

東聯化學

ORIENTAL UNION CHEMICAL CORPORATION



2019 Annual Report

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The English version is the translation of the Chinese text and if there is any discrepancy between the English version and the Chinese text of this document, the Chinese text shall prevail.

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I. Letter to Shareholders

I. Foreword

The rise of trade protectionism and escalation of the China-US trade war in 2019 led to a slowdown in global demand, weakened the manufacturing industry and held back global economic growth, resulting in the lowest global trade growth in the past ten years. Major economies around the world have subsequently rolled out quantitative easing policies to maintain economic growth, driven up global stock markets. Benefiting from order transfers in response to the trade war, Taiwan's economic growth rate was 2.71% in 2019, slightly lower than 2018, a mild upward push against a global economic slowdown.

In 2019, the selling price of bulk petrochemical products performed against WTI oil prices which rose from US\$ 45 to US\$ 61, mainly due to the newly launched production capacity of the US shale gas and the refining-chemical integration of China, deteriorating the disequilibrium of supply and demand, squashing the profit margin of downstream petrochemical products. Above all, the impact of the China-US trade war on consumer electronics, automotive, and textile industries decreased considerable demand of related petrochemical products and impaired the petrochemical industry in Taiwan.

Although EG prices slumped, diminishing its product spreads and resulting in overall losses, under the strict impact of oversupply, the company's strategy in transforming to high value-added products to enhance essential advantages in recent years has had its preliminary reward, as the developed downstream specialty chemicals and gas-related products profited. The annual general operating profitability sustained.

The yearly consolidated turnover of the company was NT\$ 22,341,227 thousand, a decrease of 30% from the previous year. The net income attributable to the company is NT\$ 33,618 thousand and the after-tax earnings per share (EPS) is NT\$ 0.04.

II. Operating Performance Review

Safety, Health, and Environment

OUCC values industrial safety, health, environmental conservation, and complies with all the related ISO management regulations and accomplishes the efficient on-job training. In 2019, the cumulated safety man-hour in Linyuan plant reached 4.31 million hours, and SHE related projects in process and technology continued at all time.

The company is successively committed to improving process design, pursuing green production, investing in energy efficiency improvement and waste recycling equipment, minimizing the impact of operational production on the environment, balancing the development in industrial production and environmental protection. In 2019, the implementation of environmental protection projects include the waste water recovery system at Linyuan plant, which can recycle and reuse up to 70% of the discharged water upon completion and operation in 2020, to fulfil the conservation goal in environmental water resources. In addition, the completion of the heating boiler and regenerative thermal oxidizer (RTO) improvement by using the low-NOx burners and the clean natural gas for replacement shall save power and reduce carbon.



Ethylene Glycol Business

In 1H/2019, in view of the intensive shutdowns of crackers in East Asia and Europe, the EG market price remained high due to the tight supply; however, in 2H/2019, with China's new capacity launched, the price of monomer ethylene glycol (MEG) dropped accordingly. On the other hand, the continuation of the China-US trade war turned the overall economic growth rate downward, slowing down the growth of EG demand. Moreover, the newly launched US capacity and the increased production of CTMEG resulted in the low market price of MEG.

The total volume of EG produced in 2019, combining both OUCC Linyuan plant and FUPY Yangzhou plant, reached 650,000 MT, a 12% decline comparing to 2018, and sold 690,000 MT, of a 12% decline; whereas the combined EO volume produced totaled 220,000 MT, a 12% growth rate, and sold 120,000 MT, of a 11% growth rate.

Gas Business

In 2019, suffered from low-price competition in China, the purchase orders of steel and petrochemicals in Taiwan shrank, causing simultaneous decline of gas demand; whereas the semiconductor industry performed better, as the maintenance of established customers and new customer developing strengthened; the China market inflicted by the China-US trade war turned stagnant. With endeavors to secure its nitrogen pipeline extension vantage in the industrial park, and actively expand customers of various industries for the liquid gas business, the overall operation of gas business of the company was stable and improving throughout the year.

The total combined volume of oxygen produced from OUCC Linyuan plant and TDIY Yangzhou was 560,000 MT in 2019. Except for its own use, 61,000 MT of oxygen were sold; while 400,000 MT of nitrogen were produced and 350,000 MT were sold.

Specialty Chemicals Business

Generally, the company's specialty chemicals business in 2019 maintained growth, and products' added value heightened. To further complete the EOD product line, in addition to its original product series, the newly developed high-value formula products such as emulsifiers for the herbicide pelargonic acid, and concrete water reducers broadening both the EOD downstream and its product line.

Meanwhile, to balance EA production and sale to secure its market supply to cope with the escalated disequilibrium of ethanalamine (EA) market worldwide due to the new capacity from the Middle East and China, the company not only met the requirement of customers from domestic and abroad, but also sought collaboration with direct customers in quest of high-value applications and product quality to optimize the product distribution plan. More, to further strengthen the profit dedication of specialty chemicals, the company also expanded the sale of the new product ethylene glycol butyl ether (EB). Apart from the solid business of ethylene carbonate (EC), the company is also approaching the new applications for the niche markets.

In 2019, the combined specialty chemicals produced at OUCC Linyuan plant and OPYC Yangzhou totaled 180,000 MT, an increase of 8% over 2018; 180,000 MT were sold, an increase of 11% over 2018.

III. 2020 Business Goals and Future Prospects

Overview of 2020 Business Plans

1. Ethylene Glycol Business

In 2020, the price of raw material ethylene is expected to remain low as multiple crackers in China and the US launch new production. To enhance product competitiveness, the company has lifted the overall loading of EG plants both in Linyuan and Yangzhou to lower the unit production costs, implement circular economy and improve production efficiency. A total of EG volume of 780,000 MT is to be produced from both plants, of equivalent volume compared to 2019.

2. Gas Business

As new air separation units (ASU) in Tree Valley Park of Southern Taiwan Science Park and Guanyin Taoyuan will start operation this year, the gas market in Taiwan is bound to be over supplied and the prices fiercely competitive. Hence, gas business of the company will be focused on the pipeline customers' expansion within the Park to increase pipeline sales and profits, and strive for the full production and sale of the liquid oxygen, nitrogen and argon in accordance with the ASU operation status. To improve overall profitability, the company targets the niche products and new applications to further segment the market. A new project for nitrogen liquefier is scheduled to strengthen the refinement and purity of gas products to enhance the sales capacity for food-grade liquid nitrogen, medical oxygen, and electronic-grade carbon dioxide. The growth demand for the electronics industry can be expected.

3. Specialty Chemicals Business

Although hindered by the overall poor economic environment, the company's specialty chemicals business remains active in new technologies developing, products' added value enhancing, and innovative transformation of new products, new materials and new applications. The volume of production and sales is anticipated to further improve as the promoted EOD new products, including formula products of the concrete water reducer, textile auxiliaries, pesticides emulsifiers, and a great deal of high-value reaction-grade polyol products join the product line.

Meanwhile, the company continues to differentiate its sale, stressing product quality and after-sales service to reduce the impact of market changes. As to EA, the company will secure its sale channel and increase semiconductor-grade product sale, to maintain its advantage in domestic market share; and, to strive for the increase in EB domestic market share to maintain its leading position in response to the loose market in Asia as well as in Taiwan; also, to expand EC sale channels to the super absorbent polymer (SAP), oil formula and lithium battery markets, besides the polycarbonate (PC) market, the sale volume of EC is expected to reach a new high. In general, the revenue and profit growth of specialty chemicals of the company in 2020 can be anticipated.

Prospects for Future Operations

Looking into 2020, the uncertainties remain in respect to the volatile international situations, including the disputes over the China-US trade war, the US presidential election, and the US-Iranian conflict crisis.




Moreover, the rampant Novel Coronavirus epidemic around the world since the beginning of the year has caused a severe contraction in consumer demand, as well as a disconnection of the supply chain. The global economy is bound to be deeply affected, and the overall economic situation can't be bright.

The demand of crude oil plummeted due to the sluggish economy, and Russia and the Organization of the Petroleum Exporting Countries (OPEC) failed to agree on the output cut, resulting in the plunge of oil prices as well as product prices of the petrochemical industry. Particularly, with the new production launch in China this year, the oversupply is expected to affect adversely the operation of petrochemical industry.

In spite of all the disadvantages, the company shall proceed successively with the projects to improve its competitiveness, including the construction of a large-scale ethylene raw material storage tank on the coast, solving multiple sources of raw material, improving energy consumption, which is estimated to effectively reduce production costs, the overall profit of the company shall further grow, with the pipeline business expansion continuing and niche product sale in focus. Moreover, to cope with the market changes, the company's ceaseless efforts in diversified specialty chemicals have set the preliminary milestone as the profit of specialty chemicals in 2019 doubled that of the previous year. This year, to further increase the added value of specialty chemicals, the company invests proactively in the high-value product fields such as construction chemicals, detergent chemicals, textile and dyeing chemicals, as well as polyol fine chemicals used in the PU industry. Profit thereof is expected to increase further in 2020.

To strive for growth and profit, the company aims to integrate teams of R&D, technology, production and sales to provide customers with more complete technical services and satisfied product quality, and ensure the company's long-term competitiveness through continuous innovation and transformation in order to achieve its sustainable corporate vision.

Chairman of the Board

徐旭東 

II. Company Profile

1. Date of incorporation: December 22, 1975

2. Company history

- In 1975 ● Registration and incorporation of the Company was approved, with the shareholders including Central Investment Holding Co, Executive Yuan Development Fund, the Far Eastern Textile Corporation (now known as Far Eastern New Century), Union Carbide Corporation, USA, and the China Development Corporation; the capital was NTD\$569,250,000.
- In 1978 ● Construction of the EG plant was completed.
- In 1982 ● The Union Carbide Corporation, USA withdrew from the Company, and the Union Industrial GAS Company co-invested together with Central Investment Holding Co and CPC was consolidated into the Company; capital increased to NTD\$1,493,658,000.
- In 1986 ● Office premises at Fu-Hsing N Road, Taipei City were purchased and Head Office was relocated to the premises.
- In 1987 ● The Company was publicly listed on the Taiwan Stock Exchange on October 21.
- In 1988 ● Land was purchased in the Chienchen District, Kaohsiung City occupying an area of about 5.704 acres at the price of about NT\$1 billion.
- In 1992 ● An EG waste water treatment plant that meets the national standards for discharge of waste water was completed.
- In 1993 ● Addition of the 2nd gas plant increased the output of gas products.
- In 1995 ● About 9% of the equity of ICI Far Eastern Co Ltd (now OPTC) was acquired.
- In 1997 ● The second LPG plant was added to increase the output of liquid nitrogen and liquid oxygen by a total of 73,000 tons each year.
- In 1998 ● May: Reinvestment was made to establish the Tong Fu Investment Corporation, a subsidiary wholly owned by OUCC.
● The Company's Linyuan Plant was certified under ISO-14001 (environmental protection management), and hit the unprecedented record for zero labor safety incidents for 2 million man-hours consecutively.
● December: Issue of the first secured common corporate bonds in the amount of NT\$800 million, valid for 5 years.
- In 1999 ● January: A branch office was established in the Kaohsiung Nantz Export Zone, and an on-site gas factory was built to expand the gas operation.
● February: Completed the debottlenecking of EO/EG to increase the output of EO and EG by about 70,000 tons and 40,000 tons per year.
- In 2000 ● September: Implemented the SAP Enterprise Resource Planning (ERP) System.
● December: Treasury stock, totaling 5,213 thousand shares was repurchased for the first time to maintain goodwill and shareholder equity.
- In 2001 ● April: Completed cancellation of the treasury stock repurchased for the first time.



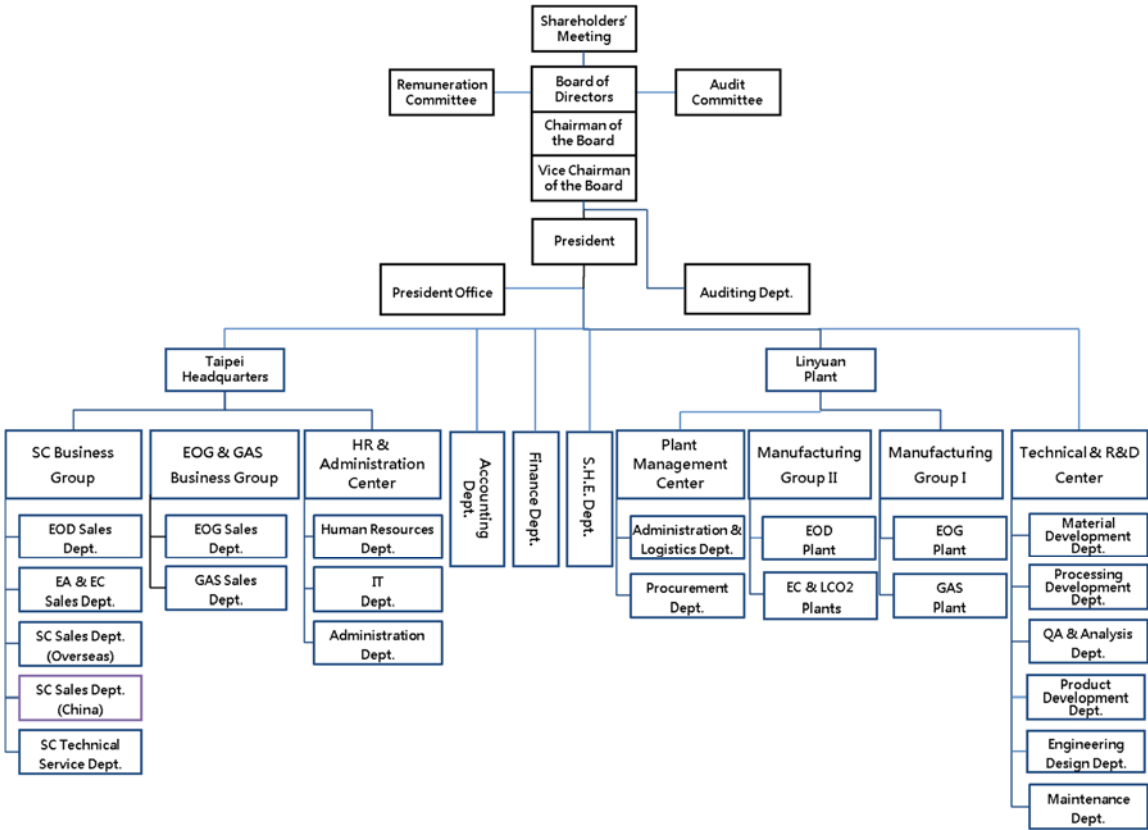
- April: Repurchased treasury stock, totaling 9,995 thousand shares, for the second time, and completed the cancellation in September.
 - September: Repurchased treasury stock, totaling 7,349 thousand shares, for the third time to transfer shares to the employees.
- In 2002
- July: Completed the EA factory dedicated to producing MEA, DEA and TEA, with an annual output of 40,000 tons, to become the factory with the largest output in Asia.
 - July: The Company's Linyuan factory was certified under ISO-9001 (quality management).
 - September: The Company's Linyuan factory was certified under OHSAS-18001 (occupational safety & health management).
 - November: Completed the EC factory dedicated to the production of EC with an annual output of 40,000 tons. It became the EC factory with the largest output in the world and supplies raw materials to the Chi Mei ASAHI CORPORATION, a joint venture of Chi Mei Corporation and the Asahi Kasei Corporation (consolidated to form the Chi Mei Corporation on April 1, 2009) dedicated to producing PC.
- In 2003
- February and December: With approval of the Investment Commission, MOEA, Bermuda-based PET Far Eastern (Holding) Ltd. (PETH) and Virgin Islands-based Pacific Petrochemical (Holding) Ltd. (PPL) reinvested in the Oriental Petrochemical (Shanghai) Corporation. The company was engaged in the production and marketing of PTA. The Company acquired about 39% of the equity.
- In 2004
- August: Completed the transfer of Company shares, repurchased for the third time, to employees.
 - November: The Company won the most honorable award for the industry in Taiwan, the "Sustainable Industry Excellence Award", as a symbol of sustainable development by the enterprise.
- In 2005
- February: Issue of common stock totaling 60,000,000 shares at NT\$28 per share by a capital increase in cash, which raised the fund to a total of NT\$1,680,000,000.
 - August: Completed the multi-functional pilot plant designed and configured independently by the Company as a base for the development of new technology for OUCC products. As well as for the basic design of production processes and test runs of new products.
- In 2006
- January: Acquired 20% of the equity of the Kuokuang Petrochemical Technology Company. The company schedules production of various gasoline and chemical products made from crude oil or natural gas.
- In 2008
- January: Completed the second EA factory with an annual output of 40,000 tons, dedicated to the production of MEA, DEA and TEA.
 - January: Completed debottlenecking EC to increase output by about 20,000 tons per year.
 - October: With the approval of the Investment Commission, MOEA, OUCC (Bermuda) Holding Ltd reinvested in the incorporation of Oriental Petrochemical (Yangzhou) Corporation. The company was primarily engaged in the production and marketing of ethanolamine, EC, AEO, PEG and MPEG.

- In 2009
 - December: Received the “National Industrial Park Safe Partner Excellence Award – Excellent Business Unit 2009” by the Council of Labor Affairs, Executive Yuan.
- In 2010
 - February: Subscribed for PPL shares from Yuan Ding Investment Co and Core Pacific Capital Ltd, and sold PETH shares to Far Eastern New Century Corp, and held 100% of the shares of PPL, and 39% of Oriental Petrochemical (Shanghai) Corporation indirectly.
- In 2011
 - April: Completed the Oriental Petrochemical (Yangzhou) Corporation EA factory which has an annual output of 40,000 tons.
 - December: Completed the EOD factory, at the Linyuan Factory premises, which has an annual output of 40,000 tons.
- In 2012
 - July: Completed the Oriental Petrochemical (Yangzhou) Corporation EOD factory which has an annual output of 60,000 tons.
 - September and December: With the approval of the Investment Commission, MOEA, Pacific Petrochemical (Holding) Ltd (PPL) reinvested in the Far Eastern Union Petrochemical (Yangzhou) Corporation. The company was primarily engaged in production and marketing of EO/EG. The Company held 50% of its shares indirectly.
- In 2013
 - December: Revoked company registration of the Nantz branch office.
- In 2014
 - February: With the approval of the Investment Commission, MOEA, Pacific Petrochemical (Holding) Ltd. (PPL) reinvested in the Tong Da Gas Industries (Yangzhou) Ltd. The company was primarily engaged in the construction of a cryogenic ethylene tank and an Air Separation Unit (ASU).The Company held 50% of its shares indirectly.
- In 2015
 - February: Completed re-bottlenecking projects of EO & EG, with respective output of 360,000 tons and 300,000 tons.
 - December: Completed gas plant of Tong Da Gas Industries (Yangzhou) Ltd, with annual output of 800,000 tons.
- In 2016
 - June: Completed the gas plant at Linyuan, with annual output of 340,000 tons.
 - June: Commercial launch of the EO and EG plants of the Far Eastern Union Petrochemical (Yangzhou) Corporation, with respective annual output of 400,000 tons and 500,000 tons.
 - December: Completed the 3rd CO₂ plant at Linyuan, with annual output of 40,000 tons.
- In 2017
 - December: Completed the renovation of the 1st EA plant into EBDB plant at Linyuan, with annual output of 20,000 tons.
- In 2018
 - February: Completed the technical renovation of the EOD plant of Oriental Petrochemical (Yangzhou) Corporation, expanding EOD annual output to 66,000 tons.
- In 2019
 - March: Far Eastern Union Petrochemical (Yangzhou) Corporation received the 2nd Jiangsu Province Zifeng Award
 - November: OUCC was rewarded 2019 the 12th Taiwan Corporate Sustainability Award

III. Corporate Governance Report

1. Organization

1.1 Organizational Chart



1.2 Functions & Operations

Department	Functions & Operations
President Office	The President's staff unit.
HR & Administration Center	<ol style="list-style-type: none"> 1. Management of human resources related affairs. 2. Management of general related affairs. 3. IT system management and implementation.
EOG & GAS Business Group	<ol style="list-style-type: none"> 1. Sale of EO and EG products and procurement of major raw materials. 2. Sale of gas products
SC Business Group	<ol style="list-style-type: none"> 1. Sale of EOD and other specialty chemicals 2. Sale of EA, EC, and BCS products 3. Sale of specialty chemicals abroad and channel establishment 4. Sale & development of specialty chemicals and EA products in China 5. Technical support of specialty chemicals, new application development and specification formulation of new product
Plant Management Center	<ol style="list-style-type: none"> 1. Plant administration, logistics and transportation related affairs. 2. Procurement of raw materials and supplies, awarding of contracts, and the related.
Manufacturing Group I	<ol style="list-style-type: none"> 1. Production of MEG, DEG, EO, EA and EBDB 2. Production of Gas (oxygen, nitrogen, argon, etc.)
Manufacturing Group II	<ol style="list-style-type: none"> 1. Production of the specialty chemical of EOD 2. Production of the specialty chemical of EC 3. Production of liquid CO₂
S.H.E. Dept.	Environmental protection, labor safety and other safety-related matters
Technical and R&D Center	<ol style="list-style-type: none"> 1. Project execution, production process improvement & evaluation, and engineering related matters 2. R&D of EOD materials and new products, etc. 3. Process development and technical support, etc. 4. Analysis, testing and quality assurance, etc. 5. Mass production tests and the related 6. Maintenance of instruments, machinery, electrics & mechanics, and pipelines, etc.
Finance Dept.	Insurance, shareholders' service, credit investigation and financial management and the related
Accounting Dept.	Taxation, budgeting, accounting management and the related
Auditing Dept.	Internal audit

2. Information on the company Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of all company divisions and branch units:

2.1 Directors & Supervisors

2.1.1 Directors & Supervisors

April 18, 2020

Job title	Nationality or residence registered	Name	Date on which current position was assumed	Term of office	Commencement date of the first term	Shares held when appointed		Shares held currently		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
Chairman of the Board	R.O.C.	Douglas T. Hsu	2018.6.8	3 years	1979.2.10	1,664,781	0.19%	1,664,781	0.19%	0	0.00%	0	0.00%	Honorable PhD in Management, NCTU; Master of Arts in Univ. of Notre Dame, USA; Columbia University, USA	Chairman of Far Eastern New Century, Asia Cement, U-Ming Marine Transport Corp, Far Eastern Department Stores, and Fetnet, and Vice Chairman of Far Eastern International Bank	Vice Chairman of Board	Johnny Shih	A relative by marriage within the second degree
Vice Chairman of the Board	R.O.C.	Representative of Far Eastern New Century Corp: Johnny Shih	2018.6.8	3 years	1988.5.18	81,217,005	9.17%	81,217,005	9.17%	0	0.00%	0	0.00%	Master in Computer Science, Columbia University, USA	Vice Chairman of Far Eastern New Century, Chairman of Everest Textile, Director of Asia Cement, and CTCL	Chairman of Board	Douglas T Hsu	A relative by marriage within the second degree
						560,871	0.06%	560,871	0.06%	0	0.00%	0	0.00%					
Director	R.O.C.	Representative of Far Eastern New Century Corp: Humphrey Cheng	2018.6.8	3 years	1991.5.30	81,217,005	9.17%	81,217,005	9.17%	0	0.00%	0	0.00%	Master in International Business, National Taiwan University	President of Administration HQ of Far Eastern New Century, Director of Far Eastern International Bank, and Chairman & President of Tong Fu Investment Corporation	N/A	N/A	N/A
						941	0.00%	941	0.00%	0	0.00%	0	0.00%					
Director	R.O.C.	Representative of Far Eastern New Century Corp: Kao-Shan Wu	2018.6.8	3 years	2009.6.3	81,217,005	9.17%	81,217,005	9.17%	0	0.00%	0	0.00%	Bachelor in Chemistry, Chinese Culture University	President of Petrochemical Headquarters of Far Eastern New Century; Director of Everest Textile and Oriental Petrochemical Corporation	N/A	N/A	N/A
						0	0.00%	0	0.00%	0	0.00%	0	0.00%					
Director	R.O.C.	Representative of Far Eastern New Century Corp Roy Wu	2018.6.8	3 years	2003.5.27	81,217,005	9.17%	81,217,005	9.17%	0	0.00%	0	0.00%	PhD in Materials Engineering, Monash University, Australia	Consultant of R&D Center of Far Eastern New Century Director of Oriental Resources Development Co. Ltd.	N/A	N/A	N/A
						0	0.00%	0	0.00%	0	0.00%	0	0.00%					

Job title	Nationality or residence registered	Name	Date on which current position was assumed	Term of office	Commencement date of the first term	Shares held when appointed		Shares held currently		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
Director	R.O.C.	Representative of Yue Ming Trading Co Ltd: Justin Tsai	2018.6.8	3 years	2014.7.1	440,000 0	0.05% 0.00%	440,000 0	0.05% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	EMBA, National Chengchi University, Bachelor in Chemical Engineering, Tunghai University	Director of Oriental Petrochemical (Yangzhou) Corp., Far Eastern Union Petrochemical (Yangzhou) Ltd., Tong Da Gas Industries (Yangzhou) Ltd., and Feng Tay Enterprises Co. Ltd.	N/A	N/A	N/A
Director	R.O.C.	Representative of Yu Li Investment Corporation: Paul Chuang	2018.6.8	3 years	2009.6.3	4,861,781 7,997	0.55% 0.00%	4,861,781 7,997	0.55% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Bachelor in Chemical Engineering, National Cheng Kung University	President of Oriental Petrochemical (Shanghai) Corporation	N/A	N/A	N/A
Director	R.O.C.	Representative of Fu Da Transport Corporation: Eric Chueh	2018.6.8	3 years	2012.6.5	3,254,125 0	0.36% 0.00%	3,254,125 0	0.36% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	EMBA, National Chengchi University	President of Oriental Petrochemical Corporation	N/A	N/A	N/A
Independent Director	R.O.C.	C. T. Chan	2018.6.8	3 years	2015.6.9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	High school graduated	Chairman of Yi Jinn Industrial Co. Ltd., Yi Tong Fiber Co. Ltd., Kwang Ming Silk Mill Co. Ltd., Hong Chou Fiber Industrial Co. Ltd., Jinn Hsien Foundation, and Taiwan Textile Federation. Vice Executive Director of National Federation of Industries	N/A	N/A	N/A
Independent Director	R.O.C.	Walt Cheng	2018.6.8	3 years	2015.6.9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor in Chemical Engineering, National Cheng Kung University	Supervisor of Sunny Pharmtech Inc.	N/A	N/A	N/A
Independent Director	R.O.C.	Ping Lih	2018.6.8	3 years	2018.6.8	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master in Accounting, Texas University, USA	Director of T N Soong Foundation	N/A	N/A	N/A

2.1.2 Major shareholders of corporate shareholders

April 18, 2020

Name of corporate shareholders	Major corporate shareholders (shareholding %)
Far Eastern New Century Corporation	Asia Cement Corp (24%), Oriental Institute of Technology (5%), Far Eastern Medical Foundation (4%), Far Eastern Y Z Hsu Science and Technology Memorial Foundation (3%), Yuan Ze University (3%), Nan Shan Life Insurance Co Ltd (3%), Cathay Life Insurance Co Ltd (2%), Douglas Tong Hsu (2%), China Life Insurance Co Ltd (2%), Der Ching Investment Corp (2%)
Yue Ming Trading Co Ltd	Pai Ding Investment Co Ltd (47%), Yuan Ding Investment Co Ltd (45.5%), Yue Ding Industries Co Ltd (5%), Ding Ding Business Consultation Co Ltd (1%), Yuan Ding Co Ltd (1%), Yuan Ding Lease Co Ltd (0.5%)
Yu Li Investment Co Ltd	U-Ming Marine Transport Corp (68%), U-Ming Marine Transport (Singapore) Pte Ltd (32%)
Fu Da Transport Corporation	Fu Ming Transport Corp (99.88%), Johnny Shih (0.03%), Kun Yen Lee (0.03%), Yze Wen Wang (0.03%), Asia Investment Corp (0.03%)

2.1.3 Major shareholders who are corporations

April 18, 2020

Name of corporation	Major corporate shareholders (shareholding %)
Asia Cement Corporation	Far Eastern New Century Corp (22%), Far Eastern Medical Foundation (5%), Worker Pension Management Commission of Far Eastern New Century Corp (2%), Yuan Ding Investment Co Ltd (2%), Yuanta/P shares Taiwan Dividend Plus ETF under the custody of Cathy United Bank (2%), Far Eastern Department Stores (1%), Yuan Ze University (1%), Far Eastern Y Z Hsu Science and Technology Memorial Foundation (1%), Yu Yuan Investment Co Ltd (1%), Yu Chang Investment Co Ltd (1%)
Nan Shan Life Insurance Co Ltd	Ruen Chen Holdings Co Ltd investment trust account held under the Custody of First Bank (60%), Ruen Chen Investment Holding (30%), Du Ying-Tsung (3%), Ruentex Hsin Co Ltd (0.30%), Ruenhwa Dyeling & Fabricating Co Ltd (0.27%), Ruentex Development Co Ltd (0.23%), Ruentex Industries Ltd (0.21%), Nan Shan Life Insurance Stock under the custody of TaiShin Bank (0.20%), Yuan Hsin Investment Co Ltd (0.16%), Ruentex Lease Co Ltd (0.13%),
China Life Insurance Co Ltd	KGI Securities (10%), Saudi Arabia Central Bank investment account under the custody of JPMorgan Chase Bank Taipei Branch (6%), Singapore Government investment account under the custody of Citibank (3%), New Labor Pension Fund (3%), Videoland Television Network (2%), New York City Group trust investment account under the custody of Deutsche Bank Taipei Branch (2%), Abu Dhabi Investment Authority investment account under the custody of JPMorgan Chase Bank Taipei Branch (2%), Fidelity Fund Investment Account under the custody of Standard Chartered Bank Tunhua Branch (1%), Chen Shih Ching (1%), Hi Sen Investment Co Ltd (1%)

Name of corporation	Major corporate shareholders (shareholding %)
Der Ching Investment Corporation	Asia Cement Corporation (99.99%), Asia Investment Corp (0.00%), Chu Fan Hsu (0.00%), Douglas Tong Hsu (0.00%), Raymond Hsu (0.00%), Peter Hsu (0.00%), Alice Hsu (0.00%), Nancy Hsu (0.00%)
Chunghwa Post Co Ltd	Ministry of Transportation and Communications (100%)
Pai Ding Investment Co Ltd	Far Eastern Department Stores (67%), Pai Yang Investment Co Ltd (33%)
Yuan Ding Investment Co Ltd	Far Eastern New Century Corp (99.4%), An He Apparel Co Ltd (0.3%), Da Chu Chemical Fiber Co Ltd (0.3%)
Yue Ding Industries Co Ltd	Fu Da Transport Corp (27%), Yue Tung Investment Co Ltd (25%), An He Apparel Co Ltd (16%), Ding Yuan International Co Ltd (13%), Tong Fu Investment Corporation (5%), Ya Li Precast Prestressed Concrete Industries Corp (4%), Da Chu Chemical Fiber Co Ltd (4%), Yuan Ding Investment Co Ltd (3%), Pai Ding Investment Co Ltd (2%), Yue Ming Trading Co Ltd (1%)
Ding Ding Business Consultation Co Ltd	Yue Tung Investment Co Ltd (40%), Da Chu Chemical Fiber Co Ltd (34%), Fu Da Transport Corp (16%), Asia Engineering Enterprise Co Ltd (5%), Pai Ding Investment Co Ltd (5%)
Yuan Ding Co Ltd	Far Eastern New Century Corp (37%), Asia Cement Corp (35%), Der Ching Investment Corp (15%), Yuan Ding Investment Co Ltd (13%), Yue Ming Trading Co Ltd (0.002%)
Yuan Ding Lease Co Ltd	Yuan Ding Investment Co Ltd (46%), Asia Cement Corp (44%), Far Eastern Department Stores (9%), Yue Yuan Investment Co Ltd (1%)
U-Ming Marine Transport Corp	Asia Cement Corp (39%), Supervisory Board of Public Service Pension Fund (2%), Cathay Life Insurance Co Ltd (2%), Yuan Ding Investment Co Ltd (1%), Fubon Life Insurance Co Ltd (1%), Cape Ann Global Developing Markets Fund account held under the custody of Taiwan Bank (1%), Yue Yuan Investment Co Ltd (1%), Ding Shen Investment Co Ltd (1%), TransGlobe Life Insurance Inc. (1%), Asia Investment Corp (1%)
U-Ming Marine Transport (Singapore) Pte Ltd	U-Ming Marine Transport Corp (100%)
Fu Ming Transport Corporation	Asia Cement Corp (99.8%), Johnny Shih (0.10%), Asia Investment Corp (0.02%), Ling Wan Chang (0.02%), Peter Hsu (0.01%), Chu Fan Hsu (0.01%), Douglas Tong Hsu (0.01%), Raymond Hsu (0.01%), Alice Hsu (0.01%), Nancy Hsu (0.01%),
Asia Investment Corporation	Asia Cement Corporation (100%)

2.1.4 Information of the Directors

May 15, 2020

Requirements Name (Note 1)	Over five years of experience and the following professional qualifications			Independence criteria (Note)												Concurrently serving as an Independent Director of another listed company
	University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate activities.	1	2	3	4	5	6	7	8	9	10	11	12	
Douglas T Hsu			√			√			√			√		√	√	0
Johnny Shih			√			√			√			√		√		0
Humphrey Cheng			√			√	√		√	√		√	√	√		0
Kao-Shan Wu			√	√		√	√		√	√		√	√	√		0
Roy Wu			√	√		√	√		√	√		√	√	√		0
Justin Tsai			√			√	√	√	√		√	√	√	√		0
Paul Chuang			√	√		√	√	√	√	√	√	√	√	√		0
Eric Chueh			√	√		√	√	√	√	√		√	√	√		0
C. T. Chan			√	√	√	√	√	√	√	√		√	√	√	√	0
Walt Cheng			√	√	√	√	√	√	√	√	√	√	√	√	√	0
Ping Lih		√	√	√	√	√	√	√	√	√	√	√	√	√	√	0

Note: A “√” is marked in the space beneath a condition number when a Director or Supervisor has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not employed by the Company or any of the Company's affiliates.
- (2) Not a Director of the Company or any of the Company's affiliates (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (3) Not holding over 1% of company shares or being a top 10 natural person shareholder in one's own name, held by a spouse or underage child, or held by nominee agreement.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or a lineal blood relative within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a Director, Supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor or employee of a corporate shareholder who is among the top 5 shareholders according to item 1 or item 2 of article 27 of the Company Law (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (6) Not a Director, Supervisor or employee of a corporate shareholder who holds the majority of the Board or voting rights (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (7) Not Chairman, President or equivalent post of the company who himself/herself or spouse holds position as Director, Supervisor or employee of another company or organization (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (8) Not a Director, Supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relationship with the Company (this restriction does not apply to Independent Directors of the specific company or organization which holds more than 20% and not exceeding 50% outstanding shares of the Company, its parent company, or its subsidiaries).
- (9) Not a professional, owner, partner, Director, Supervisor, manager of proprietorship, partnership, company or institution that provides business, legal, financial and accounting services to the Company or a spouse to the aforementioned persons rewarded remuneration not exceeding NTD 500,000 within last two years. Notwithstanding, this shall not apply to the Remuneration Committee members, or members of special committee of public company for merger/consolidation and acquisition who perform their duties in accordance with the Securities Exchange Act and Business Mergers and Acquisitions Act.
- (10) Not a spouse of or kin at the second pillar under the Civil Code to any other Director.
- (11) Not under any of the categories stated in Article 30 of the Company Law.
- (12) No government apparatus agency, juristic person or its representative is elected under Article 27 of the Company Law.

2.2 Information on the Company President, Vice President, Assistant Vice President, and heads of all the Company divisions and branch units:

April 18, 2020

Job title	Nationality	Name	Date on which current position was assumed	Shares held when appointed		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kin within the second degree		
				Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
President	R.O.C.	Justin Tsai	2013.1.1	0	0.00%	0	0.00%	0	0.00%	President of Some Petrochemical Corporation EMBA from National Cheng Chi University Bachelor in Chemical Engineering, Tunghai University	Director of Oriental Petrochemical (Yangzhou) Corp, Far Eastern Union Petrochemical (Yangzhou) Ltd, Tong Da Gas Industries (Yangzhou) Ltd, and Feng Tay Enterprises Co Ltd	N/A	N/A	N/A
President Office HR & Administration Center HR Dept. IT Dept. Administration Dept. Vice President	R.O.C.	Victoria Peng	2018.3.20	228,258	0.03%	8,333	0.00%	0	0.00%	Vice President of HR & Administration Center of OUCC Master in Economic Science, Ohio State Univ. Bachelor in Economics, NTU	Director of Oriental Petrochemical (Yangzhou) Corp, Far Eastern Union Petrochemical (Yangzhou) Ltd, Tong Da Gas Industries (Yangzhou) Ltd and Tong Fu Investment Corporation, Supervisor of Far Eastern Yihua Petrochemical (Yangzhou) Corp	N/A	N/A	N/A
EOG&GAS Business Group EOG Dept. GAS Dept. Vice President	R.O.C.	C.K. Tsai	2008.4.1	375,471	0.04%	276	0.00%	0	0.00%	Assistant Vice President of OUCC Bachelor in Chemical Engineering, National Central University	Director of Oriental Petrochemical (Yangzhou) Corporation	N/A	N/A	N/A
Technical & R&D Center Material Development Dept. Processing Development Dept. Quality Assurance & Analysis Dept. Engineering Design Dept.	R.O.C.	Y. S. Chang	2016.11.5	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President of Technical & RD Center of OUCC Master in Chemical Engineering, National Cheng Kung University	N/A	N/A	N/A	N/A

Job title	Nationality	Name	Date on which current position was assumed	Shares held when appointed		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kin within the second degree		
				Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
Product Development Dept. Maintenance Dept. Vice President														
Manufacturing Group II EOD Plant EC & CO2 Plants Plant Management Center Plant Admin. & Logistics Dept. Procurement Dept. Assistant Vice President and Deputy Chief Director	R.O.C.	Martin Kuo	2018.3.20	1,073	0.00%	0	0.00%	0	0.00%	Director of EOD Plant Bachelor in Chemical Engineering, Feng Chia University	N/A	N/A	N/A	N/A
Manufacturing Group I (Note1) EOG Plants GAS Plants Assistant Vice President	R.O.C.	F.H. Chang	2018.11.16	0	0.00%	0	0.00%	0	0.00%	Sr. Director of GAS&EC&LCO2 plants Master in Chemical Engineering, National Tsing Hua University	N/A	N/A	N/A	N/A
Finance Dept. Assistant Vice President	R.O.C.	Judy Wang	2010.1.1	23,672	0.00%	0	0.00%	0	0.00%	Senior Manager of Finance Dept. of OUCC Bachelor in Accounting, National Cheng Chi University	Supervisor of Far Eastern Union Petrochemical (Yangzhou) Ltd, Tong Da Gas Industries(Yangzhou) Ltd and Tong Fu Investment Corp	N/A	N/A	N/A
Maintenance Dept. (Note 2) Assistant Vice President	R.O.C.	Steven Wu	2016.11.15	63,361	0.00%	0	0.00%	0	0.00%	Senior Manager of Maintenance Dept. of OUCC Master in Engineering, National Cheng Kung University	N/A	N/A	N/A	N/A

Job title	Nationality	Name	Date on which current position was assumed	Shares held when appointed		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kin within the second degree		
				Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship
Special Assistant of President Office (Assistant Vice President)	R.O.C.	Wen-Fan Lu	2009.9.1	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President of President Office of Asia Cement PhD in Chemical Engineering, Houston University, USA	N/A	N/A	N/A	N/A
Accounting Dept. Assistant Vice President	R.O.C.	Allen Yu	2019.4.1	0	0.00%	0	0.00%	0	0.00%	Special Assistance of President Office of OUCC Bachelor in Accounting, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Auditing Dept. Assistant Vice President	R.O.C.	Amy Cheng	2018.3.20	171,348	0.02%	0	0.00%	0	0.00%	Sr. Manager of Auditing Dept. of OUCC Bachelor in Accounting, Soochow University	Director of Tong Fu Investment Corporation	N/A	N/A	N/A
S.H.E. Dept. Manager	R.O.C.	Simon Chen	2018.3.20	0	0.00%	0	0.00%	0	0.00%	Assistant Manager of S.H.E. Dept. Master in Naval Architecture, NTU	N/A	N/A	N/A	N/A

Note 1: Mr. F.H. Chang, originally positioned as Assistant VP of Manufacturing Group I retired effective 1 May 2020.

Note 2: Mr. Steven Wu, originally Assistant VP of Maintenance Dept, retired effective 4 July 2019.

2.3 Remuneration paid to Directors, Supervisors, Presidents, and Vice Presidents in the most recent year

2.3.1 Remuneration of Directors (Independent Directors included)

Currency unit: NTD thousand

Job title	Name	Remuneration of Director								The sum of A, B, C and D in proportion to Earnings		Remuneration in the capacity as employee								The sum of A, B, C, D, E, F and G to Earnings		Whether remuneration from any reinvestees other than subsidiaries is received? (J)		
		Remuneration (A)		Pension (B)		Retained Earnings Distribution (C)		Professional practice (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Employee bonus from earnings (G)								
		the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company		Companies included in the financial statement		the Company	Companies included in the financial statement					
Director	Douglas T. Hsu																							
	Representatives of Far Eastern New Century: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Roy Wu	0	0	0	0	229	229	1,024	1,024	3.73%	3.73%	17,788	17,908	0	0	23	0	23	0	56.71%	57.06%	124,428		
	Representatives of Yue Ming Trading Co Ltd: Justin Tsai																							
	Representative of Yu Li Investment Corporation: Paul Chuang																							
Independent Director	Representative of Fu Da Transport Corporation: Eric Chueh																							
	C.T. Chan	2,600	2,600	0	0	0	0	402	402	8.93%	8.93%	0	0	0	0	0	0	0	0	8.93%	8.93%	0		
	Walt Cheng																							
	Ping Lih																							
Remarks: 1. Specify the policy, system, standard and structure of Independent Directors' remuneration and the correlation with his/her accountability, risk and time dedicated: such policy of the company is formulated based on Independent Directors' involvement and dedication to the operation, considering the company's operation performance, future risks, as well as the reference from the associates prior to submitting for Board's approval. Independent Directors' conducts in this regard are all in conformity. 2. The professional practice fees listed refer to the sum distributed eventually in 2019; Directors' remuneration and employees bonus allocated were resolved at the Board meeting held on 25 March 2020, and shall be reported to the shareholders' meeting for approval. 3. The Company and all companies in the consolidated financial statement neither issue shares nor issue warrants and options for purchasing common shares to employees as bonus.																								

Breakdown of remuneration

Breakdown of remuneration of Directors	Name of Director			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	the Company	Companies included in the financial statement H	the Company	All investees I
Less than NT\$1,000,000	Douglas T. Hsu Representatives of Far Eastern New Century Corp: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Roy Wu Representative of Yue Ming Trading Co Ltd: Justin Tsai Representative of Yu Li Investment Corporation: Paul Chuang Representative of Fu Da Transport Corporation: Eric Chueh	Douglas T. Hsu Representatives of Far Eastern New Century Corp: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Roy Wu Representative of Yue Ming Trading Co Ltd: Justin Tsai Representative of Yu Li Investment Corporation: Paul Chuang Representative of Fu Da Transport Corporation: Eric Chueh	Representative of Yu Li Investment Corporation: Paul Chuang Representative of Fu Da Transport Corporation: Eric Chueh	Representative of Yu Li Investment Corporation: Paul Chuang
NT\$1,000,000 (inclusive)~NT\$2,000,000	C.T. Chan, Walt Cheng, Ping Lih	C.T. Chan, Walt Cheng, Ping Lih	Representatives of Far Eastern New Century Corp: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Roy Wu C.T. Chan, Walt Cheng, Ping Lih	C.T. Chan, Walt Cheng, Ping Lih
NT\$2,000,000 (inclusive)~NT\$3,500,000				
NT\$3,500,000 (inclusive)~NT\$5,000,000				
NT\$5,000,000 (inclusive)~NT\$10,000,000			Douglas T. Hsu Representatives of Yue Ming Trading Co Ltd: Justin Tsai	Representatives of Yue Ming Trading Co Ltd: Justin Tsai Representative of Fu Da Transport Corporation: Eric Chueh
NT\$10,000,000 (inclusive)~NT\$15,000,000				Representatives of Far Eastern New Century Corp: Johnny Shih, Humphrey Cheng, Kao-Shan Wu, Roy Wu
NT\$15,000,000 (inclusive)~NT\$30,000,000				
NT\$30,000,000 (inclusive)~NT\$50,000,000				
NT\$50,000,000 (inclusive)~NT\$100,000,000				Douglas T. Hsu
NT\$100,000,000 above				
Total	11 persons	11 persons	11 persons	11 persons

2.3.2 Remuneration of President and Vice Presidents

Currency unit: NTD thousand

Job title	Name	Salary (A)		Pension (B)		Salaries, bonus and special subsidies (C)		Employee bonus allocated from earnings (D)				The sum of A, B, C and D in proportion to Earnings (%)		Whether remuneration from any reinvestees other than subsidiaries is received?
		the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company		Companies included in the financial statement		the Company	Companies included in the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
President	Justin Tsai	13,553	13,673	0	0	4,483	4,483	22	0	22	0	53.72%	54.07%	15
Vice President	Victoria Peng													
	C.K. Tsai													
	Y.S. Chang													

Remarks: 1.The Company and all companies in the consolidated financial statement neither issue shares nor issue warrants and options for purchasing common shares to employees as bonus.

Breakdown of remuneration

Breakdown of remuneration of President and Vice Presidents	Name of President and Vice Presidents	
	the Company	All investees (E)
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive)~NT\$2,000,000		
NT\$2,000,000 (inclusive)~NT\$3,500,000		
NT\$3,500,000 (inclusive)~NT\$5,000,000	Victoria Peng, C.K. Tsai, Y.S. Chang	Victoria Peng, C.K. Tsai, Y.S. Chang
NT\$5,000,000 (inclusive)~NT\$10,000,000	Justin Tsai	Justin Tsai
NT\$10,000,000 (inclusive)~NT\$15,000,000		
NT\$15,000,000 (inclusive)~NT\$30,000,000		
NT\$30,000,000 (inclusive)~NT\$50,000,000		
NT\$50,000,000 (inclusive)~NT\$100,000,000		
NT\$100,000,000 above		
Total	4 persons	4 persons

2.3.4 Employee bonus amount paid to managerial officers

Currency unit: NTD thousand

	Job title (Note 1)	Name (Note 1)	Stock dividend	Cash dividend	Total	Proportion to Earnings After Tax (%)
Managerial officer	President	Justin Tsai	0	41	41	0.12%
	Vice President of President Office	Victoria Peng				
	Vice President of EOG & GAS Business Group	C.K. Tsai				
	Vice President of Technical & R&D Center	Y.S. Chang				
	Assistant Vice President of Manufacturing Group II and Plant Management Center	Martin Kuo				
	Assistant Vice President of Manufacturing Group I (Note 2)	F.H. Chang				
	Assistant Vice President of Maintenance Dept. (Note 3)	Steven Wu				
	Assistant Vice President of Finance Dept.	Judy Wang				
	Assistant Vice President of Accounting Dept.	Allen Yu				
	Assistant Vice President of Auditing Dept.	Amy Cheng				
	Special Assistant of President Office	Wen-Fan Lu				

Note 1: The scope of managerial officers shall be defined in the following manner, per the Board's decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003.

Note 2: The originally positioned Assistant Vice President of Manufacturing Group I, F.H Chang retired effective 1 May 2020.

Note 3: The originally positioned Assistant Vice President of Maintenance Dept., Steven Wu, retired effective 4 July 2019.

2.4 Specify and compare the remuneration of Directors, Supervisors, President and Vice Presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements over the last two years, and specify the policies, standards, combinations, and procedures of decision-making for remuneration and their correlation with business performance and future risk:

2.4.1 Specify and compare the remuneration of Directors, Supervisors, President and Vice Presidents of the Company in proportion to the earnings after tax in the entity or individual financial statement of the Company and companies included in the consolidated financial statements over the last two years:

Item	Total remuneration of Directors, Supervisors, President, and Vice Presidents in proportion to the earnings after tax:	
Year	the Company	Consolidated financial statements
2019	102.72%	103.44%
2018	2.80%	2.82%

2.4.2 The policies, standards, combinations, procedures of decision-making of remunerations and their correlation with business performance and future risk:

Pursuant to the Company Law and the Article 33 of Articles of Incorporation, when there is profit at the end of the year, the Company shall distribute 1%-2% of the profit as remuneration for employees and no more than 1% as remuneration for Directors. However, should there be any accumulated loss, the loss should be offset in advance. The remuneration for employee can be of stock or cash. Its actual proportion, amount, form or number of stock shall be resolved at the Board of Directors' Meeting, with consent of over half of the least two third of total Directors attendant, prior to the Shareholders' Meeting. Same shall be applied to the Directors remuneration. The remainder to be distributed may be in accordance with the actual operation status of the Company as well as with references from the associates and past experiences. The remuneration distributed will be subject to the changes in allocation measure, structure and system in view of actual operation status, and to the adjustment according to reenactment of relevant statute mainly according to factors such as job accountability, overall environment, operating risk and market standard.

The remuneration for the Directors will be set pursuant to the "Procedures for the Board Performance Evaluation", in view of the overall operation performance, future management risks and development of the Company, as well as individual performance achievement and contribution to the Company, then submitted to the Remuneration Committee for the relevant performance assessment and justness evaluation prior to the Board Meeting for approval. To keep balance of the sustainability and risk management of the Company, the remuneration system shall be reviewed at any time in accordance with the status quo of operation and the relevant statute.

3. Implementation of Corporate Governance

3.1 Operations of Board of Directors

The Board held four meetings during the recent year. The attendance record of Directors is listed below:

Job title	Name (Note 1)	Actual attendance (participation)	Attendance by proxy	Actual attendance (participation) (%) (Note 2)	Remark
Chairman of the Board	Douglas T. Hsu	4	0	100%	Reelected. Date of reelection: 2018/6/8
Vice Chairman of the Board	Representative of Far Eastern New Century: Johnny Shih	4	0	100%	Reelected. Date of reelection: 2018/6/8
Director	Representative of Far Eastern New Century: Humphrey Cheng	4	1	80%	Reelected. Date of reelection: 2018/6/8
Director	Representative of Far Eastern New Century: Kao-Shan Wu	4	0	100%	Reelected. Date of reelection: 2018/6/8
Director	Representative of Far Eastern New Century: Roy Wu	3	1	75%	Reelected. Date of reelection: 2018/6/8
Director	Representative of Yue Ming Trading Co Ltd.: Justin Tsai	4	0	100%	Reelected. Date of reelection: 2018/6/8
Director	Representative of Yu Li Investment Co Ltd.: Paul Chuang	4	0	100%	Elected. Date of election: 2018/6/8
Director	Representative of Fu Da Transportation Corporation: Eric Chueh	3	1	75%	Elected. Date of election: 2018/6/8
Independent Director	C.T. Chan	4	0	100%	Reelected. Date of reelection: 2018/6/8
Independent Director	Walt Cheng	4	0	100%	Reelected. Date of reelection: 2018/6/8
Independent Director	Ping Lih	4	0	100%	Elected. Date of election: 2018/6/8
Other items to be specified:					
<p>(1) Should one of the following occur, the meeting date, period, content of the resolution, opinions of all Independent Directors, and the Company's handling of the opinions of the Independent Directors shall be clearly stated:</p> <ul style="list-style-type: none"> i. All the listed items in Article 14-3 of the Securities and Exchange Act: please refer to the Board resolution on p52-p53 ii. In addition to the aforementioned, the items in board resolutions regarding which Independent Directors have voiced opposing or qualified opinions on the record or in writing: The Independent Directors voiced no opposing or qualified opinions on any of the Board's resolutions. <p>(2) In instances where a Director's circumvention due to the conflict of interest, the minutes shall clearly state the Director's name, contents of the motion and resolution thereof, reason for such circumvention and the voting status: Chairman Douglas T. Hsu, Vice Chairman Johnny Shih, Directors Humphrey Cheng, Kao-San Wu, Justin Tsai and Eric Chueh who assumed concurrently as Board of Directors & Supervisors of Oriental Petrochemical (Taiwan) Co., Ltd. (OPTC) circumvented during the discussion and resolution of the proposed disposition of acquisition common shares of OPTC of total amount NTD273,011,200 in the Board Meeting held on 9 May 2019.</p> <p>(3) The assessment circle, period, scope, measure and contents of Directors' self appraisal are stated per below:</p>					

Assessment Circle	Assessment Period	Assessment Scope	Assessment Measure	Assessment Content
Yearly	Jan 2019 to December 2019	Board, individual Director, or functional Committees (incl. Audit Committee and Remuneration Committee)	Board internal assessment, Director's self-appraisal or other assessment method deemed appropriate.	<p>Assessment measure for the Board shall include the following:</p> <ol style="list-style-type: none"> 1. Involvement in the Company's operation 2. Quality improvement of the Board's decision-making 3. The composition and structure of the Board 4. The assignment and continual education of Directors 5. Internal control <p>Self-appraisal measure for the individual Director shall include the following:</p> <ol style="list-style-type: none"> 1. Control of the corporate goal and mission 2. Cognition of Director's duty 3. Involvement in the Company's operation 4. Internal relation management and communication 5. The assignment and continual education of Directors 6. Internal control <p>Assessment measure for the functional committees shall include the following:</p> <ol style="list-style-type: none"> 1. Involvement in the Company's operation 2. Cognition of functional committee's duty 3. Quality improvement of the Board's decision-making 4. The composition and assignment of the functional committee 5. Internal control

Measures undertaken during the current year and past year (including the establishment of the Audit Committee, improvement of info transparency, etc.) in order to strengthen the functions of the Board of Directors and assessment of such implementation: The important Board resolutions were notified at the Company's website, and Directors liability insurance were implemented, to improve the information transparency and secure shareholders' equity, as well as have the Audit Committee established for the supervision of Board's execution.

(4) The attendance record of the Independent Directors in 2019 and till the printing date of this annual report:

Board session date	2019/3/19	2019/5/9	2019/8/7	2019/11/7	2020/3/25	2020/5/5
C.T. Chan	V	V	V	V	V	V
Walt Cheng	V		V	V	V	V
Ping Lih	NA	NA	V	V	V	V

Note: ' V ' represents attendance

Note 1: For a Director who is a corporation, please specify the corporate shareholder's name and its representative's name.

Note 2: (a) Where a specific Director may be relieved from duties before the end of the fiscal year, please specify their date of discharge in the 'Remarks' Section. Their actual attendance rate (%) to the Board session shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

(b) Where an election may be held for filling the vacancies of Director before the end of the fiscal year, please list out both the new and the discharged Directors and specify the new, the discharged and the reelected Directors and the election date in the 'Remarks' Section. Their actual attendance rate (%) of Board meetings shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

3.2 Operations of the Audit Committee

1. The Audit Committee of the Company, which was consisted of all the Independent Directors, was established at 8 June 2018. The major issues in regard to the Audit Committee meetings summoned quarterly at least included the following:

- (1) The formulation or amendment of the Company's internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2) The efficiency evaluation of the Company's internal system.
- (3) The formulation or amendment of the Company's major financial disposition procedures in regard to the acquisition or disposal of assets, engagement in the derivatives transactions, loans of funds, and endorsements and guarantees pursuant to Article 36-1 of the Securities and Exchange Act.
- (4) The stakeholder related issues concerning the Directors of the Company.
- (5) The Company's proposal on major assets or derivatives transactions.
- (6) The Company's proposal on major loans of funds, endorsements and guarantees.
- (7) The Company's proposal on offering issuance or private placement of equity-type securities.
- (8) The Company's appointment, discharge or remuneration of the CPAs.
- (9) The Company's appointment or discharge of financial, accounting or internal auditing officers.
- (10) The Company's annual financial report review.
- (11) The major issues of other company or stipulation of the competent authority.

➤ Financial report review

The Board of Directors submitted the 2019 Business Report, Financial Statements, and the Resolution for Allocation of Dividend for the year ending 2019 to the Audit Committee for review, which have been audited by independent auditors, Mr. Roger Tai and Mr. Fan Yu-Wei of Deloitte & Touche, and found them in order.

➤ Appointment of CPAs

The independence and competence of the CPAs were evaluated by both the Audit Committee's meeting and Board of Directors' meeting held respectively on 8th and 9th May 2019. The CPAs have no interest or kinship of any kind with the Company, and provide professional services with fair and objective attitude. A declaration stated the independence and competence of the CPAs as regulated was also provided by Deloitte & Touche.



Term of the Audit Committee Meeting	Major resolution & follow-up action	Items regarding Article 14-5 of Securities & Exchange Act	Audit Committee's resolution results and the Company's opinion on the follow-up
3 rd meeting of 1 st term 2019.3.18	<ol style="list-style-type: none"> 1. Approval of the acquisition and disposal of the Company's assets 2. Approval of the Company's proposal on credit line agreements with the financial institutes 3. Approval of the Company's guarantee proposal on the reinvestee's credit line with the financial institutes 4. Approval of the Company's 2018 financial report 5. Approval of the Company's 2018 profits allocation 6. Approval of the Company's 2018 business report 7. Approval of the Company's Q4/2018 auditing report 8. Approval of the Company's 2018 Internal Control System Declaration 9. Approval of the amendment to "Procedures for Acquisition and Disposal of Assets" of the Company 10. Approval of the amendment to "Procedures for Capital Lending to Others" and "Procedures for Endorsements and Guarantees" of the Company 	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	
4 th meeting of 1 st term 2019.5.8	<ol style="list-style-type: none"> 1. Approval of the Company's consolidated financial report Q1/2019 2. Approval of the acquisition and disposal of the Company's assets 3. Approval of the Company's proposal on credit line agreements with the financial institutes 4. Approval of the Company's guarantee proposal on the reinvestee's credit line with the financial institutes 5. Approval of the Company's jointly participation in capital lending of NTD273,011,200 to Oriental Petrochemical (Taiwan) Co., Ltd. 6. Approval of the Company's periodical assessment on the CPAs' independence and competence 7. Approval of the Company's Q1/2019 auditing report 	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	The proposals were passed unanimously by the Audit Committee, and reported to the Board of Directors and approved unanimously.
5 th meeting of 1 st term 2019.8.6	<ol style="list-style-type: none"> 1. Approval of the Company's consolidated financial report Q2/2019 2. Approval of the acquisition and disposal of the Company's assets 3. Approval of the Company's proposal on credit line agreements with the financial institutes 4. Approval of the Company's proposal on customer's credit line control 5. Approval of the Company's proposal on CC-22 catalyst agreement with SHELL 6. Approval of the Company's revise on capital invested in and contents of the collaborated construction of ethylene storage tank at Kaohsiung Harbor 7. Approval of the Company's investment in purchase common shares of OUCC (Bermuda) Holding Limited totaling USD20 million. 8. Approval of the Company's Q2/2019 Auditing report. 	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	

Term of the Audit Committee Meeting	Major resolution & follow-up action	Items regarding Article 14-5 of Securities & Exchange Act	Audit Committee's resolution results and the Company's opinion on the follow-up
6 th meeting of 1 st term 2019.11.6	<ol style="list-style-type: none"> 1. Approval of the Company's consolidated financial report Q3/2019 2. Approval of the acquisition and disposal of the Company's assets 3. Approval of the Company's proposal on credit line agreements with the financial institutes 4. Approval of the Company's guarantee proposal on the reinvestee's credit line with the financial institutes 5. Approval of amendment to "Procedures for Capital Lending to Others" and "Procedures for Endorsement and Guarantee" of the subsidiaries during Oct. 2018 to Sep. 2019 6. Approval of the Company's Q3/2019 Auditing report 7. Approval of the Company's 2020 internal audit plan 8. Approval of the Company's proposal on construction of plants for polyetheramine and ethylenediamine series in Linyuan, and liquid ammonia storage tank 	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	<p style="text-align: center;">The proposals were passed unanimously by the Audit Committee, and reported to the Board of Directors and approved unanimously.</p>
7 th meeting of 1 st term 2020.3.19	<ol style="list-style-type: none"> 1. Approval of the acquisition and disposal of the Company's assets 2. Approval of the Company's proposal on credit line agreements with the financial institutes 3. Approval of the Company's guarantee proposal on the reinvestee's credit line with the financial institutes 4. Approval of the Company's 2019 financial report 5. Approval of the Company's 2019 profits allocation 6. Approval of the Company's 2019 business report 7. Approval of the Company's Q4/2019 auditing report 8. Approval of the Company's 2019 Internal Control System Declaration 9. Approval of the Company's reiteration on the completion of financial report compilation on its own pursuant to the relevant regulation and the accounting system 	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	
8 th meeting of 1 st term 2020.5.4	<ol style="list-style-type: none"> 1. Approval of the Company's consolidated financial report Q1/2020 2. Approval of the acquisition and disposal of the Company's assets 3. Approval of the Company's proposal on credit line agreements with the financial institutes 4. Approval of the Company's guarantee proposal on the reinvestee's credit line with the financial institutes 5. Approval of the Company's periodical assessment on the CPAs' independence and competence 6. Approval of the Company's Q1/2020 auditing report 	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	

The Audit Committee held six meetings in the recent year till the printing date. The attendance record of Independent Directors is listed below:

Job title	Name	Actual attendance	Actual attendance rate (%) (Note)	Remark
Convener	Walt Cheng	6	100%	The establishment date of the Audit Committee: 2018/6/8
Member	C. T. Chan	6	100%	
Member	Ping Lih	6	100%	

Other items to be specified:

1. (1) All the listed items below are pursuant to the Article 14-5 of the Securities & Exchange Act.
 (2) Any other item which was not approved by the Audit Committee, yet resolved by two thirds of the Board of Directors, it is necessary for the date, session, motion of the Board meeting, and the resolution result of the Audit Committee as well as the Company's response to the opinion of the Audit Committee be specifically stated : N/A
2. In instances where an Independent Director's circumvention due to the conflict of interest, the minutes shall clearly state the Independent Director's name, contents of the motion and resolution thereof, reason for such circumvention and the voting status: N/A
3. Communication between Independent Directors and internal audit officers and CPAs: (e.g. the items, methods and results of the discussion regarding the company's financial and business status)
 - (1) Besides the audit report submitted from the audit officer to the Independent Directors in the month following completion of the audit. The Independent Directors will also hold an Audit Committee meeting quarterly in which the audit officer will report on the auditing execution and the important internal audit issues for the meeting organizing unit to put into the meeting minutes and submit to the Board.
 - (2) The CPAs of the Company presented at the Audit Committee meeting the audit results of the quarterly financial report, and delivered the relevant requests commanded by law. An instant report shall be submitted to the Audit Committee on account of any unusual occurrence. The Audit Committee and the CPAs had good communication in 2019 with none of the unusual aforementioned occurred.

Term of the Audit Committee Meeting	Communication status with the auditing officer	Communication status with the CPAs
3 rd meeting of 1 st term 2019.3.18	The Company's Q4/2018 auditing report The Company's 2018 Internal Control System Declaration	The audit report of the Company's 2018 financial report
4 th meeting of 1 st term 2019.5.8	The Company's Q1/2019 auditing report	The audit report of the Company's Q1/2019 financial report The periodically evaluation of the independence and competence of Company's CPAs
5 th meeting of 1 st term 2019.8.6	The Company's Q2/2019 auditing report	The audit report of the Company's Q2/2019 financial report
6 th meeting of 1 st term 2019.11.6	The Company's Q3/2019 auditing report The Company's 2020 Internal Auditing Plan	The audit report of the Company's Q3/2019 financial report Communication and statement on key auditing items
7 th meeting of 1 st term 2020.3.19	The Company's Q4/2019 auditing report The Company's 2019 Internal Control System Declaration	The audit report of the Company's 2019 financial report
8 th meeting of 1 st term 2020.5.4	The Company's Q1/2020 auditing report	The audit report of the Company's Q1/2020 financial report The periodically evaluation of the independence and competence of Company's CPAs

3.3 Corporate Governance Execution Results and Deviations from “Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies”

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
1. Has the Company formulated and disclosed its own corporate governance best-practice principles in accordance with “Corporate Governance Best-Practice Principles for TWSE-GTSM Listed Companies”?	V		The Company has formulated “Corporate Governance Principles”, and reviewed regularly to strengthen its system and structure. The same has also been disclosed through the Company’s website accordingly.	None
2. Shareholding Structure & Shareholders’ Equity (1) Has the Company established internal operating procedures to handle shareholder proposals, doubts, disputes, and litigation-related issues, and practically implemented such procedures? (2) Has the Company kept the lists of its major shareholders and the ultimate owners of such major shareholders? (3) Has the Company established risks control and firewall mechanism with its affiliates? (4) Has the Company established the internal rules to prohibit its insiders from trading securities by using info not yet disclosed to the market?	V V V V		(1) The Company has established communication channels with the investors through its website (http://www.oucc.com.tw), and dedicated spokesman and IR representative to respond to shareholders proposals, questions and to provide business consultations at all time. (2) The Company’s Financial Dept. holds, at all time, the lists of its major shareholders and such ultimate owners, and reports for the info update pursuant to regulation of the listed companies. (3) The operating management and financial operation between the Company and its affiliates run independently, and are carried out in accordance with “Regulations Governing Transactions With Related Parties”, “Procedures for Acquisition or Disposal of Assets”, “Procedures for Capital Lending to Others” and “Procedures for Endorsements/Guarantees”. Adequate risks control and firewall mechanism have been established. (4) The Company has formulated and posted on its website the “Procedures for Internal Material Information Handling”, prohibiting its insiders from trading securities by using undisclosed info, as well as “Codes of Ethics” and “Best Practice Principles” established to guide and constrain the conducts of its employees, and advocates and applies such concepts to its day-to-day operation. New recruit needs to sign a NDA when reports to work.	None

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Have the Board members formulated diverse policies and implemented them accordingly?</p>	V		<p>(1) The Company has established the candidate nomination system according to its corporate governance principles to assess the candidate's academic and professional experiences in terms of the Board member nomination and selection, and follows the "Procedures for the Board Election" and "Corporate Governance Principles" to ensure the diversity, independence of the Board member and the opinions of the stakeholders will be taken into account.</p> <p>The Company's Board members of the 15th term have been seasoned in business management, strategic leadership and industry related knowledge. Some of the members are experienced in law, economy and marketing, etc. Please refer to Note 1 for details of the diverse policies.</p>	None
<p>(2) In addition to Remuneration Committee and Audit Committee, has the Company established any other types of functional committee?</p>	V		<p>(2) The Company has established Remuneration Committee, and Audit Committee as stipulated, besides the Vocational Safety & Health Committee.</p>	
<p>(3) Has the Company established Board performance assessment method and has the performance evaluated annually, and reported to the Board, with remuneration of each Director as reference for nomination and reelection ?</p>	V		<p>(3) The Company has formulated the Assessment Method for the Board Performance and had it approved at the 6 March 2017 Board meeting and notified on the Company's website. Periodical evaluation meeting conducted by Board members and the Board meeting organizing unit will be held annually by way of self-appraisal, following the five aspects: participation of the company's business operation, enhancement of the Board's decision-making, Board's composition and structure, Directors' appointment and continued training, and internal control, etc. The assessment result of the Board performance in 2019 has been "Outstanding", which result was reported to the Remuneration Committee meeting held on 18 March 2019.</p>	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(4) Has the Company evaluated the independence of CPAs on a regular basis?	V		<p>Additionally, the Board held on 7 Nov 2019 approved the Assessment Method for the Board Performance to be assessed by professional, independent institute or scholars externally at least every 3 years.</p> <p>(4) The Company's Board has evaluated the independence and competence of the CPAs at least once annually based on the scale of the public accounting firm and experiences & qualifications of the CPAs, as well as consecutive years of their service as auditors, their independence with the Company's finance, whether or not their independence principles intact, and work performance and plans, which information or statement provided by the CPAs or their firm were evaluated and approved by the Board meeting held on 5 May 2020. Please refer to Note 2 for evaluation details.</p>	None
4. Has the Company established a fully dedicated or concurrent unit or personnel in charge of the corporate governance related business, which includes but not limited to the provision of Directors and Supervisors' execution info, the proceeding of Board and Shareholders' meetings and the related pursuant to the regulation, as well as the producing of the Board and Shareholders' meetings minutes, and so on?	V		<p>The President office of the Company is a dedicated unit for corporate governance, the in charge officer has at least 3-year experiences in administration, shareholder affairs and meeting related management, and supervise the President office, Administration management, finance, accounting, SHE, production, and technology departments in regard to corporate governance related affairs and the implementation in terms of the best business practice, corporate social responsibility, law compliance, meeting rules and public information, etc.</p> <p>The corporate governance implementation in 2019 included:</p> <p>(1) The Board meeting and the related: 4 times</p> <p>(2) The Audit Committee meeting and the related: 4 times</p> <p>(3) The Remuneration Committee meeting and the related: 2 times</p> <p>(4) Arrangement for Directors continued training course: 11 persons & 72 hours in total</p> <p>(5) Submission of CSR report.</p>	None

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
5. Has the Company established a communication channel for the stakeholders (including but not limited to the shareholders, employees, clients and suppliers, etc.), a company website dedicated to stakeholders, and responded appropriately to the social responsibility issues which are critical to stakeholders?	V		The Company has delegated a spokesman, acting spokesman, investor relations, and a company stock service agent, and also assigned a CSR section on the company website (http://www.oucc.com.tw/tw/green.asp) with a questionnaire and a contact email address to be responded by the designated personnel of the IR.	None
6. Has the Company commissioned a professional stock agent to handle shareholders affair?	V		The Company has commissioned a professional stock agent Oriental Securities Corporation to handle shareholders affairs.	None
7. Information Disclosure (1) Has the Company established a website for info disclosure on financial, business and corporate governance? (2) Has the Company also adopted other disclosure measures such as English website, dedicated personnel for collecting & disclosing of company info, implemented spokesman system, and uploaded the institutional investor conference presentations on the Company's website? (3) Has the Company announced and declared the annual financial report within two months after end of the fiscal year, and announced Q1, Q2, Q3 financial report and monthly operating performance within prescribed time limit?	V V V		(1) The Company has established a website (http://www.oucc.com.tw) for info disclosure on financial, business, corporate governance, and other important info. (2) The Company has established a English website, had dedicated personnel in charge of info collecting and disclosing of finance, business, institutional investor conference and the related, as well as implemented spokesman system by delegating spokesman, acting spokesman, and investor relations. (3) The Company announced and declared its annual financial report in advance, and announced the quarterly financial report and monthly operating performance pursuant to the law and regulation.	None
8. Does the Company have other critical information which can help others to understand the implementation of corporate governance (including but not limited to, employee welfare, staff care, investor relations, supplier relations, stakeholder rights, Director training status, risk management policies, implementation statuses of	V		For further details of the corporate governance operation of the Company and its subsidiaries, please refer to 3.8 <i>Other information enabling a better understanding of Company corporate governance</i> on p45-p49.	None

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
standard risk measurement and customer policy, as well as the Company's purchase of liability insurance for Directors)?				
<p>9. Please state the improvement status quo of the latest Corporate Governance Evaluation results announced by the Corporate Governance Center of TWSE, and the prioritized items and measures to be adopted: The improved items regarding to the Company's Corporate Governance Evaluation result are as follows: (1) Completed the formulation of the "Procedures for Handling Material Inside Info" and notified on the Company's website. (2) The implementation of the Board's diversification policy has been disclosed in the Company's annual report and on the website. (3) The Company's Board performance assessment result and the communication status of the Independent Directors, Internal Auditor and CPAs were disclosed on the Company's website. (4) Completed by the end of June 2019 the implementation of the Company's Remuneration Committee with Independent Directors consisting in majority to enhance the corporate governance.</p>				

Note 1:

According to the Chapter III of the Company's Corporate Governance Principles, the composition of the Board members should be diversified, and shall have the necessary knowledge, skill, and experience for performing their duties. To achieve the ideal goal, the Board of Directors shall have the abilities to make operational judgment, perform accounting and financial analysis, and conduct management in administration and crisis, as well as leadership in decision making, industrial knowledge and international market perspective.

The Company's Board is composed of 11 Directors, including 3 Independent Directors. All the Board members are diversified and experienced in the professions of operation, legal, accounting and so on, which are listed per below:

The implementation of the Board's diversification policy:

Name	Gender	Independent Directors Length of Tenure		Professional Knowledge & Skill			Diversified Core Strength							
		Under 3 years	3 to 6 years	Professional Background	Professional Qualification	Chemical Engineering Experience	Operation Judgement	Management	Finance & Accounting	Commerce & Economy	Crisis Management	Industrial Knowledge	International Perspective	Decision-making Leadership
Douglas T Hsu	Male			Operation		√	√	√	√	√	√	√	√	√
Johnny Shih	Male			Operation		√	√	√	√	√	√	√	√	√
Humphrey Cheng	Male			Operation	Law	√	√	√	√	√	√	√	√	√
Kao-Shan Wu	Male			Operation		√	√	√	√	√	√	√	√	√
Roy Wu	Male			Chemical		√	√	√	√	√	√	√	√	√
Justin Tsai	Male			Operation		√	√	√	√	√	√	√	√	√
Paul Chuang	Male			Operation		√	√	√	√	√	√	√	√	√

Name	Gender	Independent Directors Length of Tenure		Professional Knowledge & Skill			Diversified Core Strength							
		Under 3 years	3 to 6 years	Professional Background	Professional Qualification	Chemical Engineering Experience	Operation Judgement	Management	Finance & Accounting	Commerce & Economy	Crisis Management	Industrial Knowledge	International Perspective	Decision-making Leadership
Eric Chueh	Male			Operation		V	V	V	V	V	V	V	V	V
C. T. Chan	Male		V	Operation		V	V	V	V	V	V	V	V	V
Walt Cheng	Male		V	Operation		V	V	V	V	V	V	V	V	V
Ping Lih	Female	V		Accounting	Accountant		V	V	V	V	V	V	V	V

Note 2: Evaluation standard of CPAs independence (in accordance with the Norm of CPAs Professional Ethics)

Evaluation Items	Evaluation Result	Whether to meet w / independence (yes or no)
1. Has there been no change of CPAs in seven years as of the latest auditing service?	No	Yes
2. Whether or not the CPAs have critical financial interest related to the Company.	No	Yes
3. Whether or not the CPAs are in any inappropriate relationships with the Company.	No	Yes
4. Whether or not the CPAs equip assistants with honesty, righteousness and independence.	Yes	Yes
5. Have the CPAs provided auditing services to the Company where CPAs served within two years?	No	Yes
6. Have the names of CPAs been used by others?	No	Yes
7. Have the CPAs owned the stocks of the Company or its affiliates?	No	Yes
8. Have the CPAs involved in the capital loaning with the Company or its affiliates?	No	Yes
9. Have the CPAs shared investment or profits with the Company or its affiliates?	No	Yes
10. Have the CPAs had concurrent job and received fixed wages from the Company or its affiliates?	No	Yes
11. Have the CPAs involved in the management of the decision-making of the Company or its affiliates?	No	Yes
12. Have the CPAs run other business concurrently which might fail the detachment of independence?	No	Yes
13. Have the CPAs been kin within the second tier with the management of the Company?	No	Yes
14. Have the CPAs received any premium in regard with the business of the Company?	No	Yes
15. Have the CPAs been disciplined or involved in matters that may affect the independence?	No	Yes

3.4 Establishment, functions, and operations of the Remuneration Committee:

3.4.1 Members of the Remuneration Committee

ID	Requirements	Over five years of experience and the following professional qualifications			Independence criteria (Note 1)										Number of other public companies where the person holds the title as Remuneration Committee member	Remark	
		University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate experiences	1	2	3	4	5	6	7	8	9	10			
Name																	
Independent Director	C. T. Chan			√	√	√	√	√	√	√	√	√	√	√	√	0	
Others	J. W. Huang			√	√	√	√	√	√	√	√	√	√	√	√	2	
Others	Lucia Tung		√	√	√	√	√	√	√	√	√	√	√	√	√	2	

Note 1: A “√” is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not employed by the Company or any of the Company’s affiliates.
- (2) Not a Director or Supervisor of the Company or any of the Company’s affiliates. (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (3) Not holding over 1% of company shares or being a top 10 natural person shareholder in one’s own name, held by a spouse or underage child, or held by nominee agreement.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a Director, Supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor or employee of a corporate shareholder who is among the top 5 shareholders according to item 1 or item 2 of article 27 of the Company Law (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (6) Not a Director, Supervisor or employee of a corporate shareholder who holds the majority of the Board or voting rights (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (7) Not Chairman, President or equivalent post of the company who himself/herself or spouse holds position as Director, Supervisor or employee of another company or organization (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (8) Not a Director, Supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relationship with the Company (this restriction does not apply to Independent Directors of the specific company or organization which holds more than 20% and not exceeding 50% outstanding shares of the Company, its parent company, or its subsidiaries).
- (9) Not a professional, owner, partner, Director, Supervisor, manager of proprietorship, partnership, company or institution, or a spouse that provides business, legal, financial and accounting services to the Company or its affiliates with rewarded remuneration not exceeding NTD 500,000 within last two years. Notwithstanding, this shall not apply to the Remuneration Committee members, or members of special committee of public company for merger/consolidation and acquisition who perform their duties in accordance with the Securities Exchange Act and Business Mergers and Acquisitions Act.
- (10) Not under any of the categories stated in Article 30 of the Company Law.

3.4.2 Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) Current term of office: August 7, 2018~June 7, 2021. The Committee held 2 (A) meetings in the recent year and the attendance of the Committee members is summarized as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	C. T. Chan	2	0	100%	
Member	J. W. Huang	2	0	100%	
Member	Lucia Tung	2	0	100%	

Other notes:

1. If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the Board of Directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): N/A
2. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: N/A

- (3) The proposals and resolutions of the Remuneration Committee meetings in 2019

Term of the Remuneration Committee Meeting	Major resolution & follow-up action	Remuneration Committee's resolution results and the Company's opinion on the follow-up
2 nd meeting of 4 th term 2019.3.18	<ol style="list-style-type: none"> 1. Approval of the implementation report of the 2019 Board performance evaluation of the Company 2. Approval of the Company's proposal on the Board of Directors remuneration and employees compensation 	The proposals were passed unanimously by the Remuneration Committee, and reported to the Board of Directors and approved unanimously.
3 rd meeting of 4 th term 2019.12.19	<ol style="list-style-type: none"> 1. Approval of the amendment report of the Company's Remuneration Committee Charter 2. Approval of the amendment report of the Company's Assessment Measures for Board Performance 3. Approval of the remuneration of Board of Directors and Management of the Company in comparison with petrochemical industry associates 	Filed for reference

3.5 Implementation of Corporate Social Responsibility

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Has the company conducted risk assessments on environmental, social and corporate governance issues according to the principle of materiality, and formulate relevant risk management policies or strategies?.	V		The Company adheres to its management philosophy and major principles "Sincerity, Diligence, Thrift, Prudence and Innovation", while pursuing corporate sustainability and profit, the Company also implements its social responsibility, attends to stakeholders' equity, as well as corporate governance issues on environment and society, which are all incorporated into management policies formulated pursuant to the Stakeholder Engagement Standards AA1000 SES. For more details, please refer to the Material Topics Management Guideline of CSR report.	None
2. Has the Company established a full-time or part-time CSR promoting unit, and had the Board to authorize the in-charge top management for update report?	V		The Company has established its dedicated CSR unit, with President as Chief Commissioner, HR & Administration Center as Secretariat, to push each department to set its annual goal and tasks according to individual accountability, and report to the Board of its implementing status.	None
3. Environmental issues (1) Has the Company established an environmental management system appropriate to the characteristics of its industry? (2) Has the Company been striving to reinforce its resource usage effectiveness, reduce its environmental impact and improve its use of recyclable materials? (3) Has the Company assessed the current and potential impact of climate change on its operations, and adopted countermeasures on such regard?	V V V		(1) According to its industry characteristics, the Company has formulated the complete SHE measures, and fulfilled the "ISO-45001 Occupational Health & Safety Management System" and "ISO-14001 Environmental Protection Management System" by means of 'prioritized safety, clean production, continued improvement and unanimous participation'. (2) The Company has accomplished its Ethylene Recycle System, to raise the production efficiency and reduce raw material consumption rate. The Company also invested in the recycle of its waste water & exhaust gas, targeting the recycle of 70% of the waste water and 90% of the CO2 generated during production. (3) To cope with the climate change issues, the Company has actively introduced the ISO 50001 Energy Management System, to improve the energy efficiency of the plants, and committed to mitigating the emission of greenhouse gases, the prevention of air pollution, and the generation of waste and wastewater. The impact of extreme weather such as heavy rainfall and flooding, drought	None

Item	Implementation Status		Summary	Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No		
(4) Has the Company analyzed its GHG emission, water consumption volume, and total waste weights in the last two years, and developed management policies in such regard?	V		<p>and water shortage, high temperature have been evaluated, and relevant countermeasures have been taken as below:</p> <ul style="list-style-type: none"> i. Improve the drainage capacity of the drainage system. ii. Improve the utilization rate of reclaimed water and set up a reclaimed water recovery system. iii. Developed mechanism for draught (such as a waterwheel). <p>(4) The analyzed figures in such regard have been published in the annual CSR report, as well as logged in to the national GHG platform. The relevant policies for energy saving, GHG and water usage reduction, as well as waste management have been formulated.</p>	None
<p>4. Social issues</p> <p>(1) Has the Company formulated management policies and procedures according to the related laws and int'l covenants on human rights?</p>	V		<p>(1) The Company has established the stipulated measures for labor relations, to secure the labor rights and safeguard the basic human rights pursuant to the labor laws and regulations, and supported and complied voluntarily with the int'l covenants on human rights treaties, including the Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, so to eliminate any acts that may infringe or violate the human rights and enhance the human rights awareness of the internal personnel and the stakeholders.</p>	None
<p>(2) Has the Company formulated and applied reasonable welfare measures, such as salary, vacation leaves and other benefits, and had the Company's operating performance or result incorporated appropriately in the salary of employees?</p>	V		<p>(2) The Company has developed sound and various welfare measures and established the vocational labor welfare committee to organize all the welfare activities of the employees, reviews regularly the formulated remuneration policy and relevant management methods to ensure the operating results of the Company and</p>	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>(3) Has the Company provided its employees with a safe and healthy work environment, and regularly implemented employee safety and health education?</p> <p>(4) Has the Company developed an effective career planning and training program for its employees?</p> <p>(5) Have the Company provided health and safety to customers in terms of products and services, customers privacy, marketing and labeling in accordance with relevant regulations and international standards, and formulated policy and grievance procedure for the protection of consumer's right?</p> <p>(6) Has the Company formulated the supplier management policy to request supplier to comply with relevant regulations in regard with the issues of environmental-friendliness, vocational safety & health, and labor rights?</p>	V		<p>individual performance will be appropriately incorporated.</p> <p>(3) In order to ensure employee safety and health effectively, the Company has set up fire protection measures, as well as a clinic on factory premises with contracted physicians, professional nursing staff and equipment. A health examination for employees is conducted each year.</p> <p>(4) The Company has developed a complete training program for its employees according to the demand of each position.</p> <p>(5) With product quality and customer rights highly upholding, the Company has been certified under ISO-9001 the Quality Management, and formulated the management policy and grievance procedure in conformity with the relevant regulations and international standards to protect consumer rights.</p> <p>(6) The Company has formulated the supplier management policy in request of the suppliers' compliance in relevant regulations in regard with the issue of environmental-friendliness, vocational safety & health, and labor rights, and disclosed the implementation and results in its annual CSR report and company website.</p>	None
<p>5. Has the Company taken reference of international principles or guideline for CSR compilation to disclose non-financial information in its CSR report? Whether or not such report was verified or reassured by the third-party unit?</p>			<p>The published 2018 CSR report of the Company was compiled in accordance with the Global Reporting Initiative (GRI) Standards Guideline, and AA1000 (2008) standards, and verified by SGS-Taiwan in conformity with the GRI Standards (Core Option) and AA1000 AS Type I intermediate assurance level.</p>	None
<p>6. If the Company has established its corporate social responsibility best-practice principles in accordance with the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, please clearly describe the functioning of such principles and any discrepancies: The Company has formulated its CSR policies since 2014, and fulfilled its corporate social responsibility to advance the development in economy, society, environmental balance and sustainability through its efforts in the green</p>				

Item	Implementation Status		Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	
<p>products development, the eco-friendly certifications awarded for environmental protection, as well as the participation in the social public welfare activities. All the relevant info is publicized at the company's website and the MOPS.</p>			
<p>7. Other important information to facilitate a better understanding of the Company's corporate social responsibility practices (such as systems and measures that the Company has adopted with respect to environmental protection, community participation, contribution and service to society, social and public welfares, consumer rights and interests, human rights, safety and health, and other corporate social responsibilities and activities, and the status of implementation):</p> <p>(1) The working environment and employee's personal safety protection measures:</p> <ul style="list-style-type: none"> a) To prevent occupational disasters and ensure employee safety, the Company has established "contingency plans", performs practice drills, and can take rapid and systematic measures against fire, leakage, typhoon, earthquake, war, traffic accidents, reporting, as well as for evacuation and recovery, to mitigate injury and loss as much as possible. b) All the substance safety data sheets for raw materials, supplies and products are available throughout the premises, and are also accessible to personnel on intranet to help them take any necessary corrective action and ensure their personal safety as well as that of the factory. c) The production process zones are equipped with fire protection equipment such as automatic sprinkler systems which may be automatic, manual or remote controlled, to ensure personal safety as well as that of the factory. d) Monitoring stations for combustible gas, EO, NH₃, H₂, and waste water (COD, pH) are installed within the production areas, so that any leakage or abnormal situation may be detected and remedied/ eliminated immediately. e) Established procedures for hot/hazardous work, and confined space entrance to ensure the safety of personnel and equipment. f) Implement contractor's safety training and requirements according to employee safety criteria to ensure the safety of personnel accessing the factory. g) Organize health examination for employees to detect health problems as early as possible and take prompt action to protect employee health. <p>(2) Safety, Health, and Environmental (SHE) Policy</p> <ul style="list-style-type: none"> a) To Commit to SHE and Comply with Laws and Regulations To ensure commitment in conformity with laws and regulations, or other requirements in regard with SHE. b) To Commit to Continuous Improvement of the SHE Management System To establish the SHE performance evaluation index for the company, and to continue enhancing the SHE management performance through monitoring, review and improvement. c) To Implement Full Participation and Continuous Improvement To attend to the SHE requirements and improve SHE performance through the consultation and participation mechanism for the workers or their representatives, and by means of regular monitoring, review and management. d) To Eliminate Hazards to Reduce SHE Risks To implement hazard identification and risk assessment, strengthen sources management, and eliminate hazards to reduce risks by means of engineering control or management measures. e) To Conform to Environmental Protection and Implement Pollution Prevention To ensure commitment to continuous improvement in pollution prevention, creating a higher quality and environmentally-friendly work environment. 			

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>f) To Provide Safe Environment and Healthy Workplace To establish an intrinsically safe work environment, and develop friendly and healthy workplace as a cultivation of SHE.</p> <p>g) To Disclose to Stakeholders To value bilateral communications, and divulge proactively the company's SHE policy and related information to employees, contractors, customers, suppliers, and other stakeholders to impel benign changes of SHE.</p> <p>(3) Verification of SHE management system The Company obtained authentication of ISO-14001 in 1999, and regained in 2018, whereas OHSAS-18001 obtained in 2002, regained in 2020 in the transformation of ISO-45001. In 2019, Oriental Petrochemical (Yangzhou) Corporation (OPYC), Far Eastern Union Petrochemical (Yangzhou) Ltd (FUPY) and Tong Da Gas Industries (Yangzhou) Ltd (TIDY) completed the auditing of IS-9001, ISO-14001 and OHSAS-18001 systems. In December 2019, all three plants in Yangzhou applied for and obtained sewage permits in accordance with national requirements. In 2019, the safety production licenses renewal for OPYC, FUPY and TIDY were completed; FUPY and OPYC obtained licenses for the operation of hazardous chemicals; TIDY obtained the transfer permit of the pressure vessel to be installed at its ASU plant; all three plants cooperated with the China Chemical Industry Association experts and completed the process safety management quantitative assessment and GHG emission check in May; the designing company completed the intrinsic safety diagnosis of the three plants in June; the Yangzhou Plants have been ranked among the best in the assessment of the Safety Supervision Bureau of Yangzhou Chemical Industry Park for four consecutive years, and won the first prize of enterprise safety management in the Park.</p> <p>(4) Community participation, social service and social public welfare The total amount of donation to the disadvantaged public welfare group in 2019 exceeded NTD1.77M, including a subtotal of NTD1.63M sponsored for the community activities.</p> <p>a) The Company takes its responsibility and obligations as a member of the Taiwan Responsible Care Association very seriously and participates in regular training and other activities.</p> <p>b) As a member of the Industrial Safety and Health Association of the ROC and TIGA, the Company shares ideas and experience in the promotion of SHE with other members from time to time.</p> <p>c) The Company subscribes to the good-neighbor fund run jointly by Linyuan Factories each year and sponsors local celebrations over the Lunar New Year holidays, Dragon Boat and Moon Festivals, and other social activities (including environmental protection, economic construction and cultural observation).</p> <p>d) As usual the Yangzhou plants establish mutual trust and neighborly relationships with Wanbor community at Yizheng, by means of visiting the lonely elders, sponsoring the students in poverty with total donation of RMB18 thousand in 2019. Moreover, the activities such as the Enterprise Open Day, YuanYang Cup for young children drawing in regard with environmental conservation, the Little Fireman safety propaganda, and the Double Ninth Festival Art Performance were also organized.</p>				

3.6 Implementation of Business Conduct Policy

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>1. Establishment of business conduct policy and plan</p> <p>(1) Has the Company adhered to the business conduct policy explicitly set out in its regulations and external documents, supported by the active commitment of the Board of Directors and Management to its implementation?</p> <p>(2) Has the Company taken any precautionary measures against the high-risk unethical business activities according to Article 7-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" ?</p> <p>(3) Has the Company taken and carried out any precautionary measures, conduct guidelines, disciplines or grievance to prevent the unethical business?</p>	V		<p>(1) The Company has the amendment to the "Best Practice Principles" and "Codes of Ethics" approved at the Board meeting. For implementation, the Company has both publicized at the company website, and promoted thru internal meetings and daily operation.</p> <p>(2) The Company's precautionary measures against unethical business include:</p> <ul style="list-style-type: none"> a) The standards for offer or acceptance of unjust interests. b) The procedure for offering legitimate political donations. c) The procedure for offer of righteous charity donations or sponsorship. d) The stipulation for the avoidance of conflicts of post related interests. e) The non-disclosure stipulation on procured business confidentiality or sensitive commercial information. f) The norm and procedures for suppliers, clients and business counterparties involving in unethical business conduct. g) The procedure for the infringement of the business best practice principles. h) The discipline disposal for infringement. <p>(3) The Company has established the business culture in the best practice and precaution against unethical business by promoting periodical employee training and requiring the compliance and respect of the interest related party on the ethics and best practice principles. Relevant stipulations are disclosed at the company website. (http://www.oucc.com.tw)</p>	None

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>2. Implementation of the Codes of Business Conduct</p> <p>(1) Does the Company access the ethical conduct records of its counterparts and specify "ethical clauses" in business contracts?</p>	V		<p>(1) The Company shall, on the premise, comply with the relevant laws & regulations governing listed companies to fulfill ethical business.</p> <p>The legitimacy of the Company's agents, vendors, clients or business counterparties will be considered before trading to avoid the occurrence of unethical business in advance. If violated, all rights and cooperation with the clients, agents, contractors, vendors, public officials or other stakeholders will be terminated.</p>	None
<p>(2) Has the Company established dedicated unit under supervision of the Board to promote corporate ethical management and to report accordingly to the Board of the implementation status?</p>	V		<p>(2) The Company's human resources dept. has set up "Code of Ethics" and "Best Practice Principles", incorporated them into employment guidelines, publicized on the Company's website, promulgated to all the employees, and reported regularly to the Board such implementation status.</p>	
<p>(3) Does the Company promulgate policies to prevent conflicts of interests and offer channels for reporting such conflicts?</p>	V		<p>(3) The Company has stipulated the "Discipline and Remedy for Violation of Codes of Ethics and Best Practice Principles", as a guideline. The Company tolerates no violation. Any employees obtains, or intends to obtain, improper benefit for oneself and others at the cost of the Company by using one's position or authority shall be dismissed, and shall unconditionally indemnify the Company for all losses occurred.</p> <p>An appeal system is established in the Company. Any of the employees being accused to violate the Guidelines may appeal for remedy via the system.</p>	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(4) Has the Company established an effective operation of the accounting and internal control system, and periodically conducted internal audits by internal auditors, or audited by CPA?	V		(4) The Company's accounting and internal audit departments have set up an effective accounting and internal control system for regular review and verification on the info validity and transparency. Pursuant to "Regulation Regarding Establishment of Internal Control Systems by Listed Companies" and the "Best Practice Principles", the internal auditing dept. has set up the internal control system and report periodically the compliance results based on the annual audit plan and risks assessment examination and have it submitted to the Audit Committee and Board of Directors.	None
(5) Does the Company periodically conduct the internal and external training on ethical management?	V		(5) The Company conducts periodically the training and promulgation for the sales units and the business engaged personnel, to manifest its implementation in ethical management to the stakeholders. The "Best Practice Principles", "Codes of Ethics" and relevant rules are publicized at the Company's website.	
3. Establishment of Reporting Channels for Violations of the Codes of Business Conduct				
(1) Has the Company established a specific reporting and reward system through convenient channels for lodging complaints? And, does the Company assign the dedicated personnel to attend to the matter?	V		(1) The Company has established multi communication channels for reporting of the unethical business conduct, following the guideline of the stipulated Discipline and Remedy for Violation of Codes of Ethics and Best Practice Principles. The personnel who discover the violation of such may report to the management, internal auditing officer, HR department or other appropriate manager of the Company.	None
(2) Has the Company established the standard operation procedure for investigating and proceeding of the report in a confidential manner?	V		(2) The Company's whistle-blowing methods are abided by the Discipline and Remedy for Violation of Codes of Ethics and Best Practice Principles, with the investigation conducted through independent channel to ensure the ID protection of the whistle blower and the content of the report.	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(3) Does the Company adopt measures to protect whistle blowers from reprisals for having filed the complaint report?	V		(3) The Company preserves the ID of the whistle blower and the content of the report in confidential to keep the whistle blower from improper disposal.	None
4. Enforcement of Information Disclosure Has the Company disclosed its "Best Practice Principles" and the implementation through its official website or the Market Observation Post System?	V		The "Best Practice Principles" and "Codes of Ethics" of the Company are fully disclosed on its official website (http://www.oucc.com.tw/tw/investor_m06.asp) and the Market Observation Post System.	None
5. If the Company has established its ethical business best practice principles in accordance with the "Ethical Business Best-Practice Principles for TWSE/GTSM Listed Companies", clearly describe the function of such principles and any discrepancies in ethical business best-practice principles: None				
6. Other important information regarding the Company's operation in ethical business best-practice, such as the reviewing and amending of the Company's business best-practice principles and so on: The Company adhered to its management philosophy for integrity, transparency and responsibility, to formulate the policy based on ethical business, and established fair corporate governance and risks control mechanisms to create and sustain the business environment. Before engaging in any business transactions, the Company will consider the validity of agents, vendors, customers or other trading counterparties and whether they hold an ethical business record or not. The Company will avoid engaging in transactions with any party that has an unethical business record.				

3.7 Disclosure of access to Company Corporate Governance Best Practice Principles and related rules and regulations:

- 3.7.1 Information on the Company website http://www.oucc.com.tw/tw/investor_m02.asp is periodically updated.
- 3.7.2 The information posted on the website is collected and maintained by dedicated personnel. The disclosed information about finance and minutes of the meetings with institutional investors will be posted on the website and be accessible to the public.

3.8 Other information enabling a better understanding of Company corporate governance:

- 3.8.1 Employee rights and interests: The Company not only secures employees legal rights and interests pursuant to the law, but provides all sorts of welfare, on-job trainings, and pension & retirement plan.
- 3.8.2 Staff care: The Company provides employees with an annual health examination, employee group insurance, and safety & health training, and encourages several different club activities, offers urgent relief measures, attends to colleagues' physical and mental health and life balance through a Vocational Labor Welfare Commission.

- 3.8.3 Investor relations: The Company has delegated spokesman, acting spokesman, and stock service agent Oriental Securities Corporation to handle suggestions or questions from shareholders. An investor relations section has also been established at the Company’s website for the delegated IR to respond to investors enquiries
- 3.8.4 Vendor relations: Apart from the formulated supplier management procedures requiring vendors’ compliance to the issues of environment protection, safety and health, etc., suppliers are also requested to sign the Statement of Suppliers Collaborative Dedication to the Enhancement of Corporate Social Responsibility.
- 3.8.5 The rights of stakeholders: The dedicated investor relations section on the website provides questionnaire and email contact for IR representative to compile and respond to the critical issues from the stakeholders at all time.
- 3.8.6 The status of advance education of Directors:
 (1) The continued advanced program of Directors is as follows:

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
Chairman of the Board	Douglas T. Hsu	2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
Vice Chairman of the Board	Johnny Shih	2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
Directors	Humphrey Cheng	2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors-and Corporate Governance Workshop	3hrs
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
	Kao-Shan Wu	2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
	Roy Wu	2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors-and Corporate Governance Workshop	3hrs
		2019.12.19	2019.12.19	Securities & Futures Institute (SFI)	Advanced Seminar for Operational Practice of Board of Directors (incl. Independent Directors)	3hrs

Oriental Union Chemical Corporation

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
Directors	Justin Tsai	2019.3.20	2019.3.20	Taiwan Corporate Governance Association(TCGA)	Update of Corporate Governance and Tax Law	3hrs
		2019.11.11	2019.11.11	Taiwan Corporate Governance Association(TCGA)	Effects of the Change of Securities Exchange Law on the Management of Listed Company	3hrs
	Paul Chuang	2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
	Eric Chueh	2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
Independent Directors	C.T. Chan	2019.10.15	2019.10.15	Securities & Futures Institute (SFI)	Advanced Seminar for Operational Practice of Board of Directors (incl. Independent Directors)	6hrs
	Walt Cheng	2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
	Ping Lih	2019.4.25	2019.4.25	Taiwan Corporate Governance Association(TCGA)	Roles Discussion of Directors in Supervision and Participation in Decision-Making (Practice of Operation of Remuneration Committee)	3hrs
		2019.6.20	2019.6.20	Taiwan Corporate Governance Association(TCGA)	Role Play Practice of Director in Board's Major Decision-Making	3hrs
		2019.7.23	2019.7.23	Taiwan Academy of Banking and Finance (TABF)	Practice of Operation of Board of Directors and Corporate Governance Workshop	3hrs
		2019.10.29	2019.10.29	Taiwan Corporate Governance Association(TCGA)	The Criminal Legal Risks and Countermeasures of the Board-Start with Corporate Fraud and Money Laundering Prevention	3hrs

3.8.7 The implementation in risks management policy and measuring standard

The Company's implementation in risks management and each accountable unit:

- (1) Audit: Set up risks-oriented annual auditing plan, accountable for revision of the internal control system and the proceeding of auditing.
- (2) Financial affairs: Established electronic financial platform to provide clear financial info, operation analyses and credit management review.
- (3) The Company has established "Credit Commission", which is chaired by President the Chief Commissioner and composed of the management of Auditing Dept., Finance Dept., Accounting Dept., and Sales Dept., to review on customers status before deciding the credit ratings and allowances on regular basis. The commission is also in charge of the continual monitor and control of each credit account and account receivables, in order to achieve the target of "zero bad debt".
- (4) IT security: IT dept. has mapped out the Company's internet security and intranet protection by way of building the remote backup service and cloud data center, to lower the risks of IT security.

Please refer to p112-p115 the Analysis of Risk Factors for more information.

3.8.8 The implementation status of customer policy: The Company adheres to a management philosophy that highlights "Sincerity, Diligence, Thrift, Prudence and Innovation", and follows up products and service satisfaction as a reference for the continuous improvement of business strategies, and also maintains a fair and stable cooperative relationships with customers.

3.8.9 The Company's purchase of liability insurance for Directors: The Company's Directors have been conducting according to law. The Company has amended its Articles of Incorporation and Corporate Governance Principles, and purchased the liability insurance for Directors as well as the Management.

3.8.10 Employees code of conduct and ethics

"Sincerity, Diligence, Thrift, Prudence and Innovation" has not only been the management philosophy to the Company, but the principle of conduct to the employees. The code of conduct and ethics of the Company were notified publicly after resolved by the Board, and submitted to the Shareholders' Meeting for approval.

- (1) All employees joining the company shall sign the "Letter of Undertaking" which shall be included in the employees' personnel file. The Undertaking primarily declares the employees' consent to comply with Company regulations, personnel management rules and non-disclosure with respect to Company business confidentiality. The contents of public information are accessible to all employees at all times.
- (2) The employee code of conduct and ethics is summarized as below:
The work rules include: (a) general provisions (b) employment (c) service, vacation leave, breaks, special leave (d) application for leave (e) salary and wages (f) year-end bonus (g) safety, health, welfare, pension, occupational disaster compensation (h) discipline (i) performance and reward & punishment (j) resignation, termination of employment, lay-offs (k) retirement (l) supplementary provisions.

(3) The non-disclosure agreement consists of: (a) definitions of confidential information (b) non-disclosure obligation (c) legal consequence and liability of default (d) effect of termination of employment (e) concession of rights (f) applicable laws and jurisdiction.

3.8.11 With the corporate sustainability as a supreme goal, the Company has valued a great deal of the talents cultivation and developed the succession plan, of which successive candidate's worth ethics needs to meet with the Company's management philosophy "Sincerity, Diligence, Thrift, Prudence and Innovation", whereas qualification of individual working ability, diversified development potential and decision-making strengths shall prove to be outstanding,

3.8.12 The Company passed the "Procedures for Handling Material Inside Information" at the 2nd meeting of the Board of Directors of the 15th term on August 7, 2018. The Company has also propagated the following:

- (1) The "Procedures for Handling Material Inside Information" shall be provided to new Managers upon signing the "Letter of Undertaking".
- (2) When reporting any changes in equity the Company should already have given the Managers the "Procedures for Handling Material Inside Information" and also the relevant laws and regulations governing insider trading.
- (3) The Company's Managers and employees shall also sign the non-disclosure agreement when they are appointed and the Company shall provide all employees with the "Procedures for Handling Material Inside Information".

3.8.13 Relevant licenses issued by the competent authority to the personnel related to transparency of the financial information of the Company and its subsidiary:

Category	Licenses	Number of Person
Accounting / Taxation	The R.O.C. CPA	1
	The P.R.C. CPA	1
	International internal auditor	5
	International internal control self-assessment specialist	1
	The R.O.C. bookkeeper	5
Finance	Securities investment analyzer	3
	Senior securities specialist	5
	Securities specialist	4
	Futures specialist	4
	Trust personnel	4

3.9 Status of internal control system

3.9.1 Internal Control Declaration

**Oriental Union Chemical Corporation Ltd.
Declaration of the International Control System**

Date: Mar 25, 2020

The Company inspected the 2019 internal control system autonomously with the following results:

1. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it has been established accordingly. The purpose of its establishment was to reasonably ensure the fulfillment of effective operation and efficiency (including profit, performance, and protection of assets safety), and the reliability, timeliness, transparency and regulatory compliance of financial reports.
2. The internal control system design has inherent limitations. No matter how perfect such control is, it can only provide reasonable assurance of the fulfillment of the three objectives referred to above. The effectiveness of such an internal control system could be influenced by changes of the environment and other circumstances. Therefore, the Company internal control system has been designed with a self-monitoring mechanism so that corrective action will be activated immediately upon the identification of any nonconformity.
3. The Company has assessed the effectiveness of the design and implementation of the internal control system in accordance with criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “the Regulations”). The criteria defined in “the Regulations” include five elements that depend on the management control process: (1) environment controls, (2) risk assessment, (3) control processes, (4) information and communications, and (5) supervision. Each of the five elements is then divided into sub-categories. Please refer to “the Regulations” for details.
4. The Company has implemented criteria for inspection of the internal control system referred to above to ascertain its effectiveness, design and implementation.
5. The Company, based on the inspection results referred to above, declared (on December 31, 2019) that the internal control system, including the supervision and management of subsidiaries, is reasonably effective and achieves the objectives of operation and efficiency, the financial report is of reliability, timeliness, transparency and regulatory compliance.
6. The Declaration of Internal Control System is the main content of the Company’s annual report and published prospectus. Any false statement and concealment of the published content referred to above involves liability set out in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
7. The Declaration of the Internal Control System was resolved at the meeting of the Board of Directors on March 25, 2020 with no objections by any of the eleven attending Directors. The contents of the declaration have been accepted without objection.

Oriental Union
Chemical Corporation Ltd.



Chairman: Douglas T. Hsu



President: Justin Tsai



3.9.2 The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: N/A

3.10 Punishment of the Company or its internal personnel in accordance with the law, punishment of internal personnel by the Company for violating internal control system regulations, main deficiencies, and improvements during the recent year and up to the date of publication of this annual report: N/A

3.11 Resolutions reached at a meeting of shareholders or by the Board of Directors during the recent year and up to the date of publication of this annual report:

3.11.1 Shareholders Meeting

Meeting time	Major resolution	Status
2019.6.11	<p><u>Report</u></p> <p>(1) Business Report 2018 (2) Financial Statements 2018 (3) The Supervisors' review report on 2018 Business Report and Financial Statements (4) The 2018 Directors' remuneration and employees' compensation (5) The amendment to the "Codes of Ethics" and "Best Practice Principles of Ethical Corporate Management" of OUCC</p> <p><u>Recognition</u></p> <p>(1) Approval of the Company's business report and financial statements 2018 (2) Approval of the Company's 2018 profit allocation (NT\$1.75 in cash per share)</p> <p><u>Discussion</u></p> <p>(1) Amendments to the "Procedures for Acquisition and Disposal of Assets" of OUCC (2) Amendments to the "Procedures for Capital Lending to Others" of OUCC (3) Amendments to the "Procedures for Endorsements and Guarantees" of OUCC</p>	<p>Approved and proceeded accordingly.</p> <p>Approved and proceeded accordingly. July 10, 2019 was set as the ex-dividend date, and cash dividend was distributed on July 24, 2019.</p> <p>Approved and proceeded accordingly.</p> <p>Approved and proceeded accordingly.</p> <p>Approved and proceeded accordingly.</p>



3.11.2 Board of Directors Meeting

Term of the Board/ Meeting Date	Major resolution	Items regarding Article 14-3 of Securities & Exchange Act	The objected or qualified opinion of the Independent Director
4 th meeting of 15 th term 2019.3.19	1. Approval of the 2018 Directors remuneration and employees compensation 2. Approval of the Company's 2018 financial report (including individual report) 3. Approval of the Company's 2018 profit allocation 4. Approval of the Company's 2018 Business Report 5. Approval of the "2018 Declaration of Internal Control System" of OUCC 6. Approval of amendment to "Procedures for Acquisition or Disposal of Assets" of OUCC 7. Approval of amendment to "Procedures for Capital Lending to Others" and "Procedures for Endorsements and Guarantees" of OUCC 8. Approval of proposal for convening 2019 shareholders' annual general meeting 9. Approval of the proposal for the 2019 operating and capital budget	V V V V V V V	
5 th meeting of 15 th term 2019.5.9	1. Approval of the Company's jointly participation in the loaning of NTD273,011,200 to Oriental Petrochemical (Taiwan) Co., Ltd.(Approved by all attended Directors except Directors in circumvention for being the interest related party) 2. Approval of the assessment of independence and competence of the CPAs 3. Approval of amendment to "Articles of Incorporation", "Board of Director Meeting Rules", "Audit Committee Charter" and "Remuneration Committee Charter" of OUCC 4. Approval of proposal for the discharge and appointment of the Remuneration Committee members of the 4 th term 5. Approval of proposal for the Company's personnel	V V	Approved unanimously by the attended Directors
6 th meeting of 15 th term 2019.8.7	1. Approval of the Company's CC-22 catalyst contract with SHELL 2. Approval of the Company's revise on collaborated investment amount and contents on the construction of the ethylene storage tank at Kaohsiung Harbor 3. Approval of the Company's investment of USD20,000,000 to OUCC(Bermuda) Holding Ltd.	V	
7 th meeting of 15 th term 2019.11.7	1. Approval of the Company's 2020 capital expenditure projects 2. Approval of the Company's proposals on the plants construction for the production of polyetheramine and ethylenediamine series, as well as the storage tank for liquid ammonia. 3. Approval of the Company's 2020 Internal Audit Plan 4. Approval of the Company's amendment to the Board Performance Evaluation Methods	V V	

Term of the Board/ Meeting Date	Major resolution	Items regarding Article 14-3 of Securities & Exchange Act	The objected or qualified opinion of the Independent Director
8 th meeting of 15 th term 2020.3.25	<ol style="list-style-type: none"> 1. Approval of the 2019 Directors remuneration and employees compensation 2. Approval of the Company's 2019 financial report (including individual report) 3. Approval of the Company's 2019 profit allocation 4. Approval of the Company's 2019 Business Report 5. Approval of the "2019 Declaration of Internal Control System" of OUCC 6. Approval of amendment to "Articles of Incorporation" of OUCC 7. Approval of amendment to "Best Practice Principles of Ethical Corporate Management" of OUCC 8. Approval of amendment to "Meeting Rules of Stockholders" of OUCC 9. Approval of the proposal for the convening 2020 shareholders' annual general meeting. 10. Approval of the independent compilation of OUCC financial report and amendment to the guidelines for the compilation as well as the accounting system 11. Approval of the release of Accounting Officer of OUCC from non-competition restrictions 12. Approval of the proposal for the 2020 operating and capital budget 	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>Approved unanimously by the attended Directors</p>
9 th meeting of 15 th term 2020.5.5	<ol style="list-style-type: none"> 1. Approval of the Company's periodical assessment on the independence and competence of the CPAs 2. Approval of the proposal for the change of organization structure of OUCC 		

3.12 Recorded or written statements of dissent made by any Director or Supervisor to important resolutions passed by the Board of Directors during the recent year and up to the date of publication of this annual report: N/A

3.13 Summary of discharge and resignation of parties relating to the annual report (Chairman, President, Accounting Officer, Financial Officer, Internal Auditing Officer, Corporate Governance Officer and R&D Officer) in the recent year and up to the date of publication of this annual report: N/A

4. CPA professional fee

4.1 Breakdown of CPA professional fee

4.1.1 CPA information

Firm Name	CPA Name	Duration of Audit	Remark
Deloitte Touche Taiwan	Hsin-Wei Tai, CPA Yu-Wei Fan, CPA	2019.01.01 ~ 2019.12.31	

4.1.2 CPA professional fee

Price Range		Fees	Audit Fees	Non-Audit Fees	Total
1	Less than NT\$2,000 thousand			√	√
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand		√		√
3	NT\$4,000 thousand (inclusive)~NT\$6,000 thousand				
4	NT\$6,000 thousand (inclusive)~NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand				
6	NT\$10,000 thousand (inclusive) or above				

Currency unit: NTD thousand

Firm Name	CPA Name	Audit Fees	Non-Audit Fees					Duration of Audit	Remark
			System design	Commercial and Industrial Registration	Human Resource	Others	Subtotal		
Deloitte Touche Taiwan	Hsin-Wei Tai & Yu-Wei Fan	3,720	0	0	0	45	45	2019.01.01 ↓ 2019.12.31	1.Remuneration info checklist 2.Audit fee for the clarification of the “financial status” of the China investment

4.2 In the case of a change of CPA firm and the audit fees for the year of the change are less than those of the previous year, please specify the audit fees before and after the change, and the reasons for the change: N/A

4.3 In the case of the audit fees being 10% less than that of the previous year, please specify the audit fees before and after the change, and the reasons for the change: N/A

5. CPA replacement : N/A

6. Information regarding the Chairman, President, and Financial or Accounting Manager of the company who has worked with the CPA firm which conducts the Audit of the Company or an affiliate of said firm in the recent year: N/A

7. Any transfer of equity interests and pledge of, or change in equity interest, by a Director, managerial officer, or shareholder with a stake of more than 10 percent.

7.1 Shareholding variation of Directors, managerial officers and major shareholders

Unit: share

Job title (Note 1)	Name	2019		Ending April 18	
		Shares increase (decrease)	Pledge shares increase (decrease)	Shares increase (decrease)	Pledge shares increase (decrease)
Chairman	Douglas T. Hsu	0	0	0	0
Director	Far Eastern New Century Corporation	0	0	0	0
Director	Yue Ming Trading Company	0	0	0	0
Director	Yu Li Investment Corporation	0	0	0	0
Director	Fu Da Transport Corporation	0	0	0	0
Independent Director	C. T. Chan	0	0	0	0
Independent Director	Walt Cheng	0	0	0	0
Independent Director	Ping Lih	0	0	0	0
Managerial officer	Justin Tsai	0	0	0	0
Managerial officer	Victoria Peng	0	0	0	0
Managerial officer	C. K. Tsai	0	0	0	0
Managerial officer	Y. S. Chang	0	0	0	0
Managerial officer	Martin Kuo	0	0	0	0
Managerial officer	F. H. Chang (Note 2)	0	0	0	0
Managerial officer	Judy Wang	0	0	0	0
Managerial officer	Steven Wu (Note 3)	0	0	0	0
Managerial officer	Wen Fan Leu	0	0	0	0
Managerial officer	Allen Yu	0	0	0	0
Managerial officer	Amy Cheng	0	0	0	0
Managerial officer	Michael Chang (Note 4)	0	0	0	0

Note 1: The scope of managerial officers shall be defined according to the Securities and Futures Bureau decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003.

Note 2: F.H. Chang, Assistant VP of Manufacturing Group I, officially retired effective 1 May, 2020.

Note 3: Steven Wu officially retired effective 4 April, 2019.

Note 4: Michael Chang officially resigned effective 1 April, 2019.

7.2 Shareholding transferred (while the counterparty is a related party): N/A

7.3 Shareholding pledged: N/A



8. Top 10 shareholders and their relationships:

18 April, 2020 unit: share

Name	Current shareholding		Spouse and minor children's shareholding		Shareholding in name of others		Name, relationship of top 10 shareholders being the related party as spouse or kin within the second tier under the Civil Code		Remark
	Quantity of shares	Share holding	Quantity of shares	Share holding	Quantity of shares	Share holding	Name	Relationship	
Far Eastern New Century Corp	81,217,005	9.16%	0	0%	0	0%	Yuan Ding Investment Co Ltd Asia Cement Corp Yuan Tung Investment Co Ltd Kai Yuan International Investment Co Ltd Ding Yuan Investment Co Ltd Tong Fu Investment Corp	Note 1, Note 3 Note 1, Note 2, Note 3 Note 1 Note 1, Note 3 Note 1 Note 3	
Representative: Douglas T. Hsu	1,664,781	0.19%	0	0%	0	0%	N/A	N/A	
Yuan Ding Investment Co Ltd	70,817,684	7.99%	0	0%	0	0%	Far Eastern New Century Corp Asia Cement Corp Yu Yuan Investment Co Ltd	Note 2, Note 3 Note 1, Note 3 Note 1	
Representative: Douglas T. Hsu	1,664,781	0.19%	0	0%	0	0%	N/A	N/A	
Asia Cement Corp	63,766,522	7.19%	0	0%	0	0%	Far Eastern New Century Corp Yuan Ding Investment Co Ltd Yu Yuan Investment Co Ltd Yuan Tung Investment Co Ltd Kai Yuan International Investment Co Ltd Ding Yuan International Co Ltd	Note 1, Note 2, Note 3 Note 2, Note 3 Note 1 Note 2 Note 2 Note 2	
Representative: Douglas T. Hsu	1,664,781	0.19%	0	0%	0	0%	N/A	N/A	
Yuan Tung Investment Co Ltd	49,705,396	5.61%	0	0%	0	0%	Far Eastern New Century Corp Asia Cement Corp	Note 2 Note 1	
Representative: C. C. Wang	0	0%	0	0%	0	0%	N/A	N/A	
Yu Yuan Investment Corp	33,224,017	3.75%	0	0%	0	0%	Asia Cement Corp Yuan Ding Investment Co Ltd	Note 2 Note 2	
Representative: C. M. Chen	0	0%	0	0%	0	0%	N/A	N/A	
Kai Yuan International Investment Co Ltd	32,473,173	3.67%	0	0%	0	0%	Far Eastern New Century Corp Asia Cement Corp Tong Fu Investment Corp	Note 2, Note 3 Note 1 Note 3	
Representative: Humphrey Cheng	941	0%	0	0%	0	0%	N/A	N/A	

Name	Current shareholding		Spouse and minor children's shareholding		Shareholding in name of others		Name, relationship of top 10 shareholders being the related party as spouse or kin within the second tier under the Civil Code		Remark
	Quantity of shares	Share holding	Quantity of shares	Share holding	Quantity of shares	Share holding	Name	Relationship	
Ding Yuan International Co Ltd Representative: M. H. Tsai	27,365,495 0	3.09% 0%	0 0	0% 0%	0 0	0% 0%	Far Eastern New Century Corp Asia Cement Corp N/A	Note 2 Note 1 N/A	
Fubon Life Insurance Co Ltd Representative: M. H. Tsai	24,795,000 0	2.80% 0%	0 0	0% 0%	0 0	0% 0%	N/A N/A	N/A N/A	
Cathay Life Insurance Co Ltd Representative: T. K. Huang	21,893,000 0	2.47% 0%	0 0	0% 0%	0 0	0% 0%	N/A N/A	N/A N/A	
Tong Fu Investment Corp Representative : Humphrey Cheng	13,753,554 941	1.55% 0%	0 0	0% 0%	0 0	0% 0%	Far Eastern New Century Corp Kai Yuan International Investment Co Ltd N/A	Note 3 Note 3 N/A	

Note 1: The investees who are evaluated under the equity method

Note 2: The investors whose investment in the Company is evaluated under the equity method.

Note 3: The Company for which the chairman or president is the chairman or president of another company, where a spouse or kin within the second tier is employed.

9. The number of shares held by the Company and Company Directors, managerial officers and the entities directly or indirectly controlled by the Company in a single company, and calculating the consolidated shareholding percentage of the above categories.

April 18, 2020 unit: 1000 shares

Investee (note)	Invested by the Company		Invested by Directors, management, and enterprises controlled by the Company directly or indirectly		Combined Investment	
	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding
Tong Fu Investment Corporation	146,659	100%	0	0%	146,659	100%
Pacific Petrochemical (Holding) Ltd	148	100%	0	0%	148	100%
OUC (Bermuda) Holding Ltd	104	100%	0	0%	104	100%

IV. Capital Overview

1. Capital and shares

1.1 Source of Capital

Unit: NTD thousand, 1000 shares

Year/ Month	Issuing Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Others
2000/07	10	560,000	5,600,000	511,115	5,111,150	Recapitalization of capital surplus: 379,972		Note 1
						Capital increase in cash: 30,000		Note 2
2001/04	10	560,000	5,600,000	505,902	5,059,020	Cancelled treasury stock: 52,130		Note 3
2001/09	10	560,000	5,600,000	495,907	4,959,070	Cancelled treasury stock: 99,950		Note 4
2003/07	10	560,000	5,600,000	535,596	5,355,961	Recapitalization of retained earnings : 97,712		Note 5
						Recapitalization of capital surplus: 299,179		
2004/07	10	820,000	8,200,000	616,467	6,164,669	Recapitalization of capital surplus: 808,708		Note 6
2005/02	10	820,000	8,200,000	676,467	6,764,669	Capital increase in cash: 600,000		Note 7
2005/09	10	820,000	8,200,000	746,554	7,465,544	Recapitalization of capital surplus: 700,875		Note 8
2006/07	10	820,000	8,200,000	770,721	7,707,212	Recapitalization of capital surplus: 241,668		Note 9
2007/07	10	820,000	8,200,000	787,486	7,874,864	Recapitalization of capital surplus: 167,652		Note 10
2008/08	10	820,000	8,200,000	805,185	8,051,846	Recapitalization of capital surplus: 176,982		Note 11
2012/08	10	1,000,000	10,000,000	885,703	8,857,031	Recapitalization of capital surplus: 805,185		Note 12

Note 1: (89) Tai-Tsai-Cheng (1) No. 28043 dated March 30, 2000

Note 2: (89) Tai-Tsai-Cheng (1) No. 31633 dated April 25, 2000

Note 3: (90) Tai-Tsai-Cheng (3) No. 109337 dated March 9, 2001

Note 4: (90) Tai-Tsai-Cheng (3) No. 143329 dated July 19, 2001

Note 5: (92) Tai-Tsai-Cheng (1) No. 0920126972 dated June 18, 2003

Note 6: (93) Tai-Tsai-Cheng (1) No. 0930123783 dated June 28, 2004

Note 7: (93) Ching-Kuan-Cheng (1) No. 0930145975 dated October 19, 2004

Note 8: (94) Ching-Kuan-Cheng (1) No. 0940123773 dated June 14, 2005

Note 9: (95) Ching-Kuan-Cheng (1) No. 0950124903 dated June 19, 2006

Note 10: (96) Ching-Kuan-Cheng (1) No. 0960032441 dated June 27, 2007

Note 11: (97) Ching Kuan-Cheng (1) No. 09701200670 dated August 13, 2008

Note 12: Ching-Kuan-Fa-Tze No. 1010027826 dated June 22, 2012

Unit: share

Type of share	Authorized Capital Stock			Remark
	Outstanding Shares (listed)	Unissued Shares	Total	
Common stock	885,703,029	114,296,971	1,000,000,000	—

1.2 Self - Registration System: Nil

1.3 Composition of Shareholders

April 18, 2020

Composition of Shareholders Quantity	Government apparatus	Financial organization	Other juridical persons	Individuals	Foreign institution or foreigner	Total
Number of persons	12	17	121	62,369	169	62,688
Shares held when appointed	856,491	57,067,475	451,383,779	290,431,383	85,963,901	885,703,029
Shareholding	0.10%	6.44%	50.96%	32.80%	9.70%	100.00%

1.4 Distribution Profile of Share Ownership

April 18, 2020

Shareholders Ownership	Number of Shareholders	Number of Shares Owned	Shareholding
1 ~ 999	28,402	6,892,022	0.78%
1,000 ~ 5,000	23,166	54,252,068	6.12%
5,001 ~ 10,000	5,498	42,621,373	4.81%
10,001 ~ 15,000	1,855	23,032,663	2.60%
15,001 ~ 20,000	1,140	21,106,594	2.38%
20,001 ~ 30,000	1,007	25,418,977	2.87%
30,001 ~ 50,000	747	29,637,110	3.35%
50,001 ~ 100,000	494	35,286,524	3.98%
100,001 ~ 200,000	209	28,921,138	3.27%
200,001 ~ 400,000	87	23,966,120	2.71%
400,001 ~ 600,000	16	8,262,544	0.93%
600,001 ~ 800,000	12	8,558,109	0.97%
800,001 ~ 1,000,000	7	6,452,000	0.73%
1,000,001 and above	48	571,295,787	64.50%
Total	62,688	885,703,029	100.00%

1.5 Major Shareholders

April 18, 2020 unit: share

Major Shareholders	Quantity of shares	Total shares owned	Shareholding ownership %
Far Eastern New Century Corp		81,217,005	9.17%
Yuan Ding Investment Co Ltd		70,817,684	7.99%
Asia Cement Corp		63,766,522	7.19%
Yuan Tung Investment Co Ltd		49,705,396	5.61%
Yu Yuan Investment Co Ltd		33,224,017	3.75%
Kai Yuan Int'l Investment Co Ltd		32,473,173	3.67%
Ding Yuan International Co Ltd		27,365,495	3.09%
Fubon Life Insurance Co Ltd		24,795,000	2.80%
Cathay Life Insurance Co Ltd		21,893,000	2.47%
Tong Fu Investment Corp		13,753,554	1.55%

Note: 1. Top 10 shareholders

2. A total of 885,703,029 shares

1.6 Market Price, Net Value, Earnings and Dividends per Common Share Latest two years

Year Item		2018	2019	From 1 Jan 2020 to 31 Mar 2020	
		Market price per share	Highest	36.30	26.80
	Lowest	24.60	20.40	13.35	
	Average	30.76	23.78	17.96	
Net value per share	Before distribution	17.17	15.51	14.66	
	After distribution	15.39	(Note 1)	—	
Earnings per share (Note 2)	Weighted average shares	871,949 thousand shares	871,949 thousand shares	871,949 thousand shares	
	Before adjustment	2.01	0.04	(0.31)	
	After adjustment	2.01	(Note 1)	—	
Dividends per share (Note 1)	Cash dividend		1.75	0.30	—
	Stock dividend	From retained earnings (NT\$)	—	—	—
		From capital surplus (NT\$)	—	—	—
	Accumulated undistributed dividends		—	—	—
Analysis on investment return	Price/Earnings Ratio (Note 3)		15.30	594.50	—
	Price/Dividend Ratio (Note 4)		17.58	79.27	—
	Cash dividend yield (Note 5)		5.69%	1.26%	—

Note 1: The 2019 allocation of earnings is to be confirmed after approval at the general shareholders' meeting 2020.

Note 2: Based on the weighted average of outstanding shares and the quantity of shares after retroactive adjustment of earnings and recapitalization of capital surplus.

Note 3: Price/Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share

Note 4: Price/Dividend Ratio=Average Closing Price Per Share in current year/Cash Dividend Per Share.

Note 5: Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in current year.

1.7 Dividend Policy and Implementation Status

1.7.1 Pursuant to the Article 34 of the Company's Articles of Incorporation, the Company's stock dividend allocation shall take into consideration of the changes in the outlook of Company business, and the life cycles of the various products or services, which have an impact on the future capital needs and taxation. Unless the need should arise for improvement of the financial structure and reinvestment, and production expansion or other major capital expenditure, the stock dividend shall be no less than 50% of the total net profit after tax and deduction of deficit compensation, legal reserve and special reserve, whereas the cash dividend shall be no less than 10% of the total of the shareholder bonuses distributed in the same year.

As of the example of the last three years, the cash dividend allocated have been in compliance with the Company's Articles of Incorporation, i.e. no less than 10% of the total shareholder bonuses distributed, such is as follows:

Unit: NTD per share

Year	Net earnings per share (A)	Cash dividend from retained earnings (B)	Cash dividend from capital surplus (C)	Total cash dividend (D)=(B)+(C)	Cash dividend distribution rate (B+C)/D
2017	2.01	1.75	0	1.75	100%
2018	2.01	1.75	0	1.75	100%
2019	0.04	0.30	0	0.30	100%

1.7.2 Dividend allocation proposal to be approved at the shareholders meeting 2020

The dividend allocation proposal resolved at the Board of Directors meeting at March 25, 2020 was to distribute NT\$ 0.3 per share from the unappropriated earnings NT\$265,710,909 after approval by the shareholders meeting.

1.8 Effect on Business Performance and EPS resulting from Stock Dividend distribution proposed by the 2020 Shareholders' meeting: N/A

1.9 Remunerations for Employees and Directors:

1.9.1 The numeral and range of the Board's remuneration according to the Articles of Incorporation of the Company

When there is profit at the end of the year, the Company shall distribute 1%-2% of the profit as remuneration for employees and no more than 1% as remuneration for Directors. However, should there be accumulated losses, the losses should be offset in advance. The remuneration for employee can be in stock or in cash. Its actual proportion, amount, form or number of stock shall be resolved at the Board of Directors' meeting, with consent of over half of the least two thirds of total Directors attendant, and be approved at the Shareholders' meeting. Same shall be applied to the remuneration for Directors.

1.9.2 The accounting transaction to be followed when the current basis for estimating the amount of compensation for employees and Directors, and the basis for calculating the number of shares for employee compensation and the actual amount to be distributed be different from the estimation. The adjustment will be booked into account the following year pursuant to the accounting estimation changes management.

1.9.3 The proposed 2019 remuneration allocation

The remuneration allocation approved by the Board meeting held on 25 March 2020 prior to submission to the shareholders' meeting for approval is as below:

(a) The cash dividend/stock dividend to be allocated to employees and Directors are:

A. Employers: NTD457,197 to be distributed in cash

B. Directors: NTD228,598 to be distributed in cash

(b) The discrepancy, cause and treatment thereof, between estimation and actual allocation of bonuses to employees and Directors resolved at a meeting of the Directors: Nil

(c) Proposed percentage of employee stock dividend over the aggregate of earnings after tax and total employee remuneration: N/A

1.9.4 2018 remunerations to employees and Directors/Supervisors:

(a) Employees: Proposed remuneration to be allocated NTD31,973,230, actual allocation NTD31,973,230.

(b) Directors/Supervisors: Proposed remuneration to be allocated NTD15,986,615, actual allocation NTD12,500,000.

The balanced amount will be fully distributed by the following years.

1.10 Repurchase of Company Stock

None in the recent year and up to the date of publication of the annual report.



2. Issue of Corporate Bonds: Nil

3. Preferred Stock: Nil

4. Issuance of Overseas Depository Receipts: Nil

5. Employee Stock Options: Nil

6. Employee Restricted Stock Awards: Nil

7. Stock Issued for Mergers and Acquisitions: Nil

8. Implementation of Capital Utilization Plan

The issue or private placement of securities not yet completed in the quarter before the date of publication of the annual report, or plans completed in the recent three years with no return on investment: Nil

V. Operation Overview

1. Business Activities

1.1 Business scopes

1.1.1 The Company's business lines are stated as following:

- C801010 Basic chemical industry
- C801020 Petrochemical engineering raw material manufacture
- C801060 Synthetic rubber manufacture
- C801100 Synthetic resin and plastics manufacture
- C802060 Animal medication manufacture
- CB01010 Machinery & equipment manufacture
- F107070 Animal medication wholesale
- F107200 Chemical raw material wholesale
- F113010 Machinery wholesale
- F401010 International trading
- I103060 Management consultation
- I501010 Product design
- IC01010 Drug inspection
- JE01010 Leasing
- C802041 Western medicine manufacturing
- C114010 Food additives manufacturing
- ZZ99999 Any business unprohibited or restricted by laws or regulations, except for those that require special permission

1.1.2 Weight of consolidated company operations

Currency unit: NTD thousand

	2018		2019	
	Turnover	Operation ratio (%)	Turnover	Operation ratio (%)
EG	26,793,969	79	16,849,348	71
Gas	1,700,791	5	1,638,122	7
SC	5,448,345	16	5,304,729	22
Investment & others	17,648	—	22,775	—

1.1.3 Major business operations consolidated

- (1) Manufacture and sale of MEG, EO and DEG, etc.
- (2) Manufacture and sale of oxygen, nitrogen, argon and CO₂ and liquid gas products
- (3) Manufacture and sale of specialty chemicals such as EA, EC, EB, AEO, PEG, MPEG, TA, and TM, etc.

1.1.4 New products under development

To meet with customers' requirements, the Company is developing the high value-added EO derivatives to be applied to functional textiles, UV curing monomers, PU, daily chemicals and industrial auxiliaries, etc.

1.2 Industrial overview

1.2.1. EG

(1) Industrial overview and development

The global demand volume of EG in 2019 totaled 32 million MT, of an annual growth rate 5%. China, with the largest market demand of 18 million MT, accounting for 57% of the global demand and 8% annual growth rate, depended still on an annual import of 9 million MT and more besides self-supply. As new production capacity of EG released gradually in the United States and China, and demand of downstream polyester being stable, EG production shall be steady.

(2) Correlation between up-, mid- and down-stream

The total global demand for ethylene was approx. 167 million MT in 2019, of which 15% was used for the production of EO and EG. The market supply in H1/2019 dwindled as suppliers in Europe and East Asia shut down for maintenance and cut short the export; China increased import demand due to expansion of the downstream product lines. The ethylene supply in H2/2019 became comparatively slack as the additional output capacity of the US and China crackers released.

EG is used up to 88% by polyester products primarily, which are composed of chemical fiber, polyester for bottles and film slitter and so on.

(3) Overall economy, product development trend and competition

The 2019 global economy and trading growth rate came to 3%, a bit lower than 2018. However, the economy recovery in China remained slow due to the constant restructure of the industry resulted from the over-capacity market.

With an ample EG market supply, as additional capacity of US and China crackers and down-stream EG released, the company will adjust its EG output and continue developing high value-added EOD to enhance its overall profit level.

1.2.2 Gas

(1) Industrial overview and development

Affected by the fierce competitiveness in China, the production of steel and petrochemicals in Taiwan shrank and resulted in the reduction of gas demand in 2019; though with a brighter prosperity, the electronics industry excluding semi-conductor had to consume inventory instead, cutting short its gas demand in production, as AI and 5G didn't run as planned and customers of electronic components and the relevant held back purchase orders; whereas demand in China appeared stagnant.

New industries remain growing though slowly in 2020, boosting gas requirement at the same time even under the impact of the China-US trade war and the Novel Coronavirus pandemic.

(2) Correlation between up-, mid- and down-stream

The Company's gas output meets not only the internal demands of its EG, EA and EC plants, oxygen and nitrogen from the Company are also supplied to customers in the Linyuan, Da Lin and Da Fa industrial parks, while other liquid products are supplied to the electronics, petrochemical, medical care, food, steel and metal processing markets. In order to promptly respond to customer's requirement, the gas plant is equipped with a storage capacity of over 10,500 MT of liquid gas, and installed the remote liquid level metering /pressure transmission systems comprehensively at the customers' end, stemming from which the smart dispatch vehicle system and the big data analytical system are to be developed in hopes of providing customers with more satisfactory and professional services.

The oxygen of Tong Da Industries Gas (Yangzhou) Co. Ltd. is supplied to the Far Eastern Union Petrochemical (Yangzhou) Ltd. for the production of EO, and the nitrogen is supplied to the customers in the Industrial Zone thru pipelines, while liquid gas products, such as oxygen, nitrogen, argon and the like are sold to Air Liquide Shanghai as well as to the customers of the Eastern China.

(3) Overall economy, product development trend and competition

On account of the Coronavirus pandemic in 2020, the overall production slows down and results in the decrease in gas demand in the production process. Development for new gas applications shall continue to meet with the progression of new industries. As new air separation units will be put into operation this year, the gas market will be over supplied.

1.2.3 SC

(1) Industrial overview and development

EA :

The consolidated companies' output capacity of EA totaled 100,000 tons, including 40,000 tons of EA from the Oriental Petrochemical (Yangzhou) Corporation, abbreviated as OPYC. The EA from OUCC Linyuan is commonly used by the down-stream electronics solvents, detergents, resins, printing ink, textiles and cement, and is also exported to Asia-Pacific, Europe, America and Africa. Amongst these, MEA provide the electronics solvents with a better and more adaptive supply, while TEA users are now finally exempt from the restraining and complicated procedures for the import of CWC and can obtain a stable supply of raw material to further secure their competitiveness in the detergents, cosmetics and concrete additives industries on the international market. Domestic market demand for electronics solvents and cement additives in China remain stable. The total global demand for EA was approx. 1.9-1.95 million MT, of 1% growth rate, including 500,000 MT of China demand with self use enclosed. The overall demand in 2020 is expected to decline in view of the pandemic and fluctuations of the economy and raw materials. To strive for the optimal profit, The Company shall promote the high purity EA product used by electronics solvents for the processing of semi-conductor in Taiwan and Asia.

EBDB:

EBDB (Ethylene Glycol Butyl Ether) is applicable mainly to solvents for painting, printing ink, stamping ink, oil, resin, as well as metal detergent, paint remover, lubricant remover, automobile engine detergent, dry-clean solvent, and epoxy resin solvent, etc. Market requirement remains stable. The Company is the sole producer of EBDB in Taiwan, with production capacity of 20,000 MT per annum.

EC:

EC is mainly used by polycarbonate (PC) producers as a raw material for compact discs and other composite plastics which make demand stable. The Company's EC plant has been built with the largest annual production capacity in the world – 60,000 MT. The plant uses a non-phosgene environmental protective production process using its own EO and recycled CO₂ as feedstocks, a dedicating effort of the Company to the sustainability by reducing its GHG emission.

EOD:

The Company's two EOD plants, of total consolidated output capacity 146,000 MT, locate in Linyuan and OPYC (Yangzhou) with respective output capacity of 800,000 and 660,000 MT. EOD products of the Company consist of AEO, which may be applied to synthetic detergent formulas and textile auxiliaries, PEG to detergents of daily chemicals, textile auxiliaries and electronic chemicals, MPEG and HPEG be used in concrete water reducers and paper pulp auxiliaries, TA as auxiliaries in pesticides and textiles, and TM used in UV curing resin, and other ethoxylates used in textile & dye process development and construction chemicals according to the strategic development of vertical integration of the Far Eastern Group, as well as new series of raw material and formula required to be used in rubber latex, textile protection, agriculture, polyurethane, lubricant and the like. The ethoxylates of the Company are primarily supplied to the down-stream daily chemicals related industries such as detergents, electronic chemicals, synthetic resins, textile and construction chemicals, which are highly correlative to the overall economy growth. In recent years, the demand of EOD has continued to boost in Asia, especially the emerging markets in China and South East Asia, following the escalating of the people's consumption level. In addition to the domestic market, the Company is also proactively developing overseas markets for EOD, and accomplished in succession the development of new series products such as special alcohol ether, polyol and others, to complete gradually the expansion of EOD product lines, so to increase operating income and profit.

The EOD plant of the Oriental Petrochemical (Yangzhou) Corporation is to mainly supply the China domestic market. Following the China economic development in the recent years, as the market demand has been focused on the expansion of its domestic requirement and the industrial upgrade, the OPYC has been proceeding with the development of other EOD products, besides its original AEO, to enhance the product competitiveness, which is to say the future of OPYC can be well expected.

(2) Correlation between up-, mid- and down-stream

EA:

With EO as its major feedstock, the cost of EA has become tightly linked to the ethylene market, the up-stream of EO. EA has a variety of applications, primarily as a surfactant in household detergents, electronics solvents, wood preservatives, taurine, insecticides and herbicides, textiles and cement auxiliaries. In particular, the market demands of electronics solvents, and daily chemical auxiliaries, fluorescent whitening agents, insecticides and herbicides and cement auxiliaries have been stable. Besides the Taiwan and China markets, the EA products were sold to Asia Pacific, the Middle East, Africa and Europe.

EBDB:

The costs of EO and n-butanol, raw materials of EBDB, are highly correlative to the market status of the up-stream ethylene and propylene. The main applications of EBDB include solvents, paint remover agent, lubricant remover agent, automobile engine detergent, dry-clean solvent, epoxy resin solvent and so on. The market demand is stable. The Company is the sole producer of EBDB in Taiwan.

EC:

The Company's EC plant is made with safe, eco-friendly and competitive production process using its own production of EO and recycled CO₂, and mainly produced to satisfy the stable demand of the down-stream PC supplier, Chi Mei.

EOD:

With EO as a self-supply feedstock, others as fatty amine and methanol were also purchased as feedstock for production. EOD is widely used by mid- and down-stream markets as daily chemicals, textile auxiliary, medicine, construction, resin paint and electronics.

(3) Overall economy, product development trend and competition

EA :

For the time being, the Company is the only domestic producer of EA, whose feedstock EO is also from own production, which makes the product very competitive. The stable demand for EO by the electronics industry in Taiwan, results in the Company owning a 60% share of the domestic market. The Company's future marketing strategy is to enhance domestic market share as well as exports to Asia, Europe and America. The Company's primary rivals include Nippon Shokubai (Japan), Optimal-Petronas (Malaysia), Thai Ethanolamines (Thailand), Sabic and Sadara (Saudi Arabia), and some other manufacturers in China, Europe and America. The Company's sales objective of 2020, besides enhancing marketing through domestic and overseas channels to maintain stable demand and supply relations, it also aimed at striving to upgrade its EA product to semi-conductor level with high value to survive the extreme competitive market, creating better profit with value differential marketing strategy.

On the other hand, the EO feedstock of OPYC relies on the supply from Far Eastern Union Petrochemical (Yangzhou) Ltd. Though the demand for EA in China continues to grow, the EA market is being overrun by competition. To achieve a higher production rate and reduce cost, it is necessary to secure a sustainable relationship between supply and demand.

EBDB:

With EO and n-butanol as raw materials, EBDB is widely used as solvents with mid to high boiling point, which covers paints, printing ink, stamping ink, oil, resin solvents, metal detergent, paint remover, lubricant remover agents, automobile engine detergent, dry-clean solvent, and epoxy resin solvent, etc.

EC:

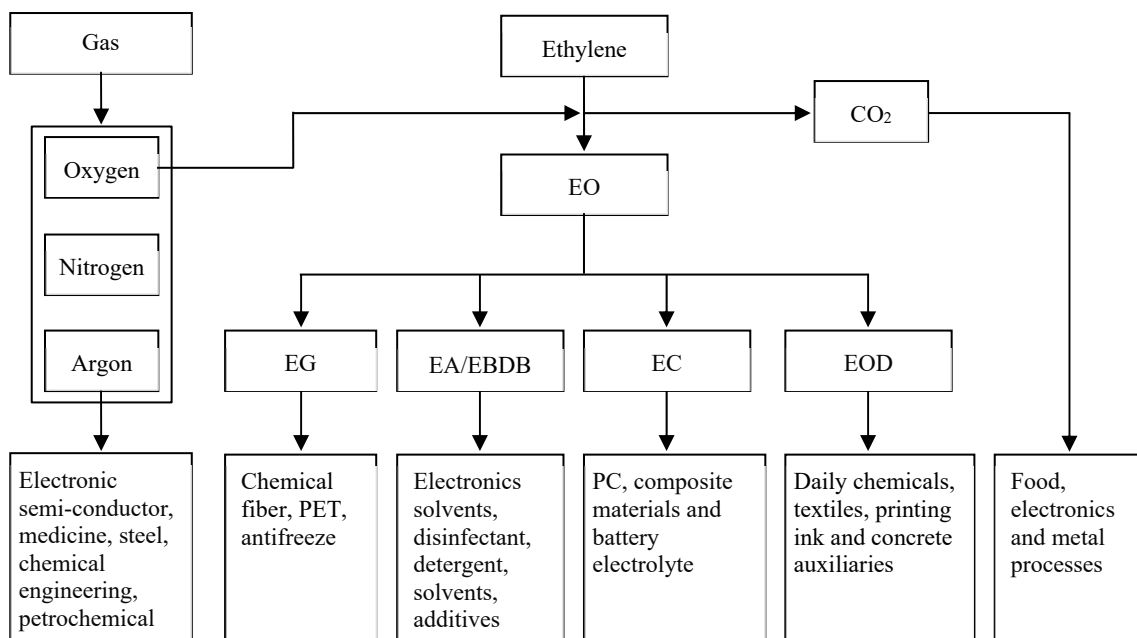
Due to the stable market demand for PC, EC is under steady development. Despite of PC, EC can also be applied to electrolyte of lithium battery, diesel additive, polyether polyols for PU, and so on. With its strength in safe production and eco-friendliness, EC development is with great potential.

EOD:

With self-owned EO as feedstock, the company's EOD, produced with advanced processing equipment, coupled with stable quality and strong technical service capability, has established its market share. Given that the domestic market scale is small and restricted, current EOD is prioritized to be steadily supplied to domestic downstream customers, then to be exported to South East Asia, New Zealand and Australia, Middle East and Latin America, etc. On account of the rapid growth in China economy, EOD product demand in daily chemicals remains growing followed by the booming of consumption capability. However, the market becomes over supplied as new capacity continues to launch, and more imported products from abroad with much lower costs have joined in to compete and decreased the margin thereof.

EOD plant of OPYC shall remain high operation rate to endeavor in marketing, developing new products as well as new customers, and expanding EOD business territory to enhance overall advantages among the competitive market in China.

(4) Industry overview



1.3 Technology and R&D overview

The Company has always highly valued R&D, and allots a substantial yearly budget for the purpose. The R&D expenditure in 2019 was NT\$ 161,393 thousand, NT\$ 172,538 thousand in 2018, and NT\$ 36,191 thousand in Q1/2020.

With EG as the Company’s prime product and EO as its precursor, as EO is not easy to store or transport, the Company has since concentrated on the development and production of EO derivatives. Given the risk of the economic circulation of raw material to the bulk such as EG, the development of EOD has become a top priority for OUC as its transformation into a Specialty Chemical company, based on the premise of the diversification and risk management. Among the customized EOD products newly launched in 2019, there are the PU / TPU reactive grade polyethylene glycol (PEGR1 series) and polyoxyethylene styrylphenol ether (DSP, TSP series), bi- and trifunctional polyoxypropylene ether (NPGX, TMX series), EO / PO copolyether (HBT50, DG75H, LMV series), Bis(2-hydroxyethyl) terephthalate (CMB, CHB, PHB, RDE series) and other related nonionic surfactants, of which PEGR1 products have excellent characteristics of yellowing resistance and non-explosive polymerization. Surfactants of the Company have excellent functions for moisturizing, infiltration, emulsification, dispersion and cleansing, and could be further developed as specific products with features of low foam, low pour point, low scent and biodegradability, which were well reviewed by down-stream customers. More optimal EOD new products will be customized based on current foundation to fulfill customers’ requirements.

In view of the company’s mission in environmental protection, and concern over the decrease of production consumption of terminal products as well as adding high product value to increase the company’s revenue and profit, the new technologies in synthesis such as radical polymerization,

esterification and transesterification, and the formula modulation have been in development to further process the downstream products of EOD/POD. In 2019, the company has successfully developed high-efficiency water-reducing agent WR01, slump agent SR01, and the functional admixture formulation JSP01 of slow coagulation and high pour point characteristics for concrete, and supplied the downstream premix plant since Q1/2020. Additionally, the EM series of emulsifiers for the herbicide pelargonic acid have been developed in Q4/2019.

Aiming at the production of high-value fine chemicals, the company has developed special ring-opening polymerization technology to produce special polyether polyols and high-tech reductive amination technology to produce various polyetheramine series items and co-products of reductive amination of ethanolamine such as ethylenediamine, diethylenetriamine, aminoethylethanolamine, piperazine, etc.

Special polyether polyol mainly contains PO or EO-PO copolymer series of mono-, di-, tri-, tetra-, and hexa-functional groups. The molecular weight range of each series of polyether polyols is 230-20000, and the physical properties of each series of polyether polyols can be adjusted according to specific needs. Various series of polyether polyols can be applied to various polyurethane (PU) resins such as adhesives and sealants, elastomers, rigid foams and soft foams to improve their quality grades and physical properties, such production capacity was ready in 2019.

The polyetheramine series are mainly mono-, di-, and tri-functional PO or EO-PO copolymer. The molecular weight range of each polyetheramine series is 200-2000, which can mainly adjust / optimize the physical properties of the resin, and is suitable for use in the resin industry such as epoxy resin, polyurethane (PU), and polyamide fiber. Currently, the establishment of related technologies has been completed for laboratory-level consecutive production testing. Mass production will be expected by 2021.

Co-products of reductive amination of ethanolamine such as ethylenediamine, diethylenetriamine, aminoethylethanolamine, and piperazine can be used in industries such as resin additives, electroplating, pharmaceuticals, agriculture, textile, papermaking, and solvents. At present, the establishment of related technologies has also been completed for laboratory-level consecutive production testing. Mass production will be expected by 2021.

1.4 Long- and short-term business development plans

1.4.1 EG operations

Short term: To elevate current equipment reliability and production rate to satisfy domestic market demand.

Long term: To evaluate and plan for the security of energy resources in the territory where the energy is competitive, with the aim of expanding the core business base.

1.4.2 GAS operations

Short term: (1) Continue expanding gas business in Linyuan Industrial Park through extended pipeline.

(2) Develop customers of various fields to cope with the risks from the cyclic impact on the industry.



Long term: Review the industries' development trends to establish new gas business requirements.

1.4.3 SC operations

Short term: The Company will enhance business operations with end users, infuse new products into the market, and strengthen technical service ability to increase its market share, in addition to reinforcing cooperative relation with international leading manufacturer to administer the improvement of its brand exposure, while maintaining strategic collaborative partnership in developing customization of other downstream EO derivatives to be mutually competitive through collaborative supply chain.

Long term: To proceed with plans for the diversified development of new SC and fine chemicals to enlarge the proportions of sales and profit of SC.

2. Market, Sale & Production Overview

2.1 Market Analysis

2.1.1 Major products vs sales territories vs competitors and market share

(1) EG :

The MEG, DEG and EO from the EG plant were primarily produced for the domestic market. Current EG domestic market share is 20%.

(2) GAS :

The sale of industrial gas is also mainly for the domestic market. Domestic market share is 8%.

(3) EA :

The main sales territories for EA include Taiwan, Asia Pacific, the Middle East, Africa, Europe and America.

The EA of the Oriental Petrochemical (Yangzhou) Corporation primarily sells to Eastern China, where the market demand is the largest and customs duty and freight make imported product less competitive.

(4) EBDB :

The current sales territories of the Company's EBDB are in Taiwan, China, Asia-Pacific, and Africa, etc.

(5) EC :

The EC supplied to Chi Mei for the production of PC is primarily used as advanced plastic materials for compact disks. As the two PC production lines of Chi Mei under good operation, the development continues, and the consumption of EC may remain growing.

(6) EOD :

The AEO, PEG, MPEG, HPEG, TA, and TM from the EOD plant have extensive application and accounted for the 30% of domestic market share in 2019. Apart from the domestic market, the EOD products exported to South East Asia, New Zealand, Australia, Middle East and Latin America accounted for approx. 50% of total sales volume.

The AEO, PEG and HPEG from the OPYC EOD plant goes mostly to Eastern China, while the rest goes to Northern and Southern China. Overall EOD market share is 5%.

2.1.2 Future market overview

(1) EG :

The total domestic output was approx. 2,350,000 MT, imports 60,000 MT, exports 1,450,000 MT, and domestic demand 970,000 MT in 2019. Annual demand according to market change is around 1,000,000 MT.

(2) EO :

The demand for EOD grows by 3% or more each year. The Company's EO fulfills internal demand for EA, EC, and EOD.

(3) DEG :

The domestic demand is approx. 50,000 MT, while the supply is more than 100,000 MT. Export is necessary for the balance of DEG domestic market.

(4) GAS :

The Company competes with Air Products San Fu, Linde LienHwa, Air Liquide Far Eastern and Taipei Oxygen and Gas. In 2020, the Company will expand business ratio and area through extended pipeline, and develop new gas product applications to extend business operations and increase profit.

(5) EA :

As the sole domestic manufacturer of EA, 60% of production volume goes to the domestic market, which used to rely totally on imports. The remaining 40% will be exported to Asia Pacific, Africa, Europe and America.

(6) EBDB :

As the sole domestic manufacturer of EBDB currently, 40% of production volume goes to the domestic market, while the remaining 60% will be exported to China, Asia Pacific, and Africa.

(7) EOD :

With diversified downstream applications to household industry such as detergent, textile auxiliary, coating resins, concrete water reducers, and so on, the Company will be extending its technical services to customers, in hope that future EOD growth shall follow the pace of economic development, and seek long-term cooperation with leading SC manufacturers to further expand its domestic market share and increase export volume; 50% of production will go to the domestic market and 50% to China, South East Asia and the Middle East.

2.1.3 Advantages/Disadvantages and Countermeasure in Competitiveness and Future Development

(1) Advantages :

- (a) With the highly efficient catalyst now in use, the efficiency of the EG plant has been improving remarkably each year resulting in the saving of feedstock ethylene and oxygen as well as energy consumption. In addition, the high-purity EO produced is not only used to produce EA and EC, but also for the newly developed high value-added EOD.
- (b) With the steady internal demand for oxygen to stabilize production costs, the gas remains unaffected by the external economy which is a unique advantage amongst domestic gas producers.
- (c) To effectively reduce energy consumption, improve the quality and competitiveness of the product, EA plant No. 2 has adopted newly developed low water revamp process.

- (d) Due to that TEA is under the control of CWC of the United Nations and domestic production has relieved local TEA users of the almost inextricable and complicated import application procedures, the domestic demand and supply continue to grow.
 - (e) In addition to its use as feedstock for electrolyte of lithium battery and composite material, the production of EC under the environmentally protective non-phosgene process and the use of GHG CO₂ as feedstock, have earned the recognition of society and environmental conservation institutions. EC is supplied under contract to satisfy the downstream Chi Mei's requirement for PC marketing.
 - (f) The cost advantage of EOD plant due to self-owned feedstock EO and advanced processing equipment has resulted in high quality product with far lower than average impurity content, which is highly regarded by the customers. Additionally, with high capabilities in product development and technical service, the Company enables to meet with customers' requirements for new product development
- (2) Disadvantages and countermeasures :
- (a) With CPC as major supplier of ethylene, import is necessary when there is a shortage.
 - (b) To deal with the disadvantages of the costly transportation, the Company is working on the installation of an optimizing transportation dispatch system to ensure stable and secure supply of gas products.

2.2 Applications and production processes of the major products

2.2.1 Applications of major products

- (1) MEG: is the raw material for polyester fiber, antifreeze, dehumidifiers, engineering plastics, PET bottles and brake fluid.
- (2) DEG: is the raw material for dehumidifiers, lubricants, dye leveler, polyethyl urethane and unsaturated polyester resins as well as a solvent and grinding aid.
- (3) EO: is the major feedstock for EG, glycol ether, EA and non-ionic surfactants and disinfectants.
- (4) Oxygen: is used in the aerospace industry, metal processing, the papermaking and glass industries, chemistry and pharmaceuticals, industrial welding and cutting, waste water treatment, incineration, hospitals and fisheries, etc.
- (5) Nitrogen: is mainly used in refineries, the glass, electronics and semi-conductor industries, plastics industry, in food preservation and packaging, low-temperature cutting, the chemical industry, metal heat treatment, pharmaceuticals, low-temperature surgery, printing, metal, rubber and livestock industries as well as in medical research.
- (6) Argon: is used in welding, the aerospace industry, lighting, window heat insulation, the electronics and semi-conductor industry, the metal and alloy manufacturing industry and in laser production and the processing industry.
- (7) CO₂: is used in welding, fire extinguisher, electronics and semi-conductor industries, frozen foods and dry ice cleaning, etc.
- (8) MEA: is used in disinfection, anti-diarrheic, fluorescent whitening agents, surfactant, anti-corrosive agent, detergents, paints, and in acid gas absorbent and electronics solvent.
- (9) DEA: is used in insecticides and herbicides, corrosion inhibitors, crosslink agent, engine antirust agent, detergents, surfactant, and in acid gas absorbent.

- (10) TEA: is used for cutting, cooling and anti-corrosion agents in metal processing; emulsion and neutralization in the cosmetics industry; as a grinding aid in cement processing; as a concrete water reducer, and as a surfactant and electroplate bonder.
- (11) EC: is used in the production of PC which is then used for the production of compact discs and other engineering plastics.
- (12) EBDB: is used in paints, printing ink, stamping ink, oil, resin solvents, metal detergent, paint remover, lubricant remover agents, automobile engine detergent, dry-clean solvent, and epoxy resin solvent, etc.
- (13) PEG: is used as a fluorescent brightener in electroplating; in moistening and concentration for cosmetics; as a soldering flux, and as a mold release agent in rubber processing.
- (14) AEO: is a shampoo ingredient, a lubricant and anti-corrosion additive; is used in textiles; is a moisturizer or dispersant used in the preparation of colored dyes and pesticides; also used as a stabilizer in synthetic latex processing.
- (15) MPEG: is extensively used in construction, as a raw material for poly-carboxylate cement water reducers, as a thickening agent and lubricant in textiles and specialty chemical processes. It is also used as a pharmaceutical substrate for emulsifying ointment, as a rinsing agent and in suppositories.
- (16) TA: is non-ionic in an alkali or neutral mediator, and cationic in an acid mediator. They have excellent emulsification properties. Extensively used in pesticides, the leather and textile industries, metal processing and plastics industry, such as textile auxiliary, pesticides emulsifiers and metal anti-corrosion agents.
- (17) TM: Ethoxylated Trimethylolpropane is a tri-functional alcohol with quaternary structure and is a colorless transparent liquid at normal temperatures. TM is frequently used as a cross linker in polyurethanes, a precursor for UV curing coating reactive monomers and a composition of aqueous polymer.

2.2.2 Production processes

- (1) EG plant: After preheating, ethylene goes through the sulfur and acetylene removal units and is injected into the cycle gas loop with oxygen before catalyzed with silver and reacted to form ethylene oxide (EO), carbon dioxide (CO₂) and water. The EO is then absorbed by circulated water in the main absorbing column and pumped to the gas stripping column and EO recovery system to produce crude EO. Part of this is purified to high purity EO in the HPEO column by removal of aldehydes while the rest of the crude EO is mixed with process water and reacts to glycols in the glycol reactor. The glycol water mixture passes through multiple effect evaporators to remove water. The concentration and purification columns remove impurities to produce high quality mono-, di-, and tri-ethylene glycol (MEG, DEG, TEG) products.
- (2) Air separation plant: Air is filtered to remove particulates and dust, compressed by the main air compressor passed through molecular sieves to remove water, CO₂, and light hydrocarbons by adsorption. The purified dry air passes through primary heat exchangers to reach liquefying temperature and enters the fractionation column where it is split into high purity oxygen (O₂), nitrogen (N₂) and argon (Ar). Liquid products (LOX, LIN, LAr) are produced by compression-expansion of the gaseous O₂/N₂/Ar in the liquefiers.

To secure the quality control of medical GOX and LOX, the medical oxygen has been produced through dedicated singular-use pipeline since April 2009.



- (3) EA plant: EO reacts with ammonia solution to produce ethanol-amine solution. The solution goes through ammonia, water removal and vacuum distillation processes to produce mono-, di-, tri- ethanol amines (MEA, DEA, TEA) and heavy TEA (TEAH) products.
- (4) EC plant: EO and CO₂ react in the high pressure reactor to produce ethylene carbonate (EC), during which reaction the liquid EC is catalyzed and proceeds with vacuum distillation to reach high purity.
- (5) EOD plant: EO reacts with various initiators such as methanol, natural fatty alcohol, synthetic alcohols, DEG, methallyl alcohols, fatty amine, trimethylpropanol, benzene ring and so on in the high pressure autoclaves to produce different Ethoxylates (AEOs, TDK/TDE, MPEG, PEG, HPEG, TA, TM, PH1 and TSP series). The batch reaction process undergoes catalyst addition, moisture removal, reaction, aging and neutralization steps in the facility which includes pre-treatment, reaction and post treatment vessels. The agricultural and textile emulsifier products are formulated at the EOD plant with the base materials from the self-developed EOD series of the Company.
- (6) To produce the Ethylene Glycol Butyl Ether, the butanol is to react with EO to produce glycol ether solution. Then, through the processes of butanol removal and the vacuum distillation there come the ethylene glycol butyl ether (EB), diethylene glycol butyl ether (DB), and triethylene glycol butyl ether (TB), etc. Starting 2018, the developed products of the de-salt series, the poly ethylene glycol butyl ether (HB) and the like provide outstanding functions to EBDB series in applications of solvents and non-ionic surfactants.

2.3 Supply of major feedstock

2.3.1 Major feedstock of the EG Plant:

- (1) Ethylene: is primarily supplied by CPC in Taiwan. Any shortages are covered by imports mainly from North East Asia, the Middle East and America.
- (2) Oxygen: supplied by the Company gas plant.

2.3.2 Gas feedstock is atmospheric air.

2.3.3 Feedstock of the EA plant:

- (1) EO: Supplied by the OUCC EG plant. OPYC is supplied mainly by Far Eastern Union Petrochemical (Yangzhou) Ltd. in 2019, while the rest is provided by local suppliers.
- (2) Liquid ammonia: OUCC is supplied by the Taiwan Fertilizer Co. OPYC is from the local producer.

2.3.4 Feedstock of the EC Plant: the EO and CO₂ are both provided by the Company EG plant.

2.3.5 Feedstock of EBDB Plant: the EO is provided by the Company EG plant, while n-butanol is provided by Formosa Plastics Corporation, shortage by importers.

2.3.6 Major feedstock of the EOD plant:

- (1) EO: from the OUCC EG plant. OPYC is supplied mainly by Far Eastern Union Petrochemical (Yangzhou) Ltd. in 2019, while the rest is provided by local suppliers.
- (2) Fatty alcohols: OUCC is supplied by the Kao Group or other importers. OPYC is from Eastern China supplier.

2.4 The major suppliers and customers over the last two years

2.4.1 The major suppliers over the last two years

Unit: NTD1,000

Item	2018				2019				Ending Q1 of 2020			
	Name	Amount (Note)	Percentage of total net purchase (%)	Affiliation with the issuer	Name	Amount (Note)	Percentage of total net purchase (%)	Affiliation with the issuer	Name	Amount	Percentage of total net purchase up to Q1 of the current year (%)	Affiliation with the issuer
1	MITSUI & CO LTD	6,243,092	22	N/A	CPC	4,268,307	19	N/A	Sinopec Chemical East China Co.	811,075	19	N/A
2	CPC	5,728,533	21	N/A	MITSUI & CO LTD	3,404,719	15	N/A	MITSUI & CO LTD	749,979	18	N/A
3	Mitsubishi Corp	4,085,251	15	N/A	Others	14,690,488	66		Others	2,677,431	63	
4	Others	11,760,138	42									
	Net purchase	27,817,014	100		Net purchase	22,363,514	100		Net purchase	4,238,485	100	

Note 1: Suppliers accounting for 10% or more of the Company's total purchase amount over the year, and the respective purchase amount and percentage.

2.4.2 The major customers accounting for 10% or more of the Company's total sales amount: N/A

2.5 Output volume and value over the last two years

Unit: quantity: ton
Value: NTD thousand

Major products	2018			2019		
	Productivity	Output	Output value	Productivity	Output	Output value
EG series	1,374,000	942,755	26,177,420	1,374,000	875,061	17,624,017
Gas series	1,797,950	1,034,630	1,632,761	1,797,950	1,050,765	1,502,814
SC series	331,000	166,189	5,137,820	331,000	179,915	4,590,733

Note: Output volume and value of consolidated companies

2.6 Sales volume and value over the last two years

Unit: quantity: ton
Value: NTD thousand

Year	2018				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
Major products	Q'ty	Amount	Q'ty	Amount	Q'ty	Amount	Q'ty	Amount
EG series	345,801	9,432,744	571,663	17,361,225	347,913	6,342,317	490,780	10,507,031
Gas series	361,903	942,290	395,793	785,501	391,418	994,090	347,490	644,032
SC series	75,523	2,639,755	88,832	2,808,590	80,785	2,408,160	101,846	2,896,569

Note: Sales volume and value of consolidated companies

3. Employees

May 15, 2020

Year	2018	2019	2020 (Note)
Number of employees	672	630	609
Average age	39.21	40.11	40.11
Average seniority	9.42	10.02	9.95
Education Background %	Doctor degree	1.04%	1.43%
	Master degree	15.92%	17.14%
	College	67.86%	67.62%
	High School or below	15.18%	13.81%

Note: The information of consolidated companies is valid up to the date of publication of the annual report.

4. Environmental Protection Expenditure

4.1 Incurred loss and punishment due to contamination of environment in recent year

4.1.1 Linyuan premises

Item \ Year	2018	2019	Ending 15 May, 2020
Contamination classified	Air Pollution Rule	Air Pollution Rule, Waste Disposition Rule	Environmental Maintenance Management Autonomy Regulations Kaohsiung City
Authorized Unit	Kaohsiung City Government	Kaohsiung City Government	Kaohsiung City Government
Compensatory amount or discipline	NTD300,000	NTD860,000	NTD100,000
Other losses	N/A	N/A	N/A

4.1.2 Yangzhou premises

Item \ Year	2018	2019	Ending 15 May, 2020
Contamination classified	Solid Waste Disposition Rule	N/A	N/A
Authorized Unit	Yizheng City Environmental Preservation Bureau	N/A	N/A
Compensatory amount or discipline	RMB180,000	N/A	N/A
Other losses	N/A	N/A	N/A

4.2 Future countermeasures and expenditure

4.2.1 To be adopted plan and countermeasures:

- (1) To strengthen the operation management of the anti-pollution facility, to ensure the compliance of pollutant emission pursuant to the regulation.
- (2) To enhance the operative capability of the anti-pollution facility by monitoring the management of operation and maintenance, to eliminate the occurrence of accident.
- (3) To promote the industrial waste reduction plan, to diminish the generation of waste water/gas/good, through development and improvement of technology in processing.
- (4) Review and advance all the measurements for water and energy saving, and CO₂ reduction.

4.2.2 Future and on-going expenditures in environmental protection and the improvement anticipated

- (1) The Company is investing NTD91 million in the improvement of slurry dehydration and waste water recovery in Linyuan, which is expected to reduce the volume of slurry and 70% of waste water discharge.
- (2) The Company is investing NTD52.5 million in the revamp of the hot coal heating boiler of the EOG plant with low-NO_x burner in use of natural gas, as well as the switch use of natural gas for the regenerative thermal oxidizers (RTO-I/ RTO-II), to reduce the GHG emission by disuse of the diesel pump.
- (3) The Company is investing NTD40.1 million to install the lithium bromide (LiBr) double effect absorption chilling water system of EOG plant in Linyuan to replace the air conditioning system, decrease the purchase of power and reduce emission of GHG.
- (4) The Company is investing NTD10 million to renew the K solution circulatory pump (PP-501) of EOG plant in Linyuan to improve equipment efficiency and reduce emission of GHG.



- (5) The Company is investing NTD10 million to renew the methane compressor PR-110N of EOG plant in Linyuan to improve equipment efficiency and prevent leakage.

4.3 Implementation of GHG reduction

4.3.1 Implementation

- (1) The termination in the usage of the cooling water pumps of EOG plant in Linyuan, which is to save 6.03 million kWh of electricity and reduce emission of 3,218t-CO₂e a year.
- (2) The adjustment of pump loading of the EA plant in Linyuan is expected to save 110.2 thousand kWh of electricity and reduce emission of 59t-CO₂e a year.
- (3) The installment of frequency converter to the R8-501 mixer of the reactor of EOD plant in Linyuan for the reduction of power consumption is to save 105 thousand kWh of electricity and reduce emission of 56t-CO₂e a year.
- (4) The change of a condensed production schedule with a monthly 8-day shut-down for EOD plant in Linyuan is to decrease the power consumption of the cooling water pump by saving 1.31 million kWh of electricity and reduce remission of 698t-CO₂e a year.
- (5) The installment of the butterfly valve to the cooling water pipeline of the R-1202 reactor of EOD plant in Linyuan is to lower the cooling water flow and decrease energy consumption with a 136 thousand kWh of electricity saving and reduction of 73t-CO₂e a year.

4.3.2 Proceeded measures

- (1) The revamp of the hot coal heating boiler of the EOG plant in Linyuan with natural gas burner, and the regenerative thermal oxidizer (RTO) in use of natural gas instead will save 3,731 kWh of electricity and reduce remission of 1,700t-CO₂e a year by disuse of the diesel pump.
- (2) The installment of the lithium bromide (LiBr) double effect absorption chilling water system for replacement of the existing air conditioning system of EOG plant in Linyuan is to save 1.18 million kWh of electricity and reduce emission of 633t-CO₂e a year.
- (3) The installment of the K solvent circulatory pump (PP-501) of EOG plant in Linyuan is to save 1.06 million kWh of electricity and reduce remission of 569t-CO₂e a year.
- (4) The expansion in sales volume of food- and electronic-grade CO₂ is expected to recycle more than 20,000 MT of CO₂.

4.4 The implementation of RoHS and its effect on investors' interests and rights:

The Company has confirmed that no lead or cadmium ever used as ingredient, or in formula or processing pursuant to RoHS.

5. Labor-Management Relations

5.1 Employee fringe benefits and implementation:

5.1.1 The Company has established the Worker's Welfare Commission and contributes to welfare benefits in accordance with the Law, calls meetings periodically, attends to worker welfare affairs and organizes various welfare activities. Badminton, softball and fishing clubs have been founded, academic subsidy and travel allowance are provided, and annual health examination for all employees is provided as well as an employee group insurance scheme.

5.1.2 Continuing education and training

The Company values the training and development of human resources, and supports and invests in employee education and training. This improves expertise and skill and upgrades Company efficiency and competitiveness. The Company plans and provides employees with the chance to

continue their education and training each year by attending competency and executive management talent development programs. These include financial accounting, marketing and computer courses planned by the HR Development Center of Far Eastern New Century Corp, a Group member. The various departments may also recommend that colleagues attend on-job training, labor safety training and training for licenses organized by the governmental apparatus and social organizations. These internal education and training seminars will be continued to enrich employee expertise and achieve the substantial goal for "to learn in order to practice". In 2019, the total number of internal and external education training hours was 10,184.

5.1.3 Retirement system

The Company has established a Labor Pension Supervisory Committee to review and monitor the utilization of pensions. The Committee will contribute the pension reserve into a special and exclusive account maintained at the Trust Dept. of the Bank of Taiwan on a monthly basis and pay employee pensions as required to ensure the interests and rights of retired employees.

As of July 1, 2005, employees who have chosen the pension system under the "Labor Pension Act" shall pay a deposit of 6% of the insured value to the personal pension account at the Labor Insurance Bureau on a monthly basis.

5.1.4 Labor-management agreements and employee interests and rights protection measures

The labor-management policies are made in accordance with the relevant laws and regulations and implemented fairly. Additions or amendments to the labor terms and conditions may be implemented after labor-management negotiations to protect the interests and rights of the employees.

5.2 The work environment and employee personal safety protection measures

- 5.2.1 To prevent occupational accidents and disasters and protect the safety of employees, the Company has defined various "urgent contingency plans" and carries out regular drills and has countermeasures in place to handle fire, leakage, typhoon, earthquake, war, traffic accidents, reporting, evacuation and recovery, and to limit and mitigate injury and loss caused by an accident or disaster as far, as fast, and as systematically as possible
- 5.2.2 The substance safety data sheets for raw materials, supplies and products throughout the factory are accessible to personnel at all times, as well as being posted on-line. This ensures that all personnel have the knowledge, references and the relevant information necessary to take the proper corrective action to ensure the safety of employees and the factory.
- 5.2.3 The production process zones are all equipped with such fire protection equipment and sprinkler systems which may be automatic, manual or remote controlled to ensure the safety of employees and the factory. Auto fire extinguishing systems (FM-200) are installed at the 14 sets of MCC to secure the safety of the electronics facility.
- 5.2.4 Monitoring stations for combustible gas, EO, NH₃, H₂, and waste water (COD, pH) are installed inside the production areas, so that any leakage or abnormal situation may be detected and remedied or eliminated immediately.
- 5.2.5 A hot/hazardous work permit procedure has been established and a permit system and procedure for entry into confined spaces has also been introduced to ensure the safety of personnel and equipment.
- 5.2.6 The implementation of safety training and requirement for contractors in accordance with the safety standards of the employees is to ensure the safety of all personnel accessing or passing through the factory area.
- 5.2.7 Health examinations for employees have been set up for the early detection of any health problems so that any necessary treatment may be given as soon as possible.

5.3 Any loss incurred from the labor-management dispute of the Company or its subsidiary in the recent year and up to the date of publication of this annual report, and the disclosure of current and future estimation of possible loss amount and countermeasures: N/A

6. Major contracts

Nature	Client	Duration	Summary Content	Restricted clause
(I) Oriental Union Chemical Corporation				
Supply Contract	Far Eastern New Century Corporation	2019.3-2022.2	EG purchase and sales agreement	Renewed automatically within six months prior to expiration if neither raises an objection.
	Shinkong Synthetic Fibers Corporation	2019-2021		Renewed automatically within six months prior to expiration if neither raises an objection.
	Tainan Spinning Co Ltd	2019, 2020		Renewed automatically within three months prior to expiration if neither raises an objection.
	Sino-Japan Chemical Co Ltd	2019.6-2022.6	EO purchase and sales agreement	Renewed automatically for three years within six months prior to expiration if neither raises an objection.
	Chi Mei Corporation	2016-2020	EC purchase and sales agreement	Both parties are engaged in the exclusive purchase and sale of EC.
	CPC	2019, 2020	Ethylene supply contract	N/A
	Mitsubishi Corporation (Taiwan) Ltd	2019, 2020		N/A
Lease Contract	CPC	2019, 2020	Storage tank lease contract	N/A
	Lushun Warehouse Co Ltd	2019, 2020		Renewed automatically for one year within three months prior to expiration if neither raises an objection.
Long-term Loan	Hua Nan Bank	2019-2021	Bank loan	N/A
	Chang Hwa Bank	2019-2021		
	Bank of America	2019-2021		
	Sumitomo Mitsui Banking Corporation	2019-2021		
	Far Eastern International Bank	2018-2021		
	Mega Bank	2019-2021		
	Land Bank of Taiwan	2019-2021		
	CTBC Bank	2019-2021		
	KGI Bank	2019-2021		
	Shanghai Commercial & Savings Bank	2019-2021		
	JihSun Bank	2019-2022		
	Bank of China	2019-2021		
	Taishin Bank	2020-2022		

Oriental Union Chemical Corporation

Nature	Client	Duration	Summary Content	Restricted clause
(II) Oriental Petrochemical (Yangzhou) Corporation				
Supply Contract	Far Eastern Union Petrochemical (Yangzhou) Ltd	2019, 2020	EO supply contract	N/A
(III) Far Eastern Union Petrochemical (Yangzhou) Ltd				
Supply Contract	Petrochina Kunlun Gas Co Ltd	2019	Gas supply contract	N/A
	Mitsui & Co	2019	C ₂ supply contract	
Sales Contract	Shanghai Lianghong Int'l Trading Co Ltd	2018	EG purchase & sales agreement	N/A
(IV) Tong Da Gas Industries (Yangzhou) Ltd				
Sales Contract	Air Liquide Shanghai	2015-2030	Liquid gas purchase & sales agreement	N/A
	Far Eastern Union Petrochemical (Yangzhou) Ltd	2019-2020	Gas purchase & sales agreement	

VI. Financial Information

1. Condensed balance sheet, income statement, and external auditor's opinion for the last five years

Condensed balance sheet and comprehensive income statement – IFRSs

1.1 Condensed balance sheet – IFRSs

1.1.1 Consolidated balance sheet

Currency unit: NTD thousand

Year		Financial information for the last five years (Note 1)					Financial information available up to March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Item							
Current assets		8,630,400	6,701,159	8,125,752	6,808,358	7,603,164	7,727,227
Property, plant and equipment		17,759,516	17,420,210	16,732,309	15,998,671	14,939,620	14,732,394
Intangible assets		28,027	27,964	24,642	22,811	20,235	18,916
Other assets		11,736,498	10,929,551	11,069,155	13,568,380	14,300,097	14,001,394
Total assets		38,154,441	35,078,884	35,951,858	36,398,220	36,863,116	36,479,931
Current liabilities	Before distribution	8,100,791	9,024,797	9,604,371	9,680,967	10,706,121	10,462,605
	After distribution	8,543,643	9,201,938	11,154,351	11,230,947	Note 3	Note 3
Non-current liabilities		12,233,664	10,094,525	8,450,056	8,129,538	9,433,400	10,162,575
Total liabilities	Before distribution	20,334,455	19,119,322	18,054,427	17,810,505	20,139,521	20,625,180
	After distribution	20,777,307	19,296,463	19,604,407	19,360,485	Note 3	Note 3
Capital stock		8,857,031	8,857,031	8,857,031	8,857,031	8,857,031	8,857,031
Capital surplus	Before distribution	1,351,656	915,681	741,291	765,359	825,222	825,222
	After distribution	908,804	738,540	741,291	765,359	Note 3	Note 3
Retained earnings	Before distribution	4,499,473	3,888,027	5,621,845	6,308,071	4,778,341	4,504,130
	After distribution	4,499,473	3,888,027	4,071,865	4,758,091	Note 3	Note 3
Other equities		510,728	1,613	(223,270)	(775,481)	(748,791)	(1,213,808)
Treasury stock		(187,798)	(187,798)	(187,798)	(187,798)	(187,798)	(187,798)
Equity attributable to the parent company	Before distribution	15,031,090	13,474,554	14,809,099	14,967,182	13,524,005	12,784,777
	After distribution	14,588,238	13,297,413	13,259,119	13,417,202	Note 3	Note 3
Non-controlling interest		2,788,896	2,485,008	3,088,332	3,620,533	3,199,590	3,069,974
Total equities	Before distribution	17,819,986	15,959,562	17,897,431	18,587,715	16,723,595	15,854,751
	After distribution	17,377,134	15,782,421	16,347,451	17,037,735	Note 3	Note 3

Note 1: The 2014 ver. Taiwan-IFRSs applies to the financial statement of 2014-2019.

Note 2: The financial statement for Q1 of 2020 was reviewed by the external auditor.

Note 3: The motion for allocation of cash dividend 2019 had not yet been resolved by a shareholders' meeting 2020.

1.1.2 Individual balance sheet

Currency unit: NTD thousand

Item	Year	Financial information for the last five years				
		2015	2016	2017	2018	2019
Current assets		2,821,999	2,296,407	2,263,854	2,784,425	2,915,731
Property, plant and equipment		6,627,557	6,967,589	6,861,677	6,561,532	6,278,302
Intangible assets		7,192	9,002	8,148	8,362	8,663
Other assets		14,840,754	13,415,327	14,146,988	14,663,397	15,344,746
Total assets		24,297,502	22,688,325	23,280,667	24,017,716	24,547,442
Current liabilities	Before distribution	1,387,944	1,453,345	1,477,356	1,454,395	1,723,213
	After distribution	1,830,796	1,630,486	3,027,336	3,004,375	(Note)
Non-current liabilities		7,878,468	7,760,426	6,994,212	7,596,139	9,300,224
Total liabilities	Before distribution	9,266,412	9,213,771	8,471,568	9,050,534	11,023,437
	After distribution	9,709,264	9,390,912	10,021,548	10,600,514	(Note)
Capital stock		8,857,031	8,857,031	8,857,031	8,857,031	8,857,031
Capital surplus	Before distribution	1,351,656	915,681	741,291	765,359	825,222
	After distribution	908,804	738,540	741,291	765,359	(Note)
Retained earnings	Before distribution	4,499,473	3,888,027	5,621,845	6,308,071	4,778,341
	After distribution	4,499,473	3,888,027	4,071,865	4,758,091	(Note)
Other equities		510,728	1,613	(223,270)	(775,481)	(748,791)
Treasury stock		(187,798)	(187,798)	(187,798)	(187,798)	(187,798)
Total equities	Before distribution	15,031,090	13,474,554	14,809,099	14,967,182	13,524,005
	After distribution	14,588,238	13,297,413	13,259,119	13,417,202	(Note)

Note: The motion for allocation of cash dividend 2019 had not yet been resolved by a shareholders' meeting 2020.

1.2 Condensed comprehensive income statement – IFRSs

1.2.1 Consolidated comprehensive income statement

Currency unit: NT\$ thousand, other than EPS, which shall be stated at NT\$

Item \ Year	Financial information for the last five years (Note 1)					Financial information available up to March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating revenue	13,924,475	19,531,054	28,919,810	32,115,817	22,341,227	4,311,769
Gross profit	1,360,697	955,046	4,444,555	4,298,803	(22,287)	64,873
Operating income	534,656	139,370	3,501,721	3,298,641	(1,010,603)	(161,690)
Non-operating revenue and expense	(880,102)	(869,570)	(444,429)	(118,626)	342,704	(279,307)
Profit before income tax	(345,446)	(730,200)	3,057,292	3,180,015	(667,899)	(440,997)
Net income	(314,617)	(645,690)	2,396,176	2,387,058	(255,352)	(381,659)
Other comprehensive income (net after tax)	(639,730)	(778,759)	(283,917)	29,884	(118,650)	(487,185)
Total comprehensive income	(954,347)	(1,424,449)	2,112,259	2,416,942	(374,002)	(868,844)
Net income attributable to parent company	(119,952)	(562,188)	1,749,409	1,750,724	33,618	(274,211)
Net income attributable to non-controlling interest	(194,665)	(83,502)	646,767	636,334	(288,970)	(107,448)
Total comprehensive income attributable to parent company	(692,005)	(1,120,561)	1,508,935	1,848,130	46,941	(739,228)
Total comprehensive income attributable to non-controlling interest	(262,342)	(303,888)	603,324	568,812	(420,943)	(129,616)
EPS (Note 3)	(0.14)	(0.64)	2.01	2.01	0.04	(0.31)

Note 1: The 2014 ver. Taiwan-IFRSs applies to the financial statement of 2014-2018.

Note 2: The financial statement for Q1 of 2020 was reviewed by the external auditor.

Note 3: The EPS is calculated after the retroactive adjustment on earnings and recapitalization of surplus.

1.2.2 Individual comprehensive income statement

Currency unit: NT\$ thousand, other than EPS, which shall be stated at NT\$

Item \ Year	Financial information for the last five years				
	2015	2016	2017	2018	2019
Operating revenue	11,762,073	10,985,765	12,755,671	14,619,729	11,762,636
Gross profit	1,485,123	740,099	1,904,856	2,051,886	810,856
Operating income	891,561	176,063	1,280,192	1,330,899	53,101
Non-operating revenue and expense	(1,053,321)	(825,666)	773,388	752,690	(30,927)
Profit before income tax	(161,760)	(649,603)	2,053,580	2,083,589	22,174
Net income	(119,952)	(562,188)	1,749,409	1,750,724	33,618
Other comprehensive income (net after tax)	(572,053)	(558,373)	(240,474)	97,406	13,323
Total comprehensive income	(692,005)	(1,120,561)	1,508,935	1,848,130	46,941
EPS	(0.14)	(0.64)	2.01	2.01	0.04

Note : The EPS is calculated after the retroactive adjustment on earnings and recapitalization of surplus.

1.3 CPA Name and audit opinion

Year	CPA Name	Audit opinion
2015	Hsin-Wei Tai & C. P. Shih	Unqualified opinion
2016	Yu-Wei Fan & C. P. Shih	Unqualified opinion
2017	Hsin-Wei Tai & Yu-Wei Fan	Unqualified opinion
2018	Hsin-Wei Tai & Yu-Wei Fan	Unqualified opinion
2019	Hsin-Wei Tai & Yu-Wei Fan	Unqualified opinion

2. Financial analysis for the last five years

Financial analysis – IFRSs

2.1 Consolidated financial analysis

Item	Year	Financial analysis for the last five years					March 31, 2020 (Note 1)	
		2015	2016	2017	2018	2019		
Financial structure (%)	Liabilities to assets	53.30	54.50	50.22	48.93	54.63	56.54	
	Long-term fund for property, plant and equipment	169.23	149.56	157.46	167.00	175.08	176.60	
Liquidity analysis (%)	Current ratio	106.54	74.25	84.60	70.33	71.02	73.86	
	Quick ratio	54.07	35.66	44.41	42.02	47.27	42.84	
	Interest coverage ratio	(77.58)	(118.29)	980.82	961.45	(91.84)	(353.03)	
Operation performance analysis	Receivables turnover (times)	12.28	13.24	15.39	15.40	14.81	18.24	
	Average collection days	29.72	27.56	23.71	23.70	24.64	20.01	
	Inventory turnover (times)	7.63	9.32	12.07	14.34	15.37	12.79	
	Payables turnover (times)	10.53	12.53	12.93	10.42	10.58	14.24	
	Average inventory turnover days	47.84	39.16	30.24	25.45	23.74	28.54	
	Property, plant and equipment turnover (times)	0.83	1.11	1.69	1.96	1.44	1.16	
	Total assets turnover (times)	0.38	0.53	0.81	0.89	0.61	0.47	
Profitability	ROA (%)	(0.66)	(1.14)	7.55	7.41	0.06	(0.83)	
	ROE (%)	(1.68)	(3.82)	14.15	13.09	(1.45)	(2.34)	
	Ratio to paid-in capital (%)	Operating profit	6.04	1.57	39.54	37.24	(11.41)	(1.83)
		Net profit before tax	(3.90)	(8.24)	34.52	35.90	(7.54)	(4.98)
	Net income margin (%)	(2.26)	(3.31)	8.29	7.43	(1.14)	(8.85)	
EPS (NT\$) (Note 2)	(0.14)	(0.64)	2.01	2.01	0.04	(0.31)		
Cash flow (%)	Cash flow ratio (%)	2.89	11.54	44.36	43.59	(6.98)	(2.86)	
	Cash flow adequacy ratio (%)	35.15	25.95	42.36	48.48	68.62	108.58	
	Cash flow reinvestment ratio (%)	(1.65)	1.71	11.12	7.07	(6.02)	(0.73)	
Leverage	Operating leverage	4.93	14.54	0.91	1.48	(1.16)	(0.44)	
	Financial leverage	1.19	(1.03)	1.11	1.13	0.74	0.62	

The cause of changes of more than 20% in financial rates over the last two years:

1. The decrease in interest coverage ratio resulted from the decrease in the 2019 loss before income tax.
2. The decrease in property, plant and equipment turnover, and total assets turnover resulted from the decrease of 2019 operating revenue.
3. The decrease in profitability was due to the 2019 loss before income tax.
4. The decrease in cash flow and cash flow reinvestment ratios resulted from the cash outflow of 2019 business activities.
5. The increase in cash flow adequacy ratio resulted from the decrease of 2019 inventory.
6. The decrease in leverages was due to the 2019 operating loss.

Note 1: The financial statement for Q1 of 2020 was reviewed by the external auditor.

Note 2: The EPS is calculated after the retroactive adjustment on earnings and recapitalization of surplus, based on the number of shares circulated.

2.2 Individual financial analysis

Item		Year	Financial analysis for the last five years					
			2015	2016	2017	2018	2019	
Financial structure (%)	Liabilities to assets		38.14	40.61	36.39	37.68	44.91	
	Long-term fund for property, plant and equipment		345.67	304.77	317.75	343.87	363.54	
Liquidity analysis (%)	Current ratio		203.32	158.01	153.24	191.45	169.20	
	Quick ratio		150.03	106.04	82.29	118.43	127.92	
	Interest coverage ratio		(162.93)	(721.93)	3,236.59	3,644.00	130.10	
Operation performance analysis	Receivables turnover (times)		15.33	12.71	11.98	14.22	13.61	
	Average collection days		23.80	28.71	30.46	25.66	26.81	
	Inventory turnover (times)		16.91	22.35	16.54	15.24	14.92	
	Payables turnover (times)		16.24	15.18	14.14	16.97	15.00	
	Average inventory turnover days		21.58	16.33	22.07	23.95	24.46	
	Property, plant and equipment turnover (times)		1.86	1.62	1.84	2.18	1.83	
	Total assets turnover (times)		0.49	0.47	0.55	0.62	0.48	
Profitability	ROA (%)		(0.32)	(2.14)	7.84	7.60	0.37	
	ROE (%)		(0.76)	(3.94)	12.37	11.76	0.24	
	Ratio to paid-in capital (%)	Operating profit		10.07	1.99	14.45	15.03	0.60
		Net profit before tax		(1.83)	(7.33)	23.19	23.52	0.25
	Net income margin (%)		(1.02)	(5.12)	13.71	11.98	0.29	
	EPS (NT\$) (Note)		(0.14)	(0.64)	2.01	2.01	0.04	
Cash flow (%)	Cash flow ratio (%)		118.47	36.09	96.88	124.35	65.42	
	Cash flow adequacy ratio (%)		83.41	70.04	70.61	62.72	78.27	
	Cash flow reinvestment ratio (%)		2.40	0.27	4.00	0.79	(1.28)	
Leverage	Operating leverage		2.89	8.88	2.05	2.27	33.12	
	Financial leverage		1.06	1.71	1.05	1.05	(3.28)	
<p>The cause of changes of more than 20% in financial rates over the last two years:</p> <ol style="list-style-type: none"> 1. The decrease in interest coverage ratio resulted from the decrease of 2019 profit before income tax. 2. The decrease in total assets turnover resulted from the decrease in 2019 operating revenue. 3. The decrease in profitability resulted from the decrease of 2019 profit before income tax. 4. The decrease in cash flow and cash flow reinvestment ratios resulted from the cash outflow of 2019 business activities. 5. The increase in cash flow adequacy ratio resulted from the decrease of 2019 inventory. 6. The decrease in operating and financial leverages were due to the decrease of 2019 operating income. 								

Note: The EPS is calculated after the retroactive adjustment on earnings and recapitalization of surplus.

The financial analysis formula:

1. Financial structure

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

2. Liquidity analysis

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities
- (3) Interest coverage ratio = earnings before interest and tax / interest expenses

3. Operation performance analysis

- (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / average accounts receivable (including accounts receivable and notes receivable resulting from operation)
- (2) Average collection days = 365 / accounts receivable turnover
- (3) Inventory turnover = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable resulting from operation) turnover = cost of sales / average accounts payable (including accounts payable and notes payable resulting from operation)
- (5) Average inventory turnover days = 365 / inventory turnover
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment
- (7) Total assets turnover rate = net sales / average total assets

4. Profitability

- (1) ROA = [net income + interest expense × (1 – tax rate)] / average total assets.
- (2) ROE = net income / average total equity
- (3) Net income margin = net income / net sales
- (4) Earnings Per Share = (income attributable to parent company – preferred stock dividend) / weighed average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities over the last five years / (capital expenditures + increase in inventory + cash dividends) over the last five years
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities-cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital)

6. Leverage:


- (1) Operating leverage = (Net sales-variable operating costs and expenses) / operating income
- (2) Financial leverage = Operating income / (operating income-interest expenses)

3. The Audit Committee's Review Report

To the 2019 General Shareholders' Meeting of Oriental Union Chemical Union Corporation,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, and the Resolution for Allocation of Dividend submitted by Board of Directors for the year ending 2018, which have been audited by independent auditors, Mr. Hsin-Wei Tai and Mr. Yu-Wei Fan of Deloitte & Touche, and found them in order.

The Convener of the Audit Committee: Walt Cheng

A handwritten signature in black ink, appearing to read 'Walt Cheng', with a long horizontal stroke extending to the right.

March 25, 2020

4. In the case of insolvency of the Company and its affiliates: N/A



5. Consolidated financial statements and external auditor’s audit report for the recent year

(For the complete financial statements, please see the attachment to the annual report or view the MOPS on <http://mops.twse.com.tw/>)

2018 Independent Auditors’ Report

(English Translation of a Report Originally Issued in Chinese)

The Board of Directors and Stockholders
Oriental Union Chemical Corporation

Opinion

We have audited the accompanying consolidated financial statements of Oriental Union Chemical Corporation and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (collectively referred to as the “consolidated financial statements”).

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, 2019 and 2018, 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 (“ROC”).

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 ROC. 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 ROC, 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, 2019. 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.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2019 are as follow:

The Impairment Loss of Property, Plant and Equipment

The consolidated balances of property, plant and equipment amounted to \$13,861,199 thousand as of December 31, 2019. On each balance sheet date, the Group reviews its tangible assets for indications of impairment. If any indication thereof exists, the Group then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will determine the recoverable amount for the asset’s cash-generating unit. Because the aforementioned tangible assets represent 38% of total consolidated assets and the calculation for recoverable amount involves several assumptions and estimations,

which directly impact the amount recognized as impairment losses, we deem the review of impairment of assets a key audit matter.

Corresponding audit procedures:

1. We obtained an understanding of management's estimation of asset impairment and of the design and execution for relevant controls.
2. We evaluated the rationality of management's identification of impairment indicators and the appropriateness of the assumptions. Given that there are impairment indications, we performed:
 - a. Obtained the asset impairment valuation form produced by the management for each cash-generating unit.
 - b. Consulted Deloitte firm internal experts regarding the appropriateness of the assumptions, including the classification of cash-generating units, forecast of cash flows, and discount rate.

Other Matter

We have also audited the parent company only financial statements of Oriental Union Chemical Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified report.

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 ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC 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 ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei Tai and Yu-Wei Fan.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2020

Notice to Readers

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

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 ROC. 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.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 29)	\$ 3,098,554	9	\$ 1,910,500	5
Financial assets at fair value through profit or loss (Note 7)	144,336	-	78,069	-
Financial assets at amortized cost (Notes 9 and 29)	462,298	1	-	-
Notes receivable, net (Note 10)	253,814	1	785,625	2
Trade receivables, net (Note 10)	648,856	2	1,162,447	3
Trade receivables from related parties (Notes 10 and 29)	94,422	-	70,183	-
Other receivables (Note 29)	358,658	1	61,545	-
Inventories (Note 11)	1,279,190	4	1,630,103	5
Prepayments for leases (Note 17)	-	-	12,587	-
Prepayments for purchases (Note 29)	321,185	1	326,976	1
Other prepayments	66,665	-	201,199	1
Other current assets (Note 18)	875,186	2	569,124	2
Total current assets	<u>7,603,164</u>	<u>21</u>	<u>6,808,358</u>	<u>19</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 8 and 29)	5,959,862	16	5,307,418	15
Financial assets at amortized cost (Notes 9, 29 and 30)	56,043	-	76,968	-
Investments accounted for using the equity method (Notes 13 and 29)	2,362,912	7	2,188,879	6
Property, plant and equipment (Note 14)	13,861,199	38	15,063,737	41
Construction in progress (Note 14)	1,078,421	3	934,934	3
Right-of-use assets (Note 15)	402,090	1	-	-
Investment properties (Note 16)	1,991,571	5	1,991,654	5
Intangible assets	20,235	-	22,811	-
Deferred tax assets (Note 25)	852,711	2	346,643	1
Long-term prepayments for leases (Note 17)	-	-	393,617	1
Other non-current assets (Notes 18 and 29)	2,674,908	7	3,263,201	9
Total non-current assets	<u>29,259,952</u>	<u>79</u>	<u>29,589,862</u>	<u>81</u>
TOTAL	<u>\$ 36,863,116</u>	<u>100</u>	<u>\$ 36,398,220</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 29)	\$ 7,923,978	21	\$ 5,305,133	15
Short-term bills payable	200,000	1	300,000	1
Trade payables	1,315,580	4	2,908,964	8
Trade payables to related parties (Note 29)	-	-	1,990	-
Other payables (Note 20)	356,526	1	667,978	2
Other payables to related parties (Note 29)	74,441	-	109,877	-
Current tax liabilities	35,225	-	216,602	1
Lease liabilities (Note 15)	8,996	-	-	-
Current portion of long-term borrowings (Note 19)	600,000	2	-	-
Other current liabilities (Note 21)	191,375	-	170,423	-
Total current liabilities	<u>10,706,121</u>	<u>29</u>	<u>9,680,967</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 30)	8,339,607	23	7,013,325	19
Deferred tax liabilities (Note 25)	689,556	2	675,374	2
Lease liabilities (Note 15)	14,919	-	-	-
Deferred revenue	102,135	-	115,177	-
Net defined benefit liabilities (Note 22)	263,765	1	250,160	1
Guarantee deposits	23,418	-	30,878	-
Other non-current liabilities (Note 21)	-	-	44,624	-
Total non-current liabilities	<u>9,433,400</u>	<u>26</u>	<u>8,129,538</u>	<u>22</u>
Total liabilities	<u>20,139,521</u>	<u>55</u>	<u>17,810,505</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)				
Common stock	8,857,031	24	8,857,031	24
Capital surplus	825,222	2	765,359	2
Retained earnings				
Legal reserve	2,325,353	6	2,150,280	6
Special reserve	1,911,129	5	1,911,129	5
Unappropriated earnings	541,859	2	2,246,662	6
Total retained earnings	<u>4,778,341</u>	<u>13</u>	<u>6,308,071</u>	<u>17</u>
Other equity				
Exchange differences on translating foreign operations	(556,135)	(1)	(290,555)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	(192,656)	(1)	(484,926)	(1)
Total other equity	<u>(748,791)</u>	<u>(2)</u>	<u>(775,481)</u>	<u>(2)</u>
Treasury stock	(187,798)	-	(187,798)	-
NON-CONTROLLING INTERESTS	<u>3,199,590</u>	<u>8</u>	<u>3,620,533</u>	<u>10</u>
Total equity	<u>16,723,595</u>	<u>45</u>	<u>18,587,715</u>	<u>51</u>
TOTAL	<u>\$ 36,863,116</u>	<u>100</u>	<u>\$ 36,398,220</u>	<u>100</u>

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

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales revenue (Note 29)	\$ 22,318,452	100	\$ 32,098,169	100
Other operating revenue	<u>22,775</u>	<u>-</u>	<u>17,648</u>	<u>-</u>
Total operating revenue	<u>22,341,227</u>	<u>100</u>	<u>32,115,817</u>	<u>100</u>
COST OF GOODS SOLD (Notes 11, 24 and 29)	<u>22,363,514</u>	<u>100</u>	<u>27,817,014</u>	<u>87</u>
GROSS (LOSS) PROFIT	<u>(22,287)</u>	<u>-</u>	<u>4,298,803</u>	<u>13</u>
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	573,870	3	544,834	2
General and administrative expenses	254,822	1	283,003	1
Research and development expenses	161,393	1	172,538	-
Expected credit loss reversed (Note 10)	<u>(1,769)</u>	<u>-</u>	<u>(213)</u>	<u>-</u>
Total operating expenses	<u>988,316</u>	<u>5</u>	<u>1,000,162</u>	<u>3</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(1,010,603)</u>	<u>(5)</u>	<u>3,298,641</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	80,027	1	54,571	-
Rental income (Note 29)	40,201	-	42,909	-
Dividend income	49,089	-	43,656	-
Other income (Note 24)	390,753	2	118,237	-
Gain on disposal of investments (Note 29)	-	-	19,103	-
Foreign currency exchange loss	(694)	-	(15,007)	-
Gain (loss) on financial assets at fair value through profit or loss	13,382	-	(6,255)	-
Other expenses (Note 24)	(161,538)	(1)	(167,934)	-
Interest expense (Notes 24 and 29)	(347,670)	(1)	(368,038)	(1)
Share of profit of associates accounted for using the equity method	<u>279,154</u>	<u>1</u>	<u>160,132</u>	<u>1</u>
Total non-operating income and expenses	<u>342,704</u>	<u>2</u>	<u>(118,626)</u>	<u>-</u>
(LOSS) PROFIT BEFORE INCOME TAX	(667,899)	(3)	3,180,015	10
INCOME TAX (BENEFIT) EXPENSE (Note 25)	<u>(412,547)</u>	<u>(2)</u>	<u>792,957</u>	<u>2</u>
NET (LOSS) PROFIT FOR THE YEAR	<u>(255,352)</u>	<u>(1)</u>	<u>2,387,058</u>	<u>8</u>

(Continued)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	\$ 292,270	1	\$ 175,698	1
Remeasurement of defined benefit plans	(16,709)	-	8,655	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	3,342	-	2,659	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statement of foreign operations	(307,613)	(1)	(117,766)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(89,940)</u>	<u>(1)</u>	<u>(39,362)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(118,650)</u>	<u>(1)</u>	<u>29,884</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) PROFIT FOR THE YEAR	<u>\$ (374,002)</u>	<u>(2)</u>	<u>\$ 2,416,942</u>	<u>8</u>
NET (LOSS) PROFIT ATTRIBUTED TO:				
Owners of the Corporation	<u>\$ 33,618</u>	<u>-</u>	<u>\$ 1,750,724</u>	<u>6</u>
Non-controlling interests	<u>\$ (288,970)</u>	<u>(1)</u>	<u>\$ 636,334</u>	<u>2</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTED TO:				
Owners of the Corporation	<u>\$ 46,941</u>	<u>-</u>	<u>\$ 1,848,130</u>	<u>6</u>
Non-controlling interests	<u>\$ (420,943)</u>	<u>(2)</u>	<u>\$ 568,812</u>	<u>2</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.04</u>		<u>\$ 2.01</u>	
Diluted	<u>\$ 0.04</u>		<u>\$ 2.00</u>	

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

(Concluded)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation							Other Equity			Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus			Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock		
		Paid-in Capital in Excess of Par Value	Treasury Stock	Other	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2018	\$ 8,857,031	\$ 470,767	\$ 270,524	\$ -	\$ 1,976,898	\$ 1,911,129	\$ 2,207,986	\$ (200,949)	\$ (660,624)	\$ (187,798)	\$ 3,088,332	\$ 17,733,296
Legal reserve	-	-	-	-	173,382	-	(173,382)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(1,549,980)	-	-	-	-	(1,549,980)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	1,750,724	-	-	-	636,334	2,387,058
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	11,314	(89,606)	175,698	-	(67,522)	29,884
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	1,762,038	(89,606)	175,698	-	568,812	2,416,942
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(36,611)	(36,611)
Change in capital surplus from dividends distributed to subsidiary	-	-	24,068	-	-	-	-	-	-	-	-	24,068
BALANCE AT DECEMBER 31, 2018	8,857,031	470,767	294,592	-	2,150,280	1,911,129	2,246,662	(290,555)	(484,926)	(187,798)	3,620,533	18,587,715
Legal reserve	-	-	-	-	175,073	-	(175,073)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(1,549,981)	-	-	-	-	(1,549,981)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	-	-	33,618	-	-	-	(288,970)	(255,352)
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(13,367)	(265,580)	292,270	-	(131,973)	(118,650)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	20,251	(265,580)	292,270	-	(420,943)	(374,002)
Change in capital surplus from dividends distributed to subsidiary	-	-	24,069	-	-	-	-	-	-	-	-	24,069
Dividends unclaimed by stockholders	-	-	-	35,794	-	-	-	-	-	-	-	35,794
BALANCE AT DECEMBER 31, 2019	\$ 8,857,031	\$ 470,767	\$ 318,661	\$ 35,794	\$ 2,325,353	\$ 1,911,129	\$ 541,859	\$ (556,135)	\$ (192,656)	\$ (187,798)	\$ 3,199,590	\$ 16,723,595

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

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	\$ (667,899)	\$ 3,180,015
Adjustments :		
Depreciation expenses	1,068,913	1,064,578
Amortization expenses	13,050	18,621
Expected credit loss reversed	(1,769)	(213)
(Gain) loss on financial assets at fair value through profit or loss, net	(13,382)	6,255
Interest expense	347,670	368,038
Interest income	(80,027)	(54,571)
Dividend income	(49,089)	(43,656)
Share of profit of associates accounted for using the equity method	(279,154)	(160,132)
Loss (gain) on disposal of property, plant and equipment	8,723	(193)
Gain on disposal of investments	-	(19,103)
(Reversal of write-downs) write-downs of inventories	(721)	18,377
Unrealized gain on foreign currency exchange	(177,396)	(37,911)
Amortization of prepayments for leases	-	9,743
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(52,885)	16,627
Notes receivable	532,047	63,297
Trade receivables	515,124	(26,752)
Trade receivables from related parties	(24,239)	97,702
Other receivables	(315,012)	1,692
Inventories	352,569	601,534
Prepayments	801,024	(243,167)
Other current assets	(306,062)	85,958
Trade payables	(1,593,384)	491,494
Trade payables to related parties	(1,990)	(8,123)
Other payables	(267,871)	33,527
Other current liabilities	(23,672)	(161,525)
Net defined benefit liabilities	(3,104)	(26,100)
Deferred revenue	(8,829)	(8,982)
Other non-current liabilities	-	44,624
Cash (used in) generated from operations	(227,365)	5,311,654
Interest received	65,876	54,808
Interest paid	(343,262)	(380,272)
Income tax paid	(242,546)	(766,576)
Net cash (used in) generated from operating activities	(747,297)	4,219,614

(Continued)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (360,174)	\$ (670,392)
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	-	15,000
Purchase of financial assets at amortized cost	(441,373)	(822)
Proceeds from disposal of investments accounted for using the equity method	-	180,257
Payments for property, plant and equipment	(31,274)	(194,586)
Proceeds from disposal of property, plant and equipment	-	7,695
Payments for intangible assets	(23)	(693)
Increase in other non-current assets	(77,990)	(1,316,118)
Increase in construction in progress	(376,298)	(331,708)
Increase in other prepayments	-	(1,441)
Other dividend received	<u>49,089</u>	<u>43,656</u>
Net cash used in investing activities	<u>(1,238,043)</u>	<u>(2,269,152)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,947,833	294,521
(Repayments of) proceeds from short-term bills payable	(100,000)	68,000
Proceeds from long-term borrowings	12,451,946	4,087,638
Repayments of long-term borrowings	(10,526,250)	(4,867,178)
Dividends paid to owners of the Corporation	(1,525,912)	(1,525,912)
(Decrease) increase in guarantee deposits	(7,460)	4,324
Repayment of the principal portion of lease liabilities	(10,522)	-
Dividends paid to non-controlling interests	<u>-</u>	<u>(36,611)</u>
Net cash generated from (used in) financing activities	<u>3,229,635</u>	<u>(1,975,218)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(56,241)</u>	<u>(10,763)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,188,054	(35,519)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,910,500</u>	<u>1,946,019</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,098,554</u>	<u>\$ 1,910,500</u>

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

(Concluded)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. GENERAL INFORMATION

Oriental Union Chemical Corporation (the “Corporation”) was incorporated in December 1975. It manufactures and markets ethylene glycols, ethylene oxide, gas oxygen, gas nitrogen, liquid nitrogen, liquid argon, monoethanolamine, ethylene carbonate, polyethylene glycol, polyoxyethylene lauryl ether and methoxy polyethylene glycols. Its stocks were listed on the Taiwan Stock Exchange (“TWSE”) on October 21, 1987.

The consolidated financial statements of the Corporation and its subsidiaries, collectively the “Group”, are presented in the Corporation’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 25, 2020.

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

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

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

- 1) IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the 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. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in People's Republic of China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.09%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 35,602
Less: Recognition exemption for short-term and low-value assets leases	<u>(2,322)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 33,280</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 32,605</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 32,605</u>

The Group as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - current	\$ 12,587	\$ (12,587)	\$ -
Other prepayments - current	-	2,704	2,704
Prepayments for leases - non-current	393,617	(393,617)	-
Right-of-use assets	<u>-</u>	<u>436,105</u>	<u>436,105</u>
Total effect on assets	<u>\$ 406,204</u>	<u>\$ 32,605</u>	<u>\$ 438,809</u>
Lease liabilities - current	\$ -	\$ 9,827	\$ 9,827
Lease liabilities - non-current	<u>-</u>	<u>22,778</u>	<u>22,778</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 32,605</u>	<u>\$ 32,605</u>
Total effect on equity		<u>\$ -</u>	

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above 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.

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above 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 measured at fair value, and net defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

Current assets include:

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

Current liabilities include:

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

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 Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

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

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 Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12, Tables 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and its foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, work in progress and finished goods 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 not a subsidiary. The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is 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 the Group.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. 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 had that associates 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 is recognized in the Group' consolidated financial statements only to the extent that interests in the associate is not related to the Group.

h. Property, plant and equipment

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

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

Depreciation of 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 reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the 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.

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 the Group becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is overdue unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

2) Financial liabilities

a) Subsequent measurement

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

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.

m. Revenue recognition

1) Revenue from the sale of goods and rendering of services

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

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

When another party is involved in providing goods or services to a customer, the Group recognizes revenue in the gross amount if it controls each specified good or service before that good or service is transferred to the customer (the Group is a principal); otherwise, the Group recognizes revenue in the net amount (the Group is an agent).

A specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it meets any one of the following conditions:

- a) The Group obtains control of a good or service from the other party before the Group transfers the good or service to a customer.
- b) The Group has a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
- c) The Group obtains control of a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Indicators that are used to determine whether the Group controls the specified good or service before it is transferred to the customer include, but are not limited to, the following:

- a) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.
- b) The Group has inventory risk before and after the specified good or service has been transferred to a customer or after transfer of control to the customer.
- c) The Group has discretion in establishing the price for the specified good or service.

2) Dividend and interest income

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

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

n. Leases

2019

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

1) The Group as lessor

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

2018

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

o. Borrowing costs

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

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

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

p. Government grants

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax 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 profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current 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 taxes 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.

Key Sources of Estimation Uncertainty

Impairment Assessment of Property, Plant and Equipment

In the process of assessing impairment, the Group relies on subjective judgment to determine whether the specific group of assets have indications of impairment, according to the usage of the assets and the business’ characteristics. Alteration of estimates from any change in economic conditions or business strategy may lead to significant future impairment loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 110	\$ 110
Checking accounts and demand deposits	1,713,855	1,755,024
Cash equivalents		
Time deposits with original maturities of less than 3 months	47,659	13,426
Repurchase agreements collateralized by bonds	<u>1,336,930</u>	<u>141,940</u>
	<u>\$ 3,098,554</u>	<u>\$ 1,910,500</u>

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

	December 31	
	2019	2018
Bank balance	0.01%-1.50%	0.01%-1.80%
Repurchase agreements collateralized by bonds	0.52%	0.33%-0.45%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Domestic listed shares	\$ 67,799	\$ 14,480
Domestic mutual funds	<u>76,537</u>	<u>63,589</u>
	<u>\$ 144,336</u>	<u>\$ 78,069</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	December 31	
	2019	2018
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 1,563,100	\$ 1,272,070
Unlisted shares	<u>4,396,762</u>	<u>4,035,348</u>
	<u>\$ 5,959,862</u>	<u>\$ 5,307,418</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	\$ <u>462,298</u>	\$ <u>-</u>
<u>Non-current</u>		
Domestic investments		
Pledged certificates of deposits (b)	\$ <u>56,043</u>	\$ <u>76,968</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 2.35%-2.95% per annum as of December 31, 2019.
- b. The ranges of interest rates for the pledged certificates of deposits were approximately 0.67%-1.4% and 0.6%-1.4% per annum as of December 31, 2019 and December 31, 2018, respectively. The Group assesses there has not been a significant expected credit losses and an increase in credit risk since the original recognize.

Refer to Note 30 for information relating to financial assets at amortized cost as security.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2019	2018
<u>Notes receivable</u>		
Notes receivable	\$ 254,246	\$ 786,293
Less: Allowance for impairment loss	<u>(432)</u>	<u>(668)</u>
	<u>\$ 253,814</u>	<u>\$ 785,625</u>
<u>Trade receivables</u>		
Trade receivables	\$ 747,182	\$ 1,238,067
Less: Allowance for impairment loss	<u>(3,904)</u>	<u>(5,437)</u>
	<u>\$ 743,278</u>	<u>\$ 1,232,630</u>

The Group applies for expected credit losses, which permits the use of lifetime expected loss provision for all notes receivable and trade receivables. The expected credit losses on notes receivable and trade receivables are estimated using a past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The following table details the loss allowance of notes receivable and trade receivables.

December 31, 2019

	0 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	Total
Carrying amount	\$ 986,216	\$ 14,821	\$ 297	\$ 94	\$ 1,001,428
Loss allowance (Lifetime ECLs)	<u>(432)</u>	<u>(3,513)</u>	<u>(297)</u>	<u>(94)</u>	<u>(4,336)</u>
Amortized cost	<u>\$ 985,784</u>	<u>\$ 11,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 997,092</u>

December 31, 2018

	0 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	Total
Carrying amount	\$ 2,002,626	\$ 17,070	\$ 3,704	\$ 960	\$ 2,024,360
Loss allowance (Lifetime ECLs)	<u>(668)</u>	<u>(773)</u>	<u>(3,704)</u>	<u>(960)</u>	<u>(6,105)</u>
Amortized cost	<u>\$ 2,001,958</u>	<u>\$ 16,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,018,255</u>

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

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

	December 31	
	2019	2018
Balance at January 1	\$ 6,105	\$ 6,318
Less: Net remeasurement of loss allowance	<u>(1,769)</u>	<u>(213)</u>
Balance at December 31	<u>\$ 4,336</u>	<u>\$ 6,105</u>

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	\$ 736,373	\$ 1,119,503
Work in progress	20,905	27,027
Raw materials	<u>521,912</u>	<u>483,573</u>
	<u>\$ 1,279,190</u>	<u>\$ 1,630,103</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$22,363,514 thousand and \$27,817,014 thousand, respectively. The cost of goods sold for the years ended December 31, 2019 and 2018 included reversals of inventory write-downs of \$721 thousand and inventory write-downs of \$18,377 thousand. The reversals of previous write-downs resulted from increased selling prices in certain markets.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			2019	2018	
The Corporation	Ton Fu Investment Corp. ("TFIC")	Investment	100	100	-
	Pacific Petrochemical (Holding) Ltd. ("PPL")	Investment	100	100	-
	OUCG (Bermuda) Holding Ltd. ("OUCG (Bermuda)")	Investment	100	100	-

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31		
			2019	2018	
OUCC (Bermuda)	Oriental Petrochemical (Yangzhou) Corporation ("OPYC")	Manufacturing and selling ethanalamine (EA) and alcohol ethoxylates (AEO)	100	100	-
PPL	Far Eastern Union Petrochemical (Yangzhou) Ltd. ("FUPY")	Manufacturing and selling ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide.	50	50	Note
	Tong Da Gas Industries (Yangzhou) Limited ("TDIY")	Manufacturing and selling gas oxygen, gas nitrogen, liquid oxygen, liquid nitrogen and liquid argon and the warehousing management of ethylene.	50	50	Note

(Concluded)

Note: Subsidiary with material non-controlling interests.

- b. Subsidiaries excluded from the consolidated financial statements: None.
- c. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2019	2018
FUPY	Yang Zhou, China	50%	50%
TDIY	Yang Zhou, China	50%	50%

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended		December 31	
	2019	2018	2019	2018
FUPY	\$ (351,920)	\$ 531,519	\$ 2,032,616	\$ 2,468,119
TDIY	<u>62,950</u>	<u>104,815</u>	<u>1,166,974</u>	<u>1,152,414</u>
	<u>\$ (288,970)</u>	<u>\$ 636,334</u>	<u>\$ 3,199,590</u>	<u>\$ 3,620,533</u>

The summarized financial information below represents amounts before intragroup eliminations.

FUPY

	December 31	
	2019	2018
Current assets	\$ 3,292,480	\$ 3,511,520
Non-current assets	8,237,674	8,774,631
Current liabilities	(7,436,000)	(7,317,836)
Non-current liabilities	<u>(28,922)</u>	<u>(32,078)</u>
Equity	<u>\$ 4,065,232</u>	<u>\$ 4,936,237</u>

(Continued)

	December 31	
	2019	2018
Equity attributable to:		
Owners of the Corporation	\$ 2,032,616	\$ 2,468,118
Non-controlling interests of FUPY	<u>2,032,616</u>	<u>2,468,119</u>
	<u>\$ 4,065,232</u>	<u>\$ 4,936,237</u> (Concluded)
	For the Year Ended December 31	
	2019	2018
Revenue	<u>\$ 9,986,641</u>	<u>\$ 16,591,829</u>
Net (loss) profit and comprehensive (loss) income for the year	<u>\$ (703,840)</u>	<u>\$ 1,063,038</u>
Net (loss) profit attributable to:		
Owners of the Corporation	\$ (351,920)	\$ 531,519
Realized gain from transactions between subsidiaries	<u>326</u>	<u>326</u>
Carrying amount of FUPY investments	<u>\$ (351,594)</u>	<u>\$ 531,845</u>
Non-controlling interests of FUPY	<u>\$ (351,920)</u>	<u>\$ 531,519</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (1,742,767)	\$ 634,290
Investing activities	(99,853)	(254,153)
Financing activities	<u>2,006,789</u>	<u>(985,346)</u>
Net cash inflow (outflow)	<u>\$ 164,169</u>	<u>\$ (605,209)</u>

TDIY

	December 31	
	2019	2018
Current assets	\$ 646,334	\$ 519,709
Non-current assets	1,772,600	1,934,589
Current liabilities	(82,867)	(147,263)
Non-current liabilities	<u>(2,119)</u>	<u>(2,207)</u>
Equity	<u>\$ 2,333,948</u>	<u>\$ 2,304,828</u>
Equity attributable to:		
Owners of the Corporation	\$ 1,166,974	\$ 1,152,414
Non-controlling interests of TDIY	<u>1,166,974</u>	<u>1,152,414</u>
	<u>\$ 2,333,948</u>	<u>\$ 2,304,828</u>

	For the Year Ended December 31	
	2019	2018
Revenue	\$ 831,120	\$ 1,014,885
Net profit and comprehensive income for the year	<u>\$ 125,900</u>	<u>\$ 209,630</u>
Net profit attributable to:		
Owners of the Corporation	\$ 62,950	\$ 104,815
Non-controlling interests of TDIY	<u>62,950</u>	<u>104,815</u>
	<u>\$ 125,900</u>	<u>\$ 209,630</u>
Net cash (outflow) inflow from:		
Operating activities	\$ (115,493)	\$ 298,806
Investing activities	(655)	(8,225)
Financing activities	<u>-</u>	<u>(208,492)</u>
Net cash (outflow) inflow	<u>\$ (116,148)</u>	<u>\$ 82,089</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2019	2018
Material associates		
Oriental Petrochemical (Shanghai) Corporation (“OPSC”)	\$ 2,004,367	\$ 2,039,984
Associates that are not individually material		
Hwa Xu Heat Supply Co. (“HXYZ”)	<u>358,545</u>	<u>148,895</u>
	<u>\$ 2,362,912</u>	<u>\$ 2,188,879</u>

In March 2018, for the need of future operational strategy, the Group sold all of its interest in Oriental Resource Development Ltd. for proceeds of \$170,747 thousand and resulted in the recognition of a gain in profit of \$18,966 thousand.

Liquidation processes of Kuokuang Petrochemical Technology Corporation, Ltd. completed in April 2018 and the Group received proceeds from the capital reduction of \$9,510 thousand, which resulted in the recognition of a gain in profit of \$137 thousand.

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31	December 31
			2019	2018
OPSC	Manufacture and sale of purified terephthalic acid	Shanghai, China	39%	39%

The share of profit or loss and other comprehensive income recognized from the investment accounted for using the equity method were calculated based on the associates’ financial statements which have been audited for the same years.

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

OPSC

	December 31	
	2019	2018
Current assets	\$ 2,651,964	\$ 3,909,031
Non-current assets	5,840,027	6,372,907
Current liabilities	<u>(2,873,755)</u>	<u>(4,571,543)</u>
Equity	<u>\$ 5,618,236</u>	<u>\$ 5,710,395</u>
Proportion of the Group's ownership	39%	39%
Equity attributable to the Group	\$ 2,171,296	\$ 2,206,913
Negative goodwill	<u>(166,929)</u>	<u>(166,929)</u>
Carrying amount	<u>\$ 2,004,367</u>	<u>\$ 2,039,984</u>
	For the Year Ended December 31	
	2019	2018
Operating revenue	<u>\$ 17,435,483</u>	<u>\$ 19,414,759</u>
Total comprehensive income for the year	<u>\$ 140,561</u>	<u>\$ 692,105</u>

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Total comprehensive gain (loss) for the year	<u>\$ 224,831</u>	<u>\$ (107,348)</u>

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

14. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Land	Land Improvements	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 1,591,461	\$ 320,689	\$ 1,806,128	\$ 24,564,676	\$ 694,172	\$ 1,080,678	\$ 30,057,804
Additions	-	-	1,078	18,052	8,420	482,491	510,041
Disposals	-	-	-	(159,437)	(10,042)	-	(169,479)
Effect of foreign currency exchange differences	-	-	(21,827)	(173,198)	(2,108)	(3,627)	(200,760)
Reclassification	<u>-</u>	<u>-</u>	<u>51,645</u>	<u>497,113</u>	<u>72,309</u>	<u>(624,608)</u>	<u>(3,541)</u>
Balance at December 31, 2018	<u>\$ 1,591,461</u>	<u>\$ 320,689</u>	<u>\$ 1,837,024</u>	<u>\$ 24,747,206</u>	<u>\$ 762,751</u>	<u>\$ 934,934</u>	<u>\$ 30,194,065</u>

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment to Be Inspected	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ 308,355	\$ 520,829	\$ 11,938,493	\$ 557,818	\$ -	\$ 13,325,495
Disposals	-	-	-	(151,935)	(10,042)	-	(161,977)
Depreciation expenses	-	1,968	62,144	960,075	40,309	-	1,064,496
Effect of foreign currency exchange differences	-	-	(3,137)	(28,036)	(1,447)	-	(32,620)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 310,323</u>	<u>\$ 579,836</u>	<u>\$ 12,718,597</u>	<u>\$ 586,638</u>	<u>\$ -</u>	<u>\$ 14,195,394</u>
Carrying amounts at December 31, 2018	<u>\$ 1,591,461</u>	<u>\$ 10,366</u>	<u>\$ 1,257,188</u>	<u>\$ 12,028,609</u>	<u>\$ 176,113</u>	<u>\$ 934,934</u>	<u>\$ 15,998,671</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 1,591,461	\$ 320,689	\$ 1,837,024	\$ 24,747,206	\$ 762,751	\$ 934,934	\$ 30,194,065
Additions	-	-	1,071	7,782	2,124	348,964	359,941
Disposals	-	(1,768)	(27,400)	(195,466)	(4,277)	-	(228,911)
Effect of foreign currency exchange differences	-	-	(48,942)	(388,459)	(4,702)	(9,291)	(451,394)
Reclassification	-	36,747	-	134,098	21,504	(196,186)	(3,837)
Balance at December 31, 2019	<u>\$ 1,591,461</u>	<u>\$ 355,668</u>	<u>\$ 1,761,753</u>	<u>\$ 24,305,161</u>	<u>\$ 777,400</u>	<u>\$ 1,078,421</u>	<u>\$ 29,869,864</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 310,323	\$ 579,836	\$ 12,718,597	\$ 586,638	\$ -	\$ 14,195,394
Disposals	-	(1,768)	(21,060)	(193,280)	(4,080)	-	(220,188)
Depreciation expenses	-	2,128	58,569	948,207	39,721	-	1,048,625
Effect of foreign currency exchange differences	-	-	(8,541)	(81,474)	(3,572)	-	(93,587)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 310,683</u>	<u>\$ 608,804</u>	<u>\$ 13,392,050</u>	<u>\$ 618,707</u>	<u>\$ -</u>	<u>\$ 14,930,244</u>
Carrying amounts at December 31, 2019	<u>\$ 1,591,461</u>	<u>\$ 44,985</u>	<u>\$ 1,152,949</u>	<u>\$ 10,913,111</u>	<u>\$ 158,693</u>	<u>\$ 1,078,421</u>	<u>\$ 14,939,620</u>

(Concluded)

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

Land improvements	15-25 years
Buildings	7-60 years
Machinery and equipment	2-20 years
Other equipment	3-20 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 379,859
Machinery	18,829
Transportation equipment	<u>3,402</u>
	<u>\$ 402,090</u>

	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 1,832</u>
Depreciation charge for right-of-use assets	
Land	\$ 9,916
Machinery	6,456
Transportation equipment	<u>3,833</u>
	<u>\$ 20,205</u>

Except for depreciation recognized, the Group had no significant addition, disposal, and impairment of right-of-use assets for the year ended December 31, 2019.

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 8,996</u>
Non-current	<u>\$ 14,919</u>

Range of discount rate for lease liabilities was 0.85%-1.17%.

c. Material lease-in activities and terms

Prepayments for leases include land use rights located in People's Republic of China; the Group has obtained the land use right certificates with lease terms of 45 to 50 years.

d. Other lease information

2019

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

The Group as lessor

Operating leases relate to leasing the investment properties owned by the Corporation with lease terms between 2 and 10 years. According to the agreement, the lease can be terminated by either party by giving 2 to 3 months formal notice in writing to the other party.

16. INVESTMENT PROPERTIES

Cost

Balance at December 31, 2019 and 2018	<u>\$ 2,023,323</u>
---------------------------------------	---------------------

	Accumulated Depreciation	Accumulated Impairment	Total
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2018	\$ 25,074	\$ 6,513	\$ 31,587
Depreciation expenses	<u>82</u>	<u>-</u>	<u>82</u>
Balance at December 31, 2018	<u>\$ 25,156</u>	<u>\$ 6,513</u>	<u>\$ 31,669</u>
Balance at January 1, 2019	\$ 25,156	\$ 6,513	\$ 31,669
Depreciation expenses	<u>83</u>	<u>-</u>	<u>83</u>
Balance at December 31, 2019	<u>\$ 25,239</u>	<u>\$ 6,513</u>	<u>\$ 31,752</u>

The investment properties of land improvements held by the Group which are depreciated over their estimated useful lives of 16 years using the straight-line method.

The fair value of investment properties was \$3,229,402 thousand and \$3,218,796 thousand as of December 31, 2019 and 2018, respectively. The fair value was arrived at on the basis of a valuation carried out at that date by independent qualified professional values not connected to the Group.

17. PREPAYMENTS FOR LEASES - 2018

	December 31, 2018
Current	\$ 12,587
Non-current	<u>393,617</u>
	<u>\$ 406,204</u>

Prepayments for leases include land use rights located in People's Republic of China; the Group has obtained the land use right certificates.

18. OTHER ASSETS

	December 31	
	2019	2018
<u>Other assets</u>		
Silver and catalysts	\$ 2,313,179	\$ 2,203,479
Input tax	524,987	266,303
Materials	484,499	464,901
Prepayments (Note 29)	-	659,133
Others	<u>227,429</u>	<u>238,509</u>
	<u>\$ 3,550,094</u>	<u>\$ 3,832,325</u>
Current	\$ 875,186	\$ 569,124
Non-current	<u>2,674,908</u>	<u>3,263,201</u>
	<u>\$ 3,550,094</u>	<u>\$ 3,832,325</u>

Other assets include silver and catalysts used in the production, parts and components for the maintenance of equipment, input tax and prepayments.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 6,462,838	\$ 5,305,133
Loans from related parties (Note 29)	<u>1,461,140</u>	<u>-</u>
	<u>\$ 7,923,978</u>	<u>\$ 5,305,133</u>
Interest rate	1.10%-4.35%	1.00%-4.57%

b. Long-term borrowings

	December 31	
	2019	2018
<u>Secured borrowings</u> (Note 30)		
Long-term commercial paper payables	\$ <u>129,885</u>	\$ <u>-</u>
<u>Unsecured borrowings</u>		
Bank loans	8,310,000	5,263,937
Long-term commercial paper payables	<u>499,722</u>	<u>1,749,388</u>
	8,809,722	7,013,325
Less: Current portion of long-term borrowings	<u>600,000</u>	<u>-</u>
Long-term borrowing	<u>\$ 8,339,607</u>	<u>\$ 7,013,325</u>
Interest rate	0.6%-1.12%	0.57%-3.43%
Maturity date	December 2021	November 2020

20. OTHER PAYABLES

	December 31	
	2019	2018
Payables for purchase of equipment	\$ 66,772	\$ 109,062
Payables for salaries	60,408	108,483
Freight payables	44,074	42,357
Interest payables	25,170	20,762
Payables for annual leave	18,613	18,798
Payables for employee's compensation and remuneration of directors	7,151	49,039
Payables for dividends	1,899	36,044
Others	<u>132,439</u>	<u>283,433</u>
	<u>\$ 356,526</u>	<u>\$ 667,978</u>

21. OTHER LIABILITIES

	December 31	
	2019	2018
Contract liabilities	\$ 113,584	\$ 148,159
Provisions for repairs and maintenance	58,128	44,624
Others	<u>19,663</u>	<u>22,264</u>
	<u>\$ 191,375</u>	<u>\$ 215,047</u>
Current	\$ 191,375	\$ 170,423
Non-current	<u>-</u>	<u>44,624</u>
	<u>\$ 191,375</u>	<u>\$ 215,047</u>

Contract liabilities were receipts in advance.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group’s subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The subsidiary, TFIC, has not set up a retirement benefit plan because it is served concurrently by the employees of the Corporation.

b. Defined benefit plan

The defined benefit plan adopted by the Corporation of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contribute 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. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 382,672	\$ 385,505
Fair value of plan assets	<u>(118,907)</u>	<u>(135,345)</u>
Net defined benefit liabilities	<u>\$ 263,765</u>	<u>\$ 250,160</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	<u>\$ 406,208</u>	<u>\$ (121,293)</u>	<u>\$ 284,915</u>
Service cost			
Current service cost	11,859	-	11,859
Net interest expense (income)	<u>5,078</u>	<u>(1,606)</u>	<u>3,472</u>
Recognized in profit or loss	<u>16,937</u>	<u>(1,606)</u>	<u>15,331</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,410)	(3,410)
Actuarial loss - changes in demographic assumptions	4,417	-	4,417
Actuarial loss - changes in financial assumptions	4,801	-	4,801
Actuarial gain - experience adjustments	<u>(14,463)</u>	<u>-</u>	<u>(14,463)</u>
Recognized in other comprehensive income (loss)	<u>(5,245)</u>	<u>(3,410)</u>	<u>(8,655)</u>
Contributions from the employer	-	(41,431)	(41,431)
Benefits paid	<u>(32,395)</u>	<u>32,395</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 385,505</u>	<u>\$ (135,345)</u>	<u>\$ 250,160</u>
Balance at January 1, 2019	<u>\$ 385,505</u>	<u>\$ (135,345)</u>	<u>\$ 250,160</u>
Service cost			
Current service cost	10,132	-	10,132
Net interest expense (income)	<u>4,337</u>	<u>(1,601)</u>	<u>2,736</u>
Recognized in profit or loss	<u>14,469</u>	<u>(1,601)</u>	<u>12,868</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,600)	(4,600)
Actuarial loss - changes in demographic assumptions	263	-	263
Actuarial loss - changes in financial assumptions	14,297	-	14,297
Actuarial loss - experience adjustments	<u>6,749</u>	<u>-</u>	<u>6,749</u>
Recognized in other comprehensive income (loss)	<u>21,309</u>	<u>(4,600)</u>	<u>16,709</u>
Contributions from the employer	-	(15,972)	(15,972)
Benefits paid	<u>(38,611)</u>	<u>38,611</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 382,672</u>	<u>\$ (118,907)</u>	<u>\$ 263,765</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	2018
Discount rate(s)	0.75%	1.13%
Expected rate(s) of long - term salary increase	2.00%	2.00%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	<u>\$ (9,622)</u>	<u>\$ (9,600)</u>
0.25% decrease	<u>\$ 10,000</u>	<u>\$ 9,984</u>
Expected rate(s) of long - term salary increase		
0.25% increase	<u>\$ 9,700</u>	<u>\$ 9,721</u>
0.25% decrease	<u>\$ (9,384)</u>	<u>\$ (9,397)</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 13,133</u>	<u>\$ 13,887</u>
The average duration of the defined benefit obligation	11.1 years	11.2 years

23. EQUITY

a. Common stock

	December 31	
	2019	2018
Number of stocks authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Stocks authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>885,703</u>	<u>885,703</u>
Stocks issued	<u>\$ 8,857,031</u>	<u>\$ 8,857,031</u>

A total of 10,000 thousand stocks of the Corporation's stock were authorized to be reserved for the issuance of employee stock options.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (Note)		
Issuance of common stock	\$ 470,767	\$ 470,767
Only be used to offset a deficit		
Treasury stock transactions	318,661	294,592
Dividends unclaimed by stockholders	<u>35,794</u>	<u>-</u>
	<u>\$ 825,222</u>	<u>\$ 765,359</u>

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles of Incorporation ("Articles"), where the Corporation made 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 Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. The settlement of the dividend and bonus distribution due to a capital increase in the fiscal year should be resolved in the stockholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 24 (d) "Employee benefits expense".

In accordance with the Articles, the dividend distribution takes into consideration the characteristics of industry that the Group operates in and the forthcoming capital requirement and tax policy that is influenced by the Group's products or services, and it should be settled for the purpose of maintaining stable dividends. For the purposes of improving the financial structure effectively, coping with reinvestment, expanding capacity or other significant capital expenditures in which capital is required, when distributing stockholders' dividend, the dividend payout ratio each fiscal year shall be no less than 50% of the final surplus which is the sum of after-tax profit of the fiscal year to offset previous loss, if any, and to appropriate legal reserve and special reserve as required by law; the amount of cash dividends shall not be less than 10% of the total dividends and bonuses to be distributed to stockholders in the fiscal year.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", shall be appropriated to or reversed from a special reserve by the Corporation. Any appropriated special reserve may be reversed to the extent that the net debit balance reverses, and thereafter it is distributed.

The appropriation of earnings for 2018 and for 2017 was approved in the stockholders' meetings on June 11, 2019 and June 8, 2018, respectively.

The appropriation of earnings for 2018 were approved in the stockholder's meetings on June 11, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 175,073	\$ -
Cash dividends	1,549,981	1.75

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on March 25, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,025	\$ -
Cash dividends	265,711	0.30

The appropriation of earnings for 2019 is subject to the resolution of the stockholders' meeting to be held on June 16, 2020.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation appropriated to special reserve, the amounts that were the same as the unrealized revaluation increment, the fair value of investment properties at the date of transition as the deemed cost and the cumulative translation differences transferred to retained earnings, which were \$985,545 thousand, \$787,176 thousand and \$138,408 thousand, respectively.

e. Treasury stock

The Corporation's stocks held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Stocks Held (In Thousands of Stocks)	Carrying Amount	Market Price
<u>December 31, 2019</u>			
TFIC	13,754	\$ <u>288,825</u>	\$ <u>288,825</u>
<u>December 31, 2018</u>			
TFIC	13,754	\$ <u>354,842</u>	\$ <u>354,842</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stocks nor exercise stockholders' rights on these stocks, such as rights to dividends and to vote. The subsidiaries holding treasury stock, however, retain stockholders' rights, except the rights to participate in any stock issuance for cash and to vote.

24. NET (LOSS) PROFIT

a. Other income

	<u>For the Year Ended December 31</u>	
	2019	2018
Settlement of insurance claims (Note)	\$ 282,458	\$ 57,046
Government grants	67,232	-
Others	<u>41,063</u>	<u>61,191</u>
	<u>\$ 390,753</u>	<u>\$ 118,237</u>

Note: The Group obtained insurance compensation for its business interruption caused by the fire damage.

b. Interest expense

	<u>For the Year Ended December 31</u>	
	2019	2018
Interest on bank loans	\$ 327,376	\$ 325,614
Interest on loans from related parties (Note 29)	19,945	42,393
Interest on lease liabilities	318	-
Other interest expense	<u>31</u>	<u>31</u>
	<u>\$ 347,670</u>	<u>\$ 368,038</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest	\$ <u>1,019</u>	\$ <u>993</u>
Capitalization rate	0.49%-1.64%	0.41%-1.18%

c. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 1,048,625	\$ 1,064,496
Intangible assets (included other assets)	13,050	18,621
Right-of-use assets	20,205	-
Investment properties	<u>83</u>	<u>82</u>
	<u>\$ 1,081,963</u>	<u>\$ 1,083,199</u>
 An analysis of depreciation by function		
Operating costs	\$ 1,000,330	\$ 1,012,988
Operating expenses	68,500	51,508
Non-operating expenses and losses	<u>83</u>	<u>82</u>
	<u>\$ 1,068,913</u>	<u>\$ 1,064,578</u>
 An analysis of amortization by function		
Operating costs	\$ 9,016	\$ 14,190
Operating expenses	<u>4,034</u>	<u>4,431</u>
	<u>\$ 13,050</u>	<u>\$ 18,621</u>

d. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Salary expense	\$ 509,844	\$ 580,395
Insurance expense	56,123	54,535
Post-employment benefits (Note 22)		
Defined contribution plans	29,128	29,628
Defined benefit plans	12,868	15,331
Other employee benefits	<u>106,730</u>	<u>106,174</u>
Total employee benefits expense	<u>\$ 714,693</u>	<u>\$ 786,063</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 451,741	\$ 478,507
Operating expenses	<u>262,952</u>	<u>307,556</u>
	<u>\$ 714,693</u>	<u>\$ 786,063</u>

In compliance with the Articles, the Corporation accrued employees' compensation and remuneration of directors at the rates from 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. However, if the Corporation has accumulated any deficit, the profit should be set aside for offsetting the losses. The accrued employees' compensation and remuneration of directors were \$686 thousand and \$47,960 thousand for the year ended December 31, 2019 and 2018.

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

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2020 and 2019 are available on the Market Observation Post System website of the TWSE.

25. INCOME TAXES

- a. Major components of income tax (benefit) expense recognized in profit or loss are as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Current tax		
In respect of the current year	\$ 84,357	\$ 625,414
Income tax on unappropriated earnings	15,980	1,045
Adjustments for prior years	<u>(7,199)</u>	<u>14,449</u>
	<u>93,138</u>	<u>640,908</u>
Deferred tax		
In respect of the current year	(505,685)	179,683
Effect of tax rate changes	<u>-</u>	<u>(27,634)</u>
	<u>(505,685)</u>	<u>152,049</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (412,547)</u>	<u>\$ 792,957</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
(Loss) profit before tax	<u>\$ (667,899)</u>	<u>\$ 3,180,015</u>
Income tax (benefit) expense calculated at the statutory rate	\$ (133,580)	\$ 636,003
Nondeductible expenses in determining taxable income	4,290	23,952
Tax-exempt income	(56,715)	(36,917)
Income tax on unappropriated earnings	15,980	1,045
Unrecognized deductible temporary differences	(70,713)	(28,467)
Unrecognized loss carryforwards	(106,748)	40,477
Effect of different tax rate of group entities operating in other jurisdictions	(57,862)	170,049
Adjustments for prior years	(7,199)	14,499
Effect of tax rate changes	<u>-</u>	<u>(27,634)</u>
Income (benefit) tax expense recognized in profit or loss	<u>\$ (412,547)</u>	<u>\$ 792,957</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%.

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

As the status of the 2020 appropriation of earnings is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of tax rate changes	\$ -	\$ 4,389
In respect of the current year		
Remeasurement on defined benefit plans	<u>3,342</u>	<u>(1,730)</u>
Total income tax recognized in other comprehensive income	<u>\$ 3,342</u>	<u>\$ 2,659</u>

c. Current tax liabilities

	December 31	
	2019	2018
Income tax payable	<u>\$ 35,225</u>	<u>\$ 216,602</u>

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, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Recognition of loss on foreign investments using equity method	\$ 296,611	\$ 63,265	\$ -	\$ -	\$ 359,876
Defined benefit obligation	50,032	(621)	3,342	-	52,753
Allowance for inventories	-	4,283	-	(176)	4,107
Loss carryforwards	-	441,018	-	(18,171)	422,847
Others	<u>-</u>	<u>13,128</u>	<u>-</u>	<u>-</u>	<u>13,128</u>
	<u>\$ 346,643</u>	<u>\$ 521,073</u>	<u>\$ 3,342</u>	<u>\$ (18,347)</u>	<u>\$ 852,711</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ -	\$ 341,231
Property, plant and equipment	311,380	15,388	-	(1,206)	325,562
Investment properties	14,814	-	-	-	14,814
Others	<u>7,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 675,374</u>	<u>\$ 15,388</u>	<u>\$ -</u>	<u>\$ (1,206)</u>	<u>\$ 689,556</u>

(Concluded)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Recognition of loss on foreign investments using equity method	\$ 363,454	\$ (66,843)	\$ -	\$ -	\$ 296,611
Defined benefit obligation	52,788	(5,415)	2,659	-	50,032
Others	<u>1,665</u>	<u>(1,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 417,907</u>	<u>\$ (73,923)</u>	<u>\$ 2,659</u>	<u>\$ -</u>	<u>\$ 346,643</u>

Deferred tax liabilities

Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ -	\$ 341,231
Property, plant and equipment	235,019	76,936	-	(575)	311,380
Investment properties	14,814	-	-	-	14,814
Others	<u>35,107</u>	<u>1,190</u>	<u>(28,348)</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 626,171</u>	<u>\$ 78,126</u>	<u>\$ (28,348)</u>	<u>\$ (575)</u>	<u>\$ 675,374</u>

e. Income tax assessments

The Corporation's tax returns through 2017 have been assessed by the tax authorities.

The tax returns of TFIC through 2017 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	<u>\$ 0.04</u>	<u>\$ 2.01</u>
Diluted earnings per share	<u>\$ 0.04</u>	<u>\$ 2.00</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Earnings used in the computation of basic earnings per share	\$ <u>33,618</u>	\$ <u>1,750,724</u>

Weighted average number of common stock outstanding (in thousand stocks):

	For the Year Ended December 31	
	2019	2018
Weighted average number of common stock	885,703	885,703
Less: Reclassification of the Corporation's stocks held by subsidiaries	<u>(13,754)</u>	<u>(13,754)</u>
Weighted average number of common stock used in the computation of basic earnings per share	871,949	871,949
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>284</u>	<u>1,436</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>872,233</u>	<u>873,385</u>

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

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank loans and equity of the Group.

Financial management department of the Group reviews the capital structure on a monthly basis. As part of this review, the financial management department considers whether there were exceptions between consolidated current ratio, consolidated debt ratio and the target ratio set by the financial management department.

28. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of non-financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or the fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 67,799	\$ -	\$ -	\$ 67,799
Domestic mutual funds	<u>76,537</u>	<u>-</u>	<u>-</u>	<u>76,537</u>
	<u>\$ 144,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,336</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,563,100	\$ -	\$ -	\$ 1,563,100
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>4,396,762</u>	<u>4,396,762</u>
	<u>\$ 1,563,100</u>	<u>\$ -</u>	<u>\$ 4,396,762</u>	<u>\$ 5,959,862</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 14,480	\$ -	\$ -	\$ 14,480
Domestic mutual funds	<u>63,589</u>	<u>-</u>	<u>-</u>	<u>63,589</u>
	<u>\$ 78,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,069</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,272,070	\$ -	\$ -	\$ 1,272,070
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>4,035,348</u>	<u>4,035,348</u>
	<u>\$ 1,272,070</u>	<u>\$ -</u>	<u>\$ 4,035,348</u>	<u>\$ 5,307,418</u>

There were no transfers between Levels 1 and 2 in 2019 and 2018.

2) Valuation techniques and assumptions applied for the purpose of measuring fair value

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
- b) Valuation techniques and inputs applied for Level 3 fair value measurement: The significant and unobservable input parameter for unlisted investments use market-based approach mainly relates to liquidity discount rate. Market-based approach adopts the equity basis multiplier (P/B) of comparable listed companies, the fair price of the Company's stock is calculated after considering the liquidity discount parameter.

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 144,336	\$ 78,069
Financial assets at amortized cost (Note 1)	4,972,645	4,067,268
Financial assets at FVTOCI		
Equity instruments	5,959,862	5,307,418
<u>Financial liabilities</u>		
Amortized cost (Note 2)	18,833,550	16,338,145

Note 1 The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and debt investments.

Note 2 The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, trade payables, other payables, current portion of long - term borrowing and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group through internal risk evaluation. 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.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To protect against reductions foreign assets in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD, EUR and RMB.

The following details the effects of a 5% increase in NTD (the functional currency) against the relevant foreign currencies. For a 5% strengthening of NTD against the relevant currency, the net (loss) profit would be decrease by \$23,896 thousand and increase by \$99,375 thousand for the years ended December 31, 2019 and 2018, respectively. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rate is 5%.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, ensuring the most cost-effective hedging strategies are applied.

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	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 1,902,930	\$ 232,334
Financial liabilities	12,987,893	10,238,458
Cash flow interest rate risk		
Financial assets	1,682,573	1,727,863
Financial liabilities	4,100,000	2,380,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates 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 net profit for the years ended December 31, 2019 and 2018 would increase/decrease by \$12,087 thousand and decrease/increase \$3,261 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its cash flow by variable-rate bank loans.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates of open-end funds.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax (loss) profit for the years ended December 31, 2019 and 2018 would have decreased/increased by \$7,217 thousand and increased/decreased by \$3,903 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive (loss) income for the year ended December 31, 2019 and 2018 would have decreased/increased by \$78,155 thousand and increased/decreased by \$63,604 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

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 only transacts with entities that are rated good. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit organization.

Trade receivables consisted of a large number of unrelated customers. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk represents the potential impact to financial asset that the Group might encounter if counterparties or third parties breach the contracts. The Group evaluated credit risk exposure for contracts with positive carrying value. The Group evaluated the credit risk exposure as immaterial because all counterparties are reputable financial institutions and companies with credit ratings.

3) Liquidity risk

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

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

a) Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-interest bearing Lease liabilities	\$ - 1,054	\$ 1,315,580 1,782	\$ - 6,373	\$ - 15,092
Variable interest rate liabilities	3,658	606,487	19,563	3,520,762
Fixed interest rate liabilities	<u>2,072,583</u>	<u>3,121,873</u>	<u>3,029,811</u>	<u>4,840,000</u>
	<u>\$ 2,077,295</u>	<u>\$ 5,045,722</u>	<u>\$ 3,055,747</u>	<u>\$ 8,375,854</u>

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-interest bearing Variable interest rate liabilities	\$ - -	\$ 2,910,954 -	\$ - -	\$ - 2,404,565
Fixed interest rate liabilities	<u>2,279,649</u>	<u>2,063,069</u>	<u>1,306,997</u>	<u>4,661,365</u>
	<u>\$ 2,279,649</u>	<u>\$ 4,974,023</u>	<u>\$ 1,306,997</u>	<u>\$ 7,065,930</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2019	2018
Unsecured bank borrowing limit		
Amount used	\$ 18,508,000	\$ 16,889,000
Amount unused	<u>12,067,000</u>	<u>12,552,000</u>
	<u>\$ 30,575,000</u>	<u>\$ 29,441,000</u>
Secured bank borrowing limit		
Amount used	\$ 130,000	\$ -
Amount unused	<u>-</u>	<u>130,000</u>
	<u>\$ 130,000</u>	<u>\$ 130,000</u>

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. The prices and payment terms of these transactions were similar to those for third parties. Details of transactions between the Group and other related parties are disclosed below.

<u>Related Party Name</u>	<u>Related Party Category</u>
Far Eastern New Century Corp.	Investors with significant influence over the Group
Hwa Xu Heat Supply Co. (HXYZ)	Associates
Oriental Petrochemical (Shanghai) Corp. (OPSC)	Associates
Asia Cement Corp.	Others
Hubei Yadong Cement Co., Ltd.	Others
Oriental Petrochemical (Taiwan) Co., Ltd. (OPTC)	Others
Far Eastern Polytex (Vietnam) Ltd.	Others
Air Liquide Far Eastern Ltd.	Others
Fu-Ming Transport Corp.	Others
Fu-Da Transport Corp.	Others
PET Far Eastern (Holding) Ltd. (PETH)	Others
Far Eastern International Bank (FEIB)	Others
Far Eastern Industries (Shanghai) Ltd.	Others
Far Eastern Industries (Yangzhou) Ltd.	Others
Yuan Ding Investment Co., Ltd.	Others
Shanghai Yuanhua Logistics (Yangzhou) Corp.	Others
Hong Zhan International Ltd.	Others
Shanghai Yuanzi Information Technology Ltd.	Others
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Others

a. Sale of goods

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Investors with significant influence over the Group	\$ 1,068,220	\$ 1,911,394
Others	<u>110,792</u>	<u>325,219</u>
	<u>\$ 1,179,012</u>	<u>\$ 2,236,613</u>

b. Purchase of goods

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Associates	\$ 306,083	\$ 364,355
Others	<u>(43,373)</u>	<u>1,570,160</u>
	<u>\$ 262,710</u>	<u>\$ 1,934,515</u>

c. Operating expenses

	For the Year Ended December 31	
	2019	2018
Others		
Fu-Ming Transport Corp.	\$ 173,397	\$ 172,765
Others	<u>84,918</u>	<u>113,961</u>
	258,315	286,726
Associates	<u>14,132</u>	<u>7,232</u>
	<u>\$ 272,447</u>	<u>\$ 293,958</u>

d. Interest expense

	December 31	
	2019	2018
Others	<u>\$ 19,945</u>	<u>\$ 42,393</u>

e. Rental income

	For the Year Ended December 31	
	2019	2018
Others		
Fu-Da Transport Corp.	<u>\$ 9,694</u>	<u>\$ 9,694</u>

f. Cash and cash equivalents

	December 31	
	2019	2018
Others	<u>\$ 39,235</u>	<u>\$ 72,530</u>

g. Receivables from related parties

	December 31	
	2019	2018
Others	\$ 7,752	\$ 10,911
Investors with significant influence over the Group		
Far Eastern New Century Corp.	<u>86,670</u>	<u>59,272</u>
	<u>\$ 94,422</u>	<u>\$ 70,183</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

h. Prepayments

	December 31	
	2019	2018
Associates		
HXYZ	\$ <u>240,993</u>	\$ <u>950,029</u>
Current	\$ 240,993	\$ 290,896
Non-current (Note 18)	<u>-</u>	<u>659,133</u>
	<u>\$ 240,993</u>	<u>\$ 950,029</u>

Prepayments are payments in advance for heating-steam supply.

i. Other receivables

	December 31	
	2019	2018
Associates		
HXYZ	\$ <u>340,660</u>	\$ <u>10,051</u>

The Group provided unsecured short-term loans to HXYZ amounted to \$330,243 thousand. Refer to Table 1 for detailed information.

j. Financial assets at amortized cost

	December 31	
	2019	2018
Others		
FEIB	\$ <u>247,134</u>	\$ <u>60,401</u>

k. Loans from related parties (accounted for as short-term borrowings)

	December 31	
	2019	2018
Others		
Far Eastern Industries (Shanghai) Co., Ltd.	\$ 644,621	\$ -
Far Eastern Industries (Yangzhou) Co., Ltd.	515,696	-
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	<u>300,823</u>	<u>-</u>
	<u>\$ 1,461,140</u>	<u>\$ -</u>

The Group obtained loans at rates comparable to market interest rates for the loans from related parties.

l. Payables to related parties

	December 31	
	2019	2018
Associates	\$ <u>-</u>	\$ <u>1,990</u>

m. Other payables

	December 31	
	2019	2018
Others	\$ 65,169	\$ 102,558
Associates	<u>9,272</u>	<u>7,319</u>
	<u>\$ 74,441</u>	<u>\$ 109,877</u>

n. Acquisitions of financial assets

For the year ended December 31, 2019

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Others			<u>Shares</u>	
OPTC	Financial assets at FVTOCI	36,017,435	Oriental Petrochemical (Taiwan) Co., Ltd.	<u>\$ 360,174</u>

For the year ended December 31, 2018

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Others			<u>Shares</u>	
Hong Zhan International Ltd.	Financial assets at FVTOCI	10,000,000	Everest Textile Co., Ltd.	<u>\$ 130,130</u>
Others			<u>Shares</u>	
Oriental Petrochemical (Taiwan) Corp.	Financial assets at FVTOCI	54,026,152	Oriental Petrochemical (Taiwan) Corp.	<u>\$ 540,262</u>

o. Disposals of investment accounted for using the equity method

For the year ended December 31, 2018

	Line Item	Number of Shares	Underlying Assets	Purchase Price	Gain (Loss) on Disposal
Others			<u>Shares</u>		
Yuan Ding Investment Co., Ltd.	Investment accounted for using the equity method	14,675,271	Oriental Resource Development Ltd.	<u>\$ 170,747</u>	<u>\$ 18,966</u>

There was no disposal of investment accounted for using the equity method in 2019.

p. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 37,130	\$ 35,661
Post-employment benefits	<u>432</u>	<u>432</u>
	<u>\$ 37,562</u>	<u>\$ 36,093</u>

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for credit lines of deposit overdrafts, as refundable deposits with the Harbor Bureau or Customs Bureau and as guarantees for sales:

	December 31	
	2019	2018
Pledged deposits (financial assets at amortized cost)	<u>\$ 56,043</u>	<u>\$ 76,968</u>

As of December 31, 2019, the Corporation pledged 28,599 thousand stocks of the subsidiary TFIC as security.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of December 31, 2019, unused letters of credit for purchases of raw materials amounted to approximately \$1,907,641 thousand, purchase guarantees from banking institution amounted to \$981,413 thousand, and refundable deposit with the Harbor Bureau amounted to \$208,386 thousand, respectively.
- b. Endorsements/guarantees provided to subsidiaries and associates

The Corporation

TFIC	\$ 850,000
PPL	299,800
OUC (Bermuda)	899,400
OPYC	<u>1,199,200</u>
	<u>\$ 3,248,400</u>

FUPY

HXYZ	<u>\$ 105,077</u>
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- c. The Corporation has a long-term ethylene purchase agreement with Chinese Petroleum Corporation, Taiwan under which the Corporation is committed to purchase ethylene until December 31, 2019. The purchase price under the agreement is in U.S. dollars.
- d. The Corporation has a three-year agreement beginning from 2004, to sell ethylene glycols to major customers, namely, Far Eastern New Century Corporation, Tainan Spinning Co., Ltd., and Shinkong Synthetic Fibers Corporation. The agreement is automatically renewed for successive periods of three years unless otherwise terminated by either party with prior notice. The determined price under the agreement is in U.S. dollars.
- e. In May 2016, the Corporation signed a five-year ethylene carbonate designated production/sales agreement with Chi Mei Corporation (“CMC”). Also, the Corporation agreed to purchase from CMC any qualified ethylene glycol by-products which are produced during the manufacturing process. And the purchase price is determined by agreed upon bases. Both sides agreed that the Corporation could sell part of the output to a specific-purpose market.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,371	6.98 (USD:RMB)	\$ 340,903
USD	3,095	29.98 (USD:NTD)	92,788
RMB	185	4.30 (RMB:NTD)	<u>795</u>
			<u>\$ 434,486</u>
Non-monetary items			
Investments accounted for using equity method			
RMB	549,838	4.30 (RMB:NTD)	<u>\$ 2,362,912</u>
<u>Financial liabilities</u>			
Monetary items			
USD	20,587	6.98 (USD:RMB)	\$ 617,198
USD	9,847	29.98 (USD:NTD)	<u>295,213</u>
			<u>\$ 912,411</u>

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 145,785	4.48 (RMB:NTD)	\$ 652,434
USD	20,214	30.72 (USD:NTD)	620,873
USD	560	6.86 (USD:RMB)	17,200
EUR	261	7.86 (EUR:RMB)	<u>9,187</u>
			<u>\$ 1,299,694</u>
Non-monetary items			
Investments accounted for using equity method			
RMB	489,100	4.48 (RMB:NTD)	<u>\$ 2,188,879</u>
<u>Financial liabilities</u>			
Monetary items			
USD	28,557	30.72 (USD:NTD)	\$ 877,128
USD	78,299	6.86 (USD:RMB)	2,404,954
EUR	143	35.20 (EUR:NTD)	5,034
EUR	2	7.86 (EUR:RMB)	<u>70</u>
			<u>\$ 3,287,186</u>

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

	For the Year Ended December 31			
	2019	Net Foreign Exchange Gain (Loss)	2018	Net Foreign Exchange Gain (Loss)
Foreign Currencies	Exchange Rate		Exchange Rate	
NTD	1 (NTD:NTD)	\$ 4,128	1 (NTD:NTD)	\$ (5,798)
RMB	4.48 (RMB:NTD)	<u>(4,822)</u>	4.56 (RMB:NTD)	<u>(9,209)</u>
		<u>\$ (694)</u>		<u>\$ (15,007)</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held. (Table 3)

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

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 9) Trading in derivative instruments. (None)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 7)
 - 11) Information on investees. (Table 8)
- 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 9)
 - 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. (None)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Ethylene glycols business
- Special chemicals business
- Gas business
- Investment and others

a. Segment revenues and results

The following was an analysis of the Group's revenue and results by reportable segments.

	Segment Revenues		Segment Profit (Loss)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Ethylene glycols business	\$ 16,849,348	\$ 26,793,969	\$ (1,650,547)	\$ 2,897,424
Special chemicals business	5,304,729	5,448,345	102,744	(127,714)
Gas business	1,638,122	1,700,791	389,895	395,244
Investment and others	22,775	17,648	(14,938)	(16,524)
Other eliminations and adjustments	(1,473,747)	(1,844,936)	162,243	150,211
Total operating segments	<u>\$ 22,341,227</u>	<u>\$ 32,115,817</u>	(1,010,603)	3,298,641
Non-operating income and expense			342,704	(118,626)
(Loss) profit before income tax			<u>\$ (667,899)</u>	<u>\$ 3,180,015</u>

Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets

	December 31	
	2019	2018
<u>Segment assets</u>		
Ethylene glycols business	\$ 14,817,270	\$ 16,144,299
Special chemicals business	4,994,411	4,979,602
Gas business	2,392,005	2,597,895
Investment and others	27,613,078	26,665,277
Other eliminations and adjustments	(12,953,648)	(13,988,853)
Total segment assets	<u>\$ 36,863,116</u>	<u>\$ 36,398,220</u>

c. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are mainly in Asia.

d. Information about major customers

There were no single customers whose revenue comprised up to 10% of the Group's total revenue in 2019 and 2018.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Amount Limits	Note
													Item	Value			
1	PPL	OUCC (Bermuda)	Receivables - related parties	Yes	\$ 314,790	\$ -	\$ -	-	Necessary for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	200% of net worth of the Corporation \$11,688,687	200% of net worth of the Corporation \$11,688,687	
2	OUCC (Bermuda)	OPYC	Receivables - related parties	Yes	429,747	-	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	200% of net worth of the Corporation \$1,824,396	200% of net worth of the Corporation \$1,824,396	
3	FUPY	HXYZ	Other receivables - related parties loans	Yes	330,243	330,243	330,243	4.61	Necessary for short-term financing	-	Operating capital	-	-	-	40% of net worth of the Corporation \$1,626,093	40% of net worth of the Corporation \$1,626,093	
4	TDIY	FUPY	Other receivables - related parties loans	Yes	343,798	343,798	343,798	3.6	Necessary for short-term financing	-	Operating capital	-	-	Promissory notes	40% of net worth of the Corporation \$933,379	40% of net worth of the Corporation \$933,379	

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

No.	Endorser/ Guarantor	Endorsee/Guaranteed		Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship										
0	The Corporation	TFIC	2	\$ 950,000	\$ 850,000	\$ 617,000	\$ -	6.29	100% of net worth of the Corporation \$13,524,005	Y	N	N	
		PPL	2	899,400	299,800	-	-	2.22	100% of net worth of the Corporation \$13,524,005	Y	N	N	
		OUCG (Bermuda)	2	1,499,000	899,400	-	-	6.65	100% of net worth of the Corporation \$13,524,005	Y	N	N	
		OPYC	3	1,199,200	1,199,200	1,065,773	-	8.87	100% of net worth of the Corporation \$13,524,005	Y	N	Y	
		FUPY	6	449,700	-	-	-	-	100% of net worth of the Corporation \$13,524,005	Y	N	Y	
1	FUPY	HXYZ	6	107,222	105,077	105,077	-	2.49	100% of net worth of FUPY \$4,065,232	N	N	Y	

Note: The relationships between the endorser/guarantor and the endorsee/guaranteed are listed below:

2. Represents the entity whose voting shares are exceed fifty percent (50%) owned directly or indirectly by the Corporation.
3. The company that owns directly or indirectly hold over fifty percent (50%) ownership of the Corporation.
6. Represents the entity is guaranteed by the percentage of ownership to the entity under the mutual investment.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note	
				Number of Stocks/Units	Carrying Amount	Percentage of Ownership (%)		Fair Value
The Corporation	HSBC Global Themes Fund of Funds	-	Financial assets mandatorily classified as at FVTPL - current	5,754,696	\$ 76,537	-	\$ 76,537	Note 1
	Far Eastern Department Stores Ltd.	Same chairman	Financial assets at FVTOCI - non-current	14,378,228	374,553	1	374,553	Note 2
	Far Eastern New Century Corp.	Same chairman	Same as above	6,888,446	205,620	-	205,620	Note 2
	Asia Cement Corp.	Same chairman	Same as above	8,486,315	406,919	-	406,919	Note 2
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is a director of the Corporation	Same as above	12,885,683	117,775	3	117,775	Note 2
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	309,334,376	2,743,796	14	2,743,796	Note 3
	Grand Cathay Venture Capital Co., Ltd.	-	Same as above	26,666,667	230,667	17	230,667	Note 3
	Eminent Venture Capital Corp.	-	Same as above	4,500,000	31,095	10	31,095	Note 3
	Eminent II Venture Capital Corp.	-	Same as above	6,000,000	52,980	6	52,980	Note 3
	Tai An Technologies Corp.	-	Same as above	249,999	7,375	5	7,375	Note 3
TFIC	Fubon Financial Holding Co.	-	Financial assets mandatorily classified as at FVTPL - current	75,000	3,480	-	3,480	Note 2
	Standard Foods Corp.	-	Same as above	20,000	1,392	-	1,392	Note 2
	Wistron Corp.	-	Same as above	200,000	5,670	-	5,670	Note 2
	Taiwan Cement Corp.	-	Same as above	70,010	3,060	-	3,060	Note 2
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Same as above	25,000	8,275	-	8,275	Note 2
	Hon Hai Precision Industry Co., Ltd.	-	Same as above	65,000	5,902	-	5,902	Note 2
	Formosa Chemicals & Fibre Corp.	-	Same as above	60,000	5,250	-	5,250	Note 2
	Nanya Technology Corp.	-	Same as above	80,000	6,672	-	6,672	Note 2
	CSBC Corp., Taiwan	-	Same as above	137,000	3,678	-	3,678	Note 2
	Taiwan Hon Chuan Enterprise Co., Ltd.	-	Same as above	80,000	4,960	-	4,960	Note 2
	Cheng Uei Precision Industry Co., Ltd.	-	Same as above	125,000	5,725	-	5,725	Note 2
	MediaTek Inc.	-	Same as above	10,000	4,435	-	4,435	Note 2
	President Chain Store Corp.	-	Same as above	27,000	8,208	-	8,208	Note 2
	Yuantia S&P GSCI Gold ER Futures ETF	-	Same as above	50,000	1,092	-	1,092	Note 2
	The Corporation	Treasury stock	Same as above	13,753,554	288,825	2	288,825	Note 2
	Far Eastern International Commercial Bank ("FEIC")	The chairman of the Corporation is FEIC's director	Financial assets at FVTOCI - non-current	29,387,288	351,178	1	351,178	Note 2
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is the Corporation's parent corporation's director	Same as above	11,712,847	107,055	2	107,055	Note 2
	Yue Ding Enterprise Corp.	Related party in substance	Same as above	5,228,340	79,837	5	79,837	Note 3
	Ding Shien Investment Co., Ltd.	Related party in substance	Same as above	39,600,000	375,012	18	375,012	Note 3
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	98,759,902	876,000	4	876,000	Note 3

Note 1: The net asset value of the fund as of December 31, 2019.

Note 2: The market value was calculated at closing price on December 31, 2019 provided by the TWSE.

Note 3: The net asset value was calculated based on the latest assessments.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note)	Relationship (Note)	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
The Corporation	Stocks Oriental Petrochemical (Taiwan) Co., Ltd.	Financial assets at FVTOCI - non-current	-	-	282,033,256	\$ 2,884,990	27,301,120	\$ 275,011	-	\$ -	309,334,376	\$ 3,158,001
TFIC	Stocks Oriental Petrochemical (Taiwan) Co., Ltd.	Financial assets at FVTOCI - non-current	-	-	90,043,587	900,436	8,716,315	87,163	-	-	98,759,902	987,599

Note: Investors whose marketable securities are accounted for using the equity method must fill out those columns, the rest will be exempted.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
The Corporation	Far Eastern New Century Corp.	Same chairman	Sale	\$ (1,068,220)	(5)	Same as those to unrelated parties	-	-	\$ 86,670	9	-
FUPY	OPYC	Same parent	Sale	(859,104)	(4)	Same as those to unrelated parties	-	-	15,709	2	-
TDIY	FUPY	Same parent	Sale	(611,056)	(3)	Same as those to unrelated parties	-	-	141,356	14	-
FUPY	HXYZ	Equity-method investee	Purchase	509,193	2	Same as those to unrelated parties	-	-	(61,482)	(5)	-
			Purchase	272,278	1	Same as those to unrelated parties	-	-	-	-	-

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
TDIY	FUPY	Same parent Same parent	Other receivables \$ 343,798 Receivables 141,356	Note 4.28	-	-	\$ -	-
					-	-	\$ 10,557	-

Note: The ending balance is primarily consisted of other receivables which include borrowings.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note)	Financial Statement Accounts	Transaction Details		% to Total Sales or Assets
					Amount	Transaction Terms	
1	PPL	FUPY	c	Other receivables	\$ 17,359	Based on terms agreed upon by both parties	-
2	OPYC	FUPY	c	Rental income	48,644	Based on terms agreed upon by both parties	-
3	FUPY	TDIY OPYC	c	Other receivables	61,482	Based on terms agreed upon by both parties	-
				Other income	99,879	Based on terms agreed upon by both parties	-
				Receivables	15,709	Based on terms agreed upon by both parties	-
				Sales revenue	859,104	Based on terms agreed upon by both parties	4
4	TDIY	FUPY	c	Receivables	141,356	Based on terms agreed upon by both parties	-
				Sales revenue	611,056	Based on terms agreed upon by both parties	3
				Other receivables	343,798	Based on terms agreed upon by both parties	1

Note: a. From parent to subsidiary.
b. From subsidiary to parent.
c. Between subsidiaries.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	Stocks	%	Carrying Amount			
The Corporation	PPL	British Virgin Islands	Investment	US\$ 192,972	US\$ 192,972	148,356	100	\$ 5,677,414	\$ (258,700)	(258,700)	
	TFIC	Taipei City, ROC	Enterprise and financial institution investments	\$ 1,110,000	\$ 1,110,000	146,658,995	100	1,249,609	33,726	9,657	
	OUCG (Bermuda)	British Bermuda Islands	Investment	US\$ 90,000	US\$ 70,000	103,580	100	912,198	(57,623)	(57,623)	

Note: The ending balance includes 28,599,328 stocks pledged to financial institutions.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outflow	Inflow							
OPSC	Manufacture and sale of purified terephthalic acid.	US\$ 241,310	Indirect	US\$ 92,886	US\$ -	US\$ -	US\$ 92,886	RMB 31,360	39	\$ 54,323 (Note 2)	\$ 2,004,367	\$ -	
OPYC	Manufacturing and selling ethanalamine (EA) and alcohol ethoxylates (AEO).	US\$ 80,000	Indirect	US\$ 70,000	US\$ 10,000	US\$ -	US\$ 80,000	RMB (11,236)	100	(50,360) (Note 2)	863,585	-	
FUPY	Manufacture and sale of ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide.	US\$ 132,000	Indirect	US\$ 66,000	US\$ -	US\$ -	US\$ 66,000	RMB (157,032)	50	(351,594) (Note 2)	2,020,417	-	Note 3
TDIY	Manufacturing and selling gas oxygen, gas nitrogen, liquid oxygen, liquid nitrogen and liquid argon and the warehousing management of ethylene.	US\$ 67,000	Indirect	US\$ 33,500	US\$ -	US\$ -	US\$ 33,500	RMB 28,089	50	62,950 (Note 2)	1,166,974	-	Note 3
HXYZ	The production and sales of hot water (non-potable water) and steam; the erection and maintenance of heat-supply pipelines; the consultancy service in heat-supply technologies.	RMB 160,000	Indirect	-	-	-	-	RMB 100,524	25	224,831 (Note 2)	358,545	-	
Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019				Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA		Investment Amounts Authorized by Investment Commission, MOEA							
US\$272,386				US\$272,386		(Note 1)							

Note 1: The Corporation obtained certificate No. 10620425530 from Industrial Development Bureau, Ministry of Economic Affairs according to the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China", the accumulation of fund is not limited.

Note 2: Based on audited financial statements.

Note 3: Significant non-controlling interests.

6. Financial Report (Stand-alone)

(For the complete financial statements, please see the attachment to the annual report or view the MOPS on <http://mops.twse.com.tw/>)

Independent auditors' report

(English Translation of a Report Originally Issued in Chinese)

The Board of Directors and Stockholders
Oriental Union Chemical Corporation

Opinion

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

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

Basis for Opinion

We conducted our 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 ("ROC"). 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 Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2019 are as follow:

The Impairment Loss of Property, Plant and Equipment

The balances of property, plant and equipment amounted to \$5,420,700 thousand as of December 31, 2019. On each balance sheet date, the Corporation reviews its tangible assets for indications of impairment. If any indication thereof exists, the Corporation then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Corporation will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible assets represent 22% of total assets and the calculation for recoverable amount involves several assumptions and estimations, which directly impact the amount recognized as impairment losses, we deem the review of impairment of assets a key audit matter.

Corresponding audit procedures:

1. We obtained an understanding of management's estimation of asset impairment and of the design and execution for relevant controls.



2. We evaluated the rationality of management's identification of impairment indicators and the appropriateness of the assumptions. Given that there are impairment indications, we performed:
 - a. Obtained the asset impairment valuation form produced by the management for each cash-generating unit.
 - b. Consulted Deloitte firm internal experts regarding the appropriateness of the assumptions, including the classification of cash-generating units, forecast of cash flows, and discount rate.

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 Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC 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 ROC, 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 Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei Tai and Yu-Wei Fan.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2020

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 ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the ROC.

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 ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.



ORIENTAL UNION CHEMICAL CORPORATION

BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 27)	\$ 1,402,390	6	\$ 611,802	3
Financial assets at fair value through profit or loss (Note 7)	76,537	-	63,589	-
Notes receivable, net (Note 10)	71,538	-	110,542	-
Trade receivables, net (Note 10)	553,365	2	834,999	4
Trade receivables from related parties (Notes 10 and 27)	93,376	1	64,095	-
Other receivables	7,170	-	37,399	-
Inventories (Note 11)	635,914	3	832,598	4
Prepayments for purchases	31,534	-	34,964	-
Other prepayments	17,475	-	23,881	-
Other current assets (Note 16)	26,432	-	170,556	1
Total current assets	<u>2,915,731</u>	<u>12</u>	<u>2,784,425</u>	<u>12</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 8 and 27)	4,170,780	17	3,666,278	15
Financial assets at amortized cost (Notes 9, 27 and 28)	56,043	-	76,968	-
Investments accounted for using the equity method (Notes 12 and 27)	7,839,221	32	7,711,476	32
Property, plant and equipment (Note 13)	5,420,700	22	5,756,964	24
Construction in progress (Note 13)	857,602	4	804,568	3
Right-of-use assets (Note 14)	23,803	-	-	-
Investment properties (Notes 15)	1,991,571	8	1,991,654	8
Intangible assets	8,663	-	8,362	-
Deferred tax assets (Note 23)	425,757	2	346,643	2
Other non-current assets (Note 16)	837,571	3	870,378	4
Total non-current assets	<u>21,631,711</u>	<u>88</u>	<u>21,233,291</u>	<u>88</u>
TOTAL	<u>\$ 24,547,442</u>	<u>100</u>	<u>\$ 24,017,716</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables	\$ 659,234	3	\$ 800,834	3
Other payables (Notes 18 and 27)	260,830	1	429,834	2
Current tax liabilities (Note 23)	34,515	-	142,016	1
Lease liabilities (Note 14)	8,996	-	-	-
Current portion of long-term borrowings (Note 17)	600,000	2	-	-
Other current liabilities (Note 19)	159,638	1	81,711	-
Total current liabilities	<u>1,723,213</u>	<u>7</u>	<u>1,454,395</u>	<u>6</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 28)	8,339,607	34	6,629,388	28
Deferred tax liabilities (Note 23)	660,386	3	643,497	3
Lease liabilities (Note 14)	14,919	-	-	-
Net defined benefit liabilities (Note 20)	263,765	1	250,160	1
Guarantee deposits	21,547	-	28,470	-
Other non-current liabilities (Note 19)	-	-	44,624	-
Total non-current liabilities	<u>9,300,224</u>	<u>38</u>	<u>7,596,139</u>	<u>32</u>
Total liabilities	<u>11,023,437</u>	<u>45</u>	<u>9,050,534</u>	<u>38</u>
EQUITY (Note 21)				
Common stock	8,857,031	36	8,857,031	37
Capital surplus	825,222	3	765,359	3
Retained earnings				
Legal reserve	2,325,353	10	2,150,280	9
Special reserve	1,911,129	8	1,911,129	8
Unappropriated earnings	541,859	2	2,246,662	9
Total retained earnings	<u>4,778,341</u>	<u>20</u>	<u>6,308,071</u>	<u>26</u>
Other equity				
Exchange differences on translating foreign operations	(556,135)	(2)	(290,555)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	(192,656)	(1)	(484,926)	(2)
Total other equity	<u>(748,791)</u>	<u>(3)</u>	<u>(775,481)</u>	<u>(3)</u>
Treasury stock	(187,798)	(1)	(187,798)	(1)
Total equity	<u>13,524,005</u>	<u>55</u>	<u>14,967,182</u>	<u>62</u>
TOTAL	<u>\$ 24,547,442</u>	<u>100</u>	<u>\$ 24,017,716</u>	<u>100</u>

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

ORIENTAL UNION CHEMICAL CORPORATION

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales revenue (Note 27)	\$ 11,762,636	100	\$ 14,619,729	100
OPERATING COSTS				
Cost of goods sold (Notes 11 and 22)	<u>10,951,780</u>	<u>93</u>	<u>12,567,843</u>	<u>86</u>
GROSS PROFIT	<u>810,856</u>	<u>7</u>	<u>2,051,886</u>	<u>14</u>
OPERATING EXPENSES (Notes 22 and 27)				
Selling and marketing expenses	507,711	4	433,809	3
General and administrative expenses	90,420	1	127,236	1
Research and development expenses	161,393	2	160,155	1
Expected credit loss reversed (Note 10)	<u>(1,769)</u>	<u>-</u>	<u>(213)</u>	<u>-</u>
Total operating expenses	<u>757,755</u>	<u>7</u>	<u>720,987</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>53,101</u>	<u>-</u>	<u>1,330,899</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	5,494	-	4,346	-
Rental income (Note 27)	39,670	-	39,670	-
Dividend income	49,089	1	43,656	-
Other income (Notes 22 and 27)	277,212	2	66,495	-
Gain on disposal of investments (Note 27)	-	-	19,103	-
Foreign currency exchange gain	4,128	-	18,486	-
Gain (loss) on financial assets at fair value through profit or loss	12,948	-	(5,122)	-
Other expenses (Note 22)	(43,528)	-	(36,164)	-
Interest expense (Note 22)	(69,274)	-	(57,771)	-
Share of (loss) profit of subsidiaries and associates accounted for using equity method	<u>(306,666)</u>	<u>(3)</u>	<u>659,991</u>	<u>5</u>
Total non-operating income and expenses	<u>(30,927)</u>	<u>-</u>	<u>752,690</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	22,174	-	2,083,589	14
INCOME TAX (BENEFIT) EXPENSE (Note 23)	<u>(11,444)</u>	<u>-</u>	<u>332,865</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>33,618</u>	<u>-</u>	<u>1,750,724</u>	<u>12</u>

(Continued)

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

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (16,709)	-	\$ 8,655	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	231,491	2	144,288	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	3,342	-	2,659	-
Share of the other comprehensive income of subsidiaries and associates accounted for using equity method	60,779	-	31,410	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries and associates accounted for using equity method	<u>(265,580)</u>	<u>(2)</u>	<u>(89,606)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>13,323</u>	<u>-</u>	<u>97,406</u>	<u>1</u>
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	<u>\$ 46,941</u>	<u>-</u>	<u>\$ 1,848,130</u>	<u>13</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 0.04</u>		<u>\$ 2.01</u>	
Diluted	<u>\$ 0.04</u>		<u>\$ 2.00</u>	

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

(Concluded)

ORIENTAL UNION CHEMICAL CORPORATION

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

	Common Stock	Capital Surplus			Retained Earnings			Other Equity		Treasury Stock	Total Equity
		Paid-in Capital in Excess of Par Value	Treasury Stock	Other	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2018	\$ 8,857,031	\$ 470,767	\$ 270,524	\$ -	\$ 1,976,898	\$ 1,911,129	\$ 2,207,986	\$ (200,949)	\$ (660,624)	\$ (187,798)	\$ 14,644,964
Legal reserve	-	-	-	-	173,382	-	(173,382)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(1,549,980)	-	-	-	(1,549,980)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	1,750,724	-	-	-	1,750,724
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	11,314	(89,606)	175,698	-	97,406
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	1,762,038	(89,606)	175,698	-	1,848,130
Change in capital surplus from dividends distributed to subsidiary	-	-	24,068	-	-	-	-	-	-	-	24,068
BALANCE AT DECEMBER 31, 2018	8,857,031	470,767	294,592	-	2,150,280	1,911,129	2,246,662	(290,555)	(484,926)	(187,798)	14,967,182
Legal reserve	-	-	-	-	175,073	-	(175,073)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(1,549,981)	-	-	-	(1,549,981)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	33,618	-	-	-	33,618
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(13,367)	(265,580)	292,270	-	13,323
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	20,251	(265,580)	292,270	-	46,941
Change in capital surplus from dividends distributed to subsidiary	-	-	24,069	-	-	-	-	-	-	-	24,069
Dividends unclaimed by stockholders	-	-	-	35,794	-	-	-	-	-	-	35,794
BALANCE AT DECEMBER 31, 2019	\$ 8,857,031	\$ 470,767	\$ 318,661	\$ 35,794	\$ 2,325,353	\$ 1,911,129	\$ 541,859	\$ (556,135)	\$ (192,656)	\$ (187,798)	\$ 13,524,005

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

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 22,174	\$ 2,083,589
Adjustments:		
Depreciation expenses	530,779	537,348
Amortization expenses	10,625	11,127
Expected credit loss reversed	(1,769)	(213)
Interest expense	69,274	57,771
Interest income	(5,494)	(4,346)
(Gain) loss on financial assets at fair value through profit or loss, net	(12,948)	5,122
Dividend income	(49,089)	(43,656)
Share of loss (profit) of subsidiaries and associates accounted for using equity method	306,666	(659,991)
Loss (gain) on disposal of property, plant and equipment	8,552	(224)
Gain on disposal of investments	-	(19,103)
(Reversal of write-downs) write-downs of inventories	(13,828)	10,525
Unrealized gain on foreign currency exchange	(4,128)	(18,486)
Changes in operating assets and liabilities		
Notes receivable	39,240	303
Trade receivables	253,886	36,939
Other receivables	(2,596)	4,365
Inventories	210,512	(26,682)
Prepayments	9,836	(20,940)
Other current assets	144,124	23,300
Trade payables	(141,600)	120,636
Other payables	(93,761)	46,174
Other current liabilities	33,303	(13,881)
Net defined benefit liabilities	(3,104)	(26,100)
Other non-current liabilities	-	44,624
Cash generated from operations	1,310,654	2,148,201
Interest received	6,271	4,205
Interest paid	(66,642)	(56,790)
Income tax paid	(122,892)	(287,139)
Net cash generated from operating activities	<u>1,127,391</u>	<u>1,808,477</u>

(Continued)

ORIENTAL UNION CHEMICAL CORPORATION

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

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (273,011)	\$ (65,066)
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	-	15,000
Proceeds from disposal (purchase) of financial assets at amortized cost	20,925	(822)
Purchase of investments accounted for using equity method	(615,143)	(250,000)
Proceeds from disposal of investments accounted for using equity method	-	180,257
Proceeds from disposal of property, plant and equipment	-	7,695
Decrease in other non-current assets	25,657	122,017
Increase in construction in progress	(291,241)	(216,882)
Dividends received	<u>49,089</u>	<u>43,656</u>
Net cash used in investing activities	<u>(1,083,724)</u>	<u>(164,145)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(110,000)
Proceeds from long-term borrowings	12,062,000	3,149,388
Repayments of long-term borrowings	(9,751,781)	(2,599,453)
(Decrease) increase in guarantee deposits	(6,923)	2,946
Repayment of the principal portion of lease liabilities	(10,522)	-
Dividends paid	<u>(1,549,981)</u>	<u>(1,549,980)</u>
Net cash generated from (used in) financing activities	<u>742,793</u>	<u>(1,107,099)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>4,128</u>	<u>18,486</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	790,588	555,719
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>611,802</u>	<u>56,083</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,402,390</u>	<u>\$ 611,802</u>

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

(Concluded)

ORIENTAL UNION CHEMICAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. GENERAL INFORMATION

Oriental Union Chemical Corporation (the “Corporation”) was incorporated in December 1975. It manufactures and markets ethylene glycols, ethylene oxide, gas oxygen, gas nitrogen, liquid nitrogen, liquid argon, monoethanolamine, ethylene carbonate, polyethylene glycol, polyoxyethylene lauryl ether and methoxy polyethylene glycols. Its stocks were listed on the Taiwan Stock Exchange (“TWSE”) on October 21, 1987.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 25, 2020.

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

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

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

- IFRS 16 “Leases”

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

Definition of a lease

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

The Corporation as lessee

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

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Corporation applies IAS 36 to all right-of-use assets.

The Corporation also applies the following practical expedients:

- 1) The Corporation applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Corporation accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Corporation uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.09%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 35,602
Less: Recognition exemption for short-term and low-value assets leases	<u>(2,322)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 33,280</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 32,605</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 32,605</u>

The Corporation as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	\$ <u>-</u>	\$ <u>32,605</u>	\$ <u>32,605</u>
Total effect on assets	\$ <u>-</u>	\$ <u>32,605</u>	\$ <u>32,605</u>
Lease liabilities - current	\$ -	\$ 9,827	\$ 9,827
Lease liabilities - non-current	<u>-</u>	<u>22,778</u>	<u>22,778</u>
Total effect on liabilities	\$ <u>-</u>	\$ <u>32,605</u>	\$ <u>32,605</u>
Total effect on equity		\$ <u>-</u>	

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of above standards and interpretations will have on the Corporation'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 measured at fair value, and net defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, 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 Corporation only financial statements, the Corporation 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 Corporation only financial statements to be the same with the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent Corporation 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 Corporation only financial statements.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

For the purpose of presenting financial statements, the functional currencies of the Corporation and its foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, work in progress and finished goods 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 in subsidiaries and associates

1) Investments in subsidiaries

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

A subsidiary is an entity controlled by the Corporation.

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

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation 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 Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary, the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation'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 Corporation'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 Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation 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 Corporation had directly disposed of the related assets or liabilities.

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

2) Investments in associates

An associate is an entity over which the Corporation has significant influence and which is not a subsidiary. The Corporation uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates.

When the Corporation 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 Corporation's proportionate interest in the associate. The Corporation 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 Corporation'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 Corporation's share of losses of an associate equals or exceeds its interest in that associate, the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Corporation 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 Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associates 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 Corporation's financial statements only to the extent that interests in the associate is not related to the Corporation.

g. Property, plant and equipment

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

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

Depreciation of 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 reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation 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.

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 Corporation becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is overdue unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

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.

1. Revenue recognition

1) Revenue from the sale of goods and rendering of services

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

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

When another party is involved in providing goods or services to a customer, the Corporation recognizes revenue in the gross amount if it controls each specified good or service before that good or service is transferred to the customer (the Corporation is a principal); otherwise, the Corporation recognizes revenue in the net amount (the Corporation is an agent).

A specified good or service is a distinct good or service, the Corporation determines whether it is a principal or an agent for each specified good or service.

The Corporation is a principal if it meets any one of the following conditions:

- a) The Corporation obtains control of a good or service from the other party before the Corporation transfers the good or service to a customer.

- b) The Corporation has a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
- c) The Corporation obtains control of a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Indicators that are used to determine whether the Corporation controls the specified good or service before it is transferred to the customer include, but are not limited to, the following:

- a) The Corporation is primarily responsible for fulfilling the promise to provide the specified good or service.
 - b) The Corporation has inventory risk before and after the specified good or service has been transferred to a customer or after transfer of control to the customer.
 - c) The Corporation has discretion in establishing the price for the specified good or service.
- 2) Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation 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.

m. Leases

2019

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

1) The Corporation as lessor

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Corporation as lessee

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

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

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

2018

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

n. Borrowing costs

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

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

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

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 services entitling them to the contributions.

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Corporation'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 payable and deferred tax.

1) Current tax

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

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

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 Corporation 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 taxes 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 Corporation'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.

Key Sources of Estimation Uncertainty

Impairment assessment of property, plant and equipment

In the process of assessing impairment, the Corporation relies on subjective judgment to determine whether the specific group of assets have indications of impairment, according to the usage of the assets and the business' characteristics. Alteration of estimates from any change in economic conditions or business strategy may lead to significant future impairment loss.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2019	2018
Cash on hand	\$ 110	\$ 110
Checking accounts and demand deposits	65,350	501,781
Cash equivalents		
Repurchase agreements collateralized by bonds	<u>1,336,930</u>	<u>109,911</u>
	<u>\$ 1,402,390</u>	<u>\$ 611,802</u>

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

	<u>December 31</u>	
	2019	2018
Bank balance	0.01%-0.33%	0.01%-0.10%
Repurchase agreements collateralized by bonds	0.52%	0.45%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Domestic mutual funds	<u>\$ 76,537</u>	<u>\$ 63,589</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	2019	2018
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 1,104,867	\$ 852,579
Unlisted shares	<u>3,065,913</u>	<u>2,813,699</u>
	<u>\$ 4,170,780</u>	<u>\$ 3,666,278</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2019	2018
<u>Non-current</u>		
Domestic investments		
Pledge certificates of deposits	\$ <u>56,043</u>	\$ <u>76,968</u>

The ranges of interest rates for the pledge certificates of deposits were approximately 0.67%-1.4% and 0.6%-1.4% per annum as of December 31, 2019 and 2018, respectively. The Corporation assesses there has not been a significant expected credit losses and an increase in credit risk since the original recognize.

Refer to Note 28 for information relating to financial assets at amortized cost as security.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2019	2018
<u>Notes receivable</u>		
Notes receivable	\$ 71,970	\$ 111,210
Less: Allowance for impairment loss	<u>(432)</u>	<u>(668)</u>
	<u>\$ 71,538</u>	<u>\$ 110,542</u>
<u>Trade receivables</u>		
Trade receivables	\$ 650,645	\$ 904,531
Less: Allowance for impairment loss	<u>(3,904)</u>	<u>(5,437)</u>
	<u>\$ 646,741</u>	<u>\$ 899,094</u>

The Corporation applies for expected credit losses, which permits the use of lifetime expected loss provision for all notes receivable and trade receivables. The expected credit losses on notes receivable and trade receivables are estimated using a past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The following table details the loss allowance of notes receivable and trade receivables.

December 31, 2019

	0 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	Total
Carrying amount	\$ 707,403	\$ 14,821	\$ 297	\$ 94	\$ 722,615
Loss allowance (Lifetime ECLs)	<u>(432)</u>	<u>(3,513)</u>	<u>(297)</u>	<u>(94)</u>	<u>(4,336)</u>
Amortized cost	<u>\$ 706,971</u>	<u>\$ 11,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,279</u>

December 31, 2018

	0 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	Total
Carrying amount	\$ 996,254	\$ 14,823	\$ 3,704	\$ 960	\$ 1,015,741
Loss allowance (Lifetime ECLs)	<u>(668)</u>	<u>(773)</u>	<u>(3,704)</u>	<u>(960)</u>	<u>(6,105)</u>
Amortized cost	<u>\$ 995,586</u>	<u>\$ 14,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009,636</u>

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

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

	2019	2018
Balance at January 1	\$ 6,105	\$ 6,318
Less: Net remeasurement of loss allowance	<u>(1,769)</u>	<u>(213)</u>
Balance at December 31	<u>\$ 4,336</u>	<u>\$ 6,105</u>

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	\$ 460,050	\$ 532,077
Work in progress	20,905	27,027
Raw materials	<u>154,959</u>	<u>273,494</u>
	<u>\$ 635,914</u>	<u>\$ 832,598</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$10,951,780 thousand and \$12,567,843 thousand, respectively. The cost of goods sold for the years ended December 31, 2019 and 2018 included reversal of inventory write-downs of \$13,828 thousand and inventory write-downs of \$10,525 thousand. The reversals of previous write-downs resulted from increased selling prices in certain markets.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in Subsidiaries

	December 31	
	2019	2018
Pacific Petrochemical (Holding) Ltd. (PPL)	\$ 5,677,414	\$ 6,177,584
Tong Fu Investment Co., Ltd. (TFIC)	1,249,609	1,155,105
Oucc (Bermuda) Holding Ltd. (OUCC Bermuda)	<u>912,198</u>	<u>378,787</u>
	<u>\$ 7,839,221</u>	<u>\$ 7,711,476</u>

Proportion of ownership and voting rights held by the Corporation were as follows:

	December 31	
	2019	2018
PPL	100%	100%
TFIC	100%	100%
OUCC (Bermuda)	100%	100%

Investments of subsidiaries were accounted for using the equity method; the share of profit or loss and other comprehensive income of those investments were calculated based on subsidiaries' financial statements which have been audited.

Refer to Note 28 for information relating to investment of TFIC pledged as loans security.

Refer to Table 7 for information relating to the detailed information of subsidiaries, including percentage of ownership and main businesses.

b. Investments in associates

In March 2018, for the need of future operational strategy, the Corporation sold all of its interest in Oriental Resource Development Ltd. for proceeds of \$170,747 thousand and resulted in the recognition of a gain in profit of \$18,966 thousand.

Liquidation processes of Kuokuang Petrochemical Technology Corporation, Ltd. completed in April 2018 and the Corporation received proceeds from the capital reduction of \$9,510 thousand, which resulted in the recognition of a gain in profit of \$137 thousand.

13. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Land	Land Improvements	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 1,591,461	\$ 320,689	\$ 602,849	\$ 14,958,889	\$ 591,274	\$ 807,764	\$ 18,872,926
Additions	-	-	-	-	-	248,133	248,133
Disposals	-	-	-	(159,330)	(9,950)	-	(169,280)
Reclassification	-	-	3,726	180,641	63,421	(251,329)	(3,541)
Balance at December 31, 2018	<u>\$ 1,591,461</u>	<u>\$ 320,689</u>	<u>\$ 606,575</u>	<u>\$ 14,980,200</u>	<u>\$ 644,745</u>	<u>\$ 804,568</u>	<u>\$ 18,948,238</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ 308,355	\$ 381,890	\$ 10,834,218	\$ 486,786	\$ -	\$ 12,011,249
Disposals	-	-	-	(151,859)	(9,950)	-	(161,809)
Depreciation expenses	-	1,968	23,195	483,363	28,740	-	537,266
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 310,323</u>	<u>\$ 405,085</u>	<u>\$ 11,165,722</u>	<u>\$ 505,576</u>	<u>\$ -</u>	<u>\$ 12,386,706</u>
Carrying amounts at December 31, 2018	<u>\$ 1,591,461</u>	<u>\$ 10,366</u>	<u>\$ 201,490</u>	<u>\$ 3,814,478</u>	<u>\$ 139,169</u>	<u>\$ 804,568</u>	<u>\$ 6,561,532</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 1,591,461	\$ 320,689	\$ 606,575	\$ 14,980,200	\$ 644,745	\$ 804,568	\$ 18,948,238
Additions	-	-	-	-	-	249,160	249,160
Disposals	-	(1,768)	(27,400)	(195,466)	(2,440)	-	(227,074)
Reclassification	-	36,747	-	134,098	21,505	(196,126)	(3,776)
Balance at December 31, 2019	<u>\$ 1,591,461</u>	<u>\$ 355,668</u>	<u>\$ 579,175</u>	<u>\$ 14,918,832</u>	<u>\$ 663,810</u>	<u>\$ 857,602</u>	<u>\$ 18,966,548</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 310,323	\$ 405,085	\$ 11,165,722	\$ 505,576	\$ -	\$ 12,386,706
Disposals	-	(1,768)	(21,060)	(193,254)	(2,440)	-	(218,522)
Depreciation expenses	-	2,128	19,853	468,497	29,584	-	520,062
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 310,683</u>	<u>\$ 403,878</u>	<u>\$ 11,440,965</u>	<u>\$ 532,720</u>	<u>\$ -</u>	<u>\$ 12,688,246</u>
Carrying amounts at December 31, 2019	<u>\$ 1,591,461</u>	<u>\$ 44,985</u>	<u>\$ 175,297</u>	<u>\$ 3,477,867</u>	<u>\$ 131,090</u>	<u>\$ 857,602</u>	<u>\$ 6,278,302</u>

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

Land improvements	15-25 years
Buildings	7-60 years
Machinery and equipment	2-20 years
Other equipment	3-20 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 1,572
Machinery	18,829
Transportation equipment	<u>3,402</u>
	<u>\$ 23,803</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 1,832</u>
Depreciation charge for right-of-use assets	
Land	\$ 345
Machinery	6,456
Transportation equipment	<u>3,833</u>
	<u>\$ 10,634</u>

Except for depreciation recognized, the Corporation had no significant addition, disposal, and impairment of right-of-use assets for the year ended December 31, 2019.

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 8,996</u>
Non-current	<u>\$ 14,919</u>

Range of discount rate for lease liabilities was 0.85%-1.17%.

c. Other lease information

2019

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

The Corporation as lessor

Operating leases relate to leasing the investment properties owned by the Corporation with lease terms between 2 and 10 years. According to the agreement, the lease can be terminated by either party by giving 2 to 3 months formal notice in writing to the other party.

15. INVESTMENT PROPERTIES

Cost

Balance at December 31, 2019 and 2018 \$ 2,023,323

	Accumulated Depreciation	Accumulated Impairment	Total
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2018	\$ 25,074	\$ 6,513	\$ 31,587
Depreciation expenses	<u>82</u>	<u>-</u>	<u>82</u>
Balance at December 31, 2018	<u>\$ 25,156</u>	<u>\$ 6,513</u>	<u>\$ 31,669</u>
Balance at January 1, 2019	\$ 25,156	\$ 6,513	\$ 31,669
Depreciation expenses	<u>83</u>	<u>-</u>	<u>83</u>
Balance at December 31, 2019	<u>\$ 25,239</u>	<u>\$ 6,513</u>	<u>\$ 31,752</u>

The investment properties of land improvements held by the Corporation which are depreciated over their estimated useful lives of 16 years using the straight-line method.

The fair value of investment properties was \$3,229,402 thousand and \$3,218,796 thousand as of December 31, 2019 and 2018, respectively. The fair value was arrived at on the basis of a valuation carried out at that date by independent qualified professional values not connected to the Corporation.

16. OTHER ASSETS

	<u>December 31</u>	
	2019	2018
<u>Other assets</u>		
Silver and catalysts	\$ 601,703	\$ 773,095
Materials	199,820	190,861
Input tax	6,437	16,042
Others	<u>56,043</u>	<u>60,936</u>
	<u>\$ 864,003</u>	<u>\$ 1,040,934</u>
Current	\$ 26,432	\$ 170,556
Non-current	<u>837,571</u>	<u>870,378</u>
	<u>\$ 864,003</u>	<u>\$ 1,040,934</u>

Other assets include silver and catalysts used in the production, parts and components for the maintenance of equipment and input tax.

17. BORROWINGS

Long-term Borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Secured borrowings</u> (Note 28)		
Long-term commercial paper payables	\$ 129,885	\$ -
<u>Unsecured borrowings</u>		
Line of credit borrowings	8,310,000	4,880,000
Long-term commercial paper payables	<u>499,722</u>	<u>1,749,388</u>
	<u>8,809,722</u>	<u>6,629,388</u>
Less: Current portion of long-term borrowings	<u>600,000</u>	<u>-</u>
Long-term borrowing	<u>\$ 8,339,607</u>	<u>\$ 6,629,388</u>
Interest rate	0.60%-1.12%	0.57%-1.17%
Maturity date	December 2021	November 2020

18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Freight payables	\$ 44,074	\$ 42,357
Payables for salaries	34,164	71,271
Payables for purchase of equipment	32,608	74,689
Payables for annual leave	18,613	18,798
Payables for employee's compensation and remuneration of directors	7,151	49,039
Payables for dividends	1,899	36,044
Others	<u>122,321</u>	<u>137,636</u>
	<u>\$ 260,830</u>	<u>\$ 429,834</u>

19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Contract liabilities	\$ 87,843	\$ 72,693
Provisions for repairs and maintenance	58,128	44,624
Others	<u>13,667</u>	<u>9,018</u>
	<u>\$ 159,638</u>	<u>\$ 126,335</u>
Current	\$ 159,638	\$ 81,711
Non-current	<u>-</u>	<u>44,624</u>
	<u>\$ 159,638</u>	<u>\$ 126,335</u>

Contract liabilities were receipts in advance.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation 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 plan

The defined benefit plan adopted by the Corporation 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 Corporation contribute 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. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 382,672	\$ 385,505
Fair value of plan assets	<u>(118,907)</u>	<u>(135,345)</u>
Net defined benefit liabilities	<u>\$ 263,765</u>	<u>\$ 250,160</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	<u>\$ 406,208</u>	<u>\$ (121,293)</u>	<u>\$ 284,915</u>
Service cost			
Current service cost	11,859	-	11,859
Net interest expense (income)	<u>5,078</u>	<u>(1,606)</u>	<u>3,472</u>
Recognized in profit or loss	<u>16,937</u>	<u>(1,606)</u>	<u>15,331</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (3,410)	\$ (3,410)
Actuarial loss - changes in demographic assumptions	4,417	-	4,417
Actuarial loss - changes in financial assumptions	4,801	-	4,801
Actuarial gain - experience adjustments	<u>(14,463)</u>	<u>-</u>	<u>(14,463)</u>
Recognized in other comprehensive income (loss)	<u>(5,245)</u>	<u>(3,410)</u>	<u>(8,655)</u>
Contributions from the employer	-	(41,431)	(41,431)
Benefits paid	<u>(32,395)</u>	<u>32,395</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 385,505</u>	<u>\$ (135,345)</u>	<u>\$ 250,160</u>
Balance at January 1, 2019	<u>\$ 385,505</u>	<u>\$ (135,345)</u>	<u>\$ 250,160</u>
Service cost			
Current service cost	10,132	-	10,132
Net interest expense (income)	<u>4,337</u>	<u>(1,601)</u>	<u>2,736</u>
Recognized in profit or loss	<u>14,469</u>	<u>(1,601)</u>	<u>12,868</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,600)	(4,600)
Actuarial loss - changes in demographic assumptions	263	-	263
Actuarial loss - changes in financial assumptions	14,297	-	14,297
Actuarial loss - experience adjustments	<u>6,749</u>	<u>-</u>	<u>6,749</u>
Recognized in other comprehensive income (loss)	<u>21,309</u>	<u>(4,600)</u>	<u>16,709</u>
Contributions from the employer	-	(15,972)	(15,972)
Benefits paid	<u>(38,611)</u>	<u>38,611</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 382,672</u>	<u>\$ (118,907)</u>	<u>\$ 263,765</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

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

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

	December 31	
	2019	2018
Discount rate(s)	0.75%	1.13%
Expected rate(s) of long - term salary increase	2.00%	2.00%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	<u>\$ (9,622)</u>	<u>\$ (9,600)</u>
0.25% decrease	<u>\$ 10,000</u>	<u>\$ 9,984</u>
Expected rate(s) of long - term salary increase		
0.25% increase	<u>\$ 9,700</u>	<u>\$ 9,721</u>
0.25% decrease	<u>\$ (9,384)</u>	<u>\$ (9,397)</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 13,133</u>	<u>\$ 13,887</u>
The average duration of the defined benefit obligation	11.1 years	11.2 years

21. EQUITY

a. Common stock

	December 31	
	2019	2018
Number of stocks authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Stocks authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>885,703</u>	<u>885,703</u>
Stocks issued	<u>\$ 8,857,031</u>	<u>\$ 8,857,031</u>

A total of 10,000 thousand stocks of the Corporation's stock were authorized to be reserved for the issuance of employee stock options.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (Note)		
Issuance of common stock	\$ 470,767	\$ 470,767
Only be used to offset a deficit		
Treasury stock transactions	318,661	294,592
Dividends unclaimed by stockholders	<u>35,794</u>	<u>-</u>
	<u>\$ 825,222</u>	<u>\$ 765,359</u>

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles of Incorporation ("Articles"), where the Corporation made 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 Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. The settlement of the dividend and bonus distribution due to a capital increase in the fiscal year should be resolved in the stockholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 22 (d) "Employee benefits expense".

In accordance with the Articles, the dividend distribution takes into consideration the characteristics of industry that the Corporation operates in and the forthcoming capital requirement and tax policy that is influenced by the Corporation's products or services, and it should be settled for the purpose of maintaining stable dividends. For the purposes of improving the financial structure effectively, coping with reinvestment, expanding capacity or other significant capital expenditures in which capital is required, when distributing stockholders' dividend, the dividend payout ratio each fiscal year shall be no less than 50% of the final surplus which is the sum of after-tax profit of the fiscal year to offset previous loss, if any, and to appropriate legal reserve and special reserve as required by law; the amount of cash dividends shall not be less than 10% of the total dividends and bonuses to be distributed to stockholders in the fiscal year.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", shall be appropriated to or reversed from a special reserve by the Corporation. Any appropriated special reserve may be reversed to the extent that the net debit balance reverses, and thereafter it is distributed.

The appropriation of earnings for 2018 and 2017 was approved in the stockholders' meetings on June 11, 2019 and June 8, 2018, respectively.

The appropriation of earnings for 2018 was approved in the stockholders' meetings on June 11, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 175,073	\$ -
Cash dividends	1,549,981	1.75

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on March 25, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,025	\$ -
Cash dividends	265,711	0.30

The appropriation of earnings for 2019 is subject to the resolution of the stockholders' meeting to be held on June 16, 2020.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation appropriated to special reserve, the amounts that were the same as the unrealized revaluation increment, the fair value of investment properties at the date of transition as the deemed cost and the cumulative translation differences transferred to retained earnings, which were \$985,545 thousand, \$787,176 thousand and \$138,408 thousand, respectively.

e. Treasury stock

The Corporation's stocks held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Stocks Held (In Thousands of Stocks)	Carrying Amount	Market Price
<u>December 31, 2019</u>			
TFIC	13,754	\$ <u>288,825</u>	\$ <u>288,825</u>
<u>December 31, 2018</u>			
TFIC	13,754	\$ <u>354,842</u>	\$ <u>354,842</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stocks nor exercise stockholders' rights on these stocks, such as rights to dividends and to vote. The subsidiaries holding treasury stock, however, retain stockholders' rights, except the rights to participate in any stock issuance for cash and to vote.

22. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2019	2018
Settlement of insurance claims (Note)	\$ 252,575	\$ 43,696
Others	<u>24,637</u>	<u>22,799</u>
	<u>\$ 277,212</u>	<u>\$ 66,495</u>

Note: The Corporation obtained insurance compensation for its business interruption caused by the fire damage.

b. Interest expense

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	\$ 68,925	\$ 57,740
Interest on lease liabilities	318	-
Other interest expense	<u>31</u>	<u>31</u>
	<u>\$ 69,274</u>	<u>\$ 57,771</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest	\$ <u>1,019</u>	\$ <u>993</u>
Capitalization rate	0.49%-1.64%	0.41%-1.18%

c. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 520,062	\$ 537,266
Intangible assets (included other assets)	10,625	11,127
Right-of-use assets	10,634	-
Investment properties	<u>83</u>	<u>82</u>
	<u>\$ 541,404</u>	<u>\$ 548,475</u>
An analysis of depreciation by function		
Operating costs	\$ 473,808	\$ 495,554
Operating expenses	56,888	41,712
Non-operating expenses and losses	<u>83</u>	<u>82</u>
	<u>\$ 530,779</u>	<u>\$ 537,348</u>

(Continued)

	For the Year Ended December 31	
	2019	2018
An analysis of amortization by function		
Operating costs	\$ 8,476	\$ 8,651
Operating expenses	<u>2,149</u>	<u>2,476</u>
	<u>\$ 10,625</u>	<u>\$ 11,127</u>
		(Concluded)

d. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Salary expense	\$ 349,822	\$ 419,431
Insurance expense	33,874	32,714
Post-employment benefits (Note 20)		
Defined contribution plans	10,442	9,664
Defined benefit plans	12,868	15,331
Other employee benefits	<u>65,720</u>	<u>65,630</u>
Total employee benefits expense	<u>\$ 472,726</u>	<u>\$ 542,770</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 293,616	\$ 317,468
Operating expenses	<u>179,110</u>	<u>225,302</u>
	<u>\$ 472,726</u>	<u>\$ 542,770</u>

In compliance with the Articles, the Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates from 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. However, if the Corporation has accumulated any deficit, the profit should be set aside for offsetting the losses. The accrued employees' compensation and remuneration of directors were \$686 thousand and \$47,960 thousand for the years ended December 31, 2019 and 2018.

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2020 and 2019 are available on the Market Observation Post System website of the TWSE.

23. INCOME TAXES

a. Major components of income tax (benefit) expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 41,127	\$ 190,372
Income tax on unappropriated earnings	15,980	1,045
Adjustments for prior periods	<u>(9,668)</u>	<u>-</u>
	<u>47,439</u>	<u>191,417</u>
Deferred tax		
In respect of the current year	(58,883)	169,082
Effect of tax rate changes	<u>-</u>	<u>(27,634)</u>
	<u>(58,883)</u>	<u>141,448</u>
Income tax (benefit) expense recognized in profit or loss	\$ <u>(11,444)</u>	\$ <u>332,865</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax	\$ <u>22,174</u>	\$ <u>2,083,589</u>
Income tax expense calculated at the statutory rate	\$ 4,435	\$ 416,718
Nondeductible expenses in determining taxable income	3,978	68
Tax-exempt income	(11,749)	(36,917)
Income tax on unappropriated earnings	15,980	1,045
Unrecognized deductible temporary differences	(14,420)	(20,415)
Adjustments for prior periods	(9,668)	-
Effect of tax rate changes	<u>-</u>	<u>(27,634)</u>
Income tax (benefit) expense recognized in profit or loss	\$ <u>(11,444)</u>	\$ <u>332,865</u>

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

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

As the status of the 2020 appropriation of earnings is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of tax rate changes	\$ -	\$ 4,389
In respect of the current year		
Remeasurement on defined benefit plans	<u>3,342</u>	<u>(1,730)</u>
Total income tax recognized in other comprehensive income	<u>\$ 3,342</u>	<u>\$ 2,659</u>

c. Current tax liabilities

	December 31	
	2019	2018
Income tax payable	<u>\$ 34,515</u>	<u>\$ 142,016</u>

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, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Recognition of loss on foreign investments using equity method	\$ 296,611	\$ 63,265	\$ -	\$ 359,876
Defined benefit obligation	50,032	(621)	3,342	52,753
Others	<u>-</u>	<u>13,128</u>	<u>-</u>	<u>13,128</u>
	<u>\$ 346,643</u>	<u>\$ 75,772</u>	<u>\$ 3,342</u>	<u>\$ 425,757</u>
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ 341,231
Property, plant and equipment	279,503	16,889	-	296,392
Investment properties	14,814	-	-	14,814
Others	<u>7,949</u>	<u>-</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 643,497</u>	<u>\$ 16,889</u>	<u>\$ -</u>	<u>\$ 660,386</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Recognition of loss on foreign investments using equity method	\$ 363,454	\$ (66,843)	\$ -	\$ 296,611
Defined benefit obligation	52,788	(5,415)	2,659	50,032
Others	<u>1,665</u>	<u>(1,665)</u>	<u>-</u>	<u>-</u>
	<u>\$ 417,907</u>	<u>\$ (73,923)</u>	<u>\$ 2,659</u>	<u>\$ 346,643</u>
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ 341,231
Property, plant and equipment	213,168	66,335	-	279,503
Investment properties	14,814	-	-	14,814
Others	<u>35,107</u>	<u>1,190</u>	<u>(28,348)</u>	<u>7,949</u>
	<u>\$ 604,320</u>	<u>\$ 67,525</u>	<u>\$ (28,348)</u>	<u>\$ 643,497</u>

e. Income tax assessments

The Corporation's tax returns through 2017 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2019	2018
Basic earnings per share	<u>\$ 0.04</u>	<u>\$ 2.01</u>
Diluted earnings per share	<u>\$ 0.04</u>	<u>\$ 2.00</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2019	2018
Earnings used in the computation of basic earnings per share	<u>\$ 33,618</u>	<u>\$ 1,750,724</u>

Weighted average number of common stock outstanding (in thousand stocks):

	For the Year Ended December 31	
	2019	2018
Weighted average number of common stock	885,703	885,703
Less: Reclassification of the Corporation's stocks held by subsidiaries	<u>(13,754)</u>	<u>(13,754)</u>
Weighted average number of common stock used in the computation of basic earnings per share	871,949	871,949
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>284</u>	<u>1,436</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>872,233</u>	<u>873,385</u>

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

25. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance. The capital structure of the Corporation consists of bank loans and equity of the Corporation.

Financial management department of the Corporation reviews the capital structure on a monthly basis. As part of this review, the financial management department considers whether there were exceptions between consolidated current ratio, consolidated debt ratio and the target ratio set by the financial management department.

26. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of non-financial assets and financial liabilities recognized in the financial statements approximate their fair values or the fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic mutual funds	\$ <u>76,537</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>76,537</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,104,867	\$ -	\$ -	\$ 1,104,867
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>3,065,913</u>	<u>3,065,913</u>
	<u>\$ 1,104,867</u>	<u>\$ -</u>	<u>\$ 3,065,913</u>	<u>\$ 4,170,780</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic mutual funds	\$ <u>63,589</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>63,589</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 852,579	\$ -	\$ -	\$ 852,579
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>2,813,699</u>	<u>2,813,699</u>
	<u>\$ 852,579</u>	<u>\$ -</u>	<u>\$ 2,813,699</u>	<u>\$ 3,666,278</u>

There were no transfers between Levels 1 and 2 in 2019 and 2018.

2) Valuation techniques and assumptions applied for the purpose of measuring fair value

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
- b) Valuation techniques and inputs applied for Level 3 fair value measurement: The significant and unobservable input parameter for unlisted investments use market-based approach mainly relates to liquidity discount rate. Market-based approach adopts the equity basis multiplier (P/B) of comparable listed companies, the fair price of the Company's stock is calculated after considering the liquidity discount parameter.

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 76,537	\$ 63,589
Financial assets at amortized cost (Note 1)	2,183,882	1,735,805
Financial assets at FVTOCI		
Equity instruments	4,170,780	3,666,278
<u>Financial liabilities</u>		
Amortized cost (Note 2)	9,881,218	7,888,526

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables and other receivables.

Note 2: The balances include financial liabilities at amortized cost, which comprise trade payables, other payables, long-term loans (including current portion) and guarantee deposits.

d. Financial risk management objectives and policies

The Corporation's major financial instruments included equity and debt investments, trade receivables, trade payables and borrowings. The Corporation's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Corporation through internal risk evaluation. 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 Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. To protect against reductions foreign assets in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Corporation managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Corporation was mainly exposed to the USD, EUR and RMB.

The following details the effects of a 5% increase or decrease in NTD (the functional currency) against the relevant foreign currencies. For a 5% strengthening/weakening of NTD against the relevant currency, the net profit would be increase/decrease of \$10,082 thousand and decrease/increase \$22,117 thousand for the years ended December 31, 2019 and 2018, respectively. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rate is 5%.

b) Interest rate risk

The Corporation was exposed to interest rate risk because of borrowing funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings, ensuring the most cost-effective hedging strategies are applied.

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 1,392,973	\$ 186,879
Financial liabilities	4,863,915	4,249,388
Cash flow interest rate risk		
Financial assets	36,922	476,743
Financial liabilities	4,100,000	2,380,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates 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 Corporation's net profit for the years ended December 31, 2019 and 2018 would have decreased/increased by \$20,315 thousand and \$9,516 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its cash flow by variable-rate bank loans.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates of open-end funds.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$3,827 thousand and \$3,179 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by \$55,243 thousand and \$42,629 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation and financial guarantees provided by the Corporation could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Corporation.

The Corporation 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 Corporation only transacts with entities that are rated good. The Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit organization.

Trade receivables consisted of a large number of unrelated customers. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk represents the potential impact to financial asset that the Corporation might encounter if counterparties or third parties breach the contracts. The Corporation evaluated credit risk exposure for contracts with positive carrying value. The Corporation evaluated the credit risk exposure as immaterial because all counterparties are reputable financial institutions and companies with credit ratings.

3) Liquidity risk

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

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

a) Liquidity and interest risk rate tables

The following table details the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ - 1,054	\$ 659,234 1,782	\$ - 6,373	\$ - 15,092
Variable interest rate liabilities	3,658	606,487	19,563	3,520,762
Fixed interest rate liabilities	<u>1,446</u>	<u>1,736</u>	<u>-</u>	<u>4,840,000</u>
	<u>\$ 6,158</u>	<u>\$ 1,269,239</u>	<u>\$ 25,936</u>	<u>\$ 8,375,854</u>

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Variable interest rate liabilities	\$ - -	\$ 800,834 -	\$ - -	\$ - 2,404,565
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,276,525</u>
	<u>\$ -</u>	<u>\$ 800,834</u>	<u>\$ -</u>	<u>\$ 6,681,090</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2019	2018
Unsecured bank borrowing limit		
Amount used	\$ 10,142,000	\$ 7,492,000
Amount unused	<u>2,278,000</u>	<u>3,668,000</u>
	<u>\$ 12,420,000</u>	<u>\$ 11,160,000</u>
Secured bank borrowing limit		
Amount used	\$ 130,000	\$ -
Amount unused	<u>-</u>	<u>130,000</u>
	<u>\$ 130,000</u>	<u>\$ 130,000</u>

27. TRANSACTIONS WITH RELATED PARTIES

The prices and payment terms of these transactions were similar to those for third parties. Details of transactions between the Corporation and other related parties are disclosed below.

<u>Related Party Name</u>	<u>Related Party Category</u>
Far Eastern New Century Corp.	Investors with significant influence over the Corporation
Asia Cement Corporation	Others
Fu-Ming Transport Corp.	Others
Fu-Da Transport Corp.	Others
Far Eastern International Bank (FEIB)	Others
Yuan Tong Investment Co., Ltd.	Others
Yuan Ding Investment Co., Ltd.	Others

a. Sale of goods

	For the Year Ended December 31	
	2019	2018
Investors that have significant influence over the Corporation		
Far Eastern New Century Corp.	\$ 1,068,220	\$ 1,911,394
Others	<u>46,901</u>	<u>43,074</u>
	<u>\$ 1,115,121</u>	<u>\$ 1,954,468</u>

b. Operating expenses

	For the Year Ended December 31	
	2019	2018
Others		
Fu-Ming Transport Corp.	\$ 173,397	\$ 172,765

c. Other income

For the Year Ended December 31
2019 **2018**

Subsidiaries	\$ <u>6,874</u>	\$ <u>7,546</u>
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d. Rental income

For the Year Ended December 31
2019 **2018**

Others		
Fu-Da Transport Corp.	\$ <u>9,694</u>	\$ <u>9,694</u>

e. Cash and cash equivalents

December 31
2019 **2018**

Others		
FEIB	\$ <u>25,943</u>	\$ <u>39,889</u>

f. Receivables from related parties

December 31
2019 **2018**

Investors that have significant influence over the Corporation		
Far Eastern New Century Corp.	\$ 86,670	\$ 59,272
Others	<u>6,706</u>	<u>4,823</u>
	<u>\$ 93,376</u>	<u>\$ 64,095</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

g. Financial assets at amortized cost

December 31
2019 **2018**

Others		
FEIB	\$ <u>55,577</u>	\$ <u>60,401</u>

h. Other payables

December 31
2019 **2018**

Others	\$ <u>28,076</u>	\$ <u>28,350</u>
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i. Acquisitions of financial assets

For the year ended December 31, 2019

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Others			<u>Shares</u>	
Oriental Petrochemical (Taiwan) Co., Ltd.	Financial assets at FVTOCI	27,301,120	Everest Textile Co., Ltd.	<u>\$ 273,011</u>

For the year ended December 31, 2018

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Others			<u>Shares</u>	
Hong Zhan International Ltd.	Financial assets at FVTOCI	5,000,000	Everest Textile Co., Ltd.	<u>\$ 65,066</u>

j. Acquisitions of investment

For the year ended December 31, 2019

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Subsidiary			<u>Shares</u>	
OUCC Bermuda	Investments accounted for using the equity method	64,072	OUCC Bermuda	<u>\$ 615,143</u>

For the year ended December 31, 2018

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Subsidiary			<u>Shares</u>	
Tong Fu Investment Co., Ltd.	Investments accounted for using the equity method	25,000,000	Tong Fu Investment Co., Ltd.	<u>\$ 250,000</u>

k. Disposals of investment accounted for using the equity method

For the year ended December 31, 2018

	Line Item	Number of Shares	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Others			<u>Shares</u>		
Yuan Ding Investment Co., Ltd.	Investment accounted for using the equity method	14,675,271	Oriental Resource Development Ltd.	<u>\$ 170,747</u>	<u>\$ 18,966</u>

1. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2019	2018
Short-term employee benefits	\$ 37,130	\$ 35,661
Post-employment benefits	<u>432</u>	<u>432</u>
	<u>\$ 37,562</u>	<u>\$ 36,093</u>

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for credit lines of deposit overdrafts, as refundable deposits with the Harbor Bureau or Customs Bureau and as guarantees for sales:

	<u>December 31</u>	
	2019	2018
Pledge deposits (financial assets at amortized cost)	<u>\$ 56,043</u>	<u>\$ 76,968</u>

As of December 31, 2019, the Corporation pledged 28,599 thousand stocks of the subsidiary TFIC as security.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of December 31, 2019, unused letters of credit for purchases of raw materials amounted to approximately \$1,106,758 thousand, purchase guarantees from banking institution amounted to \$210,000 thousand and refundable deposit with the Harbor Bureau amounted to \$15,000 thousand, respectively.
- b. Endorsements/guarantees provided to subsidiaries and associates

The Corporation

TFIC	\$ 850,000
PPL	299,800
OUCB (Bermuda)	899,400
OPYC	<u>1,199,200</u>
	<u>\$ 3,248,400</u>

FUPY

HXYZ	<u>\$ 105,077</u>
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- c. The Corporation has a long-term ethylene purchase agreement with Chinese Petroleum Corporation, Taiwan under which the Corporation is committed to purchase ethylene until December 31, 2019. The purchase price under the agreement is in U.S. dollars.
- d. The Corporation has a three-year agreement beginning from 2004, to sell ethylene glycols to major customers, namely, Far Eastern New Century Corporation, Tainan Spinning Co., Ltd., and Shinkong Synthetic Fibers Corporation. The agreement is automatically renewed for successive periods of three years unless otherwise terminated by either party with prior notice. The determined price under the agreement is in U.S. dollars.
- e. In May 2016, the Corporation signed a five-year ethylene carbonate designated production/sales agreement with Chi Mei Corporation (“CMC”). Also, the Corporation agreed to purchase from CMC any qualified ethylene glycol by-products which are produced during the manufacturing process. And the purchase price is determined by agreed upon bases. Both sides agreed that the Corporation could sell part of the output to a specific-purpose market.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation 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, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,095	29.98 (USD:NTD)	\$ 92,788
RMB	185	4.30 (RMB:NTD)	<u>795</u>
			<u>\$ 93,583</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	1,533,370	4.30 (RMB:NTD)	<u>\$ 6,589,612</u>
<u>Financial liabilities</u>			
Monetary items			
USD	9,847	29.98 (USD:NTD)	<u>\$ 295,213</u>

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,874	30.72 (USD:NTD)	<u>\$ 610,430</u>
<u>Financial liabilities</u>			
Monetary items			
USD	5,309	30.72 (USD:NTD)	\$ 163,066
EUR	143	35.20 (EUR:NTD)	<u>5,034</u>
			<u>\$ 168,100</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee Corporation 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 8)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Corporation's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Ethylene glycols business
- Special chemicals business
- Gas business
- Investment and others

The revenue and operation results and departmental assets have been disclosed in the consolidated financial statements by the reportable segments, please refer to the consolidated financial statements for details.

TABLE 1

ORIENTAL UNION CHEMICAL CORPORATION

FINANCINGS PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Amount Limits	Note
													Item	Value			
1	PPL	OUCG (Bermuda)	Receivables - related parties	Yes	\$ 314,790	\$ -	\$ -	-	Necessary for short-term financing	-	Operating capital	-	-	-	200% of net worth of the Corporation \$11,688,687	200% of net worth of the Corporation \$11,688,687	
2	OUCG (Bermuda)	OPYC	Receivables - related parties	Yes	429,747	-	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	200% of net worth of the Corporation \$1,824,396	200% of net worth of the Corporation \$1,824,396	
3	FUPY	HXYZ	Other receivables - related parties loans	Yes	330,243	330,243	330,243	4.61	Necessary for short-term financing	-	Operating capital	-	-	-	40% of net worth of the Corporation \$1,626,093	40% of net worth of the Corporation \$1,626,093	
4	TDIY	FUPY	Other receivables - related parties loans	Yes	343,798	343,798	343,798	3.6	Necessary for short-term financing	-	Operating capital	-	Promissory notes	-	40% of net worth of the Corporation \$933,579	40% of net worth of the Corporation \$933,579	

ORIENTAL UNION CHEMICAL CORPORATION

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

No.	Endorser/ Guarantor	Endorsee/Guaranteed		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Corporation	TFIC	2	50% of net worth of the Corporation \$6,762,003	\$ 950,000	\$ 850,000	\$ 617,000	\$ -	6.29	100% of net worth of the Corporation \$13,524,005	Y	N	N	
		PPL	2	50% of net worth of the Corporation \$6,762,003	899,400	299,800	-	-	2.22	100% of net worth of the Corporation \$13,524,005	Y	N	N	
		OUCC (Bermuda)	2	50% of net worth of the Corporation \$6,762,003	1,499,000	899,400	-	-	6.65	100% of net worth of the Corporation \$13,524,005	Y	N	N	
		OPYC	3	50% of net worth of the Corporation \$6,762,003	1,199,200	1,199,200	1,065,773	-	8.87	100% of net worth of the Corporation \$13,524,005	Y	N	Y	
		FUPY	6	50% of net worth of the Corporation \$6,762,003	449,700	-	-	-	-	100% of net worth of the Corporation \$13,524,005	Y	N	Y	
1	FUPY	HXYZ	6	50% of net worth of FUPY \$2,032,616	107,222	105,077	105,077	-	2.49	100% of net worth of FUPY \$4,065,232	N	N	Y	

Note: The relationships between the endorser/guarantor and the endorsee/guaranteed are listed below:

2. Represents the entity whose voting shares are exceed fifty percent (50%) owned directly or indirectly by the Corporation.
3. The company that owns directly or indirectly hold over fifty percent (50%) ownership of the Corporation.
6. Represents the entity is guaranteed by the percentage of ownership to the entity under the mutual investment.

ORIENTAL UNION CHEMICAL CORPORATION

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Stocks/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	HSBC Global Themes Fund of Funds	-	Financial assets mandatorily classified as at FVTPL - current	5,754,696	\$ 76,537	-	\$ 76,537	Note 1
	Far Eastern Department Stores Ltd.	Same chairman	Financial assets at FVTOCI - non-current	14,378,228	374,553	1	374,553	Note 2
	Far Eastern New Century Corp.	Same chairman	Same as above	6,888,446	205,620	-	205,620	Note 2
	Asia Cement Corp.	Same chairman	Same as above	8,486,315	406,919	-	406,919	Note 2
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is a director of the Corporation	Same as above	12,885,683	117,775	3	117,775	Note 2
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	309,334,376	2,743,796	14	2,743,796	Note 3
	Grand Cathay Venture Capital Co., Ltd.	-	Same as above	26,666,667	230,667	17	230,667	Note 3
	Eminent Venture Capital Corp.	-	Same as above	4,500,000	31,095	10	31,095	Note 3
	Eminent II Venture Capital Corp.	-	Same as above	6,000,000	52,980	6	52,980	Note 3
	Tai An Technologies Corp.	-	Same as above	249,999	7,375	5	7,375	Note 3
TFIC	Fubon Financial Holding Co.	-	Financial assets mandatorily classified as at FVTPL - current	75,000	3,480	-	3,480	Note 2
	Standard Foods Corp.	-	Same as above	20,000	1,392	-	1,392	Note 2
	Wistron Corp.	-	Same as above	200,000	5,670	-	5,670	Note 2
	Taiwan Cement Corp.	-	Same as above	70,010	3,060	-	3,060	Note 2
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Same as above	25,000	8,275	-	8,275	Note 2
	Hon Hai Precision Industry Co., Ltd.	-	Same as above	65,000	5,902	-	5,902	Note 2
	Formosa Chemicals & Fibre Corp.	-	Same as above	60,000	5,250	-	5,250	Note 2
	Nanya Technology Corp.	-	Same as above	80,000	6,672	-	6,672	Note 2
	CSBC Corp., Taiwan	-	Same as above	137,000	3,678	-	3,678	Note 2
	Taiwan Hon Chuan Enterprise Co., Ltd.	-	Same as above	80,000	4,960	-	4,960	Note 2
	Cheng Uei Precisin Industry Co., Ltd.	-	Same as above	125,000	5,725	-	5,725	Note 2
	MediaTek Inc.	-	Same as above	10,000	4,435	-	4,435	Note 2
	President Chain Store Corp.	-	Same as above	27,000	8,208	-	8,208	Note 2
	Yuanta S&P GSCI Gold ER Futures ETF	-	Same as above	50,000	1,092	-	1,092	Note 2
	The Corporation	Treasury stock	Financial assets at FVTOCI - non-current	13,753,554	288,825	2	288,825	Note 2
	Far Eastern International Commercial Bank ("FEIC")	The chairman of the Corporation is FEIC's director	Same as above	29,387,288	351,178	1	351,178	Note 2
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is the Corporation's parent corporation's director	Same as above	11,712,847	107,055	2	107,055	Note 2
	Yue Ding Enterprise Corp.	Related party in substance	Same as above	5,228,340	79,837	5	79,837	Note 3
	Ding Shen Investment Co., Ltd.	Related party in substance	Same as above	39,600,000	375,012	18	375,012	Note 3
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	98,759,902	876,000	4	876,000	Note 3

Note 1: The net asset value of the fund as of December 31, 2019.

Note 2: The market value was calculated at closing price on December 31, 2019 provided by the TWSE.

Note 3: The net asset value was calculated based on the latest assessments.

ORIENTAL UNION CHEMICAL CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note)	Relationship (Note)	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Corporation	<u>Stocks</u> Oriental Petrochemical (Taiwan) Co., Ltd.	Financial assets at FVTOCI - non-current	-	-	282,033,256	\$ 2,884,990	27,301,120	\$ 273,011	-	\$ -	\$ -	\$ -	309,334,376	\$ 3,158,001
TFIC	<u>Stocks</u> Oriental Petrochemical (Taiwan) Co., Ltd.	Financial assets at FVTOCI - non-current	-	-	90,043,587	900,436	8,716,315	87,163	-	-	-	-	98,759,902	987,599

Note: Investors whose marketable securities are accounted for using the equity method must fill out those columns, the rest will be exempted.

ORIENTAL UNION CHEMICAL CORPORATION

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	Far Eastern New Century Corp.	Same chairman	Sale	\$ (1,068,220)	(5)	Same as those to unrelated parties	-	-	\$ 86,670	9	-
FUPY	OPYC	Same parent	Sale	(859,104)	(4)	Same as those to unrelated parties	-	-	15,709	2	-
TDIY	FUPY	Same parent	Sale	(611,056)	(3)	Same as those to unrelated parties	-	-	141,356	14	-
			Purchase	509,193	2	Same as those to unrelated parties	-	-	(61,482)	(5)	-
FUPY	HXYZ	Equity-method investee	Purchase	272,278	1	Same as those to unrelated parties	-	-	-	-	-

ORIENTAL UNION CHEMICAL CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance		Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
TDIY	FUPY	Same parent	Other receivables	\$ 343,798	Note	-	-	\$ -	\$ -
		Same parent	Receivables	141,356	4.28	-	-	10,557	-

Note: The ending balance is primarily consisted of other receivables which include borrowings.

ORIENTAL UNION CHEMICAL CORPORATION

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	Stocks	%	Carrying Amount			
The Corporation	PPL TFIC OUCC (Bermuda)	British Virgin Islands	Investment	US\$ 192,972	US\$ 192,972	148,356	100	\$ 5,677,414	\$ (258,700)	\$ (258,700)	Note
			Enterprise and financial institution investments	\$ 1,110,000	\$ 1,110,000	146,658,995	100	1,249,609	33,726	9,657	
		British Bermuda Islands	Investment	US\$ 90,000	US\$ 70,000	103,580	100	912,198	(57,623)	(57,623)	

Note: The ending balance includes 28,599,328 stocks pledged to financial institutions.

ORIENTAL UNION CHEMICAL CORPORATION

INFORMATION OF INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outflow	Inflow							
OPSC	Manufacture and sale of purified terephthalic acid.	US\$ 241,310	Indirect	US\$ 92,886	US\$ -	US\$ -	US\$ 92,886	RMB 31,360	39	\$ 54,323 (Note 2)	\$ 2,004,367	\$ -	
OPYC	Manufacturing and selling ethanolamine (EA) and alcohol ethoxylates (AEO).	US\$ 80,000	Indirect	US\$ 70,000	US\$ 10,000	US\$ -	US\$ 80,000	RMB (11,236)	100	(50,360) (Note 2)	863,585	-	
FUPY	Manufacture and sale of ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide.	US\$ 132,000	Indirect	US\$ 66,000	US\$ -	US\$ -	US\$ 66,000	RMB (157,032)	50	(351,594) (Note 2)	2,020,417	-	Note 3
TDIY	Manufacturing and selling gas oxygen, gas nitrogen, liquid oxygen, liquid nitrogen and liquid argon and the warehousing management of ethylene.	US\$ 67,000	Indirect	US\$ 33,500	US\$ -	US\$ --	US\$ 33,500	RMB 28,089	50	62,950 (Note 2)	1,166,974	-	Note 3
HXYZ	The production and sales of hot water (non-potable water) and steam; the erection and maintenance of heat-supply pipelines; the consultancy service in heat-supply technologies.	RMB 160,000	Indirect	-	-	-	-	RMB 100,524	25	224,831 (Note 2)	358,545	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US\$272,386	US\$272,386	(Note 1)

Note 1: The Corporation obtained certificate No. 10620425530 from Industrial Development Bureau, Ministry of Economic Affairs according to the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China", the accumulation of fund is not limited.

Note 2: Based on audited financial statements.

Note 3: Significant non-controlling interests.

ORIENTAL UNION CHEMICAL CORPORATION

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ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Maturity Date	Interest Rate (%)	Amount
Bank balance			
Repurchase agreements collateralized by bonds	January 15, 2020	0.52	\$ 1,336,930
Checking accounts			28,428
Demand deposits (Note)			36,922
Petty cash			<u>110</u>
			<u>\$ 1,402,390</u>

Note: Including demand deposits of US\$886 thousand and the exchange rate was US\$1=NT\$29.98.

ORIENTAL UNION CHEMICAL CORPORATION**STATEMENT OF NOTES AND TRADE ACCOUNTS RECEIVABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Client Name	Notes Receivable	Trade Receivables	Total
Related parties			
Far Eastern New Century Corp.	\$ -	\$ 86,670	\$ 86,670
Others (Note)	<u>-</u>	<u>6,706</u>	<u>6,706</u>
	<u>-</u>	<u>93,376</u>	<u>93,376</u>
Unrelated parties			
SINO-Japan Chemical Co., Ltd.	64,680	4,002	68,682
Tainan Spinning Co., Ltd.	-	104,682	104,682
Shinkong Synthetic Fibers Corp.	-	77,390	77,390
Lealea Enterprise Co., Ltd.	-	60,900	60,900
Hung Chou Fiber Industry Co., Ltd.	-	36,621	36,621
Others (Note)	<u>7,290</u>	<u>273,674</u>	<u>280,964</u>
	<u>71,970</u>	<u>557,269</u>	<u>629,239</u>
Less: Allowance for impairment loss	<u>432</u>	<u>3,904</u>	<u>4,336</u>
	<u>\$ 71,538</u>	<u>\$ 646,741</u>	<u>\$ 718,279</u>

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

ORIENTAL UNION CHEMICAL CORPORATION

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

	Beginning Balance		Increase		Decrease		Adjustments on Equity Method Amount	Ending Balance			Net Assets Value
	Thousands Shares	Amount	Thousands Shares	Amount	Thousands Shares	Amount		Thousands Shares	Percentage of Ownership (%)	Amount	
PPL	148	\$ 6,177,584	-	\$ -	-	\$ -	\$ (500,170)	148	100	\$ 5,677,414	\$ 5,844,344
TFIC	143,445	1,155,105	3,214	-	-	-	94,504	146,659	100	1,249,609 (Note 2)	1,538,434
OUCC (Bermuda)	40	<u>378,787</u>	64	<u>615,143</u>	-	-	<u>(81,732)</u>	104	100	<u>912,198</u>	912,198
		<u>\$ 7,711,476</u>		<u>\$ 615,143</u>		<u>\$ -</u>	<u>\$ (487,398)</u>			<u>\$ 7,839,221</u>	

Note 1: Adjustments on equity method amount include:

a) Share of loss of subsidiaries and associates, accounted for using equity method	\$ (306,666)
b) Exchange differences on translating the financial statements of foreign operations	(265,580)
c) Changes in the Corporation's share of the equity of associates and subsidiaries	60,779
d) Changes in capital surplus from dividends distributed to subsidiaries	<u>24,069</u>
	<u>\$ (487,398)</u>

Note 2: The ending balance includes \$28,599 stocks pledged to financial institutions.

ORIENTAL UNION CHEMICAL CORPORATION

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Summary	Number of Shares (In Thousands)	Proceeds	Fair Value (Each)	Fair Value (Total)	Note
Current						
HSBC Global Themes Fund of Funds	Bound Fund	5,755	<u>\$ 80,080</u>	\$ 13.30	<u>\$ 76,537</u>	-

ORIENTAL UNION CHEMICAL CORPORATION

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

Financial Instruments Name	Balance, January 1, 2019 (Note)		Additions in Investment		Decrease in Investment		Adjustments on Financial Instruments	Balance, December 31, 2019		Accumulated Impairment	Provide a Guarantee or Pledge
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value		
Asia Cement Corp.	8,486	\$ 288,110	-	\$ -	-	\$ -	\$ 118,809	8,486	\$ 406,919	NA	None
Far Eastern Department Stores Ltd.	14,378	225,738	-	-	-	-	148,815	14,378	374,553	NA	None
Everest Textile Co., Ltd.	12,633	146,543	253	-	-	-	(28,768)	12,886	117,775	NA	None
Far Eastern New Century Corp.	6,888	192,188	-	-	-	-	13,432	6,888	205,620	NA	None
Oriental Petrochemical (Taiwan) Co., Ltd.	282,033	2,510,096	27,301	273,011	-	-	(39,311)	309,334	2,743,796	NA	None
Grand Cathay Venture Capital Co., Ltd.	26,667	228,000	-	-	-	-	2,667	26,667	230,667	NA	None
Eminent Venture Capital Corp.	4,500	24,211	-	-	-	-	6,884	4,500	31,095	NA	None
Eminent II Venture Capital Corp.	6,000	47,400	-	-	-	-	5,580	6,000	52,980	NA	None
Tai An Technologies Corp.	250	3,992	-	-	-	-	3,383	250	7,375	NA	None
		<u>\$ 3,666,278</u>		<u>\$ 273,011</u>		<u>\$ -</u>	<u>\$ 231,491</u>		<u>\$ 4,170,780</u>		

Note: Please refer to Note 3.

ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Marubeni Taiwan Co. Ltd.	\$ 200,176
CPC Corp., Taiwan	196,049
Taiwan Power Company	77,265
Mitsubishi Corp.	70,994
Mitsui & Co., Ltd.	48,011
Others (Note)	<u>66,739</u>
	<u>\$ 659,234</u>

Note: Each of the suppliers was less than 5% of the total account balance.

ORIENTAL UNION CHEMICAL CORPORATION

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

Item	Quantity (Ton)	Amount
Ethylene oxide and ethylene glycol products	367,146	\$ 6,675,619
Special chemicals products	130,366	4,092,927
Gas products	391,418	<u>994,090</u>
		<u>\$ 11,762,636</u>

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

Item	Amount
Raw materials, beginning of year	\$ 273,494
Add: Raw material purchased	8,933,228
Catalysts roll-in	174,399
Less: Raw materials, end of year	154,959
Others	<u>1,290</u>
Direct raw material used	9,224,872
Direct labor	72,039
Manufacturing expenses	<u>1,062,412</u>
Manufacturing cost	10,359,323
Work in process, beginning of year	27,027
Add: Work in process purchased	8,938
Less: Work in process, end of year	<u>20,905</u>
Cost of finished goods	10,374,383
Finished goods, beginning of year	532,077
Add: Finished goods purchased	517,768
Others	8,611
Less: Finished goods, end of year	460,050
Others	<u>21,009</u>
Operating costs	<u>\$ 10,951,780</u>

ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss Reversed	Total
Salaries	\$ 36,240	\$ 38,082	\$ 66,469	\$ -	\$ 140,791
Freight	260,254	-	-	-	260,254
Export sales expenses	93,850	-	-	-	93,850
Repair and maintenance expense	31,659	5,977	13,270	-	50,906
Depreciation expenses	32,304	702	23,882	-	56,888
Others (Note)	<u>53,404</u>	<u>45,659</u>	<u>57,772</u>	<u>(1,769)</u>	<u>155,066</u>
	<u>\$ 507,711</u>	<u>\$ 90,420</u>	<u>\$ 161,393</u>	<u>\$ (1,769)</u>	<u>\$ 757,755</u>

Note: Total amount of each item in others does not exceed 5% of the account balance.

ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019				2018			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total
Labor cost								
Salary expenses	\$ 209,031	\$ 139,130	\$ -	\$ 348,161	\$ 231,272	\$ 170,875	\$ -	\$ 402,147
Insurance expenses	21,481	12,393	-	33,874	21,278	11,436	-	32,714
Pension	13,219	10,091	-	23,310	14,374	10,621	-	24,995
Board compensation	-	1,661	-	1,661	-	17,284	-	17,284
Others	49,885	15,835	-	65,720	50,544	15,086	-	65,630
	<u>\$ 293,616</u>	<u>\$ 179,110</u>	<u>\$ -</u>	<u>\$ 472,726</u>	<u>\$ 317,468</u>	<u>\$ 225,302</u>	<u>\$ -</u>	<u>\$ 542,770</u>
Depreciation expenses	\$ 473,808	\$ 56,888	\$ 83	\$ 530,779	\$ 495,554	\$ 41,712	\$ 82	\$ 537,348
Amortization expenses	\$ 8,476	\$ 2,149	\$ -	\$ 10,625	\$ 8,651	\$ 2,476	\$ -	\$ 11,127

Note 1: For the years ended December 31, 2019 and 2018, the average numbers of the Corporation's employees were 376 and 382, respectively, and the numbers of directors who were not employees were both 8.

Note 2: For the years ended December 31, 2019 and 2018, the average labor cost were 1,280 thousands and 1,405 thousands.

Note 3: For the years ended December 31, 2019 and 2018, the average salary expenses were 946 thousands and 1,075 thousands.

Note 4: Average Adjustment of salary expenses were (12%).

VII. Review and Analysis of the Financial Position and Performance and Risk Management

1. Financial Position Review

Review and analysis of consolidated financial position

Currency unit: NTD thousand

Item	Year	2019	2018	Variance	
				Amount	%
Current assets		\$ 7,603,164	\$ 6,808,358	\$ 794,806	12
Property, plant and equipment		14,939,620	15,998,671	(1,059,051)	(7)
Intangible assets		20,235	22,811	(2,576)	(11)
Other assets		14,300,097	13,568,380	731,717	5
Total assets		36,863,116	36,398,220	464,896	1
Current liabilities		10,706,121	9,680,967	1,025,154	11
Non-current liabilities		9,433,400	8,129,538	1,303,862	16
Total liabilities		20,139,521	17,810,505	2,329,016	13
Capital stock		8,857,031	8,857,031	0	0
Capital surplus		825,222	765,359	59,863	8
Retained earnings		4,778,341	6,308,071	(1,529,730)	(24)
Other equities		(748,791)	(775,481)	26,690	3
Treasury stock		(187,798)	(187,798)	0	0
Interest attributable to parent company		13,524,005	14,967,182	(1,443,177)	(10)
Non-controlling interest		3,199,590	3,620,533	(420,943)	(12)
Total equities		16,723,595	18,587,715	(1,864,120)	(10)
Note: The causes of changes in analysis of more than 20%: 1. The decrease in retained earnings was a result of the decline of 2019 operating income of the parent company.					

2. Financial Performance Analysis

Analysis on consolidated financial performance

Currency unit: NTD thousand

	2019	2018	Increase (decrease)	Ratio (%)
Operating revenue	\$ 22,341,227	\$ 32,115,817	\$(9,774,590)	(30)
Operating cost	22,363,514	27,817,014	(5,453,500)	(20)
Gross profit (loss)	(22,287)	4,298,803	(4,321,090)	(101)
Operating expenses	988,316	1,000,162	(11,846)	(1)
Operating income (loss)	(1,010,603)	3,298,641	(4,309,244)	(131)
Non-operating revenue and expense	342,704	(118,626)	461,330	389
Profit (Loss) before income tax	(667,899)	3,180,015	(3,847,914)	(121)
Income tax benefit	(412,547)	792,957	(1,205,504)	(152)
Net profit (loss)	(255,352)	2,387,058	(2,642,410)	(111)
Other comprehensive income (loss)	(118,650)	29,884	(148,534)	(497)
Total comprehensive income (loss)	(374,002)	2,416,942	(2,790,944)	(115)

1. Notes to increase/decrease:

- (1) The increase in operating revenue, gross loss, operating loss, loss before income tax, net loss and total comprehensive loss was mainly due to the plunging of EG product prices over the price of prime raw material ethylene in 2019.
- (2) The loss increase of operating income, profit before income tax, net profit, total comprehensive income, net income attributable to mother company, and total comprehensive income attributable to non-controlling interest was mainly due to the plunging of EG prices in 2019.
- (3) The increase in income tax benefit was resulted from the accrual of deferred income tax.
- (4) The increase of other comprehensive loss was due to the increase in foreign currency exchange loss of the overseas operative organization in 2019.

2. The crucial factors of 2020 sales volume forecast, and the continuous growth or decline reflected from such forecast are based on the follows: The optimal production rates of EG, GAS and Specialty Chemicals to create the best profits are to follow the overall operation strategy of the Company. (Please refer to "Letter to Shareholders" for detail).

3. Cash Flow Review and Analysis

3.1 Analysis of change in cash flow of last year

Currency unit: NTD thousand

Year	Balance of cash-beginning	Net cash flow from operating activities over the year	Cash outflow over the year	Surplus (deficit)	Remedy for deficit in cash	
					Investment plan	Financing plan
2019	1,910,500	(747,297)	1,935,351	3,098,554	—	—

1. Analysis of changes in cash flow

- (1) Operating activities: primarily operating capital outflow.
- (2) Investment activities: primarily capital expenditure and re-investment.
- (3) Financing activities: primarily for the loan repayment and cash dividend distribution.

2. Remedy for cash deficit and liquidity analysis: N/A

3.2 Analysis of change in cash flow of next year

Currency unit: NTD thousand

Year	Balance of cash-beginning	Net cash flow from operating activities over the year	Cash outflow over the year	Surplus (deficit)	Remedy for deficit in cash	
					Investment plan	Financing plan
2020	3,098,554	2,148,000	(3,354,000)	1,892,554	—	—

1. Analysis of changes in cash flow

- (1) Cash flow from operating activities: It is expected that the cash inflow from operating activities will be NTD 2,148,000 thousand this year.
- (2) Projected cash outflow: primarily from the projects and cash dividend expenditures; it is expected that the cash outflow from investment and financing activities will be NTD 3,354,000 thousand in 2020.

2. Remedy for cash deficit: N/A

4. The effect of major capital expenditure on the financial position and operation of the company

4.1 Status of utilization of major capital expenditure and source of capital

Domestic capital expenditure

Currency unit: NTD thousand

Item	Project	Actual source of capital	Est. date of completion	Total capital expenditure	Status of capital utilization			
					Up till 2017	2018	2019	2020 estimated
(1)	Collaborative construction of ethylene storage tank at the Intercontinental Port of Kaohsiung Harbor	Own capital and financing	2022.5	\$1,000,000	—	—	\$21,602	\$500,000
(2)	Installment of SC plant	Own capital and financing	2021.6	\$420,000	—	—	—	\$100,000
(3)	Paving & rain/polluted water diversion revamp and detention pond construction	Own capital and financing	2020.2	\$79,223	\$33,299	\$24,544	\$20,687	\$693
(4)	EOPD polyether polyol development	Own capital and financing	2020.6	\$75,000	\$15,692	\$30,235	\$12,474	\$16,599
(5)	Waste water recovery in Linyuan	Own capital and financing	2020.6	\$68,000	\$230	\$10,374	\$25,267	\$32,129

Overseas capital expenditure

Currency unit: RMB thousand

Item	Project	Actual source of capital	Est. date of completion	Total capital expenditure	Status of capital utilization			
					2017	2018	2019	2020 estimated
(1)	Oriental Petrochemical (Yangzhou) Corp project on processes and pipeline revamp of EOD plant	Own capital and financing	2020.7	\$500	—	—	\$98	\$402

4.2 Projected potential effects

4.2.1 Analysis of effects of the capital expenditures:

Domestic capital expenditure

- (1) The collaborative construction of ethylene storage tank at Intercontinental Port of Kaohsiung Harbor

To enhance the flexibility of procurement of major raw material for production, and reduce the risks of raw material supply and import costs.

- (2) The installment of Specialty Chemical Plant in Linyuan

To integrate vertically the current EO derivatives and increase product chain value, the Company develops with its own technology the high value-added specialty chemicals for production.

- (3) The paving & rain/polluted water diversion revamp and detention pond construction

To enhance the functions of the environmental protection facility at the Linyuan premiers, avoid the contamination risk of soil and underground water, reduce the produce of waste water as well as production cost. (Completed by end of 2019)

- (4) EOPO Polyether Polyol development

By developing the production technology of high value-added products of polyurethane (PU) and the related, to complete and enhance Polyol production capability so to increase the profit of specialty chemicals.

- (5) Waste water recovery in Linyuan

By reducing the consumption of water resources and waste effluents, the Company is able to meet its corporate social responsibility and production concept in circular economy.

Overseas capital expenditure

- (1) Oriental Petrochemical (Yangzhou) Corp, revamping project of processes and pipelines of EOD plant

The capacity adjustment of production items enables the increase of niche products, added value as well as improvement of operating profit.

- 4.2.2 The proposed capital expenditures would help to enhance the new products' competitiveness, the reliability and efficiency of the production capability, as well as the Company's identity. There would be no adverse effect on the financial position and operation of the Company.

5. Direct investment policy, the main reasons for profit or loss as well as the corrective action plan over past year, and an investment plan for next year

5.1 Reinvestment policy

The Company has invested indirectly in the business of EO, EG, GAS and storage tank in China, via its holding company, to diversify company operations, enhance its competitiveness and expand market share in China.

5.2 The main reasons for profit or loss and the corrective action plan over past year (2019)

The company's 2019 comprehensive income of associates and joint ventures totaled NTD 306,666 thousands. To cope with challenges of the overall environment, the Company strives for continuous improvement in production processes, cost-down, competitiveness, and active transformation for the development of high value-added, high tech and green products.

5.3 Substantial investment plans for next year: (please refer to p69)

6. Analysis of risk factors

6.1 Impact of interest and exchange rate changes and inflation for last year, and the future

6.1.1 The current rediscount rate 1.125% has broken the historic low of 1.25% at the financial crisis. According to the February 2019 report of the Directorate-General of Budget, Accounting & Statistics, the economic growth in 2019 was 2.71%, and CPI annual growth rate 0.56%; and, the expected economic growth in 2020 is 1.54% while CPI annual growth rate 0.62%. In view of 2020, the US new government policies and the expected trend of interest rate by FED, the uprising of global Protectionism, the subsequent development of Brexit, and the EU political and economic statuses have all added the uncertainties to the prospect of the global economy. To cope with the future economic changes, the Central Bank is expected to maintain its current quantitative easing monetary policy to boost the economy, considering the slow recovery of the domestic economy and subdued inflation outlook. With current domestic capital environment loose and the economic situation volatile, to lower the probable volatility risk of interest rate due to the global economic changes, the Company will lock in the medium- and short-term interest rates, with fixed interest rate as financing tools, in order to reduce the effects on the rising interest rate from the future economic changes and the increasing financing costs. The Company will retain observation on the trend of interest rate and implement long- and short-term financial planning, to cut down the overall financing costs.

6.1.2 The Company and its joint-venture company adopt natural hedging for spot, foreign currency assets and liabilities due to the import & export operation, based on the exchange rate at the moment and the considered accounting cost. Same strategy will be adhered in the future to retain the evaluation of exchange gain and loss caused by exchange rate changes within reasonable level to reduce possible impact on the income of the Company and its joint-venture.

6.2 Policy on high-risk, high-leverage investments, loans, endorsements and guarantees, financial derivative transactions, and other major causes of profit or loss, and future countermeasures:

6.2.1 The Company and its joint-venture have never engaged in any high-risk, high-leverage investments over past year.

6.2.2 In accordance with the "Regulations Governing the Loan of Funds and Making of Endorsements/ Guarantees by Public Companies" promulgated and enforced by the competent authority, the

Company and its subsidiaries defined its "Procedures for Capital Lending to Others", which was submitted to the Company Board of Directors and the shareholders' meeting. To comply with risk control and protect the Company from any adverse results, "Procedures for Capital Lending to Others" ratified by the Board of Directors and shareholders' meeting will be followed accordingly.

6.3 Future R&D plans and expected R&D expenditure:

In 2020, the Company will strive to develop new EOD/POD product lines and direct R&D towards the following areas:

6.3.1 R&D major capital expenditure projects as follows:

Currency unit: NTD thousand

Name of Project	Expected Result	Projected completion date	Budget (NT\$)
Propylene oxide (PO) technology	To develop technology of PO production, as feedstocks for polyether polyol, polyetheramine, and the like, for the vertical integration of product chain.	2020/12	2,000
Technology development of the special-specification raw materials for EOPO polyether polyol	To continue establishing particular ring-opening polymerization technology to produce the polyether polyol items of high value, which can be applied to the high-specs resin products.	2020/12	2,000
Amination reaction of polyether alcohol group	Synthesize a variety of polyetheramine items, used in epoxy resin and polyurethane (PU), polyamide fiber, etc.	2020/12	2,000
Derivative reaction of ethanolamine amination	Synthetic ethylene diamine, diethylenetriamine, amino ethyl ethanolamine, piperazine and other co-product items, used in resin additives, electroplating, pharmaceutical, agriculture, textile, paper, solvent, etc.	2020/12	2,000
Synthesis and manufacturing process development of the new type concrete additives	To develop a series of products applicable to different requirements of raw materials, environment and properties	2020/12	1,500
Development of synthesis and formulation for functional dyeing / rinsing agent	Development of scouring, soaping and reducing agent for process of textile dyeing, and rinsing agent with functions as hydrophilic, soft, antibacterial, cooling, etc.	2020/12	1,500
Continued development of customized high value-added EOD/POD products	The synthesis of various alcohol/phenol/tallow amine, the polyether for UV curing resin, EO/PO copolymer for low foam surfactant	2020/12	2,000

6.3.2 Major factors critical to successful R&D:

- (1) The mass production of its own catalytic technology, including the establishment of its own catalyst mass production technology and the cooperation via OEM.
- (2) The operation of high-pressure automated successive reaction equipment and the test of catalyst lifetime.
- (3) Establish the ring-opening polymerization technology of high-value special-spec polyether polyol as well as the application status of downstream customers.
- (4) Establish reductive amination technology for the production of related aminated derivatives as well as the application status of downstream customers.
- (5) Establish purification separation technology and equipment.
- (6) Establish full comprehension of concrete raw materials and performance requirements, and provide the down-stream customers with overall solutions.
- (7) Establish the control over free radical polymerization conditions to secure the stability of production process and product quality.
- (8) Develop full comprehension of the textile & dyeing processes to provide environmentally-friendly rinsing agents that can reduce energy consumption and waste disposal.
- (9) Establish the control over esterification/transesterification reaction conditions to secure the stability of production process and product quality.

6.4 Changes in important policies and the legal environment at home and abroad, and the effect on Company financial status and operation, and countermeasures:

- 6.4.1 Company management will closely monitor the changes in important policies and the legal environment at home and abroad, and have the professional entity provide suggestions and countermeasures.
- 6.4.2 In addition to the insurance for assets risk transfer, the Company conducts regular reviews on customers' status prior to deciding the credit ratings and allowances in the Credit Committee, to lower the risk exposure in terms of finance.

6.5 The technological and industrial changes, and their effect on the financial status and operation of the Company, and countermeasures:

Following the advent of a new era of the global internet and the big data, the Company is introducing the intelligent network and the Industry 4.0 technology into the development of its business and manufacturing process, as the products of EO derivatives are inclined to refinement and customization.

The Company has endeavored to transform itself into a SC company to disperse the business risk, especially in the light of the recent and rapid economic growth on the Mainland. With the increase in its average per capita income, the demand for personal care products, detergents, medical care, civil engineering and textile has become substantial. In consideration of the source of raw materials, the Company has established EOD plants in Taiwan and Yangzhou, China, planning to introduce new PO manufacturing process and develop high profit POD products. With feedstocks ethylene and propylene available, the Company can further process to develop the derivatives of ethylene and propylene and related product chains based on the established technologies in epoxidation, special ring-opening polymerization, high-pressure amination technology, formulation, polymerization preparation, special dispersion, end-capping, and structural design. The present plant in China is primarily engaged in the production of general EO derivatives, while Taiwan plant is in producing functional products and

development of domestic derivative products, which strategic development in technology upgrades and market shares in both Taiwan and China shall lead to the diversification in operation of the Company.

6.6 The Impact of changes in corporate identity on Company crisis management, and countermeasures:

The Company steadfastly adheres to an enterprise spirit that highlights “Sincerity, Diligence, Thrift, Prudence and Innovation”, and fulfills all their corporate social responsibilities including environmental protection, responsible care and good neighborliness. The business crisis has not resulted in any change of corporate identity.

6.7 The expected benefits and possible risks of merger or acquisition, and countermeasures:

The Company has had no plans for merger or acquisition in recent years.

6.8 Expected benefits and possible risks of facility expansion, and countermeasures:

Please refer to the statement regarding the effects of major capital expenditure on the financial position and operation of the Company over the last year referred to on Pages 110~111 of the annual report.

6.9 The risks from centralized purchasing or selling, and countermeasures

The primary supply of Ethylene, the raw material of the main Company products (EO/EG) comes from CPC in Taiwan. To ensure a stable source of material, the Company maintains a long-term stable cooperative relationship with CPC, and is seeking proactively other foreign source supply to reduce the risks attendant to single centralized purchase, to maintain normal production and sales.

Most of the Company’s products are sold on the Taiwan market, and surplus is exported to other territories. These territories and industries have been adequately dispersed and there is no likelihood of centralization.

6.10 The impact and risk associated with large share transfers or changes in shareholdings of Directors, Supervisors, or shareholders who hold more than 10% of the Company’s shares, and countermeasures: N/A

6.11 The impact and risk associated with changes in management rights, and countermeasures: N/A

6.12 Litigation and non-litigation matters which might materially affect shareholder equity or the price of securities: N/A

6.13 Other substantial risks:

The impairment impact and countermeasures of the Company’s information system to its financial operation: According to the risk levels of the information system structure to establish a highly applicable remote backup service to ensure an uninterruptible connection and service, having the backup info forwarded to a different location for preservation. To lower the unexpected natural disasters or man-made errors resulted in the risks in system interruption and further assure of the system recovery in compliance with the schedule targeted, all sorts of simulation tests and contingency drills at the hub were enhanced to ensure the normal operation and information security. In addition, the Company has stipulated the information management regulation to set up and maintain a secure environment for its information and computing system. Nonetheless, with the aforementioned policy, procedures, and information protection measures implemented, there is no guarantee that the Company’s computing systems for vital corporate functions as manufacturing and operation can be totally safeguarded from the sabotage via cyberattack of the third party.

7. Other important notes: N/A

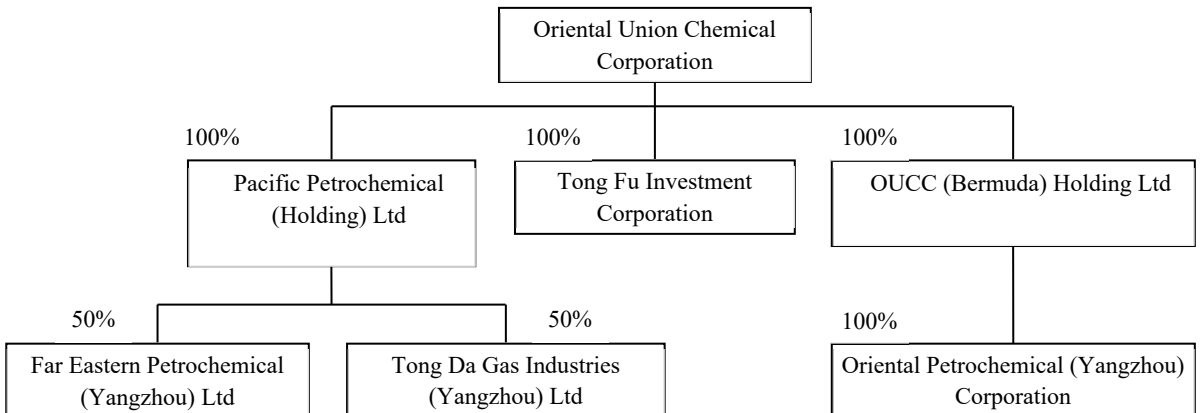
VIII. Special Disclosure

1. Information of affiliates

1.1 Consolidated financial report on affiliates

1.1.1 Organizational chart of affiliations:

Record date: April 18, 2020



1.1.2 Profiles of affiliates

Currency unit: NT\$ thousand, unless otherwise noted

Name	Date of incorporation	Address	Paid-in capital	Principal business or product lines
Tong Fu Investment Corporation	May 1998	13F, No. 101, Fu-Hsing N Road, Taipei City	NTD1,466,590	Investment
Pacific Petrochemical (Holding) Ltd	October 2002	P O Box 3140, Road Town British Virgin Islands	US\$ 148	Investment
OUC (Bermuda) Holding Ltd	September 2007	Veritas Place, 6 th Floor, 65 Court Street, Hamilton HM 12, Bermuda	US\$ 104	Investment
Oriental Petrochemical (Yangzhou) Corporation	July 2008	No. 8, Ya Tung Road, Yi Cheng City, Yangzhou	US\$80,000	Production and sale of EA, EC, AEO, PEG and MPEG
Far Eastern Union Petrochemical (Yangzhou) Ltd	May 2012	No. 8, Ya Tung Road, Yi Cheng City, Yangzhou	US\$132,200	Production of chemical engineering products (EG, MEG, DEG, TEG and EO)
Tong Da Gas Industries (Yangzhou) Ltd	December 2013	No. 8, Ya Tung Road, Yi Cheng City, Yangzhou	US\$67,000	Construction and lease of cryogenic ethylene tank, and production and sale of gas products

1.1.3 Business lines covered by the industries engaged in by affiliates: Please see the profile of affiliates.

1.1.4 The profiles of Directors, Supervisors and Presidents of affiliates.

Unit: share; %
Record date: April 18, 2020

Name	Job title	Name or representative	Shares held when appointed	
			Quantity of shares (share)	Shareholding (%)
Tong Fu Investment Corporation	Director	Oriental Union Chemical Corporation Humphrey Cheng (Chairman), Victoria Peng, Amy Cheng	146,658,995	100
	Supervisor	Judy Wang		
	President	Humphrey Cheng		
Pacific Petrochemical (Holding) Ltd	Director	Oriental Union Chemical Corporation Justin Tsai, K.S. Wu, Humphrey Cheng	148,356	100
OUCC (Bermuda) Holding Ltd	Director	Oriental Union Chemical Corporation Justin Tsai, K.S. Wu, Humphrey Cheng	103,580	100
Oriental Petrochemical (Yangzhou) Corporation	Director	OUCC (Bermuda) Holding Ltd Humphrey Cheng (Chairman) Justin Tsai, Victoria Peng, C.K. Tsai, James Chou	—	100
	Supervisor	Brian Lee		
	President	James Chou		
Far Eastern Union Petrochemical (Yangzhou) Ltd	Director	Far Eastern Petrochemical (Holding) Ltd. Humphrey Cheng (Chairman), K.S. Wu Pacific Petrochemical (H) Ltd. Justin Tsai, Victoria Peng, James Chou	—	50
	Supervisor	Judy Wang, Mike Wu		
	President	James Chou		
Tong Da Gas Industries (Yangzhou) Ltd	Director	Far Eastern Petrochemical (Holding) Ltd. Humphrey Cheng (Chairman), K.S. Wu Pacific Petrochemical (H) Ltd. Justin Tsai, Victoria Peng, James Chou	—	50
	Supervisor	Judy Wang, Mike Wu		
	President	James Chou		

1.1.5 Overview of affiliates operation:

Currency unit: NT\$ thousand, unless otherwise noted
Record date: December 31, 2019

Name	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Net Income	EPS (NT\$)
Tong Fu Investment Corporation	1,466,590	2,159,093	620,659	1,538,434	46,844	42,027	33,726	0.23
Pacific Petrochemical (H) LTD.	4,608	5,849,908	5,564	5,844,344	0	(32,234)	(258,700)	(1,743.77)
OUCC Bermuda (H) LTD.	3,214	913,096	898	912,198	0	(663)	(57,623)	(556.32)
Oriental Petrochemical (Yangzhou) Corporation	2,415,826 RMB534,423	2,398,138 558,035	1,534,553 357,083	863,585 200,952	1,211,802 270,363	(196,444) (43,828)	(50,360) (11,236)	N/A
Far Eastern Union Petrochemical (Yangzhou) LTD.	3,916,584 RMB816,111	11,530,154 2,683,009	7,464,922 1,737,050	4,065,232 945,959	9,986,641 2,228,097	(1,177,952) (262,810)	(703,840) (157,032)	N/A
Tong Da Gas Industries (Yangzhou) LTD.	2,027,982 RMB411,474	2,418,934 562,874	84,986 19,776	2,333,948 543,098	831,120 185,429	163,387 36,453	125,900 28,089	N/A



1.2 Consolidated financial statement of affiliates

Declaration of consolidated financial statement of affiliates

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Declarant:

Company name: Oriental Union Chemical Corporation

Responsible person: Douglas T. Hsu



March 25, 2020

1.3 Affiliate report: N/A

2. Private placement of securities: N/A

3. Status of company stock held or disposed of by subsidiaries over past year and up to the date of publication of the annual report:

Date: May 15, 2020 Currency unit: NTD thousand; share; %

Name of subsidiary	Paid-in capital	Source of capital	the Company's shareholding	Date of acquisition or disposal	Quantity of shares and amount	Quantity of shares from disposal and amount	Investment income	Quantity of shares held up to the date of publication of the annual report and amount	Status of pledge	Amount of endorsement/guarantee made by the Company for a subsidiary	Amount loaned by the Company to a subsidiary
Tong Fu Investment Corporation	1,496,943	—	100%	—	—	—	—	Quantity of shares held 13,754 thousand shares Amount 187,798	—	1,450,000	—

4. Other supplementary notes: N/A

5. Any matters of material significance that could have affected shareholder equity or securities price last year and up to the date of publication of the annual report, pursuant to the regulation of article 26-3-2 of securities laws: N/A

Oriental Union Chemical Corporation



Chairman of the Board

徐旭東





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Oriental Union Chemical Corp.

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