Oriental Union Chemical Corporation and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as 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.

Very truly yours,

ORIENTAL UNION CHEMICAL CORPORATION

By

DOUGLAS TONG HSU
Chairman

March 19, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China ("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, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The Impairment Loss of Property, Plant and Equipment

The consolidated balances of property, plant and equipment amounted to $15,063,737 thousand as of December 31, 2018. 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 41% 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, 2018 and 2017 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

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

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the 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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 32)	$ 1,910,500	5	$ 1,946,019	6
Financial assets at fair value through profit or loss (Note 7)	78,069	-	32,240	-
Available-for-sale financial assets (Note 10)	-	-	68,711	-
Notes receivable, net (Note 13)	785,625	2	848,921	2
Trade receivables, net (Note 13)	1,162,447	3	1,135,483	3
Trade receivables from related parties (Notes 13 and 32)	70,183	-	167,885	1
Other receivables (Notes 13 and 32)	61,545	-	66,044	-
Inventories (Note 14)	1,630,103	5	2,249,856	6
Prepayments for leases (Note 19)	12,587	-	11,370	-
Prepayments for purchases (Note 32)	326,976	1	600,603	2
Other prepayments	201,199	1	343,538	1
Other current assets (Note 20)	569,124	2	655,082	2
Total current assets	6,808,358	19	8,125,752	23
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 8 and 32)	5,307,418	15	-	-
Available-for-sale financial assets (Notes 10 and 32)	-	-	1,098,562	3
Financial assets at amortized cost (Notes 9, 32 and 33)	76,968	-	-	-
Financial assets measured at cost (Notes 11 and 32)	-	-	3,541,901	10
Debt investments with no active market (Notes 12, 32 and 33)	-	-	75,976	-
Investments accounted for using the equity method (Notes 16 and 32)	2,188,879	6	2,231,770	6
Property, plant and equipment (Note 17)	15,063,737	41	15,651,631	43
Construction in progress (Note 17)	934,934	3	1,080,678	3
Investment properties (Note 18)	1,991,654	5	1,991,736	6
Intangible assets	22,811	-	24,642	-
Deferred tax assets (Note 27)	346,643	1	417,907	1
Long-term prepayments for leases (Note 19)	393,617	1	410,543	1
Other non-current assets (Notes 20 and 32)	3,263,201	9	1,300,760	4
Total non-current assets	29,589,862	81	27,826,106	77
TOTAL	$ 36,398,220	100	$ 35,951,858	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 21 and 32)	$ 5,305,133	15	$ 5,093,292	14
Short-term bills payable	300,000	1	232,000	1
Trade payables	2,908,964	8	2,417,470	7
Trade payables to related parties (Note 32)	1,990	-	10,113	-
Other payables (Note 22)	667,978	2	567,228	2
Other payables to related parties (Note 32)	109,877	-	205,587	-
Current tax liabilities (Note 27)	216,602	1	345,937	1
Current portion of long-term borrowings (Note 21)	-	-	400,796	1
Other current liabilities (Note 23)	170,423	-	331,948	1
Total current liabilities	9,680,967	27	9,604,371	27
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 21 and 33)	7,013,325	19	7,386,230	20
Deferred tax liabilities (Note 27)	675,374	2	626,171	2
Deferred revenue	115,177	-	126,186	-
Net defined benefit liabilities (Note 24)	250,160	1	284,915	1
Guarantee deposits	30,878	-	26,554	-
Other non-current liabilities (Note 23)	44,624	-	-	-
Total non-current liabilities	8,129,538	22	8,450,056	23
Total liabilities	17,810,505	49	18,054,427	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 25)				
Common stock	8,857,031	24	8,857,031	25
Capital surplus	765,359	2	741,291	2
Retained earnings				
Legal reserve	2,150,280	6	1,976,898	6
Special reserve	1,911,129	5	1,911,129	5
Unappropriated earnings	2,246,662	6	1,733,818	5
Total retained earnings	6,308,071	17	5,621,845	16
Other equity				
Exchange differences on translating foreign operations	(290,555)	(1)	(200,949)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	(484,926)	(1)	-	-
Unrealized loss on available-for-sale financial assets	-	-	(22,321)	-
Total other equity	(775,481)	(2)	(223,270)	(1)
Treasury stock	(187,798)	-	(187,798)	(1)
NON-CONTROLLING INTERESTS	3,620,533	10	3,088,332	9
Total equity	18,587,715	51	17,897,431	50
TOTAL	$ 36,398,220	100	$ 35,951,858	100

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales revenue (Note 32)	$ 32,098,169	100	$ 28,875,576	100
Other operating revenue	17,648	-	44,234	-
Total operating revenue	32,115,817	100	28,919,810	100
COST OF GOODS SOLD (Notes 14, 26 and 32)	27,817,014	87	24,475,255	85
GROSS PROFIT	4,298,803	13	4,444,555	15
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing expenses	544,834	2	469,717	2
General and administrative expenses	283,003	1	328,513	1
Research and development expenses	172,538	-	144,604	-
Expected credit loss reversed (Note 13)	(213)	-	-	-
Total operating expenses	1,000,162	3	942,834	3
PROFIT FROM OPERATIONS	3,298,641	10	3,501,721	12
NON-OPERATING INCOME AND EXPENSES				
Interest income	54,571	-	20,933	-
Rental income (Note 32)	42,909	-	34,595	-
Dividend income	43,656	-	42,664	-
Other income	118,237	-	121,567	-
Gain on disposal of investments (Note 32)	19,103	-	171,350	1
Foreign currency exchange (loss) gain	(15,007)	-	59,802	-
(Loss) gain on financial assets at fair value through profit or loss	(6,255)	-	2,053	-
Other expenses (Note 26)	(167,934)	-	(155,537)	(1)
Interest expense (Notes 26 and 32)	(368,038)	(1)	(344,240)	(1)
Share of profit (loss) of associates accounted for using equity method	160,132	1	(397,616)	(1)
Total non-operating income and expenses	(118,626)	-	(444,429)	(2)
PROFIT BEFORE INCOME TAX	3,180,015	10	3,057,292	10
INCOME TAX EXPENSE (Note 27)	792,957	2	661,116	2
NET PROFIT FOR THE YEAR	2,387,058	8	2,396,176	8

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ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
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	$ 175,698	1	$ -	-
Remeasurement of defined benefit plans	8,655	-	(18,716)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,659	-	3,182	-
Share of the other comprehensive loss of associates accounted for using equity method	-	-	(57)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statement of foreign operations	(117,766)	(1)	(91,513)	-
Unrealized loss on available-for-sale financial assets	-	-	(137,609)	(1)
Share of the other comprehensive loss of associates accounted for using equity method	(39,362)	-	(39,204)	-
Other comprehensive income (loss) for the year, net of income tax	29,884	-	(283,917)	(1)
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	$ 2,416,942	8	$ 2,112,259	7
NET PROFIT ATTRIBUTED TO:				
Owners of the Corporation	$ 1,750,724	5	$ 1,749,409	6
Non-controlling interests	$ 636,334	2	$ 646,767	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the Corporation	$ 1,848,130	6	$ 1,508,935	5
Non-controlling interests	$ 568,812	2	$ 603,324	2
EARNINGS PER SHARE (Note 28)				
Basic	$ 2.01		$ 2.01	
Diluted	$ 2.00		$ 2.00	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation											
		Capital Surplus		Retained Earnings			Other Equity					
	Common Stock	Paid-in Capital in Excess of Par Value	Treasury Stock	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) On Available-for-sale Financial Assets	Treasury Stock	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 8,857,031	$ 647,908	$ 267,773	$ 2,457,931	$ 1,911,129	$ (481,033)	$ (113,675)	$ -	$ 115,288	$ (187,798)	$ 2,485,008	$ 15,959,562
Legal reserve used to offset deficits	-	-	-	(481,033)	-	481,033	-	-	-	-	-	-
Cash dividends from capital surplus	-	(177,141)	-	-	-	-	-	-	-	-	-	(177,141)
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,749,409	-	-	-	-	646,767	2,396,176
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(15,591)	(87,274)	-	(137,609)	-	(43,443)	(283,917)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	1,733,818	(87,274)	-	(137,609)	-	603,324	2,112,259
Change in capital surplus from dividends distributed to subsidiary	-	-	2,751	-	-	-	-	-	-	-	-	2,751
BALANCE AT DECEMBER 31, 2017	8,857,031	470,767	270,524	1,976,898	1,911,129	1,733,818	(200,949)	-	(22,321)	(187,798)	3,088,332	17,897,431
Effect of retrospective application and retrospective restatement	-	-	-	-	-	474,168	-	(660,624)	22,321	-	-	(164,135)
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

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 3,180,015	$ 3,057,292
Adjustments :		
Depreciation expenses	1,064,578	1,020,487
Amortization expenses	18,621	18,282
Expected credit loss reversed	(213)	-
Impairment loss reversed on trade receivables	-	(217)
Loss (gain) on financial assets at fair value through profit or loss, net	6,255	(2,053)
Interest expense	368,038	344,240
Interest income	(54,571)	(20,933)
Dividend income	(43,656)	(42,664)
Share of (profit) loss of associates accounted for using equity method	(160,132)	397,616
(Gain) loss on disposal of property, plant and equipment	(193)	8,532
Gain on disposal of investments	(19,103)	(194,580)
Write-downs (reversal of write-downs) of inventories	18,377	(6,480)
Unrealized gain on foreign currency exchange	(37,911)	(78,230)
Amortization of prepayments for leases	9,743	10,043
Changes in operating assets and liabilities		
Financial assets held for trading	-	11,366
Financial assets at fair value through profit or loss	16,627	-
Notes receivable	63,297	(418,754)
Trade receivables	(26,752)	(142,583)
Trade receivables from related parties	97,702	15,678
Other receivables	1,692	(7,171)
Inventories	601,534	(436,269)
Prepayments	(243,167)	(589,023)
Other current assets	85,958	651,312
Notes payable	-	(1,000)
Trade payables	491,494	1,074,915
Trade payables to related parties	(8,123)	(5,400)
Other payables	33,527	207,764
Other current liabilities	(161,525)	(20,395)
Net defined benefit liabilities	(26,100)	(17,805)
Deferred revenue	(8,982)	(8,874)
Other non-current liabilities	44,624	-
Cash generated from operations	5,311,654	4,825,096
Interest received	54,808	26,663
Interest paid	(380,272)	(355,668)
Income tax paid	(766,576)	(235,288)
Net cash generated from operating activities	4,219,614	4,260,803

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ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (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	(22,498)	-
Proceeds from disposal of financial assets at amortized cost	21,676	-
Proceeds from disposal of available-for-sale financial assets	-	613,336
Purchase of debt investments with no active market	-	(53,143)
Proceeds from sale of debt investments with no active market	-	47,370
Purchase of financial assets measured at cost	-	(360,174)
Proceeds from the capital reduction of financial assets measured at cost	-	40,000
Purchase of investments accounted for using equity method	-	(512,074)
Proceeds from disposal of investments accounted for using equity method	180,257	-
Payments for property, plant and equipment	(194,586)	(9,656)
Proceeds from disposal of property, plant and equipment	7,695	1,540
Payments for intangible assets	(693)	(327)
Increase in other non-current assets	(1,316,118)	(418,933)
Increase in construction in progress	(331,708)	(870,600)
Increase in other prepayments	(1,441)	-
Other dividend received	43,656	42,664
Net cash used in investing activities	(2,269,152)	(1,479,997)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	294,521	(1,145,925)
Proceeds from short-term bills payable	68,000	232,000
Proceeds from long-term borrowings	4,087,638	2,288,494
Repayments of long-term borrowings	(4,867,178)	(3,429,894)
Increase (decrease) in guarantee deposits	4,324	(19,257)
Dividends paid to owners of the Corporation	(1,525,912)	(174,390)
Dividends paid to non-controlling interests	(36,611)	-
Net cash used in financing activities	(1,975,218)	(2,248,972)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(10,763)	(31,527)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,519)	500,307
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,946,019	1,445,712
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,910,500	$ 1,946,019

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

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 19, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the 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 9 "Financial Instruments" and related amendments

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

      <u>Classification, measurement and impairment of financial assets</u>

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

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

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,946,019	$ 1,946,019	-
Equity securities	Held-for-trading	Mandatorily at FVTPL	32,240	32,240	-
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	1,098,562	1,098,562	a)
	Financial assets measured at cost	FVTOCI - equity instruments	3,541,901	3,377,766	a)
Mutual funds	Available-for-sale	Mandatorily at FVTPL	68,711	68,711	b)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	75,976	75,976	c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	2,218,333	2,218,333	d)

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**Remea-surements**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
FVTPL	$ 32,240	$ -	$ -	$ 32,240	$ -	$ -	-
Add: Reclassification from available-for-sale (IAS 39) Required reclassification	-	68,711	-	68,711	(11,369)	11,369	b)
	32,240	68,711	-	100,951	(11,369)	11,369	
FVTOCI							
Equity instruments	-	-	-	-	-	-	-
Add: Reclassification from financial assets measured at cost (IAS 39)	-	3,541,901	(164,135)	3,377,766	485,537	(649,672)	a)
Add: Reclassification from available-for-sale (IAS 39)	-	1,098,562	-	1,098,562	-	-	a)
	-	4,640,463	(164,135)	4,476,328	485,537	(649,672)	
Amortized cost							
Add: Reclassification from debt investments with no active market (IAS 39)	-	75,976	-	75,976	-	-	c)
	-	75,976	-	75,976	-	-	
	$ 32,240	$ 4,785,150	$ (164,135)	$ 4,653,255	$ 474,168	$ (638,303)	

a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $10,952 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of $164,135 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

   The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $485,537 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $485,537 thousand in retained earnings on January 1, 2018.

b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of $11,369 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and a decrease of $11,369 thousand in retained earnings on January 1, 2018.

c) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

d) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

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

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables and unearned revenue decreased when revenue was recognized for the relevant contract under IAS 18, and reclassified amounts of other current liabilities $252,563 thousand to contract liability.

b. 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 by the FSC for application starting from 2019

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

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

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

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

1) IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities as if IFRS 16 had been applied since the commencement date. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

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

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

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

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

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	$ 12,587	$ (12,587)	$ -
Prepayments for leases - non-current	393,617	(393,617)	-
Right-of-use assets	-	438,809	438,809
Total effect on assets	$ 406,204	$ 32,605	$ 438,809
Lease liabilities - current	$ -	$ 9,827	$ 9,827
Lease liabilities - non-current	-	22,778	22,778
Total effect on liabilities	$ -	$ 32,605	$ 32,605
Total effect on equity		$ -	

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessed other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have impacts on the Group's financial position and financial performance.

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

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

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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 15, 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 the group entities (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

<u>2018</u>

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 31.

ii. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, 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.

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.

2017

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

Loans and receivables (including trade receivables, notes receivables, cash and cash equivalents, other receivables and debt investments with no active market) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits 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.

b) Impairment of financial assets

<u>2018</u>

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

The Group always recognizes lifetime expected credit losses (i.e. 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.

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

<u>2017</u>

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. 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

2018

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

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

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:

1) The Group obtains control of a good or service from the other party before the Group transfers the good or service to a customer.

2) 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.

3) 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:

1) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.

2) 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.

3) The Group has discretion in establishing the price for the specified good or service.

2017

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

2) Dividend and interest income

Dividend income from investments is recognized when 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. Leasing

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.

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	
	2018	**2017**
Cash on hand	$ 110	$ 116
Checking accounts and demand deposits	1,755,024	1,885,504
Cash equivalents		
Time deposits with original maturities of less than 3 months	13,426	46,399
Repurchase agreements collateralized by bonds	141,940	14,000
	$ 1,910,500	$ 1,946,019

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

	December 31	
	2018	**2017**
Bank balance	0.01%-1.8%	0.01%-1.8%
Repurchase agreements collateralized by bonds	0.33%-0.45%	0.28%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	**2017**
Financial assets held for trading		
Non-derivative financial assets		
Domestic listed shares	$ -	$ 32,240
Financial assets mandatorily classified as at FVTPL		
Domestic listed shares	$ 14,480	$ -
Domestic mutual funds	63,589	-
	$ 78,069	$ -

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

Investments in equity instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Listed shares	$ 1,272,070
Unlisted shares	4,035,348
	$ 5,307,418

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. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 4, 10 and 11 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Non-current	
Domestic investments	
Pledge certificates of deposits	$ 76,968

In December 31, 2018, the pledge certificates of deposits with an annual interest rate of 0.6%-1.4%. the Corporation assesses there has not been a significant expected credit losses and an increase in credit risk since the original recognize. The deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3, Note 4 and Note 12 for information relating to their reclassification and comparative information for 2017.

Refer to Note 33 for information relating to financial assets at amortized cost as security.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic investments	
Listed shares	$ 1,098,562
Mutual funds	68,711
	$ 1,167,273
Current	$ 68,711
Non-current	1,098,562
	$ 1,167,273

11. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Domestic unlisted common stock	$ 3,541,901
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 3,541,901

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

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Pledge certificates of deposits	$ 75,976

Refer to Note 33 for information relating to debt investments with no active market pledged as security.

13. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable		
Notes receivable	$ 786,293	$ 849,590
Less: Allowance for impairment loss	(668)	(669)
	$ 785,625	$ 848,921
Trade receivables		
Trade receivables	$ 1,238,067	$ 1,309,017
Less: Allowance for impairment loss	(5,437)	(5,649)
	$ 1,232,630	$ 1,303,368
Other receivables		
Tax refund receivables	$ 32,055	$ 34,458
Interest receivables	948	1,374
Others	28,542	30,212
	$ 61,545	$ 66,044

In 2018

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all 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 forecast direction of economic conditions at the reporting date.

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

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 ECL)	(668)	(773)	(3,704)	(960)	(6,105)
Amortized cost	$ 2,001,958	$ 16,297	$ -	$ -	$ 2,018,255

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:

	2018
Balance at January 1, 2017 per IAS 39	$ 6,318
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2017 per IFRS 9	6,318
Less: Net remeasurement of loss allowance	(213)
Balance at December 31, 2018	$ 6,105

In 2017

For some trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31, 2017
Up to 60 days	$ 1,287,084
61-90 days	14,803
91-120 days	6,856
121-150 days	274
	$ 1,309,017

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

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

	December 31, 2017
Up to 60 days	$ 21,659
61-90 days	274
	$ 21,933

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

The movements of allowance for doubtful notes receivable and trade receivables were as follows:

	Collectively Assessed for Impairment
Balance at January 1, 2017	$ 6,535
Add: Impairment losses reversed	(217)
Balance at December 31, 2017	$ 6,318

14. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 1,119,503	$ 1,507,872
Work in progress	27,027	19,639
Raw materials	483,573	722,345
	$ 1,630,103	$ 2,249,856

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $27,817,014 thousand and $24,475,255 thousand, respectively. The cost of goods sold for the years ended December 31, 2018 and 2017 included inventory write-downs of $18,377 thousand and reversals of inventory write-downs of $6,480 thousand. The reversals of previous write-downs resulted from increased selling prices in certain markets.

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion of Ownership		
			December 31		
Investor	Investee	Nature of Activities	2018	2017	Remark
The Corporation	Ton Fu Investment Corp. (“TFIC”)	Investment	100	100	-
	Pacific Petrochemical (Holding) Ltd. (“PPL”)	Investment	100	100	-
	OUCC (Bermuda) Holding Ltd. (“OUCC (Bermuda)”)	Investment	100	100	-
OUCC (Bermuda)	Oriental Petrochemical (Yangzhou) Corporation (“OPYC”)	Manufacturing and selling ethanolamine (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

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 2018	2017
FUPY	Yang Zhou, China	50%	50%
TDIY	Yang Zhou, China	50%	50%

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2018	2017	2018	2017
FUPY	$ 531,519	$ 523,291	$ 2,468,119	$ 2,007,256
TDIY	104,815	123,476	1,152,414	1,081,076
	$ 636,334	$ 646,767	$ 3,620,533	$ 3,088,332

The summarized financial information below represents amounts before intragroup eliminations.

FUPY

	December 31	
	2018	2017
Current assets	$ 3,511,520	$ 4,979,174
Non-current assets	8,774,631	7,023,638
Current liabilities	(7,317,836)	(7,285,849)
Non-current liabilities	(32,078)	(702,451)
Equity	$ 4,936,237	$ 4,014,512
Equity attributable to:		
Owners of the Corporation	$ 2,468,118	$ 2,007,256
Non-controlling interests of FUPY	2,468,119	2,007,256
	$ 4,936,237	$ 4,014,512

	For the Year Ended December 31	
	2018	2017
Revenue	$ 16,591,829	$ 15,039,482
Net profit and comprehensive income for the year	$ 1,063,038	$ 1,046,582

(Continued)

	For the Year Ended December 31	
	2018	2017
Net profit attributable to:		
Owners of the Corporation	$ 531,519	$ 523,291
Realized gain from transactions between subsidiaries	326	326
Carrying amount of FUPY investments	$ 531,845	$ 523,617
Non-controlling interests of FUPY	$ 531,519	$ 523,291
Net cash inflow (outflow) from:		
Operating activities	$ 634,290	$ 2,786,528
Investing activities	(254,153)	(207,523)
Financing activities	(985,346)	(1,699,983)
Net cash (outflow) inflow	$ (605,209)	$ 879,022

(Concluded)

TDIY

	December 31	
	2018	2017
Current assets	$ 519,709	$ 412,868
Non-current assets	1,934,589	2,064,581
Current liabilities	(147,263)	(313,050)
Non-current liabilities	(2,207)	(2,247)
Equity	$ 2,304,828	$ 2,162,152
Equity attributable to:		
Owners of the Corporation	$ 1,152,414	$ 1,081,076
Non-controlling interests of TDIY	1,152,414	1,081,076
	$ 2,304,828	$ 2,162,152

	For the Year Ended December 31	
	2018	2017
Revenue	$ 1,014,885	$ 1,038,185
Net profit and comprehensive income for the year	$ 209,630	$ 246,952
Net profit attributable to:		
Owners of the Corporation	$ 104,815	$ 123,476
Non-controlling interests of TDIY	104,815	123,476
	$ 209,630	$ 246,952
Net cash inflow (outflow) from:		
Operating activities	$ 298,806	$ 385,073
Investing activities	(8,225)	(19,293)
Financing activities	(208,492)	(406,147)
Net cash inflow (outflow)	$ 82,089	$ (40,367)

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2018	2017
Material associates		
Oriental Petrochemical (Shanghai) Corporation (“OPSC”)	$ 2,039,984	$ 1,811,865
Associates that are not individually material		
Hwa Xu Heat Supply Co. (“HXYZ”)	148,895	258,751
Oriental Resource Development Ltd. (“ORD”)	-	151,781
Kuokuang Petrochemical Technology Corporation, Ltd. (“KPTC”)	-	9,373
	$ 2,188,879	$ 2,231,770

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

Liquidation processes of KPTC 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 2018	2017
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	
	2018	2017
Current assets	$ 3,909,031	$ 4,772,635
Non-current assets	6,372,907	6,424,125
Current liabilities	(4,571,543)	(6,076,622)
Equity	$ 5,710,395	$ 5,120,138
Proportion of the Group’s ownership	39%	39%

(Continued)

	December 31	
	2018	2017
Equity attributable to the Group	$ 2,206,913	$ 1,978,794
Negative goodwill	(166,929)	(166,929)
Carrying amount	$ 2,039,984	$ 1,811,865

(Concluded)

	For the Year Ended December 31	
	2018	2017
Operating revenue	$ 19,414,759	$ 13,133,263
Total comprehensive income (loss) for the year	$ 692,105	$ (828,760)

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Net loss	$ (107,348)	$ (77,322)
Other comprehensive loss	-	(57)
Total comprehensive loss for the year	$ (107,348)	$ (77,379)

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, 2018 and 2017 were based on the associates' financial statements which have been audited for the same years.

17. 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
Cost							
Balance at January 1, 2017	$ 1,591,461	$ 320,689	$ 1,786,256	$ 24,183,760	$ 646,524	$ 1,219,534	$ 29,748,224
Additions	-	-	471	7,708	1,477	576,139	585,795
Disposals	-	-	-	(15,155)	(6,277)	-	(21,432)
Effect of foreign currency exchange differences	-	-	(23,689)	(189,618)	(1,701)	(12,986)	(227,994)
Reclassification	-	-	43,090	577,981	54,149	(702,009)	(26,789)
Balance at December 31, 2017	$ 1,591,461	$ 320,689	$ 1,806,128	$ 24,564,676	$ 694,172	$ 1,080,678	$ 30,057,804
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ 304,693	$ 462,780	$ 11,031,920	$ 528,621	$ -	$ 12,328,014
Disposals	-	-	-	(5,355)	(6,005)	-	(11,360)
Depreciation expenses	-	3,662	59,758	920,618	36,366	-	1,020,404
Effect of foreign currency exchange differences	-	-	(1,709)	(8,690)	(1,164)	-	(11,563)
Balance at December 31, 2017	$ -	$ 308,355	$ 520,829	$ 11,938,493	$ 557,818	$ -	$ 13,325,495
Carry amounts at December 31, 2017	$ 1,591,461	$ 12,334	$ 1,285,299	$ 12,626,183	$ 136,354	$ 1,080,678	$ 16,732,309

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment to Be Inspected	Total
Cost							
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	-	-	51,645	497,113	72,309	(624,608)	(3,541)
Balance at December 31, 2018	$ 1,591,461	$ 320,689	$ 1,837,024	$ 24,747,206	$ 762,751	$ 934,934	$ 30,194,065
Accumulated depreciation							
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	$ -	$ 310,323	$ 579,836	$ 12,718,597	$ 586,638	$ -	$ 14,195,394
Carry amounts at December 31, 2018	$ 1,591,461	$ 10,366	$ 1,257,188	$ 12,028,609	$ 176,113	$ 934,934	$ 15,998,671

(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	7-25 years
Buildings	6-60 years
Machinery and equipment	2-20 years
Other equipment	3-20 years

18. INVESTMENT PROPERTIES

Cost

Balance at December 31, 2018 and 2017	$ 2,023,323

	Accumulated Depreciation	Accumulated Impairment	Total
Accumulated depreciation and impairment			
Balance at January 1, 2017	$ 24,991	$ 6,513	$ 31,504
Depreciation expenses	83	-	83
Balance at December 31, 2017	$ 25,074	$ 6,513	$ 31,587
Balance at January 1, 2018	$ 25,074	$ 6,513	$ 31,587
Depreciation expenses	82	-	82
Balance at December 31, 2018	$ 25,156	$ 6,513	$ 31,669

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 $3,218,796 thousand and $3,134,582 thousand as of December 31, 2018 and 2017, 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.

19. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current assets	$ 12,587	$ 11,370
Non-current assets	393,617	410,543
	$ 406,204	$ 421,913

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

20. OTHER ASSETS

	December 31	
	2018	2017
Other assets		
Silver and catalysts	$ 2,203,479	$ 918,205
Prepayments (Note 32)	659,133	-
Materials	464,901	434,591
Input tax	266,303	504,045
Others	238,509	99,001
	$ 3,832,325	$ 1,955,842
Current	$ 569,124	$ 655,082
Non-current	3,263,201	1,300,760
	$ 3,832,325	$ 1,955,842

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

21. BORROWINGS

a. Short-term borrowings

	December 31 2018	December 31 2017
Unsecured borrowings		
Line of credit borrowings	$ 5,305,133	$ 3,317,038
Loans from related parties (Note 32)	-	1,776,254
	$ 5,305,133	$ 5,093,292
Interest rate	1.00%-4.57%	1.01%-4.57%

b. Long-term borrowings

	December 31 2018	December 31 2017
Secured borrowings (Note 33)		
Long-term commercial paper payables	$ -	$ 129,872
Unsecured borrowings		
Bank loans	5,263,937	6,357,573
Long-term commercial paper payables	1,749,388	1,299,581
	7,013,325	7,657,154
Current portion of long-term borrowings	-	400,796
Long-term borrowing	$ 7,013,325	$ 7,386,230
Interest rate	0.57%-3.43%	0.44%-5.90%
Maturity date	November 2020	October 2019

22. OTHER PAYABLES

	December 31 2018	December 31 2017
Payables for purchase of equipment	$ 109,062	$ 125,867
Payables for salaries	108,483	118,381
Payables for employee’s compensation and remuneration of directors and supervisors	49,039	48,256
Freight payables	42,357	37,448
Payables for dividends	36,044	33,465
Interest payables	20,762	32,996
Payables for annual leave	18,798	23,759
Others	283,433	147,056
	$ 667,978	$ 567,228

23. OTHER LIABILITIES

	December 31	
	2018	2017
Contract liabilities	$ 148,159	$ -
Provisions for repairs and maintenance	44,624	51,046
Receipts in advance	-	252,563
Others	22,264	28,339
	$ 215,047	$ 331,948
Current	$ 170,423	$ 331,948
Non-current	44,624	-
	$ 215,047	$ 331,948

Contract liabilities were receipts in advance.

24. 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	
	2018	2017
Present value of defined benefit obligation	$ 385,505	$ 406,208
Fair value of plan assets	(135,345)	(121,293)
Net defined benefit liabilities	$ 250,160	$ 284,915

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, 2017	$ 406,618	$ (122,614)	$ 284,004
Service cost			
Current service cost	11,699	-	11,699
Net interest expense (income)	5,083	(1,630)	3,453
Recognized in profit or loss	16,782	(1,630)	15,152
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	327	327
Actuarial loss - changes in demographic assumptions	9,093	-	9,093
Actuarial loss - experience adjustments	9,296	-	9,296
Recognized in other comprehensive income	18,389	327	18,716
Contributions from the employer	-	(32,957)	(32,957)
Benefits paid	(35,581)	35,581	-
Balance at December 31, 2017	$ 406,208	$ (121,293)	$ 284,915
Balance at January 1, 2018	$ 406,208	$ (121,293)	$ 284,915
Service cost			
Current service cost	11,859	-	11,859
Net interest expense (income)	5,078	(1,606)	3,472
Recognized in profit or loss	16,937	(1,606)	15,331
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	(14,463)	-	(14,463)
Recognized in other comprehensive income	(5,245)	(3,410)	(8,655)
Contributions from the employer	-	(41,431)	(41,431)
Benefits paid	(32,395)	32,395	-
Balance at December 31, 2018	$ 385,505	$ (135,345)	$ 250,160

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	
	2018	**2017**
Discount rate(s)	1.13%	1.25%
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	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (9,600)	$ (10,127)
0.25% decrease	$ 9,984	$ 10,542
Expected rate(s) of long - term salary increase		
0.25% increase	$ 9,721	$ 10,279
0.25% decrease	$ (9,397)	$ (9,926)

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

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 13,887	$ 14,363
The average duration of the defined benefit obligation	11.2 years	11.3 years

25. EQUITY

a. Common stock

	December 31	
	2018	**2017**
Number of stocks authorized (in thousands)	1,000,000	1,000,000
Stocks authorized	$ 10,000,000	$ 10,000,000
Number of stocks issued and fully paid (in thousands)	885,703	885,703
Stocks issued	$ 8,857,031	$ 8,857,031

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	
	2018	**2017**
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	294,592	270,524
	$ 765,359	$ 741,291

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 and supervisors before and after amendment, refer to Note 26 (c) "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. The amount of cash dividends should not be less than 10% of the total dividends and bonuses to be distributed to stockholders in the fiscal year, unless the distribution is to fulfill capital requirements such as improving the financial structure effectively, coping with reinvestment, expanding capacity or other significant capital expenditure.

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 2017 and the deficit compensations for 2016 were approved in the stockholders' meetings on June 8, 2018 and June 8, 2017, respectively. Furthermore, above stockholders' meetings resolved to offset deficit by legal reserve of $481,033 thousand and distribute cash dividends from its capital surplus of $177,141 thousand, respectively.

The appropriation of earnings for 2017 were approved in the stockholder's meetings on June 8, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 173,382	$ -
Cash dividends	1,549,980	1.75

The appropriation of earnings for 2018 had been proposed by the Corporation's board of directors on March 19, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 175,072	$ -
Cash dividends	1,549,980	1.75

The appropriation of earnings for 2018 is subject to the resolution of the stockholders' meeting to be held on June 11, 2019.

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
December 31, 2018			
TFIC	13,754	$ 354,842	$ 354,842
December 31, 2017			
TFIC	13,754	$ 435,300	$ 435,300

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.

26. NET PROFIT

a. Interest expense

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 325,614	$ 293,866
Interest on loans from related parties (Note 32)	42,393	50,345
Other interest expense	31	29
	$ 368,038	$ 344,240

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 993	$ 2,566
Capitalization rate	0.41%-1.18%	0.40%-1.36%

b. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 1,064,496	$ 1,020,404
Intangible assets (included other assets)	18,621	18,282
Investment properties	82	83
	$ 1,083,199	$ 1,038,769
An analysis of depreciation by function		
Operating costs	$ 1,012,988	$ 979,657
Operating expenses	51,508	40,747
Non-operating expenses and losses	82	83
	$ 1,064,578	$ 1,020,487
An analysis of amortization by function		
Operating costs	$ 14,190	$ 13,977
Operating expenses	4,431	4,305
	$ 18,621	$ 18,282

c. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Salary expense	$ 580,395	$ 564,419
Insurance expense	54,535	50,249
Post-employment benefits (Note 24)		
Defined contribution plans	29,628	27,709
Defined benefit plans	15,331	15,152
Other employee benefits	106,174	92,766
Total employee benefits expense	$ 786,063	$ 750,295
An analysis of employee benefits expense by function		
Operating costs	$ 478,507	$ 458,086
Operating expenses	307,556	292,209
	$ 786,063	$ 750,295

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 and supervisors. 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 and supervisors was $47,960 thousand and $47,938 thousand for the year ended December 31, 2018 and 2017.

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 and supervisors resolved by the Corporation's board of directors in 2019 and 2018 are available on the Market Observation Post System website of the TWSE.

27. INCOME TAXES

a. Major components of income tax recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 625,414	$ 537,552
Income tax on unappropriated earnings	1,045	-
Adjustments for prior years	14,449	556
	640,908	538,108
Deferred tax		
In respect of the current year	179,683	123,008
Effect of tax rate changes	(27,634)	-
	152,049	123,008
Income tax expense recognized in profit or loss	$ 792,957	$ 661,116

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 3,180,015	$ 3,057,292
Income tax expense calculated at the statutory rate	$ 636,003	$ 519,740
Nondeductible expenses in determining taxable income	23,952	23,104
Tax-exempt income	(36,917)	(52,892)
Income tax on unappropriated earnings	1,045	-
Unrecognized deductible temporary differences	(28,467)	10,826
Unrecognized loss carryforwards	40,477	31,512
Effect of different tax rate of group entities operating in other jurisdictions	170,049	128,270
Effect of tax rate changes	(27,634)	-
Adjustments for prior years	14,449	556
Income tax expense recognized in profit or loss	$ 792,957	$ 661,116

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of tax rate changes	$ 4,389	$ -
In respect of the current year		
Remeasurement on defined benefit plans	(1,730)	3,182
Total income tax recognized in other comprehensive income	$ 2,659	$ 3,182

c. Current tax liabilities

	December 31	
	2018	2017
Income tax payable	$ 216,602	$ 345,937

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compreh-ensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
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	1,665	(1,665)	-	-	-
	$ 417,907	$ (73,923)	$ 2,659	$ -	$ 346,643
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	35,107	1,190	(28,348)	-	7,949
	$ 626,171	$ 78,126	$ (28,348)	$ (575)	$ 675,374

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compreh-ensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Recognition of loss on foreign investments using equity method	$ 447,709	$ (84,255)	$ -	$ -	$ 363,454
Defined benefit obligation	49,606	-	3,182	-	52,788
Others	22,994	(20,674)	-	(655)	1,665
	$ 520,309	$ (104,929)	$ 3,182	$ (655)	$ 417,907
Deferred tax liabilities					
Land revaluation increment tax	$ 341,231	$ -	$ -	$ -	$ 341,231
Property, plant and equipment	217,431	18,079	-	(491)	235,019
Investment properties	14,814	-	-	-	14,814
Others	35,107	-	-	-	35,107
	$ 608,583	$ 18,079	$ -	$ (491)	$ 626,171

e. Income tax assessments

Except for 2015, the Corporation’s tax returns through 2016 have been assessed by the tax authorities.

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

28. EARNINGS PER SHARE

	For the Year Ended December 31 2018	2017
Basic earnings per share	$ 2.01	$ 2.01
Diluted earnings per share	$ 2.00	$ 2.00

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 2018	2017
Earnings used in the computation of basic earnings per share	$ 1,750,724	$ 1,749,409

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

	For the Year Ended December 31	
	2018	2017
Weighted average number of common stock	885,703	885,703
Less: Reclassification of the Corporation's stocks held by subsidiaries	(13,754)	(13,754)
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	1,436	996
Weighted average number of ordinary shares used in the computation of diluted earnings per share	873,385	872,945

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.

29. OPERATING LEASE ARRANGEMENTS

The Group as Lessor

Operating leases relate to leasing the investment properties owned by the Corporation with lease terms between 2 to 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.

30. 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.

31. 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, 2018

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

The financial asset at fair value through profit and loss and the available-for-sale financial asset at fair value through profit and loss in the consolidated financial statements belong to Level 1 fair value measurement for the year ended December 31, 2017.
There were no transfers between Levels 1 and 2 in 2018 and 2017.

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	
	2018	2017
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ -	$ 32,240
Mandatorily classified as at FVTPL	78,069	-
Loans and receivables (Note 1)	-	4,240,328
Available-for-sale financial assets (Note 2)	-	4,709,174
Financial assets at amortized cost (Note 3)	4,067,268	-
Financial assets at FVTOCI		
Equity instruments	5,307,418	-
Financial liabilities		
Amortized cost (Note 4)	16,338,145	16,339,270

Note 1 The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables and other receivables.

Note 2 The balances include the carrying amount of available-for-sale financial assets and financial assets measured at cost.

Note 3 The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables and other receivables.

Note 4 The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, trade payables and other payables, 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 35.

<u>Sensitivity analysis</u>

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

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 profit would be increase of $99,375 thousand and $146,118 thousand for the years ended December 31, 2018 and 2017, 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	
	2018	2017
Fair value interest rate risk		
Financial assets	$ 232,334	$ 136,375
Financial liabilities	10,238,458	9,980,501
Cash flow interest rate risk		
Financial assets	1,727,863	1,058,967
Financial liabilities	2,380,000	3,131,817

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, 2018 and 2017 would decrease/increase by $3,261 thousand and $10,364 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 profit for the year ended December 31, 2018 would have increased/decreased by $3,903 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by $63,604 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, net profit for the year ended December 31, 2017 would have increased/decreased by $1,612 thousand, as a result of the changes in fair value of held-for-trading investments and the other comprehensive income for the year ended December 31, 2017 would decrease/increase by $58,364 thousand, as a result of the changes in fair value of available-for-sale shares.

2) Credit risk

Credit risk refers to the risk that 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, 2018 and 2017, 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, 2018

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-interest bearing	$ -	$ 2,427,583	$ -	$ -
Variable interest rate liabilities	-	-	-	3,232,570
Fixed interest rate liabilities	649,700	1,423,132	3,735,636	4,257,789
	$ 649,700	$ 3,850,715	$ 3,735,636	$ 7,490,359

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	
	2018	2017
Unsecured bank borrowing limit		
Amount used	$ 16,889,000	$ 15,433,000
Amount unused	12,552,000	11,417,000
	$ 29,441,000	$ 26,850,000
Secured bank borrowing limit		
Amount used	$ -	$ 130,000
Amount unused	130,000	-
	$ 130,000	$ 130,000

32. 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.

Related Party Name	Related Party Category
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
Fu Ming Transport Corp.	Others
Fu Da Transport Corp.	Others
PET Far Eastern (Holding) Ltd.	Others
Far Eastern International Bank (FEIB)	Others

(Continued)

Related Party Name	Related Party Category
Far Eastern Industries (Shanghai) Ltd	Others
Far Eastern Industries (Yangzhou) Ltd	Others
Yuan Ding Investment Corp.	Others
Shanghai Yuanhua Logistics (Yangzhou) Co.	Others
Hong Zhan International Ltd.	Others
Nan Hwa Cement Corp.	Others
Shanghai Yuanzi Information Technology Ltd.	Others
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Others

(Concluded)

a. Sale of goods

	For the Year Ended December 31	
	2018	2017
Investors that have significant influence over the Group	$ 1,911,394	$ 1,764,391
Others	325,219	70,484
	$ 2,236,613	$ 1,834,875

b. Purchase of goods

	For the Year Ended December 31	
	2018	2017
Associates	$ 364,355	$ 360,615
Others	1,570,160	8,409
	$ 1,934,515	$ 369,024

c. Operating expenses

	For the Year Ended December 31	
	2018	2017
Others		
Fu Ming Transport Corp.	$ 172,765	$ 156,166
Others	113,961	158,252
	286,726	314,418
Associates	7,232	11,510
	$ 293,958	$ 325,928

d. Interest expense

	December 31	
	2018	2017
Others	$ 42,393	$ 50,345

e. Rental income

	For the Year Ended December 31	
	2018	2017
Others		
Fu Da Transport Corp.	$ 9,694	$ 7,039

f. Cash and cash equivalents

	December 31	
	2018	2017
Others	$ 72,530	$ 76,371

g. Receivables from related parties

	December 31	
	2018	2017
Others	$ 10,911	$ 19,906
Investors with significant influence over the Group		
Far Eastern New Century Corp.	59,272	147,979
	$ 70,183	$ 167,885

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

h. Prepayments

	December 31	
	2018	2017
Associates		
HXYZ	$ 950,029	$ 411,344
Current	$ 290,896	$ 411,344
Non-current (Note 20)	659,133	-
	$ 950,029	$ 411,344

HXYZ hasn't enhanced the rate of capacity utilization so far, in order to maintain the operational needs of stable heating-steam supply, the Group adopted the prepayment method in transaction.

i. Other receivables

	December 31	
	2018	2017
Associates		
HXYZ	$ 10,051	$ 13,155

j. Financial assets at amortized cost (Debt investments with no active market)

	December 31	
	2018	2017
Others		
FEIB	$ 60,401	$ 59,409

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

	December 31	
	2018	2017
Others		
Far Eastern Industries (Shanghai) Co., Ltd.	$ -	$ 910,900
Far Eastern Industries (Yangzhou) Co., Ltd.	-	546,540
Others	-	318,814
	$ -	$ 1,776,254

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

l. Payables to related parties

	December 31	
	2018	2017
Associates	$ 1,990	$ 8,316
Others	-	1,797
	$ 1,990	$ 10,113

m. Other payables

	December 31	
	2018	2017
Others	$ 102,558	$ 191,608
Associates	7,319	13,979
	$ 109,877	$ 205,587

n. Acquisitions of financial assets

For the year ended December 31, 2018

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Others			Shares	
Hong Zhan International Ltd.	Financial assets at FVTOCI	10,000,000	Everest Textile Co., Ltd.	$ 130,130

There was no acquisitions of financial assets in 2017.

o. Acquisitions of investment

For the year ended December 31, 2018

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Others			Shares	
Oriental Petrochemical (Taiwan) Corp.	Financial assets at FVTOCI	54,026,152	Oriental Petrochemical (Taiwan) Corp.	$ 540,262

For the year ended December 31, 2017

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Others			Shares	
Oriental Petrochemical (Taiwan) Corp.	Financial assets measured at cost - non-current	36,017,435	Oriental Petrochemical (Taiwan) Corp.	$ 360,174

p. Disposals of investment accounted for using equity method

For the year ended December 31, 2018

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

There was no disposal of investment accounted for using equity method in 2017.

q. Disposals of financial assets

For the year ended December 31, 2017

	Line Item	Number of Shares	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Others			Shares		
Yuan Tong Investment Co., Ltd.	Available-for-sale financial assets - non-current	54,103,774	Far Eastern International Bank	$ 533,485	$ 156,070

There was no disposal of financial assets in 2018.

r. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 35,661	$ 28,844
Post-employment benefits	432	432
	$ 36,093	$ 29,276

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets 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	
	2018	2017
Pledge deposits (financial assets at amortized cost/debt investments with no active market)	$ 76,968	$ 75,976

As of December 31, 2018, the Corporation pledged 28,599 thousand stocks of the subsidiary TFIC as security.

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

a. As of December 31, 2018, unused letters of credit for purchases of raw materials amounted to approximately $3,226,028 thousand, purchase guarantees from banking institution amounted to $451,000 thousand, refundable deposit with the Harbor Bureau amounted to $216,389 thousand, and project performance bond amounted to $4,479 thousand, respectively.

b. Endorsements/guarantees provided to subsidiaries and associates

The Corporation

TFIC	$ 950,000
PPL	921,450
OUCC (Bermuda)	1,535,750
OPYC	921,450
FUPY	460,725
	$ 4,789,375

FUPY

HXYZ	$ 111,659

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, 2018. 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.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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)	9,187
			$ 1,299,694
Non-monetary items			
Investments accounted for using equity method			
RMB	489,100	4.48 (RMB:NTD)	$ 2,188,879
Financial liabilities			
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)	70
			$ 3,287,186

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 77,917	4.55 (RMB:NTD)	$ 354,873
USD	3,216	29.76 (USD:NTD)	95,708
USD	411	6.53 (USD:RMB)	12,231
EUR	261	7.81 (EUR:RMB)	9,284
			$ 472,096
Non-monetary items			
Investments accounted for using equity method			
RMB	454,631	4.55 (RMB:NTD)	$ 2,070,616
Financial liabilities			
Monetary items			
USD	29,981	29.76 (USD:NTD)	$ 892,235
USD	72,105	6.53 (USD:RMB)	2,145,845
EUR	136	35.57 (EUR:NTD)	4,838
EUR	78	7.81 (EUR:RMB)	2,774
HKD	91,608	0.84 (HKD:RMB)	348,765
			$ 3,394,457

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

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ (5,798)	1 (NTD:NTD)	$ 22,095
RMB	4.56 (RMB:NTD)	(9,209)	4.51 (RMB:NTD)	37,707
		$ (15,007)		$ 59,802

36. 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)

37. 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	
	2018	2017	2018	2017
Ethylene glycols business	$ 26,793,969	$ 23,948,919	$ 2,897,424	$ 2,775,660
Special chemicals business	5,448,345	5,598,082	(127,714)	69,866
Gas business	1,700,791	1,683,546	395,244	363,929
Investment and others	17,648	44,234	(16,524)	13,669
Other eliminations and adjustments	(1,844,936)	(2,354,971)	150,211	278,597
Total operating segments	$ 32,115,817	$ 28,919,810	3,298,641	3,501,721
Non-operating income and expense			(118,626)	(444,429)
Profit before income tax			$ 3,180,015	$ 3,057,292

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	
	2018	2017
Segment assets		
Ethylene glycols business	$ 16,144,299	$ 16,242,281
Special chemicals business	4,979,602	5,512,989
Gas business	2,597,895	2,862,656
Investment and others	26,665,277	24,391,043
Other eliminations and adjustments	(13,988,853)	(13,057,111)
Total segment assets	$ 36,398,220	$ 35,951,858

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 2018 and 2017.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	TDIY	Receivables - related parties	Yes	$ 92,600	$ -	$ -	-	Necessary for short-term financing	$ -	Operating capital	$ -	-	$ -	40% of net worth of the Corporation $2,537,805	40% of net worth of the Corporation $2,537,805	
		OUCC (Bermuda)	Receivables - related parties	Yes	340,505	322,508	322,508	-	Necessary for short-term financing	-	Operating capital	-	-	-	200% of net worth of the Corporation $12,689,027	200% of net worth of the Corporation $12,689,027	
2	OUCC (Bermuda)	OPYC	Receivables - related parties	Yes	599,808	447,532	447,532	-	Necessary for short-term financing	-	Operating capital	-	-	-	200% of net worth of the Corporation $757,575	200% of net worth of the Corporation $757,575	
3	FUPY	HXYZ	Other receivables- related parties loans	Yes	234,300	223,766	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	40% of net worth of the Corporation $1,974,495	40% of net worth of the Corporation $1,974,495	
		Far Eastern Industries (Suzhou) Ltd.	Other receivables- related parties loans	Yes	138,107	-	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	40% of net worth of the Corporation $1,974,495	40% of net worth of the Corporation $1,974,495	

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 $7,483,591	$ 950,000	$ 950,000	$ 559,000	$ -	6.35	100% of net worth of the Corporation $14,967,182	Y	N	N	
		PPL	2	50% of net worth of the Corporation $7,483,591	1,313,775	921,450	-	-	6.16	100% of net worth of the Corporation $14,967,182	Y	N	N	
		OUCC (Bermuda)	2	50% of net worth of the Corporation $7,483,591	1,897,675	1,535,750	383,938	-	10.26	100% of net worth of the Corporation $14,967,182	Y	N	N	
		OPYC	2	50% of net worth of the Corporation $7,483,591	1,347,750	921,450	514,662	-	6.16	100% of net worth of the Corporation $14,967,182	Y	N	Y	
		FUPY	2	50% of net worth of the Corporation $7,483,591	1,191,470	460,725	366,529	-	3.08	100% of net worth of the Corporation $14,967,182	Y	N	Y	
1	FUPY	HXYZ	6	50% of net worth of the Corporation $2,468,119	233,831	111,659	111,435	-	2.26	100% of net worth of the Corporation $4,936,237	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.

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, 2018
(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, 2018				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	$ 63,589	-	$ 63,589	Note 1
	Far Eastern Department Stores Ltd.	Same chairman	Financial assets at FVTOCI - non-current	14,378,228	225,738	1	225,738	Note 2
	Far Eastern New Century Corp.	Same chairman	Same as above	6,888,446	192,188	-	192,188	Note 2
	Asia Cement Corp.	Same chairman	Same as above	8,486,315	288,110	-	288,110	Note 2
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is a director of the Corporation	Same as above	12,633,023	146,543	3	146,543	Note 2
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	282,033,256	2,510,096	14	2,510,096	Note 3
	Grand Cathay Venture Capital Co., Ltd.	-	Same as above	26,666,667	228,000	17	228,000	Note 3
	Eminent Venture Capital Corporation	-	Same as above	4,500,000	24,211	10	24,211	Note 3
	Eminent II Venture Capital Corporation	-	Same as above	6,000,000	47,400	6	47,400	Note 3
	Tai An Technologies Corp.	-	Same as above	249,999	3,992	5	3,992	Note 3
TFIC	Taiwan Semiconductor Manufacturing Co., Ltd	-	Financial assets mandatorily classified as at FVTPL - current	35,000	7,893	-	7,893	Note 2
	Quanta Computer Inc.	-	Same as above	125,000	6,587	-	6,587	Note 2
	The Corporation	Treasury stock	Financial assets mandatorily classified as at FVTPL - non-current	13,753,554	354,842	2	354,842	Note 2
	Far Eastern International Commercial Bank (“FEIC”)	The chairman of the Corporation is FEIC’s director	Same as above	28,628,630	286,286	1	286,286	Note 2
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is the Corporation’s parent corporation’s director	Same as above	11,483,184	133,205	2	133,205	Note 2
	Yue Ding Enterprise Corp.	Related party in substance	Same as above	4,947,144	74,949	5	74,949	Note 3
	Ding Shen Investment Co., Ltd.	Related party in substance	Same as above	39,600,000	345,312	18	345,312	Note 3
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	90,043,587	801,388	4	801,388	Note 3

Note 1: The net asset value of the fund as of December 31, 2018.

Note 2: The market value was calculated at closing price on December 31, 2018 provided by the TWSE.

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

Note 4: The information about investment in subsidiaries and associates, refer to Tables 8 and 9.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

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
TFIC	Stocks Oriental Petrochemical (Taiwan) Co., Ltd.	Financial assets at FVTOCI - non-current	-	-	36,017,435	360,174	54,026,152	$ 540,262	-	-	-	-	90,043,587	$ 900,436

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, 2018
(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	$ (1,911,394)	(6)	Same as those to unrelated parties	-	-	$ 59,272	3	-
FUPY	OPYC	Same parent	Sale	(1,108,174)	(3)	Same as those to unrelated parties	-	-	261,385	13	-
	Far Eastern Industries (Shanghai) Ltd.	Others	Sale	(207,533)	(1)	Same as those to unrelated parties	-	-	-	-	-
TDIY	FUPY	Same parent	Sale	(730,953)	(2)	Same as those to unrelated parties	-	-	144,242	7	-
			Purchase	560,757	2	Same as those to unrelated parties	-	-	(105,981)	(4)	-
FUPY	HXYZ	Equity-method investee	Purchase	318,102	1	Same as those to unrelated parties	-	-	-	-	-
	Pet Far Eastern (Holding) Ltd.	Others	Purchase	1,568,623	6	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, 2018
(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		
The Corporation	Far Eastern New Century Corporation	Same chairman	Receivables	$ 59,272	18.45	$ -	-	$ 59,272	$ -
PPL	OUCC (Bermuda)	Same parent	Other receivables - non-current	322,508	Note	-	-	-	-
	FUPY	Subsidiary	Other receivables	135,669	-	-	-	-	-
OUCC (Bermuda)	OPYC	Subsidiary	Other receivables	447,532	Note	-	-	-	-
TDIY	FUPY	Same parent	Receivables	144,242	6.59	-	-	144,242	-
FUPY	OPYC	Same parent	Receivables	261,385	5.17	-	-	261,385	-
	TDIY	Same parent	Other receivables	105,981	-	-	-	58,698	-

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, 2018
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Accounts	Amount	Transaction Terms	% to Total Sales or Assets
1	PPL	OUCC (Bermuda)	c	Other receivables - non-current	$ 322,508	Based on terms agreed upon by both parties	1
		FUPY	c	Other receivables	135,669	Based on terms agreed upon by both parties	-
		OPYC	c	Other receivables	69,233	Based on terms agreed upon by both parties	-
2	OUCC (Bermuda)	OPYC	c	Other receivables	447,532	Based on terms agreed upon by both parties	1
3	FUPY	OPYC	c	Notes receivable	217,331	Based on terms agreed upon by both parties	1
				Trade receivables	44,054	Based on terms agreed upon by both parties	-
				Sales revenue	1,108,174	Based on terms agreed upon by both parties	3
		TDIY	c	Other receivables	105,981	Based on terms agreed upon by both parties	-
				Other income	96,651	Based on terms agreed upon by both parties	-
4	TDIY	FUPY	c	Notes receivable	69,049	Based on terms agreed upon by both parties	-
				Trade receivables	75,193	Based on terms agreed upon by both parties	-
				Sales revenue	730,953	Based on terms agreed upon by both parties	2
5	OPYC	FUPY		Rental income	46,459	Based on terms agreed upon by both parties	-

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

TABLE 8

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Stocks	%	Carrying Amount			
The Corporation	PPL	British Virgin Islands	Investment	US$ 192,972	US$ 192,972	148,356	100	$ 6,177,584	$ 882,623	$ 882,623	
	TFIC	Taipei City, ROC	Enterprise and financial institution investments	$ 1,110,000	$ 860,000	143,444,736	100	1,155,105	29,152	5,084	Note 1
	OUCC (Bermuda)	British Bermuda Islands	Investment	US$ 70,000	US$ 70,000	39,508	100	378,787	(227,717)	(227,717)	
	KPTC	Taipei City, ROC	Petroleum and petrochemical products	-	109,463	-	-	-	7	1	Note 2

Note 1: The ending balance includes 28,599,328 stocks pledged to financial institutions.

Note 2: Liquidation process of KPTC completed in April 2018.

TABLE 9

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outflow	Inflow							
OPSC	Manufacture and sale of purified terephthalic acid.	US$ 241,310	Indirect	US$ 92,886	US$ -	US$ -	US$ 92,886	RMB 151,781	39	$ 267,480 (Note 2)	$ 2,039,984	$ -	
OPYC	Manufacturing and selling ethanolamine (EA) and alcohol ethoxylates (AEO).	US$ 70,000	Indirect	US$ 70,000	US$ -	US$ -	US$ 70,000	RMB (37,867)	100	(172,668) (Note 2)	637,208	-	
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 233,129	50	531,845 (Note 2)	2,455,089	-	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 45,973	50	104,815 (Note 2)	1,152,414	-	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 (47,178)	25%	(107,349) (Note 2)	148,895	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US$262,386	US$262,386	(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.