93% and 7% of its overall domestic sales volume respectively

2. Market Share

In the LDPE domestic sales market, the Company accounted for 23%, USI accounted for 3%, Formosa Plastics accounted for 1%, and imported materials accounted for 73%. In the EVA domestic sales market, the Company accounted for 8%, USI accounted for 47%, Formosa Plastics accounted for 21%, and imported materials accounted for 24%. Since the total production volume of LDPE and EVA among three domestic manufacturers have exceeded domestic demand, the Company not only continues its efforts to enhance its domestic market share, but also needs to enhance its expansion into the export market so as to achieve a balance between production and sales.

3. Supply and demand and growth of future market:

Looking forward to 2018, there has been no tightening of crude oil supply. Therefore, it is estimated that oil prices are not likely to increase sharply. With regard to ethylene, as ethylene plants in Asia enter annual overhauls starting from the end of the first quarter, it would cause shortages in the supply of ethylene in the region. It is estimated that the recent supply shortage and control exerted by large corporations in North East Asia would still cause fluctuations in spot ethylene and increase difficulties in stable material supplies.

In terms of LDPE / EVA markets, due to the official launch of new production capacity in Mainland China and competition for orders from low-priced goods from Thailand, South Korean, and the Middle East, and coupled with the gradual entry of feed products such as shale gas (which are mostly made using tubular processes) into Asia, the market for this product will be increasingly competitive.

In the face of the challenges above, the Company has come up with countermeasures by not only putting in efforts to offer good services and enhance its cohesion to maintain its market share, but also flexibly employing pricing strategies to continuously expand into the high-end LDPE / EVA markets. In addition, the Company actively develops differentiated products which are difficult to replace using special processes, which will help it acquire more high-value customers. At the same time, the Company also continues to seek ethylene supply at reasonable prices, and introduces a product mix optimization mechanism to truly grab hold of market and cost information, with a view of achieving market optimization and profit maximization.

4. Competitive niche:

As the Company's business philosophy is "Solid Operation, Professional Management, Seeking Excellence and Serving the Society", our quality management focuses on non-stop improvement of product quality and continuous enhancement of service quality in order to provide customers with satisfactory operational quality. At present, the Company's specific strategies are to not only obtain stable supply of ethylene from the Middle East, China, and even the United States over the long term in order to compensate for inadequate supply of ethylene from CPC Corporation, but also continuously maintain the strategic alliance with USI Corporation in order to provide product support to each other, as well as actively develop high-value LD / EVA products in order to achieve the goal of .sustainable development

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

Favorable factors:

(1) The Company is a business unit that produces and sells a single product, namely LDPE / EVA, and is able to adjust and maneuver its production lines to respond to the latest market needs in order to enhance the competitiveness of the Company's products.

(2) The Company's production lines involve autoclave-type processes, and are able to produce high-end LDPE / EVA products to meet customized requirements for a small quantity of diverse products in the market.

(3) The Company has accumulated excellent experience in new product development.

(4) The Company has formed a strategic alliance with USI to provide mutual support for insufficient products so as to maximize the benefits of its production capacity.

(5) The Company's EVA production equipment upgrade is almost complete.

(6) The new EVA production line has entered mass production in 2016 and we have gradually expanded PV photovoltaic-grade materials and high-end forming materials market to increase revenue.

Unfavorable factors:

(1) Insufficient supply of ethylene requires the Company to make purchase

from foreign sources. The price of ethylene changes along with the international market and it is difficult to control price fluctuations.

(2) The low production capacity of the production line increases unit production costs.

(3) Low import tariffs for LDPE/EVA products in Taiwan have resulted in competition from low-priced imported materials from new production capacities in foreign countries. Not only has the market been divided, the sales price of LDPE / EVA products will also be indirectly affected and cannot be increased.

(4) LDPE/EVA have not been listed in the ECFA's Early Harvest List and Taiwan has not joined the ASEAN free trade zone. In addition, countries have established tariff agreements and caused trade barriers and unfair competition in the export market which will severely affect sales volume and prices.

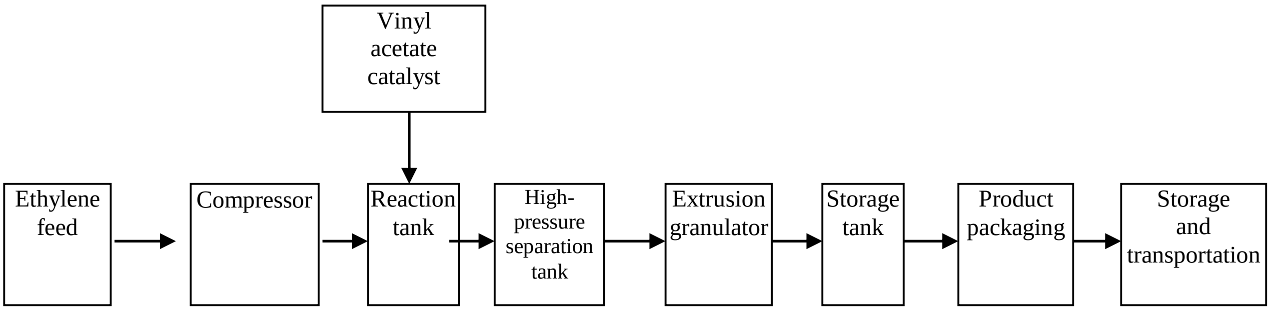
Corresponding countermeasures: Apart from continuously seeking sources of low-priced ethylene, investing in the Gulei Petrochemicals Project, improving and enhancing the stability and operating rate of its production equipment, increasing its production capacity and product quality to reduce production costs, as well as winning over the market, the Company is even more committed to product price rationalization and customer service. In addition, the Company also develops high value-added products in response to market trends, and opens up new export markets such as Mainland China to establish a stable customer base over the long term to increase operating profits.

(II). Important Uses and Production Processes of Major Products

1. Important uses of major products

The Company's low-density polyethylene (LDPE) plastic pellets can be divided into the following categories according to their applications - film-grade, injection molding-grade and laminating film-grade. Film-grade LDPE plastic pellets are mainly used for processing various packaging films, whereas injection molding-grade LDPE plastic pellets are mainly used for processing and manufacturing artificial flowers, various types of household plastic products and electronic components and parts. On the other hand, laminating film-grade LDPE plastic pellets are mainly used as a laminating film for various types of packaging films, as well as various types of protective films. Another product, ethylene vinyl acetate (EVA) copolymer resin, is mainly used in the production of foam shoes, sports equipment, various types of films, solar cell packaging films, hot-melt adhesives, protective films, as well as wire and cable insulation shields due to its high toughness and flexibility.

2. Production processes for major products LDPE and EVA



(III). Supply of Major Raw Materials

1. Ethylene

The Company has signed an ethylene purchase agreement with CPC Corporation. However, the supply provided by the ethylene purchase agreement from CPC cannot satisfy the Company's demand. The deficiencies are supplemented by ethylene imported by USI Corporation on behalf of the Company.

2. Vinyl acetate monomer (VAM)

As the Company produces ethylene vinyl acetate copolymer resins, the Company purchases vinyl acetate monomers (VAM) from Dairen Chemical Corp. and abroad to provide sufficient supply to the Company.

(IV). Name of customers who account for more than ten (10) percent of the total purchases (or sales) of goods and their amount and proportion of purchases (or sales) of goods in any one of the most recent two fiscal years, and reasons for the increase or decrease in purchases or sales of goods

1. List of customers who account for more than ten (10) percent of the total purchases of goods and their amount and proportion of purchase of goods, and reasons for the increase or decrease in purchases of goods

Information regarding main suppliers in the most recent two fiscal years Unit: NT$ thousands

	2017				2016				2018 up to the end of the first quarter (Note 2)			
Item	Name	Amount	Percentage to annual net purchase	Relationship with issuer	Name	Amount	Percentage to annual net purchase	Relationship with issuer	Name	Amount	Percentage to net purchase in the year up to the first quarter (%)	Relationship with issuer
1	CPC Corporation	2,051,079	45.77	None	CPC Corporation	2,286,166	59.18	None	CPC Corporation	589,188	51.91	None
2	Marubeni	864,579	19.29	None	Marubeni	486,958	12.61	None	Marubeni	185,313	16.33	None
3	Mitsubishi	704,630	15.72	None	Mitsubishi	428,081	11.08	None	Mitsubishi	43,985	3.87	None
4	Other	860,888	19.22	-	Other	661,797	17.13	-	Other	316,625	27.89	-
	Net purchases of goods	4,481,176	100.00	-	Net purchases of goods	3,863,002	100.00	-	Net purchases of goods	1,135,111	100.00	-

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

Note 2: As of the publication date of this annual report, if financial information of companies that are publicly listed or whose shares are traded on the TPEx were recently audited or reviewed by CPAs, such information shall be disclosed.

Reason for increase or decrease: The purchase amount from CPC Corporation in 2017 decreased due to a longer overhaul of the Company.

2. List of customers who account for more than ten (10) percent of the total sales of goods and their amount and proportion of sales of goods, and reasons for the increase or decrease in sales of goods:

Information regarding main customers in the most recent two fiscal years Unit: NT$ thousands

	2017				2016				2018 up to the end of the first quarter (Note 2)			
Item	Name	Amount	Percentage to annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage to annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage to net sales in the year up to the first quarter (%)	Relationship with the issuer
1	Customer A	596,780	9.32	Note 3	Customer A	942,397	15.99	Note 3	Customer A	122,373	9.23	Note 3
2	Customer B	338,322	5.28		Customer B	130,466	2.21	-	Customer B	198,623	14.98	-
	Other	5,469,365	85.40	-	Other	4,820,472	81.80	-	Other	1,005,218	75.79	-
	Net sales	6,404,467	100.00	-	Net sales	5,893,335	100.00	-	Net sales	1,326,214	100.00	-

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

Note 2: As of the publication date of this annual report, if financial information of companies that are publicly listed or whose shares are traded on the TPEx were recently audited or reviewed by CPAs, such information shall be disclosed.

Note 3: Customer A is the parent company of a main shareholder and an affiliate with the same chairman. The sales amount to Customer A decreased in 2017 due to the reduction in the customer's demand.

(V). Table of production volume in the 2 most recent years

Unit: metric tons/NT$ thousands

Year / Production Value	2017			2016		
Main Product	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Low-density polyethylene pellets	150,000	80,139	3,291,685	150,000	76,089	3,081,181
Ethylene vinyl acetate (EVA) resins		54,938	2,431,379		46,146	1,934,506
Total	150,000	135,077	5,723,064	150,000	122,235	5,015,687

Note: Part of the Company's production lines can alternately produce low-density polyethylene plastic pellets and ethylene vinyl acetate resins.

(VI). Sales volume in the most recent two fiscal years

Unit: metric tons/NT$ thousands

Year / Sales volume	2017				2016			
	Domestic sales		Export sales		Domestic sales		Export sales	
Main Product	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Low-density polyethylene pellets	47,099	2,417,893	31,884	1,406,951	49,561	2,380,161	30,432	1,361,601
Ethylene vinyl acetate (EVA) resins	3,312	174,408	51,875	2,335,921	5,122	247,712	41,182	1,850,358
Others	0	0	1,402	69,294	0	0	1,050	53,503
Total	50,411	2,592,301	85,161	3,812,166	54,683	2,627,873	72,664	3,265,462

III. Information on employees in the last two years and as of the published date of the annual report

Year		2017	2016	Current fiscal year up to April 30, 2018
Number of Employees	Staff	88	94	89
	Workmen	151	148	150
	Grand total	239	242	239
Average Age		46.52	46.40	46.72
Average Year of Services		17.58	17.65	17.81
Distribution of Academic Qualifications	PhD / Master's degree	11.72%	12.40%	12.13%
	Bachelor's degree	41.84%	40.91%	41.42%
	Junior College	18.83%	19.42%	18.41%
	High school / vocational high school	24.68%	24.38%	25.11%
	Below high school	2.93%	2.89%	2.93%

IV. Information Regarding Environmental Protection Expenditure

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

	Current fiscal year up to April 30, 2018	2017
Status of Pollution (Type and Level)	None	The rupture disc of the production line reactor broke and emitted carbon powder; leaks in certain components were discovered during random inspections
Compensation claimed by / Penalty incurred by	None	Environmental Protection Bureau of Kaohsiung City Government
Amount of Compensation or Penalty	None	NT$700,000

(II). Corresponding countermeasures (including improvement measures) and possible expenditures

1. Improvement plan: (1) Replace the rupture disc of the production line reactor; monitor the motor wattage of the reactor mixer; perform regular vibration analysis for the reactor.

   (2) Enhance inspections, maintenance, and update of equipment and components.

2. The Company's expected environmental protection expenditures in 2018 are as follows:

Unit: NT$ thousands

Item	2018
Addition of the LEL detection instrument and interlock function for the RTO system	1,500
Mid to low voltage control valve VOC improvement	2,800
RTO relay wind turbine (B-6608/B-6611) improvement project	1,000
Replacement of furnace tubes of high-pressure steam boiler (H-7202)	8,500
Reinforcement of support base for ethylene purification tower (TW-5001)	1,200
Purchase of spare parts for reactor pressure control valves at Linyuan Plant	7,300
Total	22,300

(III). The Company's response to the implementation of Restriction of Hazardous Substances Directive (RoHS) in European Union:

The Company's products are tested according to the FDA inspection standards in the U.S., and the Company performs other food safety inspections according to customer requirements. In other words, the Company applies stricter requirements to its products than RoHS. However, in order to comply with European Union's requirements, the Company sent its products to undergo such testing, and has successfully obtained RoHS compliance and certification.

V. Labor Relations:

(I). Various employee welfare measures, continuing education, training, retirement system and their status of implementation, as well as agreements between the employer and employees and measures for protecting employee rights and interests:

1. Employee welfare measures

(1) In addition to labor insurance and health insurance, the Company also purchases group insurance for employees including their families, as well as travel insurance for employees who often engage in business travels, so as to adequately meet employees' needs for various types of insurance.

(2) The Company provides regular health checkups to employees.

(3) An employee welfare committee has also been established to set up and promote various welfare measures including annual staff trips, marriage and funeral allowances, lunar new year benefits, birthday gifts and club activities.

2. Employee education and training

(1) The Company has always paid serious attention to employee education and training. Hence, the Company has formulated a set of standards for employee training procedures, as well as implemented various learning methods including pre-employment training, on-the-job training, work instructions, classroom lectures, educational CDs or online learning based on the training needs of employees and departments in order to enhance the qualities and skills of employees.

(2) In order to combine both employee training and promotion, the Company has specifically established general education courses for promotion in order to encourage employees to actively learn and study. Employees must complete the prescribed courses before they can be officially promoted.

(3) For employees who demonstrate a strong willingness to learn and develop their potential, the Company provides grants for further education in local universities, which are supplemented with career adjustments in their respective positions in order to nurture leaders required by enterprises.

(4) Employee training is recorded and archived. Every year, employees have to attend at least 8 hours of internal training, which is taken into account during employees’ performance appraisal.

(5) At the end of each course, the Company conducts employee opinion surveys and prepares review reports. Satisfaction surveys will also be conducted at the end of each year to collect employees' opinions and recommendations on employee training as a reference for improving training.

(6) The Company's employee training expenditure in the most recent fiscal year:

The training items for year 2017 are listed in the Appendix section, and the Company's annual employee training expenditure for 2017 was NT$690 thousand.

Training Name	Training Participant	Training Name	Training Participant
Quality/environment/occupational safety management system internal auditor training	Employees at the Linyuan Plant	Practice and Scaffolding Regulations on Steelwork for Upgrading Joints of L1/2 Compressor Room Roof	Engineering Section/Safety and Environmental Protection Office/Inspection Section
2017 Labor Education and Training	Employees at the Linyuan Plant	NACE cathodic protection technician training	Employees of the Inspection Section
2017 energy conservation of industrial public facilities training	Hu Chen-Ti	SKF introduction to vibration analysis (VAI)	Employees of the Inspection Section
2017 International Industrial Pipeline Management Forum	Hsieh Wang-Chuan/Kao Chiang-Chun	Plant overhaul management system establishment course	Employees at the Linyuan Plant
Operations of forklifts and cranes of more than 3 metric tons	Synthesis Section/Mechanical Repairs Section	Occupational safety and health management personnel training	Liao Wen-Shih
ESCO energy-saving technology training	Hu Chen-Ti	Small-scale construction insurance regulations training	Engineering Section/Safety and Environmental Protection Office
Analysis of old and new versions of ISO 9001:2015	Employees at the Linyuan Plant	Occupational safety training/teamwork spirit	Employees at the Linyuan Plant
ISO14001: 2015 analysis	Employees at the Linyuan Plant	Hazard identification, risk assessment, and control training	Employees at the Linyuan Plant
Live ABC training programs	Employees at the Linyuan Plant	Seminar for the withholding and reporting of various income	Wei Hua-Ling
Let Down Valve production description course	Employees of the Engineering Affairs Division	Continuing education certificate in radiation safety	Employees of the Instrument and electrical Section
Operations of radioactive substances or equipment that may cause ionizing radiation	Employees of the Instrument and electrical Section	Annual work performance plans and occupation evaluation course	Employees at the Linyuan Plant
2017 taxation regulations seminar	Wei Hua-Ling	Organic solvent operations supervisor training	Synthesis Section/First Experiment Section
Social engineering exercises	Employees at the Linyuan Plant	Confined space hazard prevention promotion	Employees of the Synthesis Section
Type I pressure vessel operations (retraining)	Employees of the Synthesis Section	Get Management Consultants Project - Explanation of KPI for regular employees	Employees at the Linyuan Plant
Group insurance premium explanation seminar	Employees at the Linyuan Plant	Professional piping skills evaluation and certification training	Employees of the Engineering Section

Training Name	Training Participant	Training Name	Training Participant
Hazardous Risks - Corporate Risk and Crisis Management	All employees in Taipei	Education on the Regulations on Air Quality Deterioration Control (draft)	Chen Cheng-Te
Process safety assessment personnel on-the-job training	Huang Chi-Feng	Air compressor and air-conditioning energy conservation monitoring and applications	Chen Yu-Chen
Live ABC training programs	Lu Shih-Tung/Chang Te-Kai	Emergency personnel (retraining)	Synthesis Section/Safety and Environmental Protection Office
Pipeline excavation personnel training	Engineering Section/Inspection Section	Risk basis assessment/comprehensiveness of facilities	Chang Hung-Tse
Description of the Group's service years calculation plan	Employees at the Linyuan Plant	Special chemical operations supervisor training	Employees of the Synthesis Section
Temperature and pressure principles and operations	Employees of the Instrument and electrical Section	Supervisor training on dust operations	Employees of the Synthesis Section
Auditing Tasks in Live Implementation	Chuang Chia-Fang	Polyolefin technologies and applications seminar	Liu Chen-Tu
High-pressure gas-specific equipment operation (retraining)	Employees of the Synthesis Section	2017 Accounting Manager Continuing Education Courses	Chen Cheng-Shun
Health seminar (Stress relief)	Employees at the Linyuan Plant	Internal audit and internal controls case studies	Lin Chia-Huei
International trade and practice	Lu Shih-Tung	Network and system security operations and auditing	Lin Chia-Huei
Training for Energy Management Personnel	Employees of Manufacturing Methods Section	Team building and techniques	All employees in Taipei
Forklift operations training	Composite Section/Process Section	Time Is Running Out Seminar	All employees in Taipei
Pipeline integrity evaluation and implementation technologies	Lin Shih-Chuan	Information disclosure and prevention of insider trading	All employees in Taipei
Temperature and pressure principles and operations	Tsai Yung-Yu	EQ management and stress relief	All employees in Taipei
Smart piping device ILI inspection technology studies	Engineering Section/Inspection Section	IoT applications - Cloud-control appliances course	All employees in Taipei
2017 Accounting Manager Continuing Education Courses	Chan Mei-Lan	Corporate business management and practice	All employees in Taipei
Introduction to plastics training course	Lu Shih-Tung/Chang Te-Kai	Pre-job training for companies' internal auditing personnel	Chiang I-Ting
New internal auditing regulations and computerized auditing in practice	Chuang Chia-Fang	China and Taiwan negotiable instruments laws analysis and practice	All employees in Taipei

3. Retirement measures and status of implementation:

The Company handles employee retirement in accordance with the Labor Standards Act. The Company contributes 10 percent of the amount of each employee's monthly salary as pension reserve fund to a special account in Bank of Taiwan, and establishes a Labor Pension Reserve Fund Supervision Committee to manage and monitor such transactions. According to the Labor Pension Statutes, the Company contributes 6 percent of the amount of salary of employees, who choose to follow the new system, to their personal labor pension accounts on a monthly basis.

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

To establish excellent labor relations, the Company communicates with the representatives of the labor union to exchange ideas and opinions. The Company has also set up a suggestion mailbox so that employees can give their opinions and feedback to the Company.

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

Department	Name	Related Certification
Accounting Division	Chen Cheng-Shun	Passed the Accountant Examination in the 2008 Advanced Examination for Professional and Technical Personnel held by the Ministry of Examination Certificate No.: (97) Chuan Kao Hui Tzu No. 000012
		Continuous Studies registration seal for Accounting Supervisor of Securities Issuers, Accounting Research and Development Foundation registration seal (July 13, 2017 - July 14, 2017)
Audit Office	Chuang Chia-Fang	New Internal Auditing Regulations and Computerized Auditing in Practice, Accounting Research and Development Foundation Certificate No.: (106) Kuai Chiao (Chi) Tzu No. 1018015
		Auditing Tasks in Live Implementation, Institute of Internal Auditors, R.O.C. Certificate No.: Chi Hsieh Bei Cheng Fa Tzu No. 1063480

6. Employees' code of conduct or ethics

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

(1) Every employee is given an Employee Work Rules Handbook which specifies the behavior or work ethic of employees, including employment, dismissal, working hours, vacation, leave, rewards and punishments, performance appraisal, retirement and welfare.

(2) Pre-employment training for new employees covers basic education on ethics, environmental protection, occupational safety and health management.

(3) Signing of Letter of Undertaking by employees: This document establishes employees' commitment towards maintaining the confidentiality of information regarding the Company's tangible and intangible operating assets, and prevents employees from infringing on the interests of the Company.

(4) The Company's website discloses the following: Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers, Ethical Corporate Management Best Practice Principles, Procedures for Handling

Material Inside Information and Procedures for Ethical Management and Guidelines for Conduct.

Please refer to the Company's website for the Employee Work Rules under the Corporate Governance section under Investor Services on the Company's website (http://www.apc.com.tw).

7. Protection measures for work environment and employees' personal safety

The Company upholds the spirit of continuous improvement and the pursuit of perfection. Apart from continuously investing in hardware facilities to enhance pollution prevention and fire safety equipment so as to directly reduce pollutant emissions and increase production safety, the Company has also incorporated an environmental management system (ISO 14001) and an occupational health and safety management system (OHSAS 18001) to set up an excellent management system through Plan, Do, Check and Act (PDCA), thereby providing employees with a safe and healthy work environment.

With regard to employees' personal safety protection, the Company not only provides employees with personal protective equipment such as goggles, earplugs and earmuffs, as well as vertical fall arresters, but also continuously offers training related to employee safety, with hopes that manufacturing equipment can run safely in plants, thereby achieving production goals in a smooth manner.

(II). List the losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report, and disclose the estimated amount arising both at present and in the future and the corresponding countermeasures. If the amount cannot be reasonably estimated, facts of which estimation cannot be made shall be explained:

Labor relations in the Company are harmonious. As of the publication date of this annual report, there has been no labor disputes and losses arising. Such incidents are not expected to happen in the future as well.

VI. Important Contracts

Nature of Contract	Party	Contract Start/End Date	Main Content	Restrictive provisions
Material Purchase Contract	CPC Corporation	01/01/2017-12/31/2017	Supply of ethylene to the Company. The price of the material is mainly calculated based on ethylene and naphtha prices for the current month in Asia.	None
Joint Venture Contract	Joint venture with companies including Ho Tung Chemical Corporation, LCY Group, USI, Hsintay Petroleum Co., Ltd., Chenergy Global Co., Ltd., Lien Hwa International Corporation and CTCI Corporation	09/30/2016	The Company and seven other companies jointly invested in the Gulei Industrial Park located in Zhangzhou, Fujian Province, China, to produce petrochemical-related products.	Yes
Medium-term Lending Limit Contract	Bank SinoPac	08/11/2017~06/30/2020	APC and Bank SinoPec signed a three-year medium-term lending limit contract worth NT$500 million, where it can be used cyclically.	Based on the consolidated annual report or semi-annual report of APC, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 100%.
Medium-term Lending Limit Contract	Chang Hwa Commercial Bank	11/11/2015~06/30/2018	APC and Chang Hwa Bank signed a three-year medium-term secured lending limit contract worth NT$400 million, where it can be used cyclically.	None
Medium-term Lending Limit Contract	Yuanta Commercial Bank	01/19/2018~01/19/2021	APC and Yuanta Commercial Bank signed a three-year medium-term lending limit contract worth NT$500 million, where it can be used cyclically.	None
Medium-term Lending and Commercial Paper Guarantee Comprehensive Limit Contract	Shin Kong Bank	10/22/2015-10/22/2018	APC and Shin Kong Bank signed a three-year medium-term lending and commercial paper guarantee comprehensive limit contract worth NT$450 million, where it can be used cyclically.	None

Medium-term Lending Limit Contract	KGI Bank	07/29/2016~ 04/22/2019	APC and KGI Bank signed a three-year medium-term lending limit contract worth NT$200 million which can only be used once.	Based on the consolidated annual report or semi-annual report of APC, its current ratio shall not be less than 150%, and its debt ratio (debt/net value) shall not be greater than 125%.
Medium-term Lending Limit Contract	KGI Bank	03/05/2018~ 03/05/2021	APC and KGI Bank signed a three-year medium-term lending limit contract worth NT$400 million, where it can be used cyclically.	Based on the consolidated annual report or semi-annual report of APC, its current ratio shall not be less than 150%, and its debt ratio (debt/net value) shall not be greater than 125%.
Medium-term Lending Limit Contract	Taipei Fubon Commercial Bank Co., Ltd.	09/12/2016- 09/12/2019	APC and Taipei Fubon Commercial Bank signed a three-year medium-term lending limit contract worth NT$500 million, where it can be used cyclically.	Based on the consolidated annual report of APC, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%. Its net value shall not be less than NT$7 billion.
Medium-term Lending Limit Contract	First Bank	12/19/2017~ 12/19/2020	APC and First Bank signed a three-year medium-term secured lending limit contract worth NT$500 million, where it can be used cyclically.	None
Medium-term Lending Limit Contract	O-Bank	12/19/2017~ 12/19/2020	APC and O-Bank signed a three-year medium-term lending limit contract worth NT$250 million, where it can be used cyclically.	None

Chapter 6 Financial summary

I. Condensed financial report for the last five years

(I). Condensed Balance Sheet and Statement of Comprehensive Income

1. Condensed Consolidated Balance Sheets - International Financial Reporting Standards (IFRS)

Unit: NT$ thousands

Item \ Year		Financial data for the last five years					Financial Data As of March 31, 2018 (Reviewed)
		2017	2016	2015	2014	2013	
Current assets		5,136,436	6,220,412	2,455,534	3,220,728	4,506,066	5,194,221
Property, plant and equipment		3,630,950	3,795,553	3,637,771	1,937,007	870,911	3,578,341
Intangible assets		318	1,272	3,057	1,660	2,491	79
Other assets		6,108,297	4,652,792	4,183,408	4,926,895	4,759,212	6,087,644
Total assets		14,876,001	14,670,029	10,279,770	10,086,290	10,138,680	14,860,285
Current liabilities	Before distribution	2,338,563	2,425,963	1,088,900	681,613	604,323	2,310,422
	After distribution	(Note 6)	2,727,777	1,384,796	822,516	1,074,000	-
Non-current liabilities		2,720,968	2,746,861	354,735	350,656	354,793	2,726,957
Total liabilities	Before distribution	5,059,531	5,172,824	1,443,635	1,032,269	959,116	5,037,379
	After distribution	(Note 6)	5,474,638	1,739,531	1,173,172	1,428,793	-
Equity attributable to owners of parent company							
Capital		5,181,147	5,030,240	4,931,607	4,696,769	4,696,769	5,181,147
Capital surplus		16,434	14,046	14,046	14,135	14,140	16,434
Retained earnings	Before distribution	4,254,352	4,153,022	3,910,532	3,756,067	3,723,095	4,360,656
	After distribution	(Note 6)	3,700,301	3,516,003	3,380,326	3,253,418	-
Other equity		364,537	299,897	(160,479)	587,050	745,560	264,669
Treasury stock		-	-	-	-	-	-
Equity of former owners Equity of prior parties		-	-	140,429	-	-	-
Total equity	Before distribution	9,816,470	9,497,205	8,836,135	9,054,021	9,179,564	9,822,906
	After distribution	(Note 6)	9,195,391	8,540,239	8,913,118	8,709,887	-

* If the Company has prepared a parent company only financial report, it should prepare a condensed parent company only balance sheet and a statement of comprehensive income for the last five years.
* If the financial information under IFRS is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: Financial statements not audited by CPAs should be noted.

Note 2: When the asset revaluation was conducted in the year, the date and revaluation increment should be listed.

Note 3: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should disclose the financial information of the most recent period audited or reviewed by CPAs.

Note 4: For the "after distribution" figures, please fill in in accordance with resolutions of the shareholders' meeting in the following year.

Note 5: If the financial information is notified by the competent authority that it should be corrected or restated, it should be presented with the corrected or restated figures, and indicates the circumstances and reasons.

Note 6: The 2017 earning distribution proposal has yet to be resolved by the shareholders' meeting.

2. Condensed Consolidated Statement of Comprehensive Income - IFRS

Unit: NT$ thousands

Item \ Year	Financial data for the last five years					Financial Data As of March 31, 2018 (Reviewed)
	2017	2016	2015	2014	2013	
Operating revenue	6,404,467	5,893,335	5,187,387	5,566,285	5,804,229	1,326,214
Gross profit	697,076	779,859	608,982	587,812	491,359	77,798
Operating income (loss)	470,890	567,669	411,695	407,767	279,257	27,066
Non-operating income and expenses	184,863	225,259	225,751	176,146	326,700	58,743
Income before income tax	655,753	792,928	637,446	583,913	605,957	85,809
Net income of continuing operations	565,354	670,939	539,276	499,933	536,855	82,741
Loss of discontinued business unit	0	0	0	0	0	0
Net income (loss) for the period	565,354	670,939	539,276	499,933	536,855	82,741
Other comprehensive income for the period (net of tax)	53,337	423,009	(752,022)	(155,795)	(340,879)	(125,814)
Total comprehensive income for the period	618,691	1,093,948	(212,746)	344,138	195,976	(43,073)
Net income attributable to owners of the parent company	565,354	665,825	531,557	499,933	536,855	82,741
Net income attributable to equity of prior parties under joint control	0	5,114	7,719	0	0	0
Total comprehensive income attributable to owners of the parent company	618,691	1,097,395	(217,318)	344,138	195,976	(43,073)
Total comprehensive income attributable to equity of prior parties under joint control	0	(3,447)	4,572	0	0	0
Earnings Per Share Unit: NT$	1.09	1.32	1.08	1.06	1.14	0.16

* If the Company has prepared a parent company only financial report, it should prepare a condensed parent company only balance sheet and a statement of comprehensive income for the last five years.
* If the financial information under IFRS is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: Financial statements not audited by CPAs should be noted.

Note 2: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should disclose the financial information of the most recent period audited or reviewed by CPAs.

Note 3: The loss of discontinued business unit should be presented as the net amount after the deduction of income tax.

Note 4: If the financial information is notified by the competent authority that it should be corrected or restated, it should be presented with the corrected or restated figures, and indicates the circumstances and reasons.

3. Condensed parent company only Balance Sheets - IFRS

Unit: NT$ thousands

Item \ Year		Financial data for the last five years				
		2017	2016	2015	2014	2013
Current assets		4,790,574	5,886,078	1,992,460	2,980,336	4,281,332
Property, plant and equipment		3,630,715	3,795,283	3,637,335	1,937,007	870,911
Intangible assets		318	1,272	3,057	1,660	2,491
Other assets		6,398,467	4,935,438	4,594,927	5,164,542	4,981,812
Total assets		14,820,074	14,618,071	10,227,779	10,083,545	10,136,546
Current liabilities	Before distribution	2,294,782	2,381,788	1,040,638	681,298	604,050
	After distribution	(Note 1)	2,683,602	1,336,534	822,201	1,073,727
Non-current liabilities		2,708,822	2,739,078	351,006	348,226	352,932
Total liabilities	Before distribution	5,003,604	5,120,866	1,391,644	1,029,524	956,982
	After distribution	(Note 1)	5,422,680	1,687,540	1,170,427	1,426,659
Equity attributable to owners of parent company						
Capital		5,181,147	5,030,240	4,931,607	4,696,769	4,696,769
Capital surplus		16,434	14,046	14,046	14,135	14,140
Retained earnings	Before distribution	4,254,352	4,153,022	3,910,532	3,756,067	3,723,095
	After distribution	(Note 1)	3,700,301	3,516,003	3,380,326	3,253,418
Other equity		364,537	299,897	(160,479)	587,050	745,560
Treasury stock		-	-	-	-	-
Equity of prior parties under joint control		-	-	140,429	-	-
Total equity	Before distribution	9,816,470	9,497,205	8,836,135	9,054,021	9,179,564
	After distribution	(Note 1)	9,195,391	8,540,239	8,913,118	8,709,887

* If the Company has prepared a parent company only financial report, it should prepare a condensed parent company only balance sheet and a statement of comprehensive income for the last five years.
* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: The 2017 earning distribution proposal has yet to be resolved by the shareholders' meeting.

Note 2: If the financial information is notified by the competent authority that it should be corrected or restated, it should be presented with the corrected or restated figures, and indicates the circumstances and reasons.

4. Condensed parent company only Statement of Comprehensive Income - IFRS

Unit: NT$ thousands

Item \ Year	Financial data for the last five years				
	2017	2016	2015	2014	2013
Operating revenue	6,241,496	5,749,060	5,045,856	5,566,285	5,804,229
Gross profit	684,769	766,414	593,338	587,812	491,359
Operating income (loss)	466,972	564,723	407,547	409,914	282,463
Non-operating income and expenses	185,707	225,541	225,982	172,948	322,465
Income before tax	652,679	790,264	633,529	582,862	604,928
Net income of continuing operations	565,354	670,939	539,276	499,933	536,855
Loss of discontinued business unit	0	0	0	0	0
Net income (loss) for the period	565,354	670,939	539,276	499,933	536,855
Other comprehensive income for the period (net of tax)	53,337	423,009	(752,022)	(155,795)	(340,879)
Total comprehensive income for the period	618,691	1,093,948	(212,746)	344,138	195,976
Net income attributable to owners of the parent company	565,354	665,825	531,557	499,933	536,855
Net income attributable to equity of prior parties under joint control	0	5,114	7,719	0	0
Total comprehensive income attributable to owners of the parent company	618,691	1,097,395	(217,318)	344,138	195,976
Total comprehensive income attributable to equity of prior parties under joint control	0	(3,447)	4,572	0	0
Earnings Per Share Unit: NT$	1.09	1.32	1.08	1.06	1.14

* If the Company has prepared a parent company only financial report, it should prepare a condensed parent company only balance sheet and a statement of comprehensive income for the last five years.

* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note: If the financial information is notified by the competent authority that it should be corrected or restated, it should be presented with the corrected or restated figures, and indicates the circumstances and reasons.

(II). The name and CPAs and their audit opinions in the last five years

Year	Name of CPA	Audit Opinion
2013	Wei, Liang-Fa, Kuo, Tzu-Jung	Unqualified opinion
2014	Huang, Hsiu-Chun, Kuo, Tzu-Jung	Modified unqualified opinion
2015	Huang, Hsiu-Chun, Wu , Shih-Tsung	Unqualified opinion
2016	Huang, Hsiu-Chun, Wu , Shih-Tsung	Unqualified opinion
2017	Huang, Hsiu-Chun, Wu , Shih-Tsung	Unqualified opinion

II. Financial analysis for the last five years

(I). Financial analysis - IFRS

APC and Subsidiaries

Item		Financial data for the last five years 2017	2016	2015	2014	2013	Financial Data As of March 31, 2018 (Reviewed)
Finance structure (%)	Liability-to-assets ratio	34.01	35.26	14.04	10.23	9.46	33.90
	Long-term Fund-to-Property, Plant and Equipment Ratio	345.29	322.59	252.65	467.42	1,054.02	350.72
Debt-paying ability (Merge) (%)	Current ratio	219.64	256.41	225.51	472.52	745.64	224.82
	Quick ratio	181.81	221.92	144.47	327.94	633.12	179.16
	Interest coverage ratio (times)	16.70	37.22	315.17	5,782.32	2,547.04	9.61
Operating performance	Receivables turnover (times)	8.40	8.56	13.15	13.15	14.44	9.65
	Average collection days	43	43	28	28	25	38
	Inventory turnover (times)	7.95	6.97	5.50	6.77	6.52	5.88
	Payable turnover (times)	23.19	16.25	15.71	15.98	20.95	18.59
	Average days for sale	46	52	66	54	56	62
	Property, plant and equipment turnover (times)	1.72	1.59	1.86	3.96	7.46	1.47
	Total asset turnover (times)	0.43	0.47	0.51	0.55	0.56	0.36
Profitability	Return on assets (%)	4.06	5.52	5.31	4.94	5.21	2.44
	Return on equity (%)	5.85	7.32	6.03	5.48	5.76	3.37
	Net income before income tax to paid-in capital ratio (%) (Note 7)	12.66	15.76	12.93	12.43	12.90	6.63
	Net profit margin (%)	8.83	11.38	10.40	8.98	9.25	6.24
	Basic earnings (loss) per share (NT$) (Note 3)	1.09	1.32	1.08	1.06	1.14	0.16
	Earnings (loss) per share after retrospective adjustment (NT$) (Note 4)	1.09	1.29	1.03	0.96	1.04	0.16
Cash flow	Cash flow ratio (%)	41.21	-28.75	73.05	227.34	70.86	2.58
	Cash flow adequacy ratio (%)	51.59	40.61	75.65	119.37	144.26	-
	Cash flow reinvestment ratio (%)	4.04	-6.28	5.20	8.43	-0.31	0.36
Leverage	Degree of operating leverage (DOL)	2.46	2.44	2.81	2.02	2.33	1.90
	Degree of financial leverage (DFL)	1.10	1.04	1.00	1.00	1.00	1.58

Reasons for changes in financial ratios in the past two years:

1. Interest coverage ratio: Due to the lower average loan balance in the previous year and the lower interest expense.
2. Payable turnover: Due to the fact that suppliers undergo year-end annual inspections and cut down the supply of raw materials at the end of this year, which resulted in the decrease in payables.
3. Return on assets, return on shareholders' equity, ratio of net income before income tax to paid-in capital and net profit margin: Due to the decrease in net income before (after) tax this year.
4. Cash flow ratio-to-cash flow adequacy ratio-to-cash flow reinvestment ratio: Due to the fact that some of the proceeds from loans used in the acquisition of financial assets held for trading in the previous year resulted in net cash outflow from operating activities.

* If the Company has prepared a parent company only financial report, it should prepare a parent company only financial ratio analysis.
* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: Years not audited by CPAs should be noted.

Note 2: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should analyze the financial information of the most recent period audited or reviewed by CPAs.

(II). Financial analysis - IFRS

APC

Item		2017	2016	2015	2014	2013
Year		Financial data for the last five years				
Finance structure (%)	Liability-to-assets ratio	33.76	35.03	13.61	10.21	9.44
	Long-term Fund-to-Property, Plant and Equipment Ratio	344.98	322.41	252.58	467.42	1,054.02
Liquidity analysis (%)	Current ratio	208.76	247.13	191.47	437.45	708.77
	Quick ratio	170.96	212.51	107.35	292.81	596.21
	Interest coverage ratio (times)	16.63	37.09	313.24	5,771.91	2,542.71
Operating performance	Receivables turnover (times)	8.00	8.32	12.80	13.15	14.44
	Average collection days	46	44	29	28	25
	Inventory turnover (times)	7.89	6.87	5.37	6.77	6.52
	Payable turnover (times)	26.83	17.60	15.95	15.98	20.95
	Average days for sale	46	53	68	54	56
	Property, plant and equipment turnover (times)	1.68	1.55	1.81	3.96	7.46
	Total asset turnover (times)	0.42	0.46	0.50	0.55	0.56
Profitability	Return on assets (%)	4.08	5.55	5.33	4.95	5.22
	Return on equity (%)	5.85	7.32	6.03	5.48	5.76
	Net income before income tax-to-paid-in capital ratio (%) (Note 7)	12.60	15.71	12.85	12.41	12.88
	Net profit margin (%)	9.06	11.67	10.69	8.98	9.25
	Basic earnings (loss) per share (NT$) (Note 3)	1.09	1.32	1.08	1.06	1.14
	Earnings (loss) per share after retrospective adjustment (NT$) (Note 4)	1.09	1.29	1.03	0.96	1.04
Cash flow	Cash flow ratio (%)	40.27	-30.57	72.15	228.32	68.07
	Cash flow adequacy ratio (%)	49.50	38.95	74.51	118.83	141.83
	Cash flow reinvestment ratio (%)	3.81	-6.48	4.85	8.47	-0.53
Leverage	Degree of operating leverage (DOL)	2.13	2.20	2.49	2.01	2.31
	Degree of financial leverage (DFL)	1.10	1.04	1.01	1.00	1.00

Reasons for changes in financial ratios in the past two years:

1. Quick ratio: Due to the decrease in current assets as a result of an increase in investments accounted for under equity method this year.
2. Interest coverage ratio: Due to the lower average loan balance in the previous year and the lower interest expense.
3. Payable turnover: Suppliers undergo year-end annual inspections and cut down the supply of raw materials at the end of this year, which resulted in the decrease in payables.
4. Return on assets, return on shareholders' equity, ratio of net income before income tax to paid-in capital and net profit margin: Due to the decrease in net income before (after) tax this year.
5. Cash flow ratio-to-cash flow adequacy ratio-to-cash flow reinvestment ratio: Some of the proceeds from loans used in the acquisition of financial assets held for trading in the previous year resulted in net cash outflow from operating activities.

* If the Company has prepared an parent company only financial report, it should prepare a parent company only financial analysis.

* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: Years not audited by CPAs should be noted.

Note 2: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should analyze the financial information of the most recent period audited or reviewed by CPAs.

Note 3: At the end of the annual report, the following formula should be presented:

1. Financial structure

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

(2) Ratio of Long-term fund to property, plant and equipment = (equity + non-current liabilities) / net property, plant and equipment

2. Debt-paying ability

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities

(3) Interest coverage ratio = income before income tax and interest expense / interest expense of the current period

3. Operating performance

(1) Receivables (including accounts receivable and notes receivable due to business operations) Turnover = net sales / the balance of average receivables of various periods (including accounts receivable and notes receivable due to business operations)

(2) Average collection days = 365 / receivables turnover

(3) Inventory turnover = cost of sales / average inventories

(4) Payables (including accounts payable and notes payable due to business operations) Turnover = cost of sales / the balance of average payables of various periods (including accounts payable and notes payable due to business operations)

(5) Average days for sale = 365 / inventory turnover

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

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

4. Profitability

(1) Return on assets = [net income after tax + interest expense x (1 - tax rate)] / average total assets

(2) Return on equity = net income after tax / average equity

(3) Net profit margin = net income after tax / net sales

(4) Earnings per share = (net income (loss) attributable to owners of the parent company - preferred stock dividend) / weighted average number of shares outstanding (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash provided by operating activities / current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash flow reinvestment ratio = (net cash provided by operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital) (Note 5)

6. Leverage:

(1) Degree of operating leverage (DOL) = (net operating revenue - variable operating cost and expenses) / operating income (Note 6)

(2) Degree of Financial leverage (DFL) = operating income / (operating income - interest expense)

Note 4: The following items should be noted for the calculation of earnings per share using the above-mentioned formula:

1. Use the weighted average number of common shares, not the number of shares outstanding at the end of year.
2. Shares from cash capital increase or treasury stock transactions shall be considered when calculating the weighted average number of shares.
3. The shares from capitalization of earnings or capital surplus shall be retrospectively adjusted by the proportion of capital increase when calculating the earnings per share for previous annual and semi-annual periods. The issuance period of the capital increase does not have to be considered.
4. For preferred shares that are not non-convertible cumulative preferred shares, dividends (regardless of whether they are distributed) should be deducted from net income after tax or be included as net loss after tax. If the preferred shares are non-cumulative in nature, where net income after tax is available, preferred share dividends should be deducted from it. No

adjustment is required if the company generates loss after tax.

Note 5: The following items should be noted for the analysis of cash flow:

1. Net cash provided by operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflows for capital investments.
3. The increase in inventory is included only if the balance at the end of period is greater than the balance at the beginning of period. If it is the other way around, the number used should be zero.
4. Cash dividends include cash dividends from common and preferred shares.
5. Gross property, plant and equipment refers to the property, plant and equipment before depreciation.

Note 6: The issuer should classify the operating costs and operating expenses as fixed or variable depending on their nature. If the process involves estimates or subjective judgments, reasonableness and consistency should be maintained.

Note 7: If the company’s shares do not have a face value or the face value is not NT$10, the above-mentioned calculation involving as a percentage to paid-in capital should be replaced by as a percentage to equity attributable to the owners of the parent company on the balance sheet.

III. Supervisors or audit committee's review reports of the most recent annual financial statements

(I). Supervisors' review report: Not applicable

(II). Audit Committee's review report:

Asia Polymer Corporation
Review Report

The Board of Directors has prepared the Company’s 2017 operation report, financial statements which are audited by CPAs, Huang Hsiu-Chun, Wu Shih-Tsung of Deloitte Taiwan (including parent company only and consolidated financial statements) and earnings distribution proposal. The above-mentioned reports and financial statements have been reviewed and determined to be accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely

The Company's 2018 annual shareholders' meeting

Audit Committee of Asia Polymer Corporation

Independent Director: Chen, Ta Hsiung 陳達雄

Independent Director: Shen, Shang-Hung 沈尚弘

Independent Director: Cheng, Duen-Chian 鄭敦謙

March 12, 2018

IV. Most Recent Financial Reports

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, 2017, 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 prepared a separate set of combined financial statements of affiliates.

Very truly yours,

ASIA POLYMER CORPORATION

By:

YI-GUI WU
Chairman

March 12, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 are stated as follows:

Revenue Recognition

The increase in sales revenue of the Group in 2017 was due to sales of products with new specifications produced by a new production line, which accounted for approximately 28% of net operating revenue. In addition, the new products were sold mainly to new customers and the Group's parent company. Therefore, revenue recognition 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 the new product's internal controls 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 new product purchase orders from 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, 2017, the carrying amount of inventory was NT$761,705 thousand (i.e. the gross amount of inventory of NT$772,398 thousand with a deduction for the allowance for inventory valuation and obsolescence losses of NT$10,693 thousand). Refer to Note 11 to the Group's consolidated financial statements for details.

Inventories of the Group are stated on the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of ethylene. 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 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, 2017 and 2016 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.

Auditor's 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, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preludes 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 audits' report are Hsiu-Chun Huang and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2018

<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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,112,375	14	$ 2,812,999	19
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,440,940	10	1,548,462	11
Available-for-sale financial assets - current (Notes 4 and 8)	85,936	1	40,569	-
Notes receivable (Notes 4, 5 and 10)	1,627	-	1,789	-
Accounts receivable from unrelated parties (Notes 4, 5 and 10)	489,782	3	727,801	5
Accounts receivable from related parties (Notes 4, 5, 10 and 29)	112,935	1	190,532	1
Other receivables (Note 4)	1,583	-	2,345	-
Other receivables from related parties (Notes 4 and 29)	6,529	-	59,070	-
Inventories (Notes 4, 5 and 11)	761,705	5	673,642	5
Prepayments	122,914	1	163,093	1
Other current assets	110	-	110	-
Total current assets	5,136,436	35	6,220,412	42
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	2,436,185	16	2,392,067	16
Financial assets measured at cost - non-current (Notes 4 and 9)	248,801	2	282,866	2
Investments accounted for using the equity method (Notes 4, 13 and 30)	2,848,526	19	1,395,172	10
Property, plant and equipment (Notes 4, 14 and 29)	3,630,950	24	3,795,553	26
Investment properties (Notes 4 and 15)	516,026	4	526,445	4
Other intangible assets (Notes 4 and 16)	318	-	1,272	-
Deferred tax assets (Notes 4 and 24)	56,574	-	53,997	-
Other non-current assets (Note 26)	2,185	-	2,245	-
Total non-current assets	9,739,565	65	8,449,617	58
TOTAL	$ 14,876,001	100	$ 14,670,029	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 500,000	3	$ 950,000	6
Short-term bills payable (Note 17)	699,834	5	699,791	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	666	-	1,732	-
Accounts payable to unrelated parties (Note 18)	109,809	1	242,765	2
Accounts payable to related parties (Notes 18 and 29)	67,724	1	71,847	-
Other payables to unrelated parties (Note 19)	151,492	1	271,475	2
Other payables to related parties (Note 29)	302,533	2	118,301	1
Current tax liabilities (Notes 4 and 24)	41,078	-	48,520	-
Provisions - current (Notes 4 and 20)	5,899	-	5,899	-
Current portion of long-term borrowings (Note 17)	450,000	3	-	-
Other current liabilities	9,528	-	15,633	-
Total current liabilities	2,338,563	16	2,425,963	16
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	2,450,000	17	2,450,000	17
Deferred tax liabilities (Notes 4 and 24)	39,968	-	43,307	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 21)	212,209	1	239,127	2
Credit balance of investments accounted for using the equity method (Notes 4, 13 and 30)	9,397	-	6,171	-
Other non-current liabilities (Note 26)	9,394	-	8,256	-
Total non-current liabilities	2,720,968	18	2,746,861	19
Total liabilities	5,059,531	34	5,172,824	35
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 22 and 24)				
Share capital				
Ordinary shares	5,181,147	35	5,030,240	34
Capital surplus	16,434	-	14,046	-
Retained earnings				
Legal reserve	1,627,934	11	1,561,352	11
Special reserve	565,379	4	565,379	4
Unappropriated earnings	2,061,039	14	2,026,291	14
Total retained earnings	4,254,352	29	4,153,022	29
Other equity	364,537	2	299,897	2
Total equity	9,816,470	66	9,497,205	65
TOTAL	$ 14,876,001	100	$ 14,670,029	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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 5 and 29)	$ 6,404,467	100	$ 5,893,335	100
OPERATING COSTS (Notes 4, 11, 21, 23 and 29)	5,707,391	89	5,113,476	87
GROSS PROFIT	697,076	11	779,859	13
OPERATING EXPENSES (Notes 21, 23 and 29)				
Selling and marketing expenses	107,656	2	97,665	1
General and administrative expenses	112,304	2	107,942	2
Research and development expenses	6,226	-	6,583	-
Total operating expenses	226,186	4	212,190	3
PROFIT FROM OPERATIONS	470,890	7	567,669	10
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 23 and 29)				
Other income	175,766	3	175,988	3
Other losses	(52,508)	(1)	(26,511)	(1)
Interest expense	(41,762)	(1)	(21,895)	-
Share of profit or loss of associates	103,367	2	97,677	2
Total non-operating income and expenses	184,863	3	225,259	4
PROFIT BEFORE INCOME TAX	655,753	10	792,928	14
INCOME TAX EXPENSE (Notes 4 and 24)	90,399	1	121,989	2
NET PROFIT FOR THE YEAR	565,354	9	670,939	12
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 21, 22 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(12,181)	-	(24,962)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method	(1,189)	-	(8,083)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,067	-	4,239	-
	(11,303)	-	(28,806)	(1)

(Continued)

ASIA POLYMER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (44,287)	(1)	$ (36,266)	-
Unrealized gain on available-for-sale financial assets	104,324	2	489,493	8
Share of the other comprehensive loss of associates accounted for using the equity method	(1,779)	-	(6,303)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	6,382	-	4,891	-
	64,640	1	451,815	8
Other comprehensive income for the year, net of income tax	53,337	1	423,009	7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 618,691	10	$ 1,093,948	19
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 565,354	9	$ 665,825	11
Former owners of business contribution under common control	-	-	5,114	-
	$ 565,354	9	$ 670,939	11
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 618,691	10	$ 1,097,395	19
Former owners of business contribution under common control	-	-	(3,447)	-
	$ 618,691	10	$ 1,093,948	19
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.09		$ 1.29	
Diluted	$ 1.09		$ 1.28	

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 22 and 24)									
							Other Equity			
	Share Capital			Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Former Owners of Business Contribution under Common Control (Note 12)	
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings				Total Equity
BALANCE AT JANUARY 1, 2016	493,160	$ 4,931,607	$ 14,046	$ 1,508,197	$ 565,379	$ 1,836,956	$ 34,477	$ (194,956)	$ 140,429	$ 8,836,135
Appropriation of 2015 earnings										
Legal reserve	-	-	-	53,155	-	(53,155)	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(295,896)	-	-	(41,786)	(337,682)
Share dividends distributed	9,863	98,633	-	-	-	(98,633)	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	665,825	-	-	5,114	670,939
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(28,806)	(40,133)	500,509	(8,561)	423,009
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	637,019	(40,133)	500,509	(3,447)	1,093,948
Former owners of business contribution under common control	-	-	-	-	-	-	-	-	(95,196)	(95,196)
BALANCE, DECEMBER 31, 2016	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, 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

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 655,753	$ 792,928
Adjustments for:		
Depreciation expenses	289,808	180,969
Amortization expenses	954	1,785
Net gain on fair value change of financial assets held for trading	(605)	(700)
Interest expense	41,762	21,895
Interest income	(16,426)	(14,389)
Dividend income	(96,329)	(88,723)
Share of profit of associates	(103,367)	(97,677)
(Gain) loss on disposal of property, plant and equipment	(186)	34
Loss on disposal of investment properties	497	-
Net (gain) loss on disposal of available-for-sale financial assets	(7,739)	11,262
Impairment loss on financial assets	7,906	-
(Reversal of) write-down of inventories	10,330	(6,731)
Net loss (gain) on foreign currency exchange	1,053	(8,821)
Changes in operating assets and liabilities		
Financial assets held for trading	107,061	(1,030,620)
Notes receivable	160	(1,057)
Accounts receivable from unrelated parties	235,565	(502,245)
Accounts receivable from related parties	77,119	50,579
Other receivables from unrelated parties	1,327	2,300
Other receivables from related parties	52,541	(5,254)
Inventories	(98,393)	127,320
Prepayments	40,179	(74,918)
Accounts payable from unrelated parties	(132,850)	(37,601)
Accounts payable from related parties	(3,897)	36,330
Other payables from unrelated parties	(118,191)	99,914
Increase in other payables from related parties	185,758	34,716
Other current liabilities	(6,105)	6,168
Net defined benefit liabilities	(39,080)	(85,684)
Cash generated from (used in) operations	1,084,605	(588,220)
Interest received	15,921	12,253
Interest paid	(41,517)	(20,884)
Income tax paid	(95,325)	(100,569)
Net cash generated from (used in) operating activities	963,684	(697,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow on acquisition of subsidiaries	-	(95,196)
Purchases of available-for-sale financial assets	-	(11,812)
Proceeds from sale of available-for-sale financial assets	21,634	13,165
Capital reduction of financial assets measured at cost	20,994	17,886
Acquisition of associates	(1,437,647)	-

(Continued)

ASIA POLYMER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Capital reduction of investments accounted for using the equity method	$ -	$ 6,661
Payments for property, plant and equipment	(122,371)	(333,069)
Proceeds from disposal of property, plant and equipment	210	12
Decrease (increase) in refundable deposits	60	(77)
Dividends received	164,188	128,847
Net cash used in investing activities	(1,352,932)	(273,583)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(450,000)	740,000
Proceeds from short-term bills payable	-	449,836
Proceeds from long-term borrowings	7,150,000	4,450,000
Repayments of long-term borrowings	(6,700,000)	(2,000,000)
(Increase) decrease in other non-current liabilities	1,138	(1,025)
Dividends paid to owners of the Company	(301,765)	(295,896)
Dividends paid to former owners of business contribution under common control	-	(41,786)
Net cash generated from (used in) financing activities	(300,627)	3,301,129
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(10,749)	(25,092)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(700,624)	2,305,034
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,812,999	507,965
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,112,375	$ 2,812,999

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, 2017, 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 12, 2018.

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:

   1) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

      The amendments clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Levels 2 and 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendments should be applied retrospectively starting from January 1, 2017.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transactions is enhanced. Refer to Note 29 for the related disclosure.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018 and the amendments to IFRS 9 for early adoption starting from 2018

New, Revised or Amended Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

1) For debt instruments held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

2) For debt instruments held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9, listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A credit loss allowance is required for financial assets measured at amortized cost. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets and equity			
Financial assets at fair value through other comprehensive income	$ -	$ 2,818,801	$ 2,818,801
Available-for-sale financial assets - current	85,936	(85,936)	-
Available-for-sale financial assets - non-current	2,436,185	(2,436,185)	-
Financial assets measured at cost - non-current	248,801	(248,801)	-
Total effect on assets	$ 2,770,922	$ 47,879	$ 2,818,801
Retained earnings	$ 4,254,352	$ 69,163	$ 4,323,515
Unrealized gain on available-for-sale financial assets	421,288	(421,288)	-
Unrealized gain on financial assets at fair value through other comprehensive income	-	400,004	400,004
Total effect on equity	$ 4,675,640	$ 47,879	$ 4,723,519

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 in issue but not yet endorsed and issued into effect by the FSC

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)
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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
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: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: 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.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized on the date of initial application.

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.

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, including structured entities). 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 12 and Tables 5 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 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 Company 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 forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the investment remains associated with the Group.

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 subsequent accumulated depreciation and subsequent 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 are recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

      Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

      i. Financial assets at fair value through profit or loss

         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 28.

      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 fair value through profit or loss.

         Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets (relating to changes in 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

Financial assets, other than those at fair value through profit or loss, 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 of 15-90 days, 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 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

Financial liabilities 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 interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 28.

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.

m. Provisions

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

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

n. Revenue recognition

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.

o. 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.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (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.

q. 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 at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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.

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income 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, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

a. Revenue recognition

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.

b. Estimated impairment of accounts receivable

When there is objective evidence of an impairment loss on accounts receivable, the Group takes into consideration the estimated future cash flows of such receivables. 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. If 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 inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of the net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

d. Impairment assessment for tangible assets and intangible assets (excluding goodwill)

In the process of evaluating the impairment of assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to specific asset groups while taking into consideration the nature of the industry. Furthermore, any changes in such estimations resulting from changes in economic conditions or the Company's strategy could possibly lead to a material impairment loss in future periods.

e. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities (assets) are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand and petty cash	$ 309	$ 237
Checking accounts and demand deposits	180,514	122,371
Cash equivalents		
Time deposits	1,881,627	2,044,975
Reverse repurchase agreements collateralized by bonds	49,925	645,416
	$ 2,112,375	$ 2,812,999

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	
	2017	**2016**
Time deposits	0.13%-2.10%	0.07%-1.55%
Reverse repurchase agreements collateralized by bonds	0.61%	0.32%-0.40%

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

	December 31	
	2017	2016
Financial assets - current		
Financial assets held for trading		
Non-derivative financial assets		
Domestic listed shares	$ 106,007	$ 64,739
Mutual funds	1,334,933	1,483,723
	$ 1,440,940	$ 1,548,462
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 666	$ 1,732

The net loss on operations of financial assets and liabilities at FVTPL - current in 2017 and 2016 was $10,358 thousand and $2,285 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, 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
December 31, 2016			
Sell	USD/NTD	2017.01.25-2017.02.10	USD3,000/NTD94,904
Sell	RMB/NTD	2017.02.02-2017.03.13	RMB20,944/NTD94,866
Sell	RMB/USD	2017.01.20-2017.01.23	RMB13,400/USD1,914

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. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Publicly traded shares	$ 2,504,909	$ 2,421,225
Overseas investments		
Publicly traded shares	17,212	11,411
	$ 2,522,121	$ 2,432,636
Current portion	$ 85,936	$ 40,569
Non-current portion	2,436,185	2,392,067
	$ 2,522,121	$ 2,432,636

The Group disposed of certain available-for-sale financial assets, recognizing a disposal gain of $7,739 thousand and a disposal loss of $11,262 thousand, during 2017 and 2016, respectively.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted ordinary shares	$ 193,775	$ 214,769
Overseas unlisted ordinary shares	1,975	5,390
Overseas unlisted preference shares	53,051	62,707
	$ 248,801	$ 282,866
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 248,801	$ 282,866

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.

An investee, KHL IB Venture Capital Co., Ltd., reduced its capital and returned cash to its shareholders in July 2017. The Company received $18,000 thousand back, according to its shareholding ratio.

An investee, Riselink Venture Capital Corp., reduced its capital and returned cash to its shareholders in August 2017 and August 2016. The Company received $2,994 thousand and $1,457 thousand back, respectively, according to its shareholding ratio.

An investee, Harbinger Venture Capital Corp., reduced its capital and returned cash to its shareholders in July 2016. The Company received $2,520 thousand back, according to its shareholding ratio.

An investee, Budworth Investment Ltd., reduced its capital and returned cash to its shareholders in July 2016. The Company received US$433 thousand (approximately $13,909 thousand) back, 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.

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2017	**2016**
<u>Notes receivable</u>		
Notes receivable - operating	$ 1,634	$ 1,794
Less: Allowance for impairment loss	(7)	(5)
	$ 1,627	$ 1,789
<u>Accounts receivable</u>		
Accounts receivable from unrelated parties	$ 491,775	$ 729,796
Less: Allowance for impairment loss	(1,993)	(1,995)
	$ 489,782	$ 727,801
Accounts receivable from related parties (Note 29)	$ 112,935	$ 190,532

<u>Accounts receivable</u>

The average credit period of sales of goods was 15-90 days. In determining the recoverability of an account receivable, the Company 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 based on the number of days past due days from the invoice date was as follows:

	December 31	
	2017	**2016**
Less than and including 60 days	$ 423,447	$ 740,641
61-90 days	150,313	157,471
91-120	30,950	22,216
	$ 604,710	$ 920,328

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	2016
Less than and including 30 days	$ 1	$ 3,895

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, 2016	$ -	$ 2,000	$ 2,000
Add: Reclassification	-	-	-
Balance at December 31, 2016	$ -	$ 2,000	$ 2,000
Balance at January 1, 2017	$ -	$ 2,000	$ 2,000
Add: Reclassification	-	-	-
Balance at December 31, 2017	$ -	$ 2,000	$ 2,000

11. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 645,109	$ 480,581
Work in progress	51,989	43,507
Raw materials	21,296	104,821
Production supplies	43,311	44,733
	$ 761,705	$ 673,642

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $5,707,391 thousand and $5,113,476 thousand, respectively. The cost of goods sold included inventory write-downs of $10,330 thousand and reversals of inventory write-downs of $6,731 thousand as of December 31, 2017 and 2016, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Principal Activities	% of Ownership December 31 2017	% of Ownership December 31 2016	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.

On October 19, 2016, APC BVI acquired a 100% interest in USITA, a subsidiary of Swanlake Traders Ltd. The Company and Swanlake Traders Ltd. both are subsidiaries of USI Corporation; therefore, the transaction is classified as a business combination involving entities under common control. Because there is no specific rule about business combinations involving entities under common control under IFRS 3 "Business Combinations," the related interpretation issued in the ROC is adopted. According to the interpretation issued by the Accounting Research and Development Foundation, the book value of total assets and liabilities of USITA was included in the consolidated balance sheets when its interest was acquired. And prior period comparative information in the consolidated financial statements was restated as if the business combination involving the entities under common control had already occurred in that period. APC BVI paid RMB20,300 thousand (approximately $95,196 thousand), the net amount of equity on the equity transfer basic day, to acquire the 100% interest in USITA. The transfer transaction was authorized by the Investment Commission, MOEA on August 3, 2016, and the equity transfer was completed on October 19, 2016.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31 2017	December 31 2016
Material associates		
Ever Conquest Global Ltd.	$ 1,420,994	$ 63,554
Associates that are not individually material		
Listed company		
China General Plastics Corporation ("CGPC")	629,910	595,143
Acme Electronics Corporation ("ACME")	59,334	64,301
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	272,509	243,047
ACME Electronics (Cayman) Corp. ("ACME (Cayman)")	190,627	197,740
Swanson Plastics Corporation ("SPC")	197,140	198,234
Taiwan United Venture Capital Corp. ("TUVC")	26,748	25,273
Thintec Materials Corporation ("TMC")	7,617	7,880
USI Optronics Corporation ("USIO")	43,697	-
Swanson Technologies Corporation	(9,397)	(6,171)
	2,839,129	1,389,001
Add: Reclassification of the credit amount of investments to liabilities	9,397	6,171
	$ 2,848,526	$ 1,395,172

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights December 31 2017	Proportion of Ownership and Voting Rights December 31 2016
Ever Conquest Global Ltd.	Reinvestment	British Virgin Islands	37.43%	40.94%

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	
	2017	2016
Non-current assets	$ 3,796,226	$ 155,219
Equity	$ 3,796,226	$ 155,219
Proportion of the Group's ownership	37.43%	40.94%
Equity attributable to the Group	$ 1,420,944	$ 63,554
Carrying amount	$ 1,420,944	$ 63,554

During 2017 and 2016, no significant operating revenue was generated by Ever Conquest Global Ltd.

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Profit (loss) from continuing operations	$ 868	$ (3,403)
Other comprehensive loss	(21,725)	(1,204)
Total comprehensive loss for the year	$ (20,857)	$ (4,607)

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Profit from continuing operations	$ 102,499	$ 101,080
Other comprehensive loss	(1,689)	(5,300)
Total comprehensive income for the year	$ 100,810	$ 95,780

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

Name of Associate	Proportion of Ownership and Voting Rights December 31 2017	2016
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%	-

Refer to Table 5 "Information on Investees" and Table 6 "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, 2017, the Company and USI Corporation had respectively invested US$46,270 thousand (approximately $1,443,125 thousand) and US$77,346 thousand (approximately $2,407,735 thousand). Refer to Note 30 for more information.

TUVC held an interim shareholders meeting on September 6, 2016, resolving to reduce its capital and return cash to shareholders and make up for losses. The reduction record date was September 29, 2016, and the Company received $6,661 thousand back in September 2016.

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.

Name of Associate	December 31 2017	December 31 2016
CGPC	$ 1,286,296	$ 923,133
ACME	$ 146,117	$ 96,882

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, 2017 and 2016 were based on the associates' financial statements which were audited for the same years.

14. 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, 2016	$ 230,587	$ 250,912	$ 3,396,697	$ 89,956	$ 3,076,725	$ 7,044,877
Additions	-	-	15,051	-	318,018	333,069
Disposals	-	-	(16,850)	(3,397)	-	(20,247)
Reclassification	-	511,833	2,792,928	4,342	(3,309,103)	-
Effect of foreign currency exchange differences	-	-	(57)	(222)	-	(279)
Balance at December 31, 2016	$ 230,587	$ 762,745	$ 6,187,769	$ 90,679	$ 85,640	$ 7,357,420
Accumulated depreciation						
Balance at January 1, 2016	$ -	$ 209,474	$ 3,118,211	$ 79,421	$ -	$ 3,407,106
Depreciation expenses	-	8,829	161,893	4,489	-	175,211
Disposals	-	-	(16,805)	(3,396)	-	(20,201)
Effect of foreign currency exchange differences	-	-	(45)	(204)	-	(249)
Balance at December 31, 2016	$ -	$ 218,303	$ 3,263,254	$ 80,310	$ -	$ 3,561,867
Carrying amounts at December 31, 2016	$ 230,587	$ 544,442	$ 2,924,515	$ 10,369	$ 85,640	$ 3,795,553
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

There was no indication of impairment for the years ended December 31, 2017 and 2016.

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. As of December 31, 2017, total fees and charges have been paid.

The above items of property, plant and equipment were 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

15. INVESTMENT PROPERTIES

	Land	Buildings and Improvements	Total
Cost			
Balance at January 1, 2016	$ 367,844	$ 271,597	$ 639,441
Effect of foreign currency exchange differences	-	(2,412)	(2,412)
Balance at December 31, 2016	$ 367,844	$ 269,185	$ 637,029
Accumulated depreciation			
Balance at January 1, 2016	$ -	$ 105,540	$ 105,540
Depreciation expenses	-	5,758	5,758
Effect of foreign currency exchange differences	-	(714)	(714)
Balance at December 31, 2016	$ -	$ 110,584	$ 110,584
Carrying amounts at December 31, 2016	$ 367,844	$ 158,601	$ 526,445
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
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

(Concluded)

The investment properties held by the Group were 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 $1,497,499 thousand as at December 31, 2017. 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. Were 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 $149,750 thousand as at December 31, 2017.

16. INTANGIBLE ASSETS

	Carrying Amounts	
	December 31	
	2017	2016
Computer software	$ 318	$ 1,272

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

Computer software	3 years

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Bank loans	$ 500,000	$ 950,000

The range of interest rates on bank loans was 0.88%-0.89% and 0.95%-1.10% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper	$ 700,000	$ 700,000
Less: Unamortized discount on bills payable	(166)	(209)
	$ 699,834	$ 699,791
Range of interest rates	0.40%-0.75%	0.50%-0.70%

Outstanding short-term bills payable were as follows:

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
China Bills Financial Co., Ltd.	$ 200,000	$ (37)	$ 199,963	0.40%
Dan Chung Bills Financial C Co., Ltd.	200,000	(61)	199,939	0.65%
Taiwan Cooperative Bills Finance Co., Ltd.	100,000	(35)	99,965	0.75%
Mega Bills Finance Co., Ltd.	100,000	(18)	99,982	0.66%
Ta Ching Bills Finance Co., Ltd.	100,000	(15)	99,985	0.56%
	$ 700,000	$ (166)	$ 699,834	

December 31, 2016

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
China Bills Financial Co., Ltd.	$ 200,000	$ (52)	$ 199,948	0.50%
Dah Chung Bills Financial C Co., Ltd.	200,000	(73)	199,927	0.70%
Taiwan Cooperative Bills Finance Co., Ltd.	100,000	(37)	99,963	0.70%
Mega Bills Finance Co., Ltd.	100,000	(18)	99,982	0.60%
Ta Ching Bills Finance Co., Ltd.	100,000	(29)	99,971	0.56%
	$ 700,000	$ (209)	$ 699,791	

c. Long-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Bank SinoPac Revolving credit line: $500,000 thousand Maturity date: 2017.08-2020.06, repayment of principle upon maturity Annual rate: 2017.12.31: 1.05% 2016.12.31: 1.00%	$ 500,000	$ 500,000
KGI Bank Credit line: $400,000 thousand and $200,000 thousand Maturity date: 2015.10-2021.03 and 2016.07-2019.04, repayment of principle upon maturity Annual rate: 2017.12.31: 1.036%-1.175% 2016.12.31: 0.98556%-1.175%	600,000	600,000
Chang Hwa Bank Revolving credit line: $400,000 thousand Maturity date: 2015.11-2018.06 Annual rate: 1.20%	-	400,000
Shin Kong Bank Revolving credit line: $450,000 thousand Maturity date: 2015.10-2018.10, repayment of principle upon maturity Annual rate: 1.00%	450,000	450,000
Yuanta Bank Revolving credit line: $500,000 thousand Maturity date: 2015.10-2021.01, repayment of principle upon maturity Annual rate: 2017.12.31: 1.15% 2016.12.31: 1.20%	500,000	50,000
Fubon Bank Revolving credit line: $500,000 thousand Maturity date: 2016.08-2019.09, repayment of principle upon maturity Annual rate: 2017.12.31: 1.307% 2016.12.31: 1.306%	$ 450,000	$ 450,000
First Commercial Bank Revolving credit line: $500,000 thousand Maturity date: 2017.12-2020.11, repayment of principle upon maturity Annual rate: 1.04%	400,000	-
	2,900,000	2,450,000
Less: Current portions	(450,000)	-
	$ 2,450,000	$ 2,450,000

To maintain medium- and long-term working capital, the Group signed a three-year medium- and long-term credit agreement with Bank SinoPac in July 2015 and renewed the agreement in July 2017. 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%. As of December 31, 2017, the Group did not violate these financial ratios.

To maintain medium- and long-term working capital, the Group signed a three-year medium- and long-term credit agreement with KGI Bank in October 2015 and renewed the agreement in March 2018. 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, 2017, the Group did not violate these financial ratios.

To maintain medium- and long-term working capital, the Group signed a three-year medium- and long-term credit agreement with Fubon Bank in October 2016. 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%, the debt ratio does not exceed 150% and the amount of equity is not below $7,000,000 thousand. As of December 31, 2017, the Group did not violate these financial ratios and terms.

18. ACCOUNTS AND NOTES PAYABLE

	December 31	
	2017	**2016**
Accounts payable (including related parties)		
Operating	$ 177,533	$ 314,612

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.

19. OTHER PAYABLES

	December 31	
	2017	**2016**
Payables for salaries or bonuses	$ 57,845	$ 62,761
Payables for utilities	33,087	32,237
Payables for annual leave	13,045	12,915
Payables for freight fees	10,363	11,702
Payables for dividends	9,331	9,430
Payables for insurance	2,099	3,339
Payables on equipment	1,742	59,221
Others	23,980	79,870
	$ 151,492	$ 271,475

20. PROVISIONS - CURRENT

	December 31	
	2017	2016
Customer returns and rebates	$ 5,899	$ 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.

21. 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	
	2017	2016
Present value of defined benefit obligation	$ 431,266	$ 435,749
Fair value of plan assets	(219,057)	(196,622)
Net defined benefit liabilities	$ 212,209	$ 239,127

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, 2016	$ 450,912	$ (151,036)	$ 299,876
Service cost			
Current service cost	4,943	-	4,943
Net interest expense (income)	5,427	(1,737)	3,690
Recognized in profit or loss	10,370	(1,737)	8,633
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	809	809
Actuarial loss - changes in financial assumptions	8,613	-	8,613
Actuarial loss - changes in demographic assumptions	1,306	-	1,306
Actuarial loss - experience adjustments	14,207	-	14,207
Recognized in other comprehensive income	24,126	809	24,935
Contributions from the employer	-	(94,317)	(94,317)
Benefits paid	(49,659)	49,659	-
Balance at December 31, 2016	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

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	
	2017	2016
Discount rate	1.00%	1.00%
Expected rate of salary increase	2.25%	2.00%

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	
	2017	2016
Discount rate		
0.25% increase	$ (8,177)	$ (8,620)
0.25% decrease	$ 8,426	$ 8,889
Expected rate of salary increase		
0.25% increase	$ 8,171	$ 8,639
0.25% decrease	$ (7,972)	$ (8,421)

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	
	2017	2016
Expected contributions to the plan for the next year	$ 21,000	$ 10,400
Average duration of the defined benefit obligation	7.9 years	8.2 years

22. EQUITY

a. Ordinary shares

	December 31	
	2017	2016
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)	518,114	503,023
Shares issued	$ 5,181,147	$ 5,030,240

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, 2016 and, in that meeting, resolved to issue 9,863 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 $5,030,240 thousand. On July 15, 2016, the transaction was approved by the FSC, and the subscription base date was determined as at August 25, 2016 by the board of directors.

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.

b. Capital surplus

	December 31	
	2017	2016
Unpaid dividends	$ 15,252	$ 13,189
Share of changes in capital surplus of associates	1,182	857
	$ 16,434	$ 14,046

Capital surplus which arises from the issuance consideration of shares (including issuance consideration of ordinary shares) and donations may be used to offset a deficit.

Capital surplus which arises from unpaid dividends and the share of changes in capital surplus of associates may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 8, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividends distribution and the addition of the policy on the distribution of employees' compensation.

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 23-f.

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 2016 and 2015 approved in the shareholders' meetings on June 8, 2017 and June 8, 2016, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 66,582	$ 53,155		
Cash dividends	301,814	295,896	$0.6	$0.6
Share dividends	150,907	98,633	0.3	0.2
	$ 519,303	$ 447,684		

The appropriation of earnings for 2017 were proposed by the Company's board of directors on March 12, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 56,535	$-
Cash dividends	103,623	0.2
Share dividends	362,680	0.7

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 5, 2018.

d. Other equity items

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

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (5,656)	$ 34,477
Exchange differences on translating foreign operations	(44,287)	(27,705)
Share of exchange differences of associates accounted for using the equity method	(14,337)	(17,138)
Related income tax	7,529	4,710
Balance at December 31	$ (56,751)	$ (5,656)

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 305,553	$ (194,956)
Gain (loss) on disposal of available-for-sale financial assets	7,739	(11,262)
Unrealized gain on revaluation of available-for-sale financial assets	96,585	500,755
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	12,558	10,835
Related income tax	(1,147)	181
Balance at December 31	$ 421,288	$ 305,553

23. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

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

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 10,202	$ 6,315
Financial assets at fair value through profit or loss	5,879	6,085
Reverse repurchase agreements collateralized by bonds	345	1,989
	16,426	14,389
Dividends	96,329	88,723
Rental income	52,867	52,829
Others	10,144	20,047
	$ 175,766	$ 175,988

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net foreign exchange gains (losses)	$ (21,773)	$ 4,562
Loss on disposal of investment properties	(497)	-
Net loss on financial assets at FVTPL	(5,665)	(6,095)
Gain (loss) on disposal of available-for-sale financial assets	7,739	(11,262)
Gain (loss) on disposal of property, plant and equipment	186	(34)
Net loss on financial liabilities at FVTPL	(10,572)	(2,275)
Financial asset impairment loss	(7,906)	-
Others	(14,020)	(11,407)
	$ (52,508)	$ (26,511)

c. Finance costs

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ -	$ 1,854
Capitalization rate	-	0.99%

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 284,587	$ 175,211
Investment properties	5,221	5,758
Intangible assets	954	1,785
	$ 290,762	$ 182,754
An analysis of depreciation by function		
Operating costs	$ 284,342	$ 174,910
Operating expenses	245	301
Other gains and losses	5,221	5,758
	$ 289,808	$ 180,969
An analysis of amortization by function		
Operating expenses	$ 954	$ 1,785

e. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (see Note 21)		
Defined contribution plans	$ 7,318	$ 7,120
Defined benefit plans	6,859	8,633
	14,177	15,753
Other employee benefits	333,313	330,990
Total employee benefits expense	$ 347,490	$ 346,743
An analysis of employee benefits expense by function		
Operating costs	$ 275,560	$ 275,398
Operating expenses	71,930	71,345
	$ 347,490	$ 346,743

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors and supervisors 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, 2017 and 2016, which were approved by the Company's board of directors on March 12, 2018 and March 14, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	$ 6,593	$ 7,931
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, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2017	**2016**
Foreign exchange gains	$ 27,683	$ 43,395
Foreign exchange losses	(49,456)	(38,833)
	$ (21,773)	$ 4,562

24. INCOME TAX RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 76,095	$ 95,953
Income tax on unappropriated earnings	11,771	8,253
	87,866	104,206
Deferred tax		
In respect of the current year	2,606	17,778
Adjustments for prior years	(73)	5
	2,533	17,783
Income tax expense recognized in profit or loss	$ 90,399	$ 121,989

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

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	$ 655,753	$ 792,928
Income tax expense calculated at the statutory rate	$ 114,591	$ 131,831
Nondeductible expenses in determining taxable income	(19,451)	(3,986)
Tax-exempt income	(16,512)	(14,109)
Income tax on unappropriated earnings	11,771	8,253
Income tax expense recognized in profit or loss	$ 90,399	$ 121,989

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by the subsidiaries APC BVI, USIIC and USITA is 0%, 0% and 25%, respectively.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $9,984 thousand and $3,264 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
In respect of current year		
Translation of foreign operations	$ 7,529	$ 4,710
Fair value changes of available-for-sale financial assets	(1,147)	181
Remeasurement on defined benefit plans	2,067	4,239
	$ 8,449	$ 9,130

c. Current tax liabilities

	December 31	
	2017	**2016**
Current tax liabilities		
Income tax payable	$ 41,078	$ 48,520

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, 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)

For the year ended December 31, 2016

	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	$ 1,186	$ (1,126)	$ -	$ 60
Allowance for office supplies impairment losses	7,455	42	-	7,497
Customer rebates	1,003	-	-	1,003
Allowance for production supplies losses	1,084	-	-	1,084
FVTPL financial assets	484	-	181	665
FVTPL financial liabilities	-	295	-	295
Payables for annual leave	1,643	275	-	1,918
Defined benefit obligation	50,810	(14,588)	4,239	40,461
Inventory tax differences	43	971	-	1,014
	$ 63,708	$ (14,131)	$ 4,420	$ 53,997
Deferred tax liabilities				
Land value increment tax reserve	$ (21,469)	$ -	$ -	$ (21,469)
Allowance for impaired receivables	(227)	-	-	(227)
Foreign exchange gains	(236)	(1,397)	-	(1,633)
Depreciation differences	(419)	13	-	(406)
Share of profit of associates	(15,873)	(2,196)	-	(18,069)
Exchange differences on foreign operations	(6,146)	-	4,710	(1,436)
Others	-	(67)	-	(67)
	$ (44,370)	$ (3,647)	$ 4,710	$ (43,307)

e. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ 44,323	$ 44,323
Generated on and after January 1, 1998	2,016,716	1,981,968
	$ 2,061,039 (Note)	$ 2,026,291
Imputation credits account	$ 396,165 (Note)	$ 378,993

	2017	2016 (Actual)
Creditable ratio for distribution of earnings	(Note)	21.57%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

f. Income tax assessments

The Company and ROC subsidiary's income tax returns through 2015 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	$ 1.09	$ 1.29
Diluted earnings per share	$ 1.09	$ 1.28

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 4, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.32	$ 1.29
Diluted earnings per share	$ 1.32	$ 1.28

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	
	2017	**2016**
Earnings used in the computation of basic and diluted earnings per share	$ 565,354	$ 665,825

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2017	**2016**
Shares		
Weighted average number of ordinary shares in computation of basic earnings per share	518,114	518,114
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	454	520
Weighted average number of ordinary shares used in the computation of diluted earnings per share	518,568	518,634

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.

26. 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, 2017 and 2016, 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	
	2017	**2016**
Not later than 1 year	$ 1,751	$ 701
Later than 1 year and not later than 5 years	1,156	602
	$ 2,907	$ 1,303

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, 2017 and 2016, the Group's guaranteed deposits received under operating lease agreements amounted to $6,028 thousand and $4,891 thousand, respectively.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 37,831	$ 33,967
Later than 1 year and not later than 5 years	26,926	43,868
	$ 64,757	$ 77,835

27. 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).

The Group is not subject to any externally imposed capital requirements.

28. 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, 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

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 1,548,462	$ -	$ -	$ 1,548,462
Available-for-sale financial assets				
Securities listed in the ROC				
Equity securities	$ 2,421,225	$ -	$ -	$ 2,421,225
Securities listed in other countries				
Equity securities	11,411	-	-	11,411
	$ 2,432,636	$ -	$ -	$ 2,432,636
Financial liabilities at FVTPL				
Derivatives	$ -	$ 1,732	$ -	$ 1,732

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

2) 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.

c. Categories of financial instruments

	December 31	
	2017	**2016**
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	$ 1,440,940	$ 1,548,462
Loans and receivables		
Cash and cash equivalents	2,112,375	2,812,999
Notes receivable (including related parties)	1,627	1,789
Accounts receivable (including related parties)	602,717	918,333
Other receivables (including related parties but excluding tax refund receivables)	8,106	61,407
Available-for-sale financial assets*	2,770,922	2,715,502
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	666	1,732
Financial liabilities measured at amortized cost		
Short-term borrowings	500,000	950,000
Short-term bills payable	699,834	699,791
Long-term borrowings (including current portion)	2,900,000	2,450,000
Accounts payable (including related parties)	177,533	314,612
Other payables (including related parties)	454,025	389,776

* The balance includes the carrying amount of available-for-sale financial assets measured at cost.

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 31 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 $10,404 thousand and $30,114 thousand in pre-tax profit for the years ended December 31, 2017 and 2016, 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	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 1,910,552	$ 2,669,391
Financial liabilities	1,199,834	1,649,791
Cash flow interest rate risk		
Financial assets	189,685	136,631
Financial liabilities	2,900,000	2,450,000

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, 2017 and 2016 would have decreased/increased by $13,552 thousand and $11,567 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity 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 equity price risk at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for years ended December 31, 2017 and 2016 would have increased/decreased by $72,014 thousand and $77,336 thousand, respectively, as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by $126,106 thousand and $121,632 thousand, respectively, 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 could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. 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, 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	$ -

December 31, 2016

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 614,676	$ 26,950	$ -
Fixed interest rate liabilities	0.84%	1,650,000	-	-
Floating interest rate liabilities	1.10%	-	2,450,000	-
		$ 2,264,676	$ 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	
	2017	2016
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 4,100,000	$ 4,100,000
Amount unused	3,569,493	1,612,825
	$ 7,669,493	$ 5,712,825

29. 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, 2017 and 2016.

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
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

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Ultimate parent entity		
USI Corporation	$ 596,780	$ 942,397
Associate	155,133	168,367
Fellow subsidiary	25,704	23,391
	$ 777,617	$ 1,134,155

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 2017	2016
Ultimate parent entity		
USI Corporation	$ 275,942	$ 259,443
Associate	38,933	37,653
Fellow subsidiary	6,942	2,868
	$ 321,817	$ 299,964

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 2017	2016
Ultimate parent entity		
USI Corporation	$ 6,474	$ 5,617
Fellow subsidiary		
UM	30,268	26,982
Others	950	-
	31,218	26,982
	$ 37,692	$ 32,599

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

Related Party Category/Name	For the Year Ended December 31 2017	2016
Ultimate parent entity		
USI Corporation	$ 2,240	$ 2,470
Associate	-	13
	$ 2,240	$ 2,483

f. Donation expenses (under general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2017	2016
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 2017	2016
Associate	$ 1,745	$ 1,620

h. Rental income (under other income)

Related Party Category/Name	**For the Year Ended December 31** **2017**	**2016**
Ultimate parent entity		
USI Corporation	$ 3,297	$ 3,716
Parent entity		
Union Polymer	202	319
Associate		
TVCM	13,679	12,152
Others	7,412	8,293
	21,091	20,445
Fellow subsidiary		
TTC	7,622	7,045
Others	3,380	4,611
	11,002	11,656
	$ 35,592	$ 36,136

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)

Related Party Category	**For the Year Ended December 31** **2017**	**2016**
Fellow subsidiary	$ 1,822	$ 1,822

j. Accounts receivable from related parties

Related Party Category/Name	**December 31** **2017**	**2016**
Ultimate parent entity		
USI Corporation	$ 99,228	$ 163,014
Associate	12,303	26,734
Fellow subsidiary	1,404	784
	$ 112,935	$ 190,532

k. Other receivables from related parties

Related Party Category/Name	December 31 2017	2016
Ultimate parent entity		
USI Corporation	$ 425	$ 55,206
Associate		
TVCM	2,945	2,347
CGTD	920	978
Others	513	294
	4,378	3,619
Fellow subsidiary		
TTC	1,609	227
Others	117	18
	1,726	245
	$ 6,529	$ 59,070

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 2017	2016
Ultimate parent entity		
USI Corporation	$ 63,843	$ 67,292
Associate	3,881	4,555
	$ 67,724	$ 71,847

m. Other payables to related parties

Related Party Category/Name	December 31 2017	2016
Ultimate parent entity		
USI Corporation	$ 297,039	$ 114,971
Associate	4,854	2,763
Fellow subsidiary	640	567
	$ 302,533	$ 118,301

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	
	2017	2016
Short-term employee benefits	$ 10,514	$ 15,804
Post-employment benefits	108	166
	$ 10,622	$ 15,970

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

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Significant commitments

The amount available under unused letters of credit as of December 31, 2017 was $183,307 thousand.

b. Significant contract

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.

As of December 31, 2017, the Company and USI Corporation invested US$46,270 thousand (approximately $1,443,125 thousand) and US$77,346 thousand (approximately $2,407,735 thousand), respectively, to establish Ever Conquest Global Limited (recognized as investments accounted for using the equity method). Via Ever Conquest Global Limited, the Company and USI Corporation increased the capital in the Joint Venture by US$123,616 thousand. The Joint Venture reinvested in the Hong Kong Company US$82,588 thousand and US$82,689 thousand in January and July 2017, respectively. The Hong Kong Company invested a total amount of RMB1,152,400 thousand (approximately US$169,901 thousand) in Gulei Company in April and August 2017.

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 $3,200 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.

c. Contingencies

Regarding China General Terminal & Distribution Corporation (hereinafter "CGTD"), who had been commissioned to operate LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014, the Kaohsiung District Prosecutor Office instituted a public prosecution against the related personnel of the Kaohsiung Government, LCY Chemical Corp. and CGTD employees on December 18, 2014. As of the reporting date, the attribution of responsibility for the gas explosion and the subsequent impact is still pending the conclusion of the in-progress trial of the Kaohsiung District Court.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $226,983 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 2018, the provisionally attached property was worth $151,229 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.

Up to February 2018, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. Along with the formerly mentioned compensation, the accumulated amount of compensation is $4,038,198 thousand, and the actual payment of CGTD depends on the verdict of the civil procedures. The date of the criminal procedures is estimated to be on May 11, 2018 and part of the civil procedures will be held on June 22, 2018.

31. 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, 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
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

December 31, 2016

	Foreign Currency (In Thousands)	Exchange Rate		Functional Currency (In Thousands)	Carrying Amount
Financial assets					
Monetary items					
USD	$ 35,008	32.250	(USD:NTD)	$ 1,128,996	$ 1,128,996
USD	42	6.9370	(USD:RMB)	289	1,344
RMB	641	0.1442	(RMB:USD)	92	2,967
RMB	62,653	4.6490	(RMB:NTD)	291,276	291,276
JPY	5	0.2756	(JPY:NTD)	1	1
					$ 1,424,584

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate	Functional Currency (In Thousands)	Carrying Amount
Non-monetary items				
Investments accounted for using the equity method				
USD	$ 1,971	32.250 (USD:NTD)	$ 63,554	$ 63,554
Financial liabilities				
Monetary items				
USD	3,923	32.250 (USD:NTD)	126,531	$ 126,531
JPY	102	0.2756 (JPY:NTD)	28	28
				$ 126,559

(Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains (losses) were $(21,773) thousand and $4,562 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.

32. 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. (None)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 4)

11) Information on investees. (Table 5)

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 6)

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 7)

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. (None)

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.

33. 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	
	2017	2016	2017	2016
Taiwan	$ 2,592,302	$ 2,627,683	$ 4,064,537	$ 4,230,789
Asia	3,772,552	3,228,349	82,757	92,481
Others	39,613	37,303	-	-
	$ 6,404,467	$ 5,893,335	$ 4,147,294	$ 4,323,270

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	
	2017	2016
Customer A	$ 596,780	$ 942,397

TABLE 1

ASIA POLYMER CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2017
(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, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Asia Polymer Corporation	Ordinary shares							
	Harbinger Venture Capital Corp.	-	Financial assets measured at cost - non-current	408,000	$ 4,080	1.20	$ -	
	Riselink Venture Capital	-	Financial assets measured at cost - non-current	769,516	7,695	1.67	-	
	KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at cost - non-current	18,200,000	182,000	11.90	-	
	USI Corporation	Ultimate parent company	Available-for-sale financial assets - non-current	99,368,307	1,629,640	8.53	1,629,640	
	CTCI Corporation	-	Available-for-sale financial assets - non-current	14,496,107	654,499	1.90	654,499	
	AU Optronic Corporation	-	Available-for-sale financial assets - non-current	9,618,516	119,270	0.10	119,270	
	Wafer Works Corporation	-	Available-for-sale financial assets - current	2,017,271	85,936	0.43	85,936	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss - current	229,127	3,150	0.02	3,150	
	Evergreen Marine Corp.	-	Financial assets at fair value through profit or loss - current	1,500,000	24,525	0.04	24,525	
	Oriental Union Chemical Corp.	-	Financial assets at fair value through profit or loss - current	866,000	27,409	0.10	27,409	
	Quanta Computer Inc.	-	Financial assets at fair value through profit or loss - current	500,000	30,950	0.01	30,950	
	Beneficiary securities							
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	4,901,000	64,938	-	64,938	
	Cathay No. 2 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	2,500,000	33,275	-	33,275	
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	2,000,000	29,020	-	29,020	
	Fubon No. 2 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	5,000,000	56,850	-	56,850	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,534,072	52,048	-	52,048	
	Paradigm Pion Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,262,916	26,000	-	26,000	
	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,089,187	50,115	-	50,115	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,183,308	50,050	-	50,050	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,013,116	$ 50,064	-	$ 50,064	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,844,627	92,040	-	92,040	
	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,396,007	70,071	-	70,071	
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss - current	798,148	10,005	-	10,005	
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,476,051	49,091	-	49,091	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,570,721	74,082	-	74,082	
	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,649,432	166,121	-	166,121	
	Deutsche Far Eastern DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	862,076	10,024	-	10,024	
	Eastspring Investments Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,715,649	50,252	-	50,252	
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,741,512	80,267	-	80,267	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,319,943	50,004	-	50,004	
	Shin Kong Chi-Shin Money-Market Fund	-	Financial assets at fair value through profit or loss - current	3,245,636	50,001	-	50,001	
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,230,679	40,009	-	40,009	
	TCB Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,814,087	89,035	-	89,035	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,120,417	50,051	-	50,051	
APC (BVI) Holding Co. Ltd.	Shares							
	Budworth Investment Ltd. - ordinary shares	-	Financial assets measured at cost - non-current	256,140	1,975	4.45	-	
	Teratech Corp. - ordinary shares	-	Financial assets measured at cost - non-current	112,000	-	0.67	-	(1)
	Silicon Technology Investment (Cayman) Corp. - preference shares	-	Financial assets measured at cost - non-current	1,519,701	48,938	2.95	-	
	NeuroSky, Inc. - series D preference shares	-	Financial assets measured at cost - non-current	2,397,364	4,113	0.55	-	
	TGF Linux Communication, Inc. - preference shares	-	Financial assets measured at cost - non-current	300,000	-	-	-	(1)
	Sohoware, Inc. - preference shares	-	Financial assets measured at cost - non-current	450,000	-	-	-	(1)
	Boldworks, Inc. - preference shares	-	Financial assets measured at cost - non-current	689,266	-	-	-	(1)
	Solargiga Energy Holdings Ltd. - preference shares		Available-for-sale financial assets - non-current	15,868,333	17,212	0.49	17,212	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
APC Investment Co., Ltd.	<u>Ordinary shares</u>							
	USI Corporation	Ultimate parent company	Financial assets at fair value through profit or loss - current	43,930	$ 720	-	$ 720	
	Evergreen Marine Corp.	-	Financial assets at fair value through profit or loss - current	500,000	8,175	0.01	8,175	
	Oriental Union Chemical Corp.	-	Financial assets at fair value through profit or loss - current	350,000	11,078	0.04	11,078	
	<u>Beneficiary securities</u>							
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,112,602	16,758	-	16,758	
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,999,525	24,762	-	24,762	
	<u>Ordinary shares</u>							
	Neo Solar Power Corp.	-	Available-for-sale financial assets - non-current	1,131,920	15,564	0.11	15,564	

Note 1: The carrying amount was zero as of December 31, 2017 due to the impairment loss recognized in prior years.

Note 2: Refer to Tables 5 and 6 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, 2017
(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	2,171,000	$ 63,554	44,099,000	$ 1,377,923	-	$ -	$ -	$ -	46,270,000	$ 1,420,944 (Note 1)
	Fund													
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	18,538,306	248,000	33,085,671	444,300	44,779,350	601,232	600,300	932	6,844,627	92,040 (Note 2)
	TCB Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	47,665,006	480,700	38,850,919	392,037	391,715	322	8,814,087	89,035 (Note 3)
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	10,862,044	159,000	15,710,003	231,000	23,037,975	339,156	337,972	1,184	3,534,072	52,048 (Note 4)
	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	22,731,694	354,000	12,082,262	188,259	188,000	259	10,649,432	166,121 (Note 5)

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 $92,000 thousand and adjustments for fair value changes of $40 thousand.

Note 3: The ending balance includes the original investment amount of $88,985 thousand and adjustments for fair value changes of $50 thousand.

Note 4: The ending balance includes the original investment amount of $52,028 thousand and adjustments for fair value changes of $20 thousand.

Note 5: The ending balance includes the original investment amount of $166,000 thousand and adjustments for fair value changes of $121 thousand.

TABLE 3

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, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance	% of Total	
Asia Polymer Corporation	USI Corporation	Ultimate parent company	Sale	$ (596,780)	(9.32)	60 days	No significant difference	No significant difference	Accounts receivable - related parties $99,228	16.42	
			Purchase	275,942	4.83	30 days	No significant difference	No significant difference	Accounts payable - related parties $63,843	35.96	

TABLE 4

ASIA POLYMER CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	30,659	No difference	-
				Sales revenue	66,242	No difference	-
				Commission expenses	706	No difference	-
				Other payables to related parties	93	No difference	-
1	USI International Corp.	USI Trading (Shanghai) Co., Ltd.	3	Other receivables from related parties	9,951	No difference	-
				Other payables to related parties	135	No difference	-
				Operating expenses - rental income	1,463	No difference	-
				Management services expense	130	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, 2017
(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, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
Asia Polymer Corporation	APC (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 409,938 (US$ 13,774,806)	$ 409,938 (US$ 13,774,806)	11,342,594	100.00	$ 435,497	$ (8,545)	$ (8,545)	Subsidiary (Note 1)
	APC Investment Co., Ltd.	Taipei, Taiwan	Investment	200,000	200,000	20,000,000	100.00	108,578	3,315	3,315	Subsidiary (Note 1)
	USI International Corp.	British Virgin Islands	Reinvestment	83,328 (US$ 2,800,000)	83,328 (US$ 2,800,000)	2,800,000	70.00	121,144	4,898	3,428	Subsidiary (Note 1)
	China General Plastics Corporation	Taipei, Taiwan	Manufacture and marketing of PVC plastic cloth and three-time processed products	247,412	247,412	39,700,480	8.07	629,910	1,269,808	102,464	Investments accounted for using the equity method
	China General Terminal & Distribution Corporation	Taipei, Taiwan	Warehousing and transportation of petro chemical raw materials	41,802	41,802	17,079,107	33.33	272,509	53,358	17,786	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	11,909,495	7.95	197,140	164,402	13,069	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	45,253	(103,454)	(3,435)	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	26,748	20,110	1,675	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	7,617	(866)	(263)	Investments accounted for using the equity method
	USI Optronics Corporation	Taipei, Taiwan	Manufacture and marketing of sapphire products	59,725	-	5,972,464	9.20	43,697	(175,708)	(16,028)	Investments accounted for using the equity method
	Ever Conquest Global Ltd.	British Virgin Islands	Reinvestment	1,376,995 (US$ 46,270,000)	64,609 (US$ 2,171,000)	46,720,000	37.43	1,420,944	10,291	868	Investments accounted for using the equity method
APC (BVI) Holding Co., Ltd.	ACME Electronics (Cayman) Corp.	British Virgin Islands	Reinvestment	156,088 (US$ 5,244,903)	156,088 (US$ 5,244,903)	8,316,450	16.64	190,627	(50,915)	-	Investments accounted for using the equity method
	USI International Corp.	British Virgin Islands	Reinvestment	35,712 (US$ 1,200,000)	35,712 (US$ 1,200,000)	1,200,000	30.00	51,919	4,898	-	Investments accounted for using the equity method (Note 1)
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	14,081	(103,454)	-	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	(9,397)	(21,502)	-	Investments accounted for using the equity method

Note 1: 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, 2017
(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, 2017 (Note 3)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow (Note 3)	Inflow						
ACEM Electronics (Kunshan) Co., Ltd.	Manufacture and marketing of manganese-zinc soft ferrite core	$ 914,376 (US$ 30,725,000)	(2) ACME Electronics (Cayman) Corp.	$ 124,319 (US$ 4,177,369)	$ -	$ -	$ 124,319 (US$ 4,177,369)	(Note 2,b,2) $ (77,698)	16.64	$ (12,931)	$ 119,563	$ -
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	74,400 (US$ 2,500,000)	(2) APC (BVI) Holding Co., Ltd.	90,339 (US$ 3,035,601)	-	-	90,339 (US$ 3,035,601)	(Note 2,b,2) 6,555	100.00	6,555	99,903	-
Fujian Gulei Petrochemical Co., Ltd.	Manufacture of crude oil and petroleum products	10,497,212 (RMB 2,304,800,000)	(2) Dynamic Ever Investments Ltd.	-	1,284,912 (US$43,175,806)	-	1,284,912 (US$ 43,175,806)	(Note 2,b,1) (13,083)	12.71	(1,662)	1,332,033	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$1,643,017 (Note 4) (US$55,208,912)	$4,802,717 (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, 2017.

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 Limted 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, 2017
(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	$ 66,242	1.03	No significant difference	T/T 90 days	No significant difference	$ 30,659	5.07	$ -	-
	Commission expenses	706	-	-	-	-	-	-	-	-
	Rental income	1,463	-	-	-	-	-	-	-	-
	Management service expenses	130	-	-	-	-	-	-	-	-

V. Parent Company Only Financial Statements Audited and Attested by CPAs for the Most Recent Year

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
Asia Polymer Corporation

Opinion

We have audited the accompanying financial statements of Asia Polymer Corporation (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Company's financial statements for the year ended December 31, 2017 are stated as follows:

Revenue Recognition

The increase in sales revenue of the Company in 2017 was due to sales of products with new specifications produced by a new production line, which accounted for approximately 29% of net operating revenue. In addition, the new products were sold mainly to new customers and the Company's parent company. Therefore, revenue recognition 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 the new product's internal controls 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 new product purchase orders from 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, 2017, the carrying amount of inventory was NT$745,434 thousand (i.e. the gross amount of inventory of NT$756,115 thousand with a deduction for the allowance for inventory valuation and obsolescence losses of NT$10,681 thousand). Refer to Note 11 to the Company's financial statements for details.

Inventories of the Company are stated on the lower of cost or net realizable value. The net realizable value is subject to price fluctuations of ethylene. 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 Company's policy and methods for the 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preludes 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 audits' report are Hsiu-Chun Huang and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2018

Notice to Readers

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

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

ASIA POLYMER CORPORATION

BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,815,129	12	$ 2,545,667	18
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,379,447	9	1,490,012	10
Available-for-sale financial assets - current (Notes 4 and 8)	85,936	1	40,569	-
Notes receivable (Notes 4, 5 and 10)	1,627	-	1,789	-
Accounts receivable from unrelated parties (Notes 4, 5 and 10)	489,782	3	727,801	5
Accounts receivable from related parties (Notes 4, 5, 10 and 28)	143,594	1	195,813	1
Other receivables (Note 4)	1,176	-	944	-
Other receivables from related parties (Notes 4 and 28)	6,296	-	58,733	-
Inventories (Notes 4, 5 and 11)	745,434	5	662,327	5
Prepayments	122,043	1	162,313	1
Other current assets	110	-	110	-
Total current assets	4,790,574	32	5,886,078	40
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	2,403,409	16	2,363,564	16
Financial assets measured at cost - non-current (Notes 4 and 9)	193,775	1	214,769	2
Investments accounted for using the equity method (Notes 4, 12 and 29)	3,309,037	22	1,866,647	13
Property, plant and equipment (Notes 4 and 13)	3,630,715	25	3,795,283	26
Investment properties (Notes 4 and 14)	433,504	3	434,234	3
Other intangible assets (Notes 4 and 15)	318	-	1,272	-
Deferred tax assets (Notes 4 and 23)	56,574	1	53,997	-
Other non-current assets (Note 25)	2,168	-	2,227	-
Total non-current assets	10,029,500	68	8,731,993	60
TOTAL	$ 14,820,074	100	$ 14,618,071	100

LIABILITIES AND EQUITY

CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ 500,000	4	$ 950,000	6
Short-term bills payable (Note 16)	699,834	5	699,791	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	666	-	1,732	-
Accounts payable to unrelated parties (Note 17)	108,284	1	241,803	2
Accounts payable to related parties (Notes 17 and 28)	29,568	-	34,574	-
Other payables to unrelated parties (Note 18)	150,882	1	266,552	2
Other payables to related parties (Note 28)	302,627	2	118,296	1
Current tax liabilities (Notes 4 and 23)	40,690	-	48,424	-
Provisions - current (Notes 4 and 19)	5,899	-	5,899	-
Current portion of long-term borrowings (Note 16)	450,000	3	-	-
Other current liabilities	6,332	-	14,717	-
Total current liabilities	2,294,782	16	2,381,788	16
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	2,450,000	17	2,450,000	17
Deferred tax liabilities (Notes 4 and 23)	39,902	-	43,240	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 20)	212,209	1	239,127	2
Other non-current liabilities (Note 25)	6,711	-	6,711	-
Total non-current liabilities	2,708,822	18	2,739,078	19
Total liabilities	5,003,604	34	5,120,866	35
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 23)				
Share capital				
Ordinary shares	5,181,147	35	5,030,240	35
Capital surplus	16,434	-	14,046	-
Retained earnings				
Legal reserve	1,627,934	11	1,561,352	10
Special reserve	565,379	4	565,379	4
Unappropriated earnings	2,061,039	14	2,026,291	14
Total retained earnings	4,254,352	29	4,153,022	28
Other equity	364,537	2	299,897	2
Total equity	9,816,470	66	9,497,205	65
TOTAL	$ 14,820,074	100	$ 14,618,071	100

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

ASIA POLYMER CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 5 and 28)	$ 6,241,496	100	$ 5,749,060	100
OPERATING COSTS (Notes 4, 11, 20, 22 and 28)	5,556,727	89	4,982,646	87
GROSS PROFIT	684,769	11	766,414	13
OPERATING EXPENSES (Notes 20, 22 and 28)				
Selling and marketing expenses	105,253	2	95,273	1
General and administrative expenses	106,318	2	99,835	2
Research and development expenses	6,226	-	6,583	-
Total operating expenses	217,797	4	201,691	3
PROFIT FROM OPERATIONS	466,972	7	564,723	10
NON-OPERATING INCOME AND EXPENSES (Notes 4, 12, 22 and 28)				
Other income	163,928	3	151,424	3
Other losses	(50,793)	(1)	(11,392)	-
Interest expense	(41,762)	(1)	(21,895)	(1)
Share of profit or loss of associates	114,334	2	107,404	2
Total non-operating income and expenses	185,707	3	225,541	4
PROFIT BEFORE INCOME TAX	652,679	10	790,264	14
INCOME TAX EXPENSE (Notes 4 and 23)	87,325	1	119,325	2
NET PROFIT FOR THE YEAR	565,354	9	670,939	12
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20, 21 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(12,161)	-	(24,935)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method	(1,209)	-	(8,110)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,067	-	4,239	-
	(11,303)	-	(28,806)	(1)

(Continued)

ASIA POLYMER CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (44,287)	(1)	$ (36,266)	(1)
Unrealized gain on available-for-sale financial assets	99,107	2	489,480	9
Share of the other comprehensive income (loss) of associates accounted for using the equity method	3,438	-	(6,290)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	6,382	-	4,891	-
	64,640	1	451,815	8
Other comprehensive income for the year, net of income tax	53,337	1	423,009	7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 618,691	10	$ 1,093,948	19
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 565,354	9	$ 665,825	12
Former owners of business contribution under common control	-	-	5,114	-
	$ 565,354	9	$ 670,939	12
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 618,691	10	$ 1,097,395	19
Former owners of business contribution under common control	-	-	(3,447)	-
	$ 618,691	10	$ 1,093,948	19
EARNINGS PER SHARE (Note 24)				
Basic	$ 1.09		$ 1.29	
Diluted	$ 1.09		$ 1.28	

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

ASIA POLYMER CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 21 and 24)									
							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	Former Owners of Business Contribution Under Common Control (Note 12)	Total Equity
BALANCE AT JANUARY 1, 2016	493,160	$ 4,931,607	$ 14,046	$ 1,508,197	$ 565,379	$ 1,836,956	$ 34,477	$ (194,956)	$ 140,429	$ 8,836,135
Appropriation of the 2015 earnings										
Legal reserve	-	-	-	53,155	-	(53,155)	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(295,896)	-	-	(41,786)	(337,682)
Share dividends distributed	9,863	98,633	-	-	-	(98,633)	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	665,825	-	-	5,114	670,939
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(28,806)	(40,133)	500,509	(8,561)	423,009
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	637,019	(40,133)	500,509	(3,447)	1,093,948
Former owners of business contribution under common control	-	-	-	-	-	-	-	-	(95,196)	(95,196)
BALANCE, DECEMBER 31, 2016	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, 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

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

ASIA POLYMER CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 652,679	$ 790,264
Adjustments for:		
Depreciation expenses	287,148	177,737
Amortization expenses	954	1,785
Net loss on fair value change of financial assets held for trading	23,328	3,622
Interest expense	41,762	21,895
Interest income	(13,821)	(11,329)
Dividend income	(96,308)	(88,701)
Share of profit of associates	(114,334)	(107,404)
(Gain) loss on disposal of property, plant and equipment	(186)	34
Loss on disposal of investment properties	497	-
Net (gain) loss on disposal of available-for-sale financial assets	(7,739)	912
(Reversal of) write-down of inventories	10,330	(6,622)
Net loss (gain) on foreign currency exchange	1,053	(8,820)
Changes in operating assets and liabilities		
Financial assets held for trading	86,171	(1,029,124)
Notes receivable	160	(1,057)
Accounts receivable from unrelated parties	235,565	(502,245)
Accounts receivable from related parties	51,741	45,298
Other receivables from unrelated parties	-	177
Other receivables from related parties	52,437	(21,433)
Inventories	(93,437)	131,502
Prepayments	40,270	(74,153)
Accounts payable from unrelated parties	(133,413)	(38,278)
Accounts payable from related parties	(4,780)	23,472
Other payables from unrelated parties	(113,878)	104,334
Other payables from related parties	185,857	48,573
Other current liabilities	(8,385)	5,252
Net defined benefit liabilities	(39,080)	(85,684)

(Continued)

ASIA POLYMER CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash generated from (used in) operations	1,044,591	(619,993)
Interest received	13,632	10,404
Interest paid	(41,517)	(20,884)
Income tax paid	(92,525)	(97,695)
Net cash generated from (used in) operating activities	924,181	(728,168)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	-	(1,993)
Proceeds from sale of available-for-sale financial assets	21,634	2,216
Capital reduction of financial assets measured at cost	20,994	3,977
Capital reduction of investments accounted for using the equity method	-	6,661
Acquisition of associates	(1,437,647)	-
Payments for property, plant and equipment	(122,371)	(333,069)
Proceeds from disposal of property, plant and equipment	$ 210	$ 12
Decrease (increase) in refundable deposits	59	(59)
Dividends received	164,167	128,825
Net cash used in investing activities	(1,352,954)	(193,430)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(450,000)	740,000
Proceeds from short-term bills payable	-	449,836
Proceeds from long-term borrowings	7,150,000	4,450,000
Repayments of long-term borrowings	(6,700,000)	(2,000,000)
Decrease in other non-current liabilities	-	(49)
Dividends paid to owners of the Company	(301,765)	(295,896)

(Continued)

ASIA POLYMER CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Net cash generated from (used in) financing activities	(301,765)	3,343,891
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(730,538)	2,422,293
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,545,667	123,374
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,815,129	$ 2,545,667

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

ASIA POLYMER CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2017, 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 financial statements of the Company are presented in the Company's functional currency.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors and authorized for issue on March 12, 2018.

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 Company's accounting policies:

   1) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

      The amendments clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Levels 2 and 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendments should be applied retrospectively starting from January 1, 2017.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Company, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Company's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transactions is enhanced. Refer to Note 28 for the related disclosure.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018 and the amendments to IFRS 9 for early adoption starting from 2018

New, Revised or Amended Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

1) For debt instruments held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

2) For debt instruments held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9, listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A credit loss allowance is required for financial assets measured at amortized cost. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets and equity			
Financial assets at fair value through other comprehensive income	$ -	$ 2,717,338	$ 2,717,338
Available-for-sale financial assets - current	85,936	(85,936)	-
Available-for-sale financial assets - non-current	2,403,409	(2,403,409)	-
Financial assets measured at cost - non-current	193,775	(193,775)	-
Total effect on assets	$ 2,683,120	$ 34,218	$ 2,717,338
Retained earnings	$ 4,254,352	$ 69,163	$ 4,323,515
Unrealized gain on available-for-sale financial assets	421,288	(421,288)	-
Unrealized gain on financial assets at fair value through other comprehensive income	-	386,343	386,343
Total effect on equity	$ 4,675,640	$ 34,218	$ 4,709,858

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
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: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

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

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized on the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 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 financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 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. Foreign currencies

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

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

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

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

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

e. Inventories

Inventories consist of raw materials, production supplies, finished goods 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.

f. Investments accounted for using the equity method

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

1) Investments in subsidiaries

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

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

2) Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

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

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of 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 Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required 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 Company' financial statements only to the extent that interests in the associate are not related to the Company.

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

h. Investment properties

Investment properties are properties held to earn rentals 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.

i. Intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

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 27.

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 fair value through profit or loss.

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

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and 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

Financial assets, other than those at fair value through profit or loss, 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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 15-90 days, 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 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 Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

Financial liabilities 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 interest or dividends paid on such financial liabilities. Fair value is determined in the manner described in Note 27.

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

Derivatives are initially recognized at fair value at the date 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.

l. Provisions

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

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

m. Revenue recognition

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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

c) The amount of revenue can be measured reliably;

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

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

2) Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, 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 Company as lessor

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

2) The Company as lessee

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

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 Company’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 at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

As described in Note 4, the Company recognizes revenue when certain conditions are satisfied. The Company 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.

b. Estimated impairment of accounts receivable

When there is objective evidence of an impairment loss on accounts receivable, the Company takes into consideration the estimated future cash flows of such receivables. 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. If 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 inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of the net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

d. Impairment assessment for tangible assets and intangible assets (excluding goodwill)

In the process of evaluating the impairment of assets, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to specific asset groups while taking into consideration the nature of the industry. Furthermore, any changes in such estimations resulting from changes in economic conditions or the Company's strategy could possibly lead to a material impairment loss in future periods.

e. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities (assets) are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand and petty cash	$ 146	$ 200
Checking accounts and demand deposits	70,418	41,486
Cash equivalents		
Time deposits	1,694,640	1,858,565
Reverse repurchase agreements collateralized by bonds	49,925	645,416
	$ 1,815,129	$ 2,545,667

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	
	2017	2016
Time deposits	0.13%-0.79%	0.07%-1.50%
Reverse repurchase agreements collateralized by bonds	0.61%	0.32%-0.40%

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

	December 31	
	2017	2016
Financial assets - current		
Financial assets held for trading		
Non-derivative financial assets		
Domestic listed shares	$ 86,034	$ 57,778
Mutual funds	1,293,413	1,432,234
	$ 1,379,447	$ 1,490,012
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 666	$ 1,732

The net loss on operations of financial assets and liabilities at FVTPL - current in 2017 and 2016 was $18,233 thousand and $2,899 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, 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
December 31, 2016			
Sell	USD/NTD	2017.01.25-2017.02.10	USD3,000/NTD94,904
Sell	RMB/NTD	2017.02.02-2017.03.13	RMB20,944/NTD94,866
Sell	RMB/USD	2017.01.20-2017.01.23	RMB13,400/USD1,914

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Publicly traded shares	$ 2,489,345	$ 2,404,133
Current portion	$ 85,936	$ 40,569
Non-current portion	2,403,409	2,363,564
	$ 2,489,345	$ 2,404,133

The Company disposed of certain available-for-sale financial assets, recognizing a disposal gain of $7,739 thousand and a disposal loss of $912 thousand, during 2017 and 2016, respectively.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted ordinary shares	$ 193,775	$ 214,769
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 193,775	$ 214,769

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 Company cannot be reliably measured; therefore, they were measured at cost less impairment at the end of reporting period.

An investee, KHL IB Venture Capital Co., Ltd., reduced its capital and returned cash to its shareholders in July 2017. The Company received $18,000 thousand back, according to its shareholding ratio.

An investee, Riselink Venture Capital Corp., reduced its capital and returned cash to its shareholders in August 2017 and August 2016. The Company received $2,994 thousand and $1,457 thousand back, respectively, according to its shareholding ratio.

An investee, Harbinger Venture Capital Corp., reduced its capital and returned cash to its shareholders in July 2016. The Company received $2,520 thousand back, according to its shareholding ratio.

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2017	2016
Notes receivable		
Notes receivable - operating	$ 1,634	$ 1,794
Less: Allowance for impairment loss	(7)	(5)
	$ 1,627	$ 1,789
Accounts receivable		
Accounts receivable from unrelated parties	$ 491,775	$ 729,796
Less: Allowance for impairment loss	(1,993)	(1,995)
	$ 489,782	$ 727,801
Accounts receivable from related parties (Note 28)	$ 143,594	$ 195,813

Accounts receivable

The average credit period of sales of goods was 15-90 days. In determining the recoverability of an account receivable, the Company 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 Company 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 Company mainly come from those companies with good credit long-term business relationships.

The aging of receivables based on the number of days past due from the invoice date was as follows:

	December 31	
	2017	**2016**
Less than and including 60 days	$ 436,171	$ 745,922
61-90 days	168,248	157,471
91-120	30,950	22,216
	$ 635,369	$ 925,609

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	**2016**
Less than and including 30 days	$ 1	$ 3,895

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 Company 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, 2016	$ -	$ 2,000	$ 2,000
Add: Reclassification	-	-	-
Balance at December 31, 2016	$	$ 2,000	$ 2,000
Balance at January 1, 2017	$ -	$ 2,000	$ 2,000
Add: Reclassification	-	-	-
Balance at December 31, 2017	$	$ 2,000	$ 2,000

11. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 628,838	$ 469,266
Work in progress	51,989	43,507
Raw materials	21,296	104,821
Production supplies	43,311	44,733
	$ 745,434	$ 662,327

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $5,556,727 thousand and $4,982,646 thousand, respectively. The cost of goods sold included inventory write-downs of $10,330 thousand and reversals of inventory write-downs of $6,622 thousand as of December 31, 2017 and 2016, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 665,219	$ 684,475
Investments in associates	2,643,818	1,182,172
	$ 3,309,037	$ 1,866,647

a. Investments in subsidiaries

	December 31	
	2017	2016
Unlisted company		
APC (BVI) Holding Co., Ltd.	$ 435,497	$ 449,929
APC Investment Co., Ltd.	108,578	106,901
USI International Corp.	121,144	127,645
	$ 665,219	$ 684,475

As of December 31, 2017, the percentage of ownership interests and voting rights of the Company in the subsidiaries were as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
	2017	2016
APC (BVI) Holding Co., Ltd.	100%	100%
APC Investment Co., Ltd.	100%	100%
USI International Corp.	70%	70%

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the subsidiaries' financial statements audited by auditors for the same years.

On October 19, 2016, APC BVI acquired a 100% interest in USITA, a subsidiary of Swanlake Traders Ltd. APC BVI paid RMB20,300 thousand (approximately $95,196 thousand), the net amount of equity on the equity transfer basic day, to acquire the 100% interest in USITA. The transfer transaction was authorized by the Investment Commission, MOEA on August 3, 2016, and the equity transfer was completed on October 19, 2016.

b. Investments in associates

	December 31 2017	December 31 2016
Material associates		
Ever Conquest Global Ltd.	$ 1,420,944	$ 63,554
Associates that are not individually material		
Listed company		
China General Plastics Corporation ("CGPC")	629,910	595,143
Acme Electronics Corporation ("ACME")	45,253	49,041
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	272,509	243,047
Swanson Plastics Corporation ("SPC")	197,140	198,234
Taiwan United Venture Capital Corp. ("TUVC")	26,748	25,273
Thintec Materials Corporation ("TMC")	7,617	7,880
USI Optronics Corporation ("USIO")	43,697	-
	$ 2,643,818	$ 1,182,172

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights December 31 2017	Proportion of Ownership and Voting Rights December 31 2016
Ever Conquest Global Ltd.	Reinvestment	British Virgin Islands	37.43%	40.94%

The Company 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 Company for equity accounting purposes.

Ever Conquest Global Ltd.

	December 31	
	2017	2016
Non-current assets	$ 3,796,226	$ 155,219
Equity	$ 3,796,226	$ 155,219
Proportion of the Company's ownership	37.43%	40.94%
Equity attributable to the Company	$ 1,420,944	$ 63,554
Carrying amount	$ 1,420,944	$ 63,554

During 2017 and 2016, no significant operating revenue was generated by Ever Conquest Global Ltd.

	For the Year Ended December 31	
	2017	2016
The Company's share of:		
Profit (loss) from continuing operations	$ 868	$ (3,403)
Other comprehensive loss	(21,725)	(1,204)
Total comprehensive loss for the year	$(20,857)	$ (4,607)

2) Aggregate information of subsidiaries and associates that are not individually material

	For the Year Ended December 31	
	2017	2016
The Company's share of:		
Profit from continuing operations	$ 113,466	$ 110,807
Other comprehensive gain (loss)	23,954	(13,196)
Total comprehensive income for the year	$ 137,420	$ 97,611

As of December 31, 2017, the percentage of ownership interests and voting rights of the Company in the associates were as follows:

Name of Associates	Proportion of Ownership and Voting Rights December 31 2017	2016
CGPC	8.07%	8.07%
ACME	3.32%	3.32%
CGTD	33.33%	33.33%
SPC	7.95%	7.95%
TUVC	8.33%	8.33%
TMC	30.42%	30.42%
USIO	9.20%	-

Refer to Table 4 "Information on Investees" and Table 5 "Information on Investments in Mainland China" for the nature of activities, principal places of business and countries of incorporation of the associates.

The Company's percentage of ownership over CGPC, ACME, SPC, TUVC, and USIO was less than 20%. These associates were accounted for using the equity method, as the Company 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, 2017, the Company and USI Corporation had respectively invested US$46,270 thousand (approximately $1,443,125 thousand) and US$77,346 thousand (approximately $2,407,735 thousand). Refer to Note 29 for more information.

TUVC held an interim shareholders meeting on September 6, 2016, resolving to reduce its capital and return cash to shareholders and make up for losses. The reduction record date was September 29, 2016, and the Company received $6,661 thousand back in September 2016.

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 Company's share of profit or loss of subsidiaries and 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.

Name of Associate	December 31 2017	2016
CGPC	$ 1,286,296	$ 923,133
ACME	$ 111,442	$ 73,891

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, 2017 and 2016 were based on the associates' financial statements which were audited for the same years.

13. 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, 2016	$ 230,587	$ 250,912	$ 3,394,465	$ 87,020	$ 3,076,725	$ 7,039,709
Additions	-	-	15,051	-	318,018	333,069
Disposals	-	-	(16,850)	(3,397)	-	(20,247)
Reclassification	-	511,833	2,792,928	4,342	(3,309,103)	-
Balance at December 31, 2016	$ 230,587	$ 762,745	$ 6,185,594	$ 87,965	$ 85,640	$ 7,352,531
Accumulated depreciation						
Balance at January 1, 2016	$ -	$ 209,474	$ 3,116,064	$ 76,836	$ -	$ 3,402,374
Depreciation expenses	-	8,829	161,757	4,489	-	175,075
Disposals	-	-	(16,805)	(3,396)	-	(20,201)
Balance at December 31, 2016	$ -	$ 218,303	$ 3,261,016	$ 77,929	$ -	$ 3,557,248
Carrying amounts at December 31, 2016	$ 230,587	$ 544,442	$ 2,924,578	$ 10,036	$ 85,640	$ 3,795,283

(Continued)

	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	$ 6,185,594	$ 87,965	$ 85,640	$ 7,352,531
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)
Balance at December 31, 2017	$ 228,229	$ 766,695	$ 6,285,435	$ 84,574	$ 93,447	$ 7,458,380
Accumulated depreciation						
Balance at January 1, 2017	$ -	$ 218,303	$ 3,261,016	$ 77,929	$ -	$ 3,557,248
Depreciation expenses	-	20,063	259,927	4,567	-	284,557
Disposals	-	-	(6,109)	(8,031)	-	(14,140)
Balance at December 31, 2017	$ -	$ 238,366	$ 3,514,834	$ 74,465	$ -	$ 3,827,665
Carrying amounts at December 31, 2017	$ 228,229	$ 528,329	$ 2,770,601	$ 10,109	$ 93,447	$ 3,630,715

(Concluded)

There was no indication of impairment for the years ended December 31, 2017 and 2016.

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 Company signed the EVA equipment contract with CTCI Corporation on November 8, 2012. On March 5, 2014 and May 31, 2017, respectively, the Company 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. As of December 31, 2017, total fees and charges have been paid.

The above items of property, plant and equipment were 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	5 to 22 years
Other equipment	3 to 13 years

14. INVESTMENT PROPERTIES

	Land	Buildings and Improvements	Total
Cost			
Balance at January 1, 2016	$ 367,844	$ 133,952	$ 501,796
Reclassification	-	-	-
Balance at December 31, 2016	$ 367,844	$ 133,952	$ 501,796
Accumulated depreciation			
Balance at January 1, 2016	$ -	$ 64,900	$ 64,900
Depreciation expenses	-	2,662	2,662
Balance at December 31, 2016	$ -	$ 67,562	$ 67,562
Carrying amounts at December 31, 2016	$ 367,844	$ 66,390	$ 434,234
Cost			
Balance at January 1, 2017	$ 367,844	$ 133,952	$ 501,796
Disposals	-	(2,262)	(2,262)
Transfers from property, plant and equipment	2,358	-	2,358
Balance at December 31, 2017	$ 370,202	$ 131,690	$ 501,892
Accumulated depreciation			
Balance at January 1, 2017	$ -	$ 67,562	$ 67,562
Disposals	-	(1,765)	(1,765)
Depreciation expenses	-	2,591	2,591
Balance at December 31, 2017	$ -	$ 68,388	$ 68,388
Carrying amounts at December 31, 2017	$ 370,202	$ 63,302	$ 433,504

The investment properties held by the Company were 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 (i.e. the land), excluding the land located in the Linyuan Industrial Park, was $929,973 thousand as at December 31, 2017. This fair value was not evaluated by an independent evaluator but was measured by the Company'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. Were 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 $92,997 thousand as at December 31, 2017.

15. INTANGIBLE ASSETS

	For the Year Ended December 31	
	2017	**2016**
Computer software	$ 318	$ 1,272

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

Computer software	3 years

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	**2016**
Unsecured borrowings		
Bank loans	$ 500,000	$ 950,000

The range of interest rates on bank loans was 0.88%-0.89% and 0.95%-1.10% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	December 31 2017	December 31 2016
Commercial paper	$ 700,000	$ 700,000
Less: Unamortized discount on bills payable	(166)	(209)
	$ 699,834	$ 699,791
Range of interest rates	0.40%-0.75%	0.50%-0.70%

Outstanding short-term bills payable were as follows:

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
China Bills Financial Co., Ltd.	$ 200,000	$ (37)	$ 199,963	0.40%
Dan Chung Bills Financial C Co., Ltd.	200,000	(61)	199,939	0.65%
Taiwan Cooperative Bills Finance Co., Ltd.	100,000	(35)	99,965	0.75%
Mega Bills Finance Co., Ltd.	100,000	(18)	99,982	0.66%
Ta Ching Bills Finance Co., Ltd.	100,000	(15)	99,985	0.56%
	$ 700,000	$ (166)	$ 699,834	

December 31, 2016

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Commercial paper				
China Bills Financial Co., Ltd.	$ 200,000	$ (52)	$ 199,948	0.50%
Dah Chung Bills Financial C Co., Ltd.	200,000	(73)	199,927	0.70%
Taiwan Cooperative Bills Finance Co., Ltd.	100,000	(37)	99,963	0.70%
Mega Bills Finance Co., Ltd.	100,000	(18)	99,982	0.60%
Ta Ching Bills Finance Co., Ltd.	100,000	(29)	99,971	0.56%
	$ 700,000	$ (209)	$ 699,791	

c. Long-term borrowings

	December 31	
	2017	**2016**
Unsecured borrowings		
Bank SinoPac		
Revolving credit line: $500,000 thousand		
Maturity date: 2017.08-2020.06, repayment of principle upon maturity		
Annual rate: 2017.12.31: 1.05%		
2016.12.31: 1.00%	$ 500,000	$ 500,000
KGI Bank		
Credit line: $400,000 thousand and $200,000 thousand		
Maturity date: 2015.10-2021.03 and 2016.07-2019.04, repayment of principle upon maturity		
Annual rate: 2017.12.31: 1.036%-1.175%		
2016.12.31: 0.98556%-1.175%	600,000	600,000
Chang Hwa Bank		
Revolving credit line: $400,000 thousand		
Maturity date: 2015.11-2018.06		
Annual rate: 1.20%	-	400,000
Shin Kong Bank		
Revolving credit line: $450,000 thousand		
Maturity date: 2015.10-2018.10, repayment of principle upon maturity		
Annual rate: 1.00%	450,000	450,000
Yuanta Bank		
Revolving credit line: $500,000 thousand		
Maturity date: 2015.10-2021.01, repayment of principle upon maturity		
Annual rate: 2017.12.31: 1.15%		
2016.12.31: 1.20%	500,000	50,000

(Continued)

	December 31	
	2017	2016
Fubon Bank		
Revolving credit line: $500,000 thousand		
Maturity date: 2016.08-2019.09, repayment of principle upon maturity		
Annual rate: 2017.12.31: 1.307%		
2016.12.31: 1.306%	$ 450,000	$ 450,000
First Commercial Bank		
Revolving credit line: $500,000 thousand		
Maturity date: 2017.12-2020.11, repayment of principle upon maturity		
Annual rate: 1.04%	400,000	-
	2,900,000	2,450,000
Less: Current portions	(450,000)	-
	$ 2,450,000	$ 2,450,000

(Concluded)

To maintain medium- and long-term working capital, the Company signed a three-year medium- and long-term credit agreement with Bank SinoPac in July 2015 and renewed the agreement in July 2017. A credit line of $500,000 thousand was granted to the Company, with a revolving credit line within the terms of the agreement. Under the credit agreement, the Company should maintain financial ratios in which the current ratio is not below 100% and the debt ratio does not exceed 100%. As of December 31, 2017, the Company did not violate these financial ratios.

To maintain medium- and long-term working capital, the Company signed a three-year medium- and long-term credit agreement with KGI Bank in October 2015 and renewed the agreement in March 2018. A credit line of $600,000 thousand was granted to the Company, 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 Company 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, 2017, the Company did not violate these financial ratios.

To maintain medium- and long-term working capital, the Company signed a three-year medium- and long-term credit agreement with Fubon Bank in October 2016. A credit line of $500,000 thousand was granted to the Company, with a revolving credit line within the terms of the agreement. Under the credit agreement, the Company should maintain financial ratios in which the current ratio is not below 100%, the debt ratio does not exceed 150% and the amount of equity is not below $7,000,000 thousand. As of December 31, 2017, the Company did not violate these financial ratios and terms.

17. ACCOUNTS PAYABLE

	December 31	
	2017	**2016**
Accounts payable		
Operating (including related parties)	$ 137,852	$ 276,377

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

18. OTHER PAYABLES

	December 31	
	2017	**2016**
Payables for salaries or bonuses	$ 57,505	$ 62,270
Payables for utilities	33,087	32,237
Payables for annual leave	13,045	12,915
Payables for freight fees	10,363	11,702
Payables for dividends	9,331	9,430
Payables for insurance	2,099	3,339
Payables on equipment	1,742	59,221
Others	23,710	75,438
	$ 150,882	$ 266,552

19. PROVISIONS - CURRENT

	December 31	
	2017	**2016**
Customer returns and rebates	$ 5,899	$ 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.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 431,266	$ 435,749
Fair value of plan assets	(219,057)	(196,622)
Net defined benefit liabilities	$ 212,209	$ 239,127

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, 2016	$ 450,912	$(151,036)	$ 299,876
Service cost			
Current service cost	4,943	-	4,943
Net interest expense (income)	5,427	(1,737)	3,690
Recognized in profit or loss	10,370	(1,737)	8,633
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	809	809
Actuarial loss - changes in financial assumptions	8,613	-	8,613

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss - changes in demographic assumptions	1,306	-	1,306
Actuarial loss - experience adjustments	14,207	-	14,207
Recognized in other comprehensive income	24,126	809	24,935
Contributions from the employer	-	(94,317)	(94,317)
Benefits paid	(49,659)	49,659	-
Balance at December 31, 2016	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

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

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

2) Interest risk: A decrease in 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	
	2017	**2016**
Discount rate	1.00%	1.00%
Expected rate of salary increase	2.25%	2.00%

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	
	2017	**2016**
Discount rate		
0.25% increase	$ (8,177)	$ (8,620)
0.25% decrease	$ 8,426	$ 8,889
Expected rate of salary increase		
0.25% increase	$ 8,171	$ 8,639
0.25% decrease	$ (7,972)	$ (8,421)

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	
	2017	**2016**
Expected contributions to the plan for the next year	$ 21,000	$ 10,400
Average duration of the defined benefit obligation	7.9 years	8.2 years

21. EQUITY

a. Ordinary shares

	December 31	
	2017	2016
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)	518,114	503,023
Shares issued	$ 5,181,147	$ 5,030,240

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, 2016 and, in that meeting, resolved to issue 9,863 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 $5,030,240 thousand. On July 15, 2016, the transaction was approved by the FSC, and the subscription base date was determined as at August 25, 2016 by the board of directors.

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.

b. Capital surplus

	December 31	
	2017	2016
Unpaid dividends	$ 15,252	$ 13,189
Share of changes in capital surplus of associates	1,182	857
	$ 16,434	$ 14,046

Capital surplus which arises from the issuance consideration of shares (including issuance consideration of ordinary shares) and donations may be used to offset a deficit.

Capital surplus which arises from unpaid dividends and the share of changes in capital surplus of associates may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 8, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividends distribution and the addition of the policy on the distribution of employees' compensation.

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 22-f.

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 2016 and 2015 approved in the shareholders' meetings on June 8, 2017 and June 8, 2016, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	$ 66,582	$ 53,155		
Cash dividends	301,814	295,896	$0.6	$0.6
Share dividends	150,907	98,633	0.3	0.2
	$ 519,303	$ 447,684		

The appropriation of earnings for 2017 were proposed by the Company's board of directors on March 12, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 56,535	$ -
Cash dividends	103,623	0.2
Share dividends	362,680	0.7

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 5, 2018.

d. Other equity items

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

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (5,656)	$ 34,477
Exchange differences on translating foreign operations	(44,287)	(27,705)
Share of exchange differences of associates accounted for using the equity method	(14,337)	(17,138)
Related income tax	7,529	4,710
Balance at December 31	$ (56,751)	$ (5,656)

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

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 305,553	$ (194,956)
Gain (loss) on disposal of available-for-sale financial assets	7,739	(912)
Unrealized gain on revaluation of available-for-sale financial assets	91,368	490,392
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	17,775	10,848
Related income tax	(1,147)	181
Balance at December 31	$ 421,288	$ 305,553

22. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

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

a. Other income

	For the Year Ended December 31	
	2017	**2016**
Interest income		
Bank deposits	$ 7,597	$ 3,255
Financial assets at fair value through profit or loss	5,879	6,085
Reverse repurchase agreements collateralized by bonds	345	1,989
	13,821	11,329
Dividends	96,308	88,701
Rental income	44,076	41,733
Others	9,723	9,661
	$ 163,928	$ 151,424

b. Other gains and losses

	For the Year Ended December 31	
	2017	**2016**
Net foreign exchange gains (losses)	$(24,176)	$ 5,446
Loss on disposal of investment properties	(497)	-
Net loss on financial assets at FVTPL	(13,540)	(6,709)
Gain (loss) on disposal of available-for-sale financial assets	7,739	(912)
Gain (loss) on disposal of property, plant and equipment	186	(34)
Net loss on financial liabilities at FVTPL	(10,572)	(2,275)
Others	(9,933)	(6,908)
	$(50,793)	$(11,392)

c. Finance costs

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	**2016**
Capitalized interest	$ -	$ 1,854
Capitalization rate	-	0.99%

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 284,557	$ 175,075
Investment properties	2,591	2,662
Intangible assets	954	1,785
	$ 288,102	$ 179,522
An analysis of depreciation by function		
Operating costs	$ 284,342	$ 174,910
Operating expenses	215	165
Other gains and losses	2,591	2,662
	$ 287,148	$ 177,737
An analysis of amortization by function		
Operating expenses	$ 954	$ 1,785

e. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (see Note 20)		
Defined contribution plans	$ 7,318	$ 7,120
Defined benefit plans	6,859	8,633
	14,177	15,753
Other employee benefits	330,750	327,050
Total employee benefits expense	$ 344,927	$ 342,803
An analysis of employee benefits expense by function		
Operating costs	$ 275,560	$ 275,398
Operating expenses	69,367	67,405
	$ 344,927	$ 342,803

f. Employees’ compensation and remuneration of directors

The Company accrued employees’ compensation and remuneration of directors and supervisors 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, 2017 and 2016, which were approved by the Company’s board of directors on March 12, 2018 and March 14, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees’ compensation	1.00%	1.00%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31	
	2017	**2016**
Employees’ compensation	$6,593	$7,931
Remuneration of directors	-	-

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

There is no difference between the actual amounts of employees’ compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015.

Information on the employees’ compensation and remuneration of directors resolved by the Company’s board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2017	**2016**
Foreign exchange gains	$ 25,280	$ 43,088
Foreign exchange losses	(49,456)	(37,642)
	$ (24,176)	$ 5,446

23. INCOME TAX RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 73,020	$ 93,356
Income tax on unappropriated earnings	11,771	8,253
	84,791	101,609
Deferred tax		
In respect of the current year	2,607	17,711
Adjustments for prior years	(73)	5
	2,534	17,716
Income tax expense recognized in profit or loss	$ 87,325	$ 119,325

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

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	$ 652,679	$ 785,150
Income tax expense calculated at the statutory rate	$ 110,955	$ 133,475
Nondeductible expenses in determining taxable income	(16,163)	(8,298)
Tax-exempt income	(19,238)	(14,105)
Income tax on unappropriated earnings	11,771	8,253
Income tax expense recognized in profit or loss	$ 87,325	$ 119,325

The applicable corporate income tax rate used by the Company in the ROC is 17%.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $9,984 thousand and $3,252 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
In respect of current year		
Translation of foreign operations	$ 7,529	$ 4,710
Fair value changes of available-for-sale financial assets	(1,147)	181
Remeasurement on defined benefit plans	2,067	4,239
	$ 8,449	$ 9,130

c. Current tax liabilities

	December 31	
	2017	**2016**
Current tax liabilities		
Income tax payable	$ 40,690	$ 48,424

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, 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)
	$(43,240)	$ 2,384	$ 954	$(39,902)

For the year ended December 31, 2016

	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	$ 1,186	$ (1,126)	$ -	$ 60
Allowance for office supplies impairment losses	7,455	42	-	7,497
Customer rebates	1,003	-	-	1,003
Allowance for production supplies losses	1,084	-	-	1,084
FVTPL financial assets	484	-	181	665
FVTPL financial liabilities	-	295	-	295
Payables for annual leave	1,643	275	-	1,918
Defined benefit obligation	50,810	(14,588)	4,239	40,461
Inventory tax differences	43	971	-	1,014
	$ 63,708	$(14,131)	$ 4,420	$ 53,997
Deferred tax liabilities				
Land value increment tax reserve	$(21,469)	$ -	$ -	$(21,469)
Allowance for impaired receivables	(227)	-	-	(227)
Foreign exchange gains	(236)	(1,397)	-	(1,633)
Depreciation differences	(419)	13	-	(406)
Share of profit of associates	(15,873)	(2,196)	-	(18,069)
Exchange differences on foreign operations	(6,146)	-	4,710	(1,436)
	$(44,370)	$ (3,580)	$ 4,710	$(43,240)

e. Integrated income tax

	December 31	
	2017	**2016**
Unappropriated earnings		
Generated before January 1, 1998	$ 44,323	$ 44,323
Generated on and after January 1, 1998	2,016,716	1,981,968
	$ 2,061,039 (Note)	$ 2,026,291
Imputation credits account	$ 396,165 (Note)	$ 378,993

	2017 (Expected)	**2016 (Actual)**
Creditable ratio for distribution of earnings	(Note)	21.57%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

f. Income tax assessments

The Company's income tax returns through 2015 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic earnings per share	$ 1.09	$ 1.29
Diluted earnings per share	$ 1.09	$ 1.28

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 4, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	**After Retrospective Adjustment**
Basic earnings per share	$ 1.32	$ 1.29
Diluted earnings per share	$ 1.32	$ 1.28

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	
	2017	**2016**
Earnings used in the computation of basic and diluted earnings per share	$ 565,354	$ 665,825

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares):

	For the Year Ended December 31	
	2017	**2016**
Shares		
Weighted average number of ordinary shares in computation of basic earnings per share	518,114	518,114
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	454	520
Weighted average number of ordinary shares used in the computation of diluted earnings per share	518,568	518,634

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.

25. OPERATING LEASE AGREEMENTS

a. The Company as lessee

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

As of December 31, 2017 and 2016, the Company'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	
	2017	**2016**
Not later than 1 year	$ 1,751	$ 701
Later than 1 year and not later than 5 years	1,156	602
	$ 2,907	$ 1,303

b. The Company 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, 2017 and 2016, the Company's guaranteed deposits received under operating lease agreements amounted to $3,346 thousand.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 26,978	$ 26,445
Later than 1 year and not later than 5 years	23,063	39,719
	$ 50,041	$ 66,164

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company 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 Company's overall management strategy remains unchanged from 2013.

The capital structure of the Company 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).

The Company is not subject to any externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held				
for trading	$ 1,379,447	$ -	$ -	$ 1,379,447
Available-for-sale financial assets				
Securities listed in the ROC				
Equity securities	$ 2,489,345	$ -	$ -	$ 2,489,345
Financial liabilities at FVTPL				
Derivatives	$ -	$ 666	$ -	$ 666

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held				
for trading	$ 1,490,012	$ -	$ -	$ 1,490,012
Available-for-sale financial assets				
Securities listed in the ROC				
Equity securities	$ 2,404,133	$ -	$ -	$ 2,404,133
Financial liabilities at FVTPL				
Derivatives	$ -	$ 1,732	$ -	$ 1,732

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

2) 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.

c. Categories of financial instruments

	December 31	
	2017	**2016**
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	$ 1,379,447	$ 1,490,012
Loans and receivables		
Cash and cash equivalents	1,815,129	2,545,667
Notes receivable	1,627	1,789
Accounts receivable (including related parties)	633,376	923,614
Other receivables (including related parties but excluding tax refund receivables)	7,472	59,677
Available-for-sale financial assets*	2,683,120	2,618,902
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	666	1,732
Financial liabilities measured at amortized cost		
Short-term borrowings	500,000	950,000
Short-term bills payable	699,834	699,791
Long-term borrowings (including current portion)	2,900,000	2,450,000
Accounts payable (including related parties)	137,852	276,377
Other payables (including related parties)	453,509	384,848

* The balance includes the carrying amount of available-for-sale financial assets measured at cost.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company 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 Company used the natural offset between foreign currency assets and liabilities and foreign exchange forward contracts on the net position. The Company 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 Company's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by internal auditors on a continuous basis. The Company did not enter into or trade foreign exchange forward contracts for speculative purposes.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities is set out in Note 30 and of the derivatives exposing the Company to foreign currency risk at the end of the reporting period are set out in Note 7.

Sensitivity analysis

The Company 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 Company's functional currency against the USD, there would be a decrease/an increase of $11,230 thousand and $30,104 thousand in pre-tax profit for the years ended December 31, 2017 and 2016, respectively.

In management's opinion, this sensitivity analysis is unrepresentative of the Company'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 Company was exposed to fair value interest rate risk because the Company held financial assets and financial liabilities at fixed rates; the Company was exposed to cash flow interest rate risk because the Company held financial assets and financial liabilities at floating rates. The Company's management personnel monitors the changes in the market rates on a regular basis and adjusts the floating rate financial liabilities to make the Company's rates approach market rates in response to the risk caused by changing market rates.

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

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 1,744,565	$ 2,503,981
Financial liabilities	1,199,834	1,649,791
Cash flow interest rate risk		
Financial assets	58,700	34,859
Financial liabilities	2,900,000	2,450,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 Company's pre-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by $14,207 thousand and $12,076 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax profit for years ended December 31, 2017 and 2016 would have increased/decreased by $68,939 thousand and $74,414 thousand, respectively, as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by $124,467 thousand and $120,207 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets. The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company 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 Company's credit risk is limited.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

As such cash and cash equivalents are sufficient to finance the Company'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 Company'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 Company can be required to pay. The table includes both interest and principal cash flows.

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		$ 513,498	$ 26,950	$ -
Fixed interest rate liabilities	0.71%	1,200,000	-	-
Floating interest rate liabilities	1.10%	450,000	2,450,000	-
		$ 2,163,498	$ 2,476,950	$ -

December 31, 2016

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 572,005	$ 26,950	$ -
Fixed interest rate liabilities	0.84%	1,650,000	-	-
Floating interest rate liabilities	1.10%	-	2,450,000	-
		$ 2,222,005	$ 2,476,950	$ -

b) Financing facilities

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

	December 31	
	2017	2016
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 4,100,000	$ 4,100,000
Amount unused	3,569,493	1,612,825
	$ 7,669,493	$ 5,712,825

28. 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, 2017 and 2016.

Besides the information disclosed elsewhere in the other notes, details of transactions between the Company 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
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

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Ultimate parent entity		
USI Corporation	$ 596,780	$ 942,397
Associate	155,133	167,907
Fellow subsidiary	25,704	23,391
Subsidiary	66,242	5,238
	$ 843,859	$ 1,138,933

Sales of goods to related parties were made at the Company'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 2017	2016
Ultimate parent entity		
USI Corporation	$ 135,176	$ 140,803
Associate	38,933	37,653
	$ 174,109	$ 178,456

Purchases from related parties were made at market prices which were at the Company'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 2017	2016
Ultimate parent entity		
USI Corporation	$ 6,474	$ 5,617
Fellow subsidiary		
UM	30,190	26,785
	$ 36,664	$ 32,402

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

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Ultimate parent entity		
USI Corporation	$ 2,240	$ 2,470
Subsidiary	6	42
Associate	-	13
	$ 2,246	$ 2,525

f. Donation expenses (under general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Essential related party		
USI Education Foundation	$ 2,000	$ 2,000

g. Management income (under other income)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Associate	$ 1,745	$ 1,620

h. Rental income (under other income)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Ultimate parent entity	$ 3,110	$ 2,594
Parent entity	202	319
Subsidiary	135	135
Associate		
TVCM	13,679	12,152
Others	7,412	8,293
	21,091	20,445
Fellow subsidiary		
TTC	7,614	7,043
Others	1,817	1,984
	9,431	9,027
	$ 33,969	$ 32,520

The previously indicated associates leased pipelines from the Company 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)

Related Party Category/Name	For the Year Ended December 31	
	2017	2016
Fellow subsidiary		
UM	$ 1,822	$ 1,822

j. Receivables from related parties

Related Party Category/Name	December 31 2017	December 31 2016
Ultimate parent entity		
USI Corporation	$ 99,228	$ 163,014
Associate	12,303	26,734
Subsidiary		
CGPCP	30,659	5,238
Fellow subsidiary	1,404	827
	$ 143,594	$ 195,813

k. Other receivables from related parties

Related Party Category/Name	December 31 2017	December 31 2016
Ultimate parent entity		
USI Corporation	$ 240	$ 54,871
Associate		
TVCM	2,945	2,347
CGTD	920	978
Others	513	296
	4,378	3,621
Fellow subsidiary		
TTC	1,606	225
Others	72	16
	1,678	241
	$ 6,296	$ 58,733

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 2017	December 31 2016
Ultimate parent entity		
USI Corporation	$ 25,687	$ 30,019
Associate		
SPC	3,881	4,555
	$ 29,568	$ 34,574

m. Other payables to related parties

Related Party Category/Name	December 31 2017	December 31 2016
Ultimate parent entity		
USI Corporation	$ 297,038	$ 114,969
Subsidiary	96	18
Associate	4,853	2,762
Fellow subsidiary	640	547
	$ 302,627	$ 118,296

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 2017	For the Year Ended December 31 2016
Short-term employee benefits	$ 10,514	$ 15,804
Post-employment benefits	108	166
	$ 10,622	$ 15,970

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

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Significant commitments

The amount available under unused letters of credit as of December 31, 2017 was $183,307 thousand.

b. Significant contract

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.

As of December 31, 2017, the Company and USI Corporation invested US$46,270 thousand (approximately $1,443,125 thousand) and US$77,346 thousand (approximately $2,407,735 thousand), respectively, to establish Ever Conquest Global Limited (recognized as investments accounted for using the equity method). Via Ever Conquest Global Limited, the Company and USI Corporation increased the capital in the Joint Venture by US$123,616 thousand. The Joint Venture reinvested in the Hong Kong Company US$82,588 thousand and US$82,689 thousand in January and July 2017, respectively. The Hong Kong Company invested a total amount of RMB1,152,400 thousand (approximately US$169,901 thousand) in Gulei Company in April and August 2017.

The Company 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 Company signed an agreement with Huaku Development Co., Ltd. and received $3,200 thousand as security deposits. The Taipei City Government approved the proposal on November 30, 2017. In addition, the Company, 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.

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 Kaohsiung District Prosecutor Office instituted a public prosecution against the related personnel of the Kaohsiung Government, LCY Chemical Corp. and CGTD employees on December 18, 2014. Up to the reporting date, the attribution of responsibility for the gas explosion and the subsequent impact was still pending the conclusion of the in-progress trial of the Kaohsiung District Court.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $226,983 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 2018, the provisionally attached property was worth $151,229 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.

Up to February 2018, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. Along with the formerly mentioned compensation, the accumulated amount of compensation is $4,038,198 thousand, and the actual payment of CGTD depends on the verdict of the civil procedures. The date of the criminal procedures is estimated to be on May 11, 2018 and part of the civil procedures will be held on June 22, 2018.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company' 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, 2017

	Foreign Currency (In Thousands)	Exchange Rate		Functional Currency (In Thousands)	Carrying Amount
Financial assets					
Monetary items					
USD	$ 13,749	29.760	(USD:NTD)	$ 409,181	$ 409,181
RMB	38,479	4.555	(RMB:NTD)	175,252	175,252
JPY	5	0.264	(JPY:NTD)	1	1
					$ 584,434
Non-monetary items					
Investments accounted for using the equity method					
USD	66,451	29.760	(USD:NTD)	1,977,585	$ 1,977,585
Financial liabilities					
Monetary items					
USD	1,171	29.760	(USD:NTD)	34,858	$ 34,858
JPY	7,500	0.264	(JPY:NTD)	1,982	1,982
					$ 36,840

December 31, 2016

	Foreign Currency (In Thousands)	Exchange Rate		Functional Currency (In Thousands)	Carrying Amount
Financial assets					
Monetary items					
USD	$ 35,038	32.250	(USD:NTD)	$ 1,129,990	$ 1,129,990
RMB	63,575	4.649	(RMB:NTD)	295,562	295,562
JPY	5	0.276	(JPY:NTD)	1	1
					$ 1,425,553
Non-monetary items					
Investments accounted for using the equity method					
USD	19,880	32.250	(USD:NTD)	641,128	$ 641,128
Financial liabilities					
Monetary items					
USD	3,923	32.250	(USD:NTD)	126,531	$ 126,531
JPY	102	0.2756	(JPY:NTD)	28	28
					$ 126,559

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains (losses) were $(24,176) thousand and $5,446 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 Company.

31. 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. (None)

9) Trading in derivative instruments. (Note 7)

10) Information on investees. (Table 4)

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 5)

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 6)

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 6 as disclosed, there was no other information about significant transactions, investees and investments in mainland China which should be disclosed.

32. SEGMENT INFORMATION

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standard (IFRS) No. 8 on segment information does not apply to these parent company only financial statements.

TABLE 1

ASIA POLYMER CORPORATION

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2017
(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, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Asia Polymer Corporation	Ordinary shares							
	Harbinger Venture Capital Corp.	-	Financial assets measured at cost - non-current	408,000	$ 4,080	1.20	$ -	
	Riselink Venture Capital	-	Financial assets measured at cost - non-current	769,516	7,695	1.67	-	
	KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at cost - non-current	18,200,000	182,000	11.90	-	
	USI Corporation	Ultimate parent company	Available-for-sale financial assets - non-current	99,368,307	1,629,640	8.53	1,629,640	
	CTCI Corporation	-	Available-for-sale financial assets - non-current	14,496,107	654,499	1.90	654,499	
	AU Optronic Corporation	-	Available-for-sale financial assets - non-current	9,618,516	119,270	0.10	119,270	
	Wafer Works Corporation	-	Available-for-sale financial assets - current	2,017,271	85,936	0.43	85,936	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss - current	229,127	3,150	0.02	3,150	
	Evergreen Marine Corp.	-	Financial assets at fair value through profit or loss - current	1,500,000	24,525	0.04	24,525	
	Oriental Union Chemical Corp.	-	Financial assets at fair value through profit or loss - current	866,000	27,409	0.10	27,409	
	Quanta Computer Inc.	-	Financial assets at fair value through profit or loss - current	500,000	30,950	0.01	30,950	
	Beneficiary securities							
	Cathay No. 1 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	4,901,000	64,938	-	64,938	
	Cathay No. 2 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	2,500,000	33,275	-	33,275	
	Shin Kong No. 1 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	2,000,000	29,020	-	29,020	
	Fubon No. 2 Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	5,000,000	56,850	-	56,850	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,534,072	52,048	-	52,048	
	Paradigm Pion Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,262,916	26,000	-	26,000	
	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,089,187	50,115	-	50,115	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,183,308	50,050	-	50,050	
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,013,116	50,064	-	50,064	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,844,627	$ 92,040	-	$ 92,040	
	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,396,007	70,071	-	70,071	
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss - current	798,148	10,005	-	10,005	
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,476,051	49,091	-	49,091	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,570,721	74,082	-	74,082	
	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,649,432	166,121	-	166,121	
	Deutsche Far Eastern DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	862,076	10,024	-	10,024	
	Eastspring Investments Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,715,649	50,252	-	50,252	
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,741,512	80,267	-	80,267	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,319,943	50,004	-	50,004	
	Shin Kong Chi-Shin Money-Market Fund	-	Financial assets at fair value through profit or loss - current	3,245,636	50,001	-	50,001	
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,230,679	40,009	-	40,009	
	TCB Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,814,087	89,035	-	89,035	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,120,417	50,051	-	50,051	
APC (BVI) Holding Co., Ltd.	<u>Shares</u>							
	Budworth Investment Ltd. - ordinary shares	-	Financial assets measured at cost - non-current	256,140	1,975	4.45	-	
	Teratech Corp. - ordinary shares	-	Financial assets measured at cost - non-current	112,000	-	0.67	-	(1)
	Silicon Technology Investment (Cayman) Corp. - preference shares	-	Financial assets measured at cost - non-current	1,519,701	48,938	2.95	-	
	NeuroSky, Inc. - series D preference shares	-	Financial assets measured at cost - non-current	2,397,364	4,113	0.55	-	
	TGF Linux Communication, Inc. - preference shares	-	Financial assets measured at cost - non-current	300,000	-	-	-	(1)
	Sohoware, Inc. - preference shares	-	Financial assets measured at cost - non-current	450,000	-	-	-	(1)
	Boldworks, Inc. - preference shares	-	Financial assets measured at cost - non-current	689,266	-	-	-	(1)
	Solargiga Energy Holdings Ltd. - preference shares		Available-for-sale financial assets - non-current	15,868,333	17,212	0.49	17,212	
APC Investment Co., Ltd.	<u>Ordinary shares</u>							
	USI Corporation	Ultimate parent company	Financial assets at fair value through profit or loss - current	43,930	720	-	720	
	Evergreen Marine Corp.	-	Financial assets at fair value through profit or loss - current	500,000	8,175	0.01	8,175	
	Oriental Union Chemical Corp.	-	Financial assets at fair value through profit or loss - current	350,000	11,078	0.04	11,078	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Beneficiary securities</u>							
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,112,602	$ 16,758	-	$ 16,758	
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,999,525	24,762	-	24,762	
	<u>Ordinary shares</u>							
	Neo Solar Power Corp.	-	Available-for-sale financial assets - non-current	1,131,920	15,564	0.11	15,564	

Note 1: The carrying amount was zero as of December 31, 2017 due to the impairment loss recognized in prior years.

Note 2: Refer to Tables 4 and 5 for information about subsidiaries and associates.

(Concluded)

TABLE 2

ASIA POLYMER CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	2,171,000	$ 63,554	44,099,000	$ 1,377,923	-	$ -	$ -	$ -	46,270,000	$ 1,420,944 (Note 1)
	Fund													
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	18,538,306	248,000	33,085,671	444,300	44,779,350	601,232	600,300	932	6,844,627	92,040 (Note 2)
	TCB Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	47,665,006	480,700	38,850,919	392,037	391,715	322	8,814,087	89,035 (Note 3)
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	10,862,044	159,000	15,710,003	231,000	23,037,975	339,156	337,972	1,184	3,534,072	52,048 (Note 4)
	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	22,731,694	354,000	12,082,262	188,259	188,000	259	10,649,432	166,121 (Note 5)

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 $92,000 thousand and adjustments for fair value changes of $40 thousand.

Note 3: The ending balance includes the original investment amount of $88,985 thousand and adjustments for fair value changes of $50 thousand.

Note 4: The ending balance includes the original investment amount of $52,028 thousand and adjustments for fair value changes of $20 thousand.

Note 5: The ending balance includes the original investment amount of $166,000 thousand and adjustments for fair value changes of $121 thousand.

TABLE 3

ASIA POLYMER CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$(596,780)	(9.56)	60 days	No significant difference	No significant difference	Accounts receivable - related parties $99,228	15.63
			Purchase	135,176	2.43	30 days	No significant difference	No significant difference	Accounts payable - related parties $25,687	18.63

TABLE 4

ASIA POLYMER CORPORATION

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2017

(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, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
Asia Polymer Corporation	APC (BVI) Holding Co., Ltd.	British Virgin Islands	Reinvestment	$ 409,938 (US$13,774,806)	$ 409,938 (US$13,774,806)	11,342,594	100.00	$ 435,497	$ (8,545)	$ (8,545)	Subsidiary (Note 1)
	APC Investment Co., Ltd.	Taipei, Taiwan	Investment	200,000	200,000	20,000,000	100.00	108,578	3,315	3,315	Subsidiary (Note 1)
	USI International Corp.	British Virgin Islands	Reinvestment	83,328 (US$2,800,000)	83,328 (US$2,800,000)	2,800,000	70.00	121,144	4,898	3,428	Subsidiary (Note 1)
	China General Plastics Corporation	Taipei, Taiwan	Manufacture and marketing of PVC plastic cloth and three-time processed products	247,412	247,412	39,700,480	8.07	629,910	1,269,808	102,464	Investments accounted for using the equity method
	China General Terminal & Distribution Corporation	Taipei, Taiwan	Warehousing and transportation of petro chemical raw materials	41,802	41,802	17,079,107	33.33	272,509	53,358	17,786	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	11,909,495	7.95	197,140	164,402	13,069	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	45,253	(103,454)	(3,435)	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	26,748	20,110	1,675	Investments accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
	Thintec Materials Corporation	Taipei, Taiwan	Manufacture and marketing of reinforced plastic products	36,250	36,250	1,825,000	30.42	7,617	(866)	(263)	Investments accounted for using the equity method
	USI Optronics Corporation	Taipei, Taiwan	Manufacture and marketing of sapphire products	59,725	-	5,972,464	9.20	43,697	(175,708)	(16,028)	Investments accounted for using the equity method
	Ever Conquest Global Ltd.	British Virgin Islands	Reinvestment	1,376,995 (US$46,270,000)	64,609 (US$2,171,000)	46,720,000	37.43	1,420,944	10,291	868	Investments accounted for using the equity method
APC (BVI) Holding Co., Ltd.	ACME Electronics (Cayman) Corp.	British Virgin Islands	Reinvestment	156,088 (US$5,244,903)	156,088 (US$5,244,903)	8,316,450	16.64	190,627	(50,915)	-	Investments accounted for using the equity method
	USI International Corp.	British Virgin Islands	Reinvestment	35,712 (US$1,200,000)	35,712 (US$1,200,000)	1,200,000	30.00	51,919	4,898	-	Investments accounted for using the equity method (Note 1)
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	14,081	(103,454)	-	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	(9,397)	(21,502)	-	Investments accounted for using the equity method

Note 1: All intercompany transactions have been eliminated on consolidation.

ASIA POLYMER CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2017

(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, 2017 (Note 3)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow (Note 3)	Inflow						
ACME Electronics (Kunshan) Co., Ltd.	Manufacture and marketing of manganese-zinc soft ferrite core	$ 914,376 (US$ 30,725,000)	(2) ACME Electronics (Cayman) Corp.	$ 124,319 (US$ 4,177,369)	$ -	$ -	$ 124,319 (US$ 4,177,369)	(Note 2,b,2) $ (77,698)	16.64	$ (12,931)	$ 119,563	$ -
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	74,400 (US$ 2,500,000)	(2) APC (BVI) Holding Co., Ltd.	90,339 (US$ 3,035,601)	-	-	90,339 (US$ 3,035,601)	(Note 2,b,2) 6,555	100.00	6,555	99,903	-
Fujian Gulei Petrochemical Co., Ltd.	Manufacture of crude oil and petroleum products	10,497,212 (RMB 2,304,800,000)	(2) Dynamic Ever Investments Ltd.	-	1,284,912 (US$ 43,175,806)	-	1,284,912 (US$ 43,175,806)	(Note 2,b,1) (13,083)	12.71	(1,662)	1,332,033	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$1,643,017 (Note 4) (US$55,208,912)	$4,802,717 (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, 2017.

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 Limted 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.

TABLE 6

ASIA POLYMER CORPORATION

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, 2017
(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
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%	
USI Trading (Shanghai) Co., Ltd.	Sales revenue	$66,242	1.06	No significant difference	T/T 90 days	No significant difference	$30,659	4.83	$ -
	Commission expenses	706	-	-	-	-	-	-	-

VI. Impact on the Company's financial status due to financial difficulties experienced by the Company and its affiliates during the last fiscal year up to the publication date of this report: None.

Chapter 7 Review and analysis of financial position and performance and associated risks

I. Financial position

Comparison and analysis of financial position

Unit: NT$ thousands

	December 31, 2017	December 31, 2016	Difference	
			Amount	%
Current assets	$5,136,436	$6,220,412	(1,083,976)	(17.43)
Long-term investment	5,533,512	4,070,105	1,463,407	35.96
Property (including investment), plant and equipment	4,146,976	4,321,998	(175,022)	(4.05)
Other assets	59,077	57,514	1,563	2.72
Total assets	14,876,001	14,670,029	205,972	1.40
Current liabilities	2,338,563	2,425,963	(87,400)	(3.60)
Other liabilities	2,720,968	2,746,861	(25,893)	(0.94)
Total liabilities	5,059,531	5,172,824	(113,293)	(2.19)
Capital	5,181,147	5,030,240	150,907	3.00
Capital surplus	16,434	14,046	2,388	17.00
Retained earnings	4,254,352	4,153,022	101,330	2.44
Other equity	364,537	299,897	64,640	21.55
Total equity	9,816,470	9,497,205	319,265	3.36

(I). The main reasons for major changes in assets, liabilities and equity in the most recent two years (variance of 20% and exceeding NT$10 million between periods):

1. Long-term investment: Mainly due to the increase in investment accounted for under equity method.
2. Other equity: Mainly due to an increase in the unrealized evaluation gains on available-for-sale financial assets.

(II). Impact:

No major impact.

(III). Future countermeasure

Not applicable

II. Financial performance

(I). Comparison and analysis of financial performance

Unit: NT$ thousands

	2017	2016	Increase (decrease) amount	Percentage of change (%)
Net operating revenue	$6,404,467	$5,893,335	511,132	8.67
Operating cost	5,707,391	5,113,476	593,915	11.61
Gross profit	697,076	779,859	(82,783)	(10.62)
Operating expenses	226,186	212,190	13,996	6.60
Net operating income	470,890	567,669	(96,779)	(17.05)
Non-operating income and expenses	184,863	225,259	(40,396)	(17.93)
Income before income tax	655,753	792,928	(137,175)	(17.30)
Income tax	90,399	121,989	(31,590)	(25.90)
Net income for the year	565,354	670,939	(105,585)	(15.74)
Other comprehensive income for the year	53,337	423,009	(369,672)	(87.39)
Total comprehensive income for the year	618,691	1,093,948	(475,257)	(43.44)

(I). The main reasons for significant percentage of changes in the most recent two years:

1. The decrease in income tax: Mainly due to the decrease in net income before tax.
2. Other comprehensive income for the year: Mainly due to a year-over-year decrease in the unrealized evaluation gains on available-for-sale financial assets.
3. Total comprehensive income for the year: Mainly due to the decreases in net income and other comprehensive income for the year.

(II). Projected sales volume in the following year and its basis:
The sales target for 2018 is approximately 140,000 tons and sales of niche products shall be prioritized.

(III). Impact on the Company’s future financial business: No significant impact.

(IV). Future Plans: Not Applicable

(II). Analysis of changes in gross profit: Not applicable.

III. Cash flows

Unit: NT$ thousands

Year	Cash at the beginning of the period Balance	Net cash flow from operating activities during the year	Net cash flow from investing activities during the year	Net cash flow from financing activities during the year	Effects of exchange rate	Amount of cash surplus (shortage)	Remedy for cash shortage
106	2,812,999	963,684	(1,352,932)	(300,627)	(10,749)	2,112,375	Not applicable

1. Analysis of changes in cash flow during the year
   (1) Operating activities: Net cash inflow from operating activities was NT$963,684, which was mainly the sum of annual profit plus depreciation.
   (2) Investing activities: The net cash outflow from investing activities was NT$1,352,932 thousand, mainly due to the increase in long-term equity investment accounted for under the equity method.
   (3) Financing activities: The net cash outflow from financing activities was NT$300,627 thousand, mainly due to the distribution of cash dividends.
2. Remedy for cash shortage and liquidity analysis: Not applicable.
3. Liquidity analysis for the following year

Unit: NT$ thousands

Cash at the beginning of the period Balance	Estimated net cash flow from operating activities during the year	Estimated other cash inflows (outflows) during the year	Estimated balance of cash surplus (shortage)	Remedy for shortage
2,112,375	662,000	(732,000)	2,042,375	Not applicable

IV. Impact of major capital expenditures on financial operations in the most recent year: None.

V. Investment policy in the most recent year, main reasons for its profit or loss, improvement plans and future investment project:

(I). Investment amount exceeded 5% of the paid-in capital as of December 31, 2017:

Details / Item	Amount (in 1,000)	Policy	Main reason for gain or loss	Improvement plan	Other future investment plans
USI Corporation	1,629,640	Steady cash dividends	Stable performance	None	—
CTCI Corporation	654,499	Diversification investment	The overall performance has grown steadily, so it remains profitable	None	—
Ever Conqueat Global Ltd	1,420,944	Investment in petrochemical	Construction period	None	—
China General Plastics Corporation	629,910	Diversification investment	The overall performance has grown steadily, so it remains profitable	None	—
China General Terminal & Distribution Corporation	272,509	Diversification investment	The overall performance has grown steadily, so it remains profitable	None	—

(II). Investment plan for the coming year: The Group will indirectly invest in the Gulei Park in Zhangzhou, Fujian Province, China through the third region, to produce petrochemical-related products, downstream deep-processing equipment, and supporting public facilities. The investment amount will not exceed NT$6 billion. After being approved by the relevant competent authority, funds are invested year by year according to the progress.

VI. Risk analysis and evaluation

Risk management organization structure

Key risk assessment items	Execution and responsible units	Supervision unit
1. Impacts of fluctuations in interest rates, foreign exchange rates and inflation on the Company's profitability and associated action plans	Finance Division	Audit Office
2. The policies, main causes of gain or loss and action plans with respect to high-risk, highly-leveraged investment, lending funds to other parties, endorsement and guarantee and derivative trading, and future response measures to be undertaken.:		
3. Future research and development plans and estimated expenses	Linyuan Research and Development Division	
4. Impacts of changes in major domestic and overseas policies and regulations on Company's finance and business and associated action plans:	Legal Division	
5. Impacts of changes in technology and industry on Company's finance and business and associated action plans:	Information Division/Business Department	
6. Impacts of changes in corporate image on corporate risk management and associated action plans:	Human Resources Division	
7. Expected benefits and risks relating to merger and acquisition and associated action plans:	Finance Division	
8. Expected benefits and risks relating to plant expansion and associated action plans:	Linyuan Plant	
9. Risks of concentrated sources of sales or purchases and associated action plans:	Procurement and Logistics Division/Business Department	
10. Impact and risk of sale or transfer of significant number of shares by the directors, supervisors or shareholders with over 10% of shareholding and associated action plans:	Finance Division	
11. Impact and risk of change in management and associated action plans:	Board of Directors	
12. For major litigations, non-litigations, or administrative disputes involving the Company, directors, supervisors, general manager, de facto responsible person, major shareholders with over 10% of shareholding and affiliates and have significant impacts on the interests of shareholders or share prices, the facts, amount in dispute, commencement date, major parties involved, and the status up to the annual report publication date shall be disclosed	Legal Division	

Risk management policy

(I). Impacts of fluctuations in interest rates and foreign exchange rates and inflation on the Company's profitability and associated action plans

1. Interest rate: In order to supplement working capital and avoid the risk of rising interest rates, the Company signed three-year medium-term floating-interest rate loan contracts of NT$400,000 thousand and NT$450,000 thousand with Chang Hwa Commercial Bank and Taiwan Shin Kong Commercial Bank, respectively, in 2015. In 2016, it signed a three-year medium-term fixed-interest rate loan

contracts of NT$200,000 thousand with KGI Bank and a three-year medium-term floating-interest rate loan contract of NT$500,000 thousand with Taipei Fubon Commercial Bank. In 2017, it engaged in three-year medium-term floating-interest rate loan contracts of NT$500,000 thousand, NT$500,000 thousand and NT$250,000 thousand with Bank SinoPac, First Commercial Bank and O-Bank, respectively. In 2018, it signed three-year medium-term floating-interest rate loan contracts of NT$500,000 thousand and NT$400,000 thousand with Yuanta Commercial Bank and KGI Bank, respectively. The Company will carry out IRS at an appropriate time to avoid the risk of rising interest rates.
In terms of short-term borrowing, in addition to making full use of the money market to issue commercial paper to obtain cheaper funds, it also strengthened the bargaining power on bank's short-term financing rate to reduce the overall cost of capital.

The current strategy of the Company is to apply excess funds to the diverse investments below, so that it not only mitigates the risk of interest rate fluctuation, but also contributes to the profitability of the Company:

1.1 Monetary fund beneficiary certificates: The investment amount is approximately NT$1,107,714 thousand, and the investment return rate is about 0.36%.

1.2 REITs (domestic real estate investment trust): The average investment amount is approximately NT$79,837 thousand. It generates a fixed yield of approximately 4.07% which is better than the long-term government bond yield.

1.3 Stocks with better yields: The amount of investment is about NT$381,651 thousand.

2. Exchange rate: The Company adopts the strategy of hedging the net exchange position to avoid exchange rate risks.

3. Inflation: No significant impact on the Company.

3.1 Some countries (including Taiwan) have not experienced significant inflation. The current inflation level is moderate.

3.2 The main cost of the Company is the cost of raw materials. Product price move in the same direction as the raw material cost.

(II). The policies, main causes of gain or loss and action plans with respect to high-risk, highly-leveraged investment, lending funds to other parties, endorsement and guarantee and derivative trading:

1. Engaging in high-risk, highly-leveraged investment and lending funds to other parties:

The Company's "Procedures for Acquisition and Disposition of Assets" stipulates that it does not engage in high-risk, highly-leveraged investments. There is also the "Procedures for Lending Funds to Others". However, this operation has not yet been carried out.

2. Endorsement and guarantee

Proceed in accordance with the Company's "Endorsement and Guarantee Procedures". However, this operation has not yet been carried out.

3. Derivative trading:

The Company engages in derivative transactions with the purpose of hedging risks. Trading commodities are chosen primarily to hedge risks arising from the Company's business operations. The counterparties for hedging transactions are reputable financial institutions in response to the Company's operational needs to avoid credit risks.

3.1. Hedging transactions: Forward foreign exchange contracts are used mainly on hedging the currency fluctuation of existing or future transactions. We do not participate in speculative trading.

(III). Future research and development plans and projected R&D investment amount:

1. Future R&D Plan: The Linyuan Research and Development Division is in charge of planning and execution.
- Newly acquired gas chromatograph (GC).
- Newly acquired thermal differential scanning calorimeter (DSC).
- Process equipment renewal.
2. Estimated R&D expenses: A total of approximately NT$20,600 thousand.

(IV). The Impacts of changes of the important domestic and foreign policies and laws on the Company's finance and business, and the countermeasures:

1. Impacts of changes in major domestic and overseas policies and regulations on Company's finance and business within the most recent year up to the publication date of this report are not significant.
2. Action plan: The Company has legal department in place to assess legal risks and come up with action plans. It would review important contract documents in advance, and provide legal advices and handle legal affairs whenever necessary. In addition, the accounting department evaluates the impacts of changes in accounting and tax-related laws and regulations on the financial operations of the Company at all times and come up with action plans. It would discusses with CPAs to make prior planning for the relevant changes.

(V). The impact of changes in technologies and industries on the Company's finance and business, and the countermeasures:

1. Establish webcam system to make communication in the Company more mobile and save travel expenses and time.
2. Through the introduction of ERP and financial statement consolidation system, we will continue to deepen applications and upgrade to enhance the overall operational and financial efficiency.
3. Introduce the on-line approving system to optimize the processing speed of official documents and the procedures of substitute system. It facilitates the tracking of official documents, improve efficiency, save paper, and achieve the purpose of environmental protection.
4. Through the development and integration of the cash flow system, procedures and time taken for account processing is shortened.
5. Platforms of safety and health environment, procurement, sales, Customs, credit, etc. provide web-based electronic form. They offer simplified procedures and information security and achieve the goal of e-management.
6. Promote social engineering drills to raise employees' information security awareness, protect data integrity and prevent intrusions.

(VI). The Impacts of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures:

The Company always upholds the principles of professionalism and integrity.

We value corporate governance and fulfill our corporate social responsibility. Therefore, there is no foreseeable risk associated with changes in corporate image.

(VII). The expected benefits and possible risks to engage in mergers and acquisitions (M&A)and the countermeasures:
The Company does not carry out mergers and acquisitions.

(VIII). The expected benefits and possible risks to expand the plants and the countermeasures:
The Company does not have a plant expansion plan.

(IX). The risks faced with concentrated procurement and sales, and the countermeasures:
Purchases: The Company purchases more than 50% of the Company’s overall ethylene from CPC Corporation, Taiwan. However, we signed a contract with CPC to ensure the supply of ethylene. Shortages may be supplemented by imports of CPC or the Company.
Sales: Most of our customers are SMEs, so there is no concentration risk.

(X). The impacts and risks arising from major exchange or transfer of shares by directors, supervisors or shareholders with over 10 percent of stake in the Company and the countermeasures:
There was no major exchange or transfer of shares by directors, supervisors or shareholders with over 10 percent of stake in the Company as at the date of publication of the report. Thus, there was no impact on the Company's operation.

(XI). Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations:

1. Implementation and Responsible Unit: Board of Directors.
2. There has not been any changes in management rights within the last year, up to the publication date of this annual report.

(XII). For any litigious or non-litigious matters, the Company and Company's directors, supervisors, general managers, person with actual responsibility in the Company, and major shareholders holding more than 10% of the Company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending, the report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as at the date of publication of the report:

With regard to the gas explosions on July 31, 2014, where the Company’s investee under equity method, China General Terminal & Distribution Corporation (CGTD), was contracted by LCY Chemical Corp. (LCY) to transport propene through the pipelines, the Kaohsiung District Prosecutors Office charged relevant Kaohsiung City Government officials, relevant personnel of LCY and employees of CGTD on December 18, 2014.

CGTD reached an agreement with Kaohsiung City Government on February 12, 2015 and pledged a term deposit NT$226,983 thousand (including interests) to the Government as a guarantee for losses caused by the gas explosions. The Kaohsiung City Government has also filed civil lawsuits against LCY, CGTD and CPC Corporation. Taiwan Power Company applied to the court to execute provisional attachments on the properties of CGTD on August 27 and November 26, 2015, respectively. Taiwan Water Corporation applied to the court to execute provisional attachments on the properties of CGTD on February 3 and March 2, 2017, respectively. Assets under attachment amounted to approximately NT$150,540 thousand as of April 30, 2018.

For the deceased, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement on July 17, 2015 agreeing to negotiate the compensation first with the 32 deceased’s successors and persons entitled to the claims (hereinafter, “family of the deceased”). Each family was entitled to NT$12 million and the total compensation was NT$384 million. The compensation was paid in installments over a maximum of four years. LCY will pay the bill first and also represent the three parties in the settlement negotiation and the signing of settlement agreements with family of the deceased.

For the severely injured, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement for severe injuries on October 25, 2017 agreeing to negotiate the compensation first with the 65 severely injured victims. The compensation was first paid by CGTD, LCY and the Kaohsiung City Government. CGTD also represents the three parties in negotiating settlements with victims who suffered severe injuries in the incident. It has signed settlement agreements with 63 of the victims.

As of April 30, 2018, there has been civil (including civil claims on top of criminal claims) claims against LCY, CGTD, and CPC from individuals who suffered damage from the Kaohsiung gas explosions, victims, and their relatives. The total amount including the compensation paid to the deceased and severely injured specified in the preceding paragraph is approximately NT$4,067,082 thousand. However, the actual compensation to be paid by CGTD can only be verified after the sharing ratio of liabilities is determined in the civil litigation ruling. The ruling for the criminal suit for the Kaohsiung gas explosions in the court of first instance was announced on May 11, 2018. Three CGTD employees were sentenced to fixed-term imprisonment of four years and six months. CGTD will assist the employees in filing appeals after the judgment is received. The rulings for certain civil cases in the court of first instance are expected to be announced on June 22, 2018.

(XIII). Other significant matters and action plans:

Within the most recent year up to the publication date of this report, the Company does not have other significant matters.

VII. Other important issues: Key performance indicators of the Company

(I). Operating hour without accident: The Company's Linyuan Plant is a high-temperature and high-pressure production environment, so it puts a strong emphasis on occupational safety, health and environmental protection. As of December 31, 2017, the cumulative operating hours without accident was 3,025,561 hours.

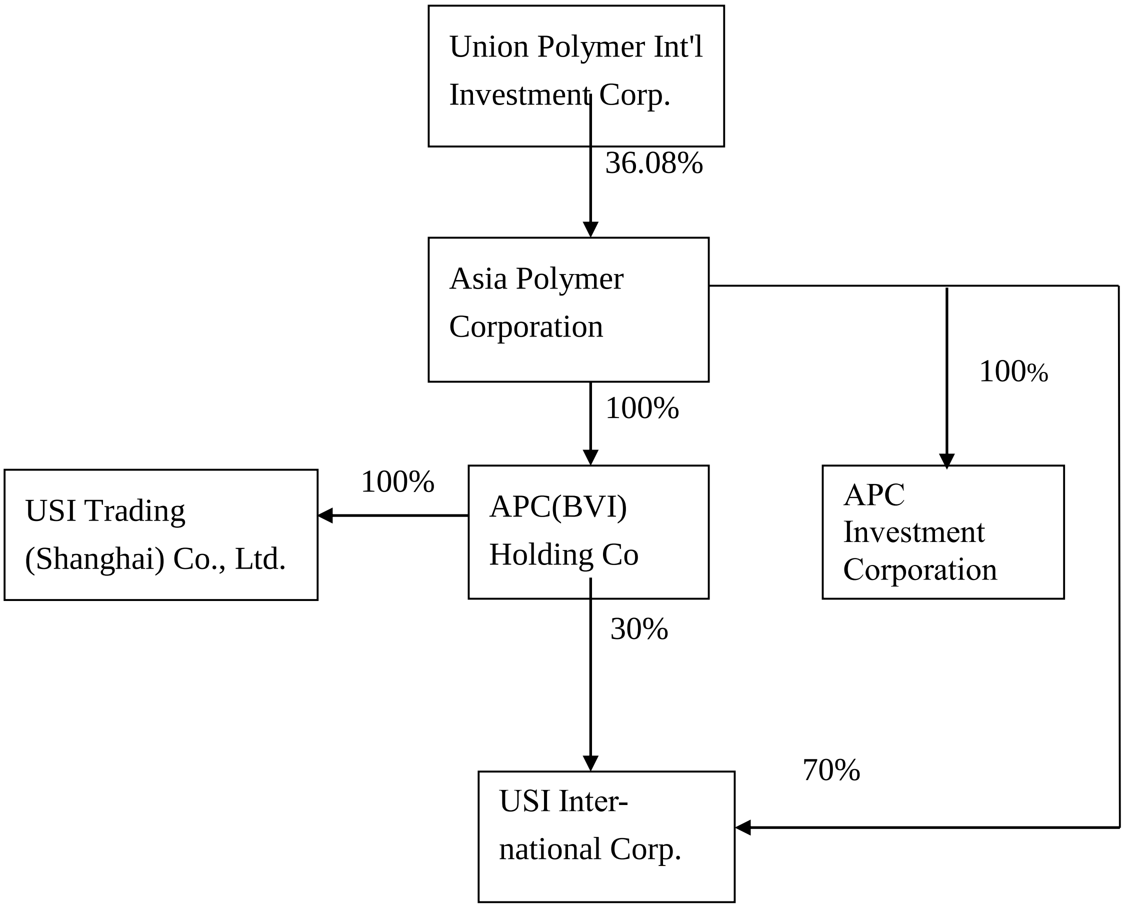
(II). Operating rate of equipment: Except for maintenance and repair or downtime due to power failure of Taipower, the equipment operates normally. The equipment operating rate was 95.72% in 2017.

Chapter 8. Special Notes

I. Affiliates

(I). Consolidated Operating Report of Affiliates

1. Organization structure of affiliates



2. Basic information on affiliates

Unit: NT$ thousands

Company name	Date of incorporation	Address	Actual Paid-in Capital	Main Business or Product
APC (BVI) Holding Co., Ltd.	April 10, 1997	Citco Building, Wickham Cay, P.O. Box 662,Road Town, Tortola, British Virgin Islands	337,556	Investment
USI International Corporation	Spetember 20, 2002	TrustNet Chambers, P.O. Box3444,Road Town, Tortola, British Virgin Islands	119,040	Investment
APC Investment Corporation	December 20, 2007	10th Floor, No. 39, Ji-Hu Road, Nei-Hu District, Taipei 114, Taiwan, R.O.C.	200,000	Investment
USI Trading (Shanghai) Co., Ltd.	March 13, 2006	6A, Yinglong Bldg., No.1358, Yan-An West Rd., Shanghai , P.R.C.	74,400	Sales of chemical products and equipment, etc.

3. Information of shareholders with corporate governance power while working in the company: None.

4. Business of affiliates and their relationships

Industry	Name of Affiliate	Business relationship with other affiliates
Holding company	APC (BVI) Holding Co., Ltd.	None
Investment	USI International Corporation	None
Investment	APC Investment Corporation	None
Trade industry	USI Trading (Shanghai) Co., Ltd.	Purchases from APC

5. Information of directors, supervisors, and general managers of affiliates

Unit: NT$ thousands; shares; %

Company name	Title	Name or Representative	Number of shares held by the person /shareholding percentage	Number of shares held by juristic persons represented /shareholding percentage
APC (BVI) Holding Co., Ltd.	Director	Wu I-Kui	0/0%	—
	Director	Li Kuo-Hung	0/0%	
	Director	Matthew Miau	0/0%	
	Director	Liu Chen-Tu	0/0%	
USI International Corporation.	Director	Wu I-Kui	0/0%	—
	Director	Li Kuo-Hung	0/0%	
	Director	Liu Chen-Tu	0/0%	
	Director	Huang Ya-I	0/0%	
APC Investment Corporation	Chairman	Wu I-Kui (representative of Asia Polymer Corporation)	0/0%	20,000,000/100%
	Director	Li Kuo-Hung (representative of Asia Polymer Corporation)	0/0%	

Company name	Title	Name or Representative	Number of shares held by the person /shareholding percentage	Number of shares held by juristic persons represented /shareholding percentage
	Director	Huang Ya-I (representative of Asia Polymer Corporation)	0/0%	
	Supervisors	Liu Chen-Tu (representative of Asia Polymer Corporation)	0/0%	
	General Manager	Huang Ya-I	0/0%	—
USI Trading (Shanghai) Co., Ltd.	Chairman and General Manager	Li Kuo-Hung (appointed by APC (BVI) Holding Co., Ltd.)	0/0%	USD2,500,000/100
	Vice Chairman	Wu Chiao-Feng (appointed by APC (BVI) Holding Co., Ltd.)	0/0%	
	Director	Wang Ke-Shun (appointed by APC (BVI) Holding Co., Ltd.)	0/0%	
	Director	Wu Ming-Tsung (appointed by APC (BVI) Holding Co., Ltd.)	0/0%	
	Supervisor	Huang Yung-Hui (appointed by APC (BVI) Holding Co., Ltd.)	0/0%	

6. Operating status of affiliates:

Unit: NT$ thousands

Company name	Capital	Total assets	Total liabilities	Net Worth	Operating revenue	Operating Income (Loss)	Net income (loss) (after tax) for the current period	Earnings per Share (NT$) (after tax)
APC (BVI) Holding Co., Ltd.	337,556	435,497	0	435,497	0	(212)	(8,545)	(0.75)
USI International Corporation.	119,040	176,211	3,148	173,063	0	(2,346)	4,898	1.22
APC Investment Corporation	200,000	118,077	9,499	108,578	0	(412)	3,315	0.17
USI Trading (Shanghai) Co., Ltd.	74,400	184,025	84,121	99,903	162,972	5,414	6,555	–

(II). Consolidated financial statements of affiliates

Declaration of Consolidated Financial Statements of Affiliates

For Fiscal Year 2017 (from January 1 to December 31, 2017), the affiliates of the Company that shall be included in the consolidated financial statements of affiliated companies as per the rules of the "Criteria Governing Preparation of Affiliation Reports, the Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prescribed by the International Financial Reporting Standards No. 10. Also, all the information to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the aforementioned consolidated financial statements. Hence, the consolidated financial statements of affiliated companies are not prepared separately.
As hereby declared

Company Name: Asia Polymer Corporation

Person in charge: Wu I-Kui

March 12, 2018

(III). Affiliation report

1. Declaration of affiliation report

The Company's 2017 (from January 1 to December 31, 2017) affiliation report is compiled in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and there was no material inconsistency between the information disclosed in the affiliation report and the one disclosed in the notes to financial statements for the same period.

As hereby declared

Company Name: Asia Polymer Corporation

Person in charge: Wu I-Kui

March 12, 2018

2. Independent auditor's opinion on affiliation report

April 30, 2018 Deloitte & Touche Audit No. 10704361

Attn: Asia Polymer Corporation

Subject: We express our opinions on Asia Polymer Corporation’s declaration of affiliation report that it does not contain any material inconsistency.

Explanations:

I. With regard to the 2017 affiliation report (January 1 to December 31, 2017) prepared by Asia Polymer Corporation on March 12, 2018, the Company had declared that the report is prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and there was no material inconsistency between the information disclosed in the affiliation report and the one disclosed in the notes to financial statements for the same period. The Declaration is attached.

II. . We had audited the affiliation report in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and compared it with the 2017 financial statements of the Company. We did not identify any material inconsistency in the above-mentioned declaration.

Deloitte & Touche

CPA Huang Hsiu-Chun 黃秀椿

CPA Wu Shih-Tsung 吳世宗

3. Overview on the relationship between affiliates and holding company

Unit: Share; %

Name of Holding Company	Reason for Control	Shares Held by the Holding Company and Status of Pledged Shares			Directors, Supervisors or Managers Appointed by the Holding Company	
		Number of Shares Held	Shareholding Percentage	Pledged Shares	Title	Name
Shing Lee Enterprise (Hong Kong) Limited	The major shareholder and representative of USI was elected as the Chairman	0	0	0	None	
USI Corporation	The parent company of the major shareholder (Union Polymer Int'l Investment Corp.) and the same chairman	0	0	0	None	
Union Polymer Int'l Investment Corp.	Major shareholder with more than half of the Board	186,955,874	36.08%	32,500,000	Chairman Director Director Director Director	Wu I-Kui Li Kuo-Hung, Liu Chen-Tu Liu Han-Tai, Huang Kuang-Che

4. Purchase and sales transactions

Unit: NT$ thousands

Name of Holding Company	Transaction status with the holding company				Transaction terms with the holding company		General trade terms		Reason for difference	Accounts/notes receivables		Overdue accounts receivable			Remark
	Purchases (sales)	Amount	Percentage to total purchases (sales)	Gross profit	Unit price (NT$)	Credit period	Unit price (NT$)	Credit period		Balance	Percentage to total accounts/notes receivables	Amount	Actions Taken	Allowance for Doubtful Accounts	
USI Corporation	Sales	596,780	9.32%	92,813	43~56	60 days	24~68	30-90 days	None	99,228	16.42%	0	None	0	–
	Purchases	275,942	4.83%	–	22~35	30 days	22~33	30 days	None	63,843	35.96%	–	–	–	–

5. Property transactions: None
6. Financing: None.

7. Lease of assets

Unit: NT$ thousands

Name of Holding Company	Transaction type	Subject		Lease period	Nature of lease	Basis for rents	Payment terms	Comparison with general rent levels	Total rent for the current period	Collection status for the current period	Other contractual terms
		Name	Location								
USI Corporation	Lessor	Office and parking spaces	10F., No.3, Sec. 1, Dunhua S. Rd., Taipei City 106, Taiwan (R.O.C.) 9th and 10th Floor, No. 37, Ji-Hu Road, Taipei City 114, Taiwan, R.O.C. 6A, Yinglong Bldg., No.1358, Yan-An West Rd., Shanghai , P.R.C.	01/01/2017-12/31/2017	Operating lease	Market price	Monthly collection	Quite	3,297	normal	None
	Lessee	Office and parking spaces	12th Floor, No. 37, Ji-Hu Road, Taipei City 114, Taiwan, R.O.C.	01/01/2017-12/31/2017	Operating lease	Market price	Monthly collection	Quite	2,240	normal	None
Union Polymer Int'l Investment Corp.	Lessor	Office	10th Floor, No. 37, Ji-Hu Road, Taipei City 114, Taiwan, R.O.C.	01/01/2017-12/31/2017	Operating lease	Market price	Monthly collection	Quite	202	normal	None

8. Endorsement and guarantee: None.

II. Private placement of securities within the most recent year up to the publication date of this report: None.

III. Holding or disposal of Company shares within the most recent year up to the publication date of this report: None.

IV. Other necessary supplementary notes to be included: None.

V. Any event which has a material impact on shareholders' rights and interests or the Company's securities as prescribed in Article 36, Paragraph 3, Sub-paragraph 2 of the Securities and Exchange Act, that have occurred within the most recent year up to the publication date of this report: None

Asia Polymer Corporation

Person in charge: Wu I-Kuei