

**Oriental Union Chemical Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2019 and 2018 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders  
Oriental Union Chemical Corporation

### Introduction

We have reviewed the accompanying consolidated Balance sheets of Oriental Union Chemical Corporation and its subsidiaries (collectively, the "Group") as of June 30, 2019 and 2018, and the consolidated statements of comprehensive income for the three-month and six-month then ended, and the consolidated statements of changes in equity and cash flows for the six-month then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China ("ROC"). Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2019 and 2018, combined total assets of these non-significant subsidiaries were NT\$3,963,022 thousand and NT\$4,129,435 thousand, respectively, representing 10% and 11%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$2,387,010 thousand and NT\$2,264,740 thousand, respectively, representing 11% and 12%, respectively, of the consolidated total liabilities; for the three-month and six-month periods ended June 30, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were NT\$(27,367) thousand, NT\$(90,874) thousand, NT\$(36,325) thousand and NT\$(67,105) thousand, respectively, representing 12%, (15%), (11%) and (4%), respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 13 to the consolidated financial statements, as of June 30, 2019 and 2018, investments accounted for using the equity method were NT\$106,504 thousand and NT\$196,006 thousand, respectively; for the three-month and six-month periods ended June 30, 2019 and 2018,

the amounts of the share of loss recognized from investments accounted for using the equity method were NT\$18,606 thousand, NT\$31,148 thousand, NT\$44,308 thousand and NT\$66,034 thousand respectively. These investment amounts were calculated and disclosed on basis of the associates financial statements which have not been reviewed for the same periods.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and the financial reports of investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true in all material respects, the consolidated financial position of the Group as of June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the three-month and six-month then ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC of the ROC.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 7, 2019

### Notice to Readers

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

*For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.*

# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 6 and 29)	\$ 3,458,848	9	\$ 1,910,500	5	\$ 1,033,531	3
Financial assets at fair value through profit or loss (Note 7)	126,382	-	78,069	-	111,093	-
Financial assets at amortized cost - current (Notes 9 and 29)	402,104	1	-	-	-	-
Notes receivable, net (Note 10)	770,322	2	785,625	2	469,605	1
Trade receivables, net (Note 10)	929,275	3	1,162,447	3	1,250,591	3
Trade receivables from related parties (Notes 10 and 29)	86,510	-	70,183	-	178,185	1
Other receivables (Note 29)	80,690	-	61,545	-	69,318	-
Inventories (Note 11)	1,435,809	4	1,630,103	5	1,729,375	5
Prepayments for leases (Note 17)	-	-	12,587	-	13,635	-
Prepayments for purchases (Note 29)	420,126	1	326,976	1	853,929	2
Other prepayments	163,284	1	201,199	1	442,203	1
Other current assets (Note 18)	523,864	1	569,124	2	916,160	3
<b>Total current assets</b>	<b>8,397,214</b>	<b>22</b>	<b>6,808,358</b>	<b>19</b>	<b>7,067,625</b>	<b>19</b>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income (Notes 8 and 29)	5,980,376	16	5,307,418	15	5,259,920	14
Financial assets at amortized cost (Notes 9, 29 and 30)	54,788	-	76,968	-	54,470	-
Investments accounted for using the equity method (Notes 13 and 29)	2,241,390	6	2,188,879	6	2,051,988	6
Property, plant and equipment (Note 14)	14,714,331	38	15,063,737	41	15,599,164	43
Construction in progress (Note 14)	981,842	3	934,934	3	898,770	3
Right-of-use assets (Note 15)	431,756	1	-	-	-	-
Investment properties (Note 16)	1,991,613	5	1,991,654	5	1,991,695	5
Intangible assets	20,016	-	22,811	-	25,056	-
Deferred tax assets	376,099	1	346,643	1	438,240	1
Long-term prepayments for leases (Note 17)	-	-	393,617	1	410,190	1
Other non-current assets (Notes 18 and 29)	3,257,152	8	3,263,201	9	2,801,852	8
<b>Total non-current assets</b>	<b>30,049,363</b>	<b>78</b>	<b>29,589,862</b>	<b>81</b>	<b>29,531,345</b>	<b>81</b>
<b>TOTAL</b>	<b>\$ 38,446,577</b>	<b>100</b>	<b>\$ 36,398,220</b>	<b>100</b>	<b>\$ 36,598,970</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 19 and 29)	\$ 8,082,411	21	\$ 5,305,133	15	\$ 6,148,356	17
Short-term bills payable	200,000	-	300,000	1	300,000	1
Trade payables	1,379,267	4	2,908,964	8	1,934,561	5
Trade payables to related parties (Note 29)	3,097	-	1,990	-	473,597	1
Other payables (Note 20)	1,949,455	5	667,978	2	2,185,496	6
Other payables to related parties (Note 29)	102,691	-	109,877	-	186,252	1
Current tax liabilities	65,585	-	216,602	1	311,716	1
Lease liabilities - current (Note 15)	10,576	-	-	-	-	-
Current portion of long-term borrowings (Note 19)	-	-	-	-	40,189	-
Other current liabilities (Note 21)	237,323	1	170,423	-	155,464	-
<b>Total current liabilities</b>	<b>12,030,405</b>	<b>31</b>	<b>9,680,967</b>	<b>27</b>	<b>11,735,631</b>	<b>32</b>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 19 and 30)	7,960,489	21	7,013,325	19	5,984,090	16
Deferred tax liabilities	680,210	2	675,374	2	683,159	2
Lease liabilities - non-current (Note 15)	18,795	-	-	-	-	-
Deferred revenue	111,826	-	115,177	-	123,012	-
Net defined benefit liabilities (Note 22)	247,816	1	250,160	1	257,608	1
Guarantee deposits	26,700	-	30,878	-	23,277	-
Other non-current liabilities (Note 21)	-	-	44,624	-	23,416	-
<b>Total non-current liabilities</b>	<b>9,045,836</b>	<b>24</b>	<b>8,129,538</b>	<b>22</b>	<b>7,094,562</b>	<b>19</b>
<b>Total liabilities</b>	<b>21,076,241</b>	<b>55</b>	<b>17,810,505</b>	<b>49</b>	<b>18,830,193</b>	<b>51</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)</b>						
Common stock	8,857,031	23	8,857,031	24	8,857,031	24
Capital surplus	765,359	2	765,359	2	741,291	2
Retained earnings						
Legal reserve	2,325,353	6	2,150,280	6	2,150,280	6
Special reserve	1,911,129	5	1,911,129	5	1,911,129	5
Unappropriated earnings	548,874	1	2,246,662	6	1,581,093	4
<b>Total retained earnings</b>	<b>4,785,356</b>	<b>12</b>	<b>6,308,071</b>	<b>17</b>	<b>5,642,502</b>	<b>15</b>
Other equity						
Exchange differences on translating foreign operations	(224,753)	(1)	(290,555)	(1)	(147,764)	-
Unrealized loss on financial assets at fair value through other comprehensive income	(172,142)	-	(484,926)	(1)	(532,424)	(2)
<b>Total other equity</b>	<b>(396,895)</b>	<b>(1)</b>	<b>(775,481)</b>	<b>(2)</b>	<b>(680,188)</b>	<b>(2)</b>
Treasury stock	(187,798)	-	(187,798)	-	(187,798)	-
<b>Total equity</b>	<b>3,547,283</b>	<b>9</b>	<b>3,620,533</b>	<b>10</b>	<b>3,395,939</b>	<b>10</b>
<b>TOTAL</b>	<b>\$ 38,446,577</b>	<b>100</b>	<b>\$ 36,398,220</b>	<b>100</b>	<b>\$ 36,598,970</b>	<b>100</b>

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

(With Deloitte & Touche review report dated August 7, 2019)

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales revenue (Note 29)	\$ 6,269,678	100	\$ 7,590,237	100	\$ 12,868,449	100	\$ 15,473,401	100
Other operating revenue	<u>12</u>	-	<u>(1,253)</u>	-	<u>1,209</u>	-	<u>1,655</u>	-
Total operating revenue	<u>6,269,690</u>	<u>100</u>	<u>7,588,984</u>	<u>100</u>	<u>12,869,658</u>	<u>100</u>	<u>15,475,056</u>	<u>100</u>
COST OF GOODS SOLD (Notes 11, 24 and 29)	<u>6,320,723</u>	<u>101</u>	<u>6,454,766</u>	<u>85</u>	<u>12,649,406</u>	<u>98</u>	<u>12,981,641</u>	<u>84</u>
GROSS (LOSS) PROFIT	<u>(51,033)</u>	<u>(1)</u>	<u>1,134,218</u>	<u>15</u>	<u>220,252</u>	<u>2</u>	<u>2,493,415</u>	<u>16</u>
OPERATING EXPENSES (Notes 24 and 29)								
Selling and marketing expenses	149,247	2	132,345	2	278,176	2	248,540	2
General and administrative expenses	51,446	1	66,233	1	114,532	1	142,071	1
Research and development expenses	37,603	-	46,117	-	75,385	1	81,173	-
Expected credit loss (reversed) recognized (Note 10)	<u>(809)</u>	<u>-</u>	<u>(492)</u>	<u>-</u>	<u>(976)</u>	<u>-</u>	<u>1,077</u>	<u>-</u>
Total operating expenses	<u>237,487</u>	<u>3</u>	<u>244,203</u>	<u>3</u>	<u>467,117</u>	<u>4</u>	<u>472,861</u>	<u>3</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(288,520)</u>	<u>(4)</u>	<u>890,015</u>	<u>12</u>	<u>(246,865)</u>	<u>(2)</u>	<u>2,020,554</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	16,115	-	18,328	-	33,994	-	25,413	-
Rental income (Note 29)	14,043	-	10,698	-	20,106	-	21,372	-
Dividend income	707	-	9,767	-	707	-	9,767	-
Other income (Note 24)	13,248	-	55,861	1	363,341	3	66,354	-
Gain on disposal of investments (Note 29)	-	-	137	-	-	-	19,103	-
Foreign currency exchange (loss) gain	(5,078)	-	(77,416)	(1)	1,957	-	16,506	-
Gain (loss) on financial assets at fair value through profit or loss	2,388	-	2,648	-	10,304	-	(847)	-
Interest expense (Notes 24 and 29)	(87,565)	(1)	(98,777)	(1)	(166,027)	(1)	(186,499)	(1)
Other expenses (Note 24)	(47,915)	(1)	(38,844)	(1)	(91,221)	-	(78,519)	-
Share of profit (loss) of associates accounted for using the equity method	<u>52,028</u>	<u>1</u>	<u>(26,013)</u>	<u>-</u>	<u>30,374</u>	<u>-</u>	<u>(43,065)</u>	<u>-</u>
Total non-operating income and expenses	<u>(42,029)</u>	<u>(1)</u>	<u>(143,611)</u>	<u>(2)</u>	<u>203,535</u>	<u>2</u>	<u>(150,415)</u>	<u>(1)</u>
(LOSS) PROFIT BEFORE INCOME TAX	(330,549)	(5)	746,404	10	(43,330)	-	1,870,139	12
INCOME TAX (BENEFIT) EXPENSE (Note 25)	<u>(29,157)</u>	<u>-</u>	<u>172,796</u>	<u>3</u>	<u>38,422</u>	<u>-</u>	<u>461,572</u>	<u>3</u>
NET (LOSS) PROFIT FOR THE PERIOD	<u>(301,392)</u>	<u>(5)</u>	<u>573,608</u>	<u>7</u>	<u>(81,752)</u>	<u>-</u>	<u>1,408,567</u>	<u>9</u>

(Continued)

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
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	\$ 203,431	3	\$ 112,903	2	\$ 312,784	2	\$ 128,200	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	4,389	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statement of foreign operations	(103,727)	(2)	(51,082)	(1)	81,349	1	59,769	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(29,981)	-	(11,120)	-	20,221	-	21,147	-
Other comprehensive income for the period, net of income tax	69,723	1	50,701	1	414,354	3	213,505	1
<b>TOTAL COMPREHENSIVE (LOSS) PROFIT FOR THE PERIOD</b>	<b>\$ (231,669)</b>	<b>(4)</b>	<b>\$ 624,309</b>	<b>8</b>	<b>\$ 332,602</b>	<b>3</b>	<b>\$ 1,622,072</b>	<b>10</b>
NET (LOSS) PROFIT ATTRIBUTED TO:								
Owners of the Corporation	\$ (163,634)	(3)	\$ 493,476	7	\$ 27,266	-	\$ 1,092,080	7
Non-controlling interests	(137,758)	(2)	80,132	-	(109,018)	-	316,487	2
	<u>\$ (301,392)</u>	<u>(5)</u>	<u>\$ 573,608</u>	<u>7</u>	<u>\$ (81,752)</u>	<u>-</u>	<u>\$ 1,408,567</u>	<u>9</u>
TOTAL COMPREHENSIVE (LOSS) PROFIT ATTRIBUTED TO:								
Owners of the Corporation	\$ (47,288)	(1)	\$ 567,727	7	\$ 405,852	3	\$ 1,277,854	8
Non-controlling interests	(184,381)	(3)	56,582	1	(73,250)	-	344,218	2
	<u>\$ (231,669)</u>	<u>(4)</u>	<u>\$ 624,309</u>	<u>8</u>	<u>\$ 332,602</u>	<u>3</u>	<u>\$ 1,622,072</u>	<u>10</u>
(LOSS) EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ (0.19)</u>		<u>\$ 0.56</u>		<u>\$ 0.03</u>		<u>\$ 1.25</u>	
Diluted	<u>\$ (0.19)</u>		<u>\$ 0.56</u>		<u>\$ 0.03</u>		<u>\$ 1.25</u>	

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

(With Deloitte & Touche review report dated August 7, 2019)

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ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation						Other Equities		Treasury Stock	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus		Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income			
		Paid-in Capital in Excess of Par Value	Treasury Stock	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2018	\$ 8,857,031	\$ 470,767	\$ 270,524	\$ 1,976,898	\$ 1,911,129	\$ 2,207,986	\$ (200,949)	\$ (660,624)	\$ (187,798)	\$ 3,088,332	\$ 17,733,296
Legal reserve	-	-	-	173,382	-	(173,382)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,549,980)	-	-	-	-	(1,549,980)
Net profit for the six months ended June 30, 2018	-	-	-	-	-	1,092,080	-	-	-	316,487	1,408,567
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	4,389	53,185	128,200	-	27,731	213,505
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	1,096,469	53,185	128,200	-	344,218	1,622,072
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(36,611)	(36,611)
BALANCE AT JUNE 30, 2018	<u>\$ 8,857,031</u>	<u>\$ 470,767</u>	<u>\$ 270,524</u>	<u>\$ 2,150,280</u>	<u>\$ 1,911,129</u>	<u>\$ 1,581,093</u>	<u>\$ (147,764)</u>	<u>\$ (532,424)</u>	<u>\$ (187,798)</u>	<u>\$ 3,395,939</u>	<u>\$ 17,768,777</u>
BALANCE AT JANUARY 1, 2019	\$ 8,857,031	\$ 470,767	\$ 294,592	\$ 2,150,280	\$ 1,911,129	\$ 2,246,662	\$ (290,555)	\$ (484,926)	\$ (187,798)	\$ 3,620,533	\$ 18,587,715
Legal reserve	-	-	-	175,073	-	(175,073)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,549,981)	-	-	-	-	(1,549,981)
Net profit (loss) for the six months ended June 30, 2019	-	-	-	-	-	27,266	-	-	-	(109,018)	(81,752)
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	65,802	312,784	-	35,768	414,354
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	27,266	65,802	312,784	-	(73,250)	332,602
BALANCE AT JUNE 30, 2019	<u>\$ 8,857,031</u>	<u>\$ 470,767</u>	<u>\$ 294,592</u>	<u>\$ 2,325,353</u>	<u>\$ 1,911,129</u>	<u>\$ 548,874</u>	<u>\$ (224,753)</u>	<u>\$ (172,142)</u>	<u>\$ (187,798)</u>	<u>\$ 3,547,283</u>	<u>\$ 17,370,336</u>

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

(With Deloitte & Touche review report dated August 7, 2019)

# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	\$ (43,330)	\$ 1,870,139
Adjustments :		
Depreciation expenses	551,918	534,204
Amortization expenses	6,612	9,489
Expected credit loss (reversed) recognized	(976)	1,077
(Gain) loss on financial assets at fair value through profit or loss, net	(10,304)	847
Interest expense	166,027	186,499
Interest income	(33,994)	(25,413)
Dividend income	(707)	(9,767)
Share of (profit) loss of associates accounted for using the equity method	(30,374)	43,065
Loss (gain) on disposal of property, plant and equipment	7,346	(141)
Gain on disposal of investments	-	(19,103)
Write-downs of inventories	47,725	5,317
Unrealized loss (gain) on foreign currency exchange	18,233	(2,152)
Amortization of prepayments for leases	-	4,970
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(38,009)	(10,989)
Notes receivable	15,331	379,425
Trade receivables	234,120	(116,294)
Trade receivables from related parties	(16,327)	(10,300)
Other receivables	(50,813)	5,801
Inventories	146,796	515,192
Prepayments	(184,491)	(351,991)
Other current assets	45,260	(261,078)
Trade payables	(1,529,697)	(482,909)
Trade payables to related parties	1,107	463,484
Other payables	(243,110)	18,917
Other current liabilities	22,276	(176,484)
Net defined benefit liabilities	(2,344)	(27,307)
Deferred revenue	(4,500)	(4,568)
Other non-current liabilities	-	23,416
Cash (used in) generated from operations	(926,225)	2,563,346
Interest received	34,319	25,916
Interest paid	(159,728)	(172,435)
Income tax paid	(183,701)	(456,370)
Net cash (used in) generated from operating activities	(1,235,335)	1,960,457

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# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (360,174)	\$ (670,392)
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	-	15,000
(Payments for) proceeds from disposal of financial assets at amortized cost	(379,924)	21,676
Proceeds from disposal of investments accounted for using the equity method	-	180,257
Payments for property, plant and equipment	(16,278)	(45,302)
Proceeds from disposal of property, plant and equipment	1,206	2,060
Payments for intangible assets	(24)	(720)
Decrease (increase) in other non-current assets	125,754	(1,507,692)
Increase in construction in progress	(177,808)	(171,583)
Increase in other prepayments	-	(2,170)
	<u>(807,248)</u>	<u>(2,178,866)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,748,502	984,174
(Repayments of) proceeds from short-term bills payable	(100,000)	68,000
Proceeds from long-term borrowings	7,037,522	200,000
Repayments of long-term borrowings	(6,095,342)	(1,976,502)
Decrease in guarantee deposits	(4,178)	(3,277)
Repayment of the principal portion of lease liabilities	(5,066)	-
	<u>3,581,438</u>	<u>(727,605)</u>
Net cash generated from (used in) financing activities		
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>9,493</u>	<u>33,526</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	1,548,348	(912,488)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	<u>1,910,500</u>	<u>1,946,019</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
	<u>\$ 3,458,848</u>	<u>\$ 1,033,531</u>

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

(With Deloitte & Touche review report dated August 7, 2019)

(Concluded)

# ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 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 August 7, 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 16 “Leases”

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

#### Definition of a lease

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

### The Group as lessee

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

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

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

The Group also applies the following practical expedients:

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

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

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

### The Group as lessor

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

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

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

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2018.

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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. Basis of consolidation

The basis for the consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2018.

Refer to Note 12, Tables 7 and 8 for the detailed information of subsidiaries, including percentages of ownership and main businesses.

d. Leases

2019

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

1) The Group as lessor

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

## 2) The Group as lessee

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

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

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

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

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

## 2018

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

### e. Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

### f. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2018.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	\$ 110	\$ 110	\$ 110
Checking accounts and demand deposits	1,792,453	1,755,024	1,014,369
Cash equivalents			
Time deposits with original maturities of less than 3 months	23,494	13,426	19,052
Repurchase agreements collateralized by bonds	<u>1,642,791</u>	<u>141,940</u>	<u>-</u>
	<u>\$ 3,458,848</u>	<u>\$ 1,910,500</u>	<u>\$ 1,033,531</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily classified as at FVTPL			
Domestic listed shares	\$ 52,837	\$ 14,480	\$ 41,231
Domestic mutual funds	<u>73,545</u>	<u>63,589</u>	<u>69,862</u>
	<u>\$ 126,382</u>	<u>\$ 78,069</u>	<u>\$ 111,093</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Non-current</u>			
Domestic investments			
Listed shares	\$ 1,584,854	\$ 1,272,070	\$ 1,356,892
Unlisted shares	<u>4,395,522</u>	<u>4,035,348</u>	<u>3,903,028</u>
	<u>\$ 5,980,376</u>	<u>\$ 5,307,418</u>	<u>\$ 5,259,920</u>

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months (a)	\$402,104	\$ -	\$ -
<u>Non-current</u>			
Domestic investments			
Pledged certificates of deposits (b)	\$ 54,788	\$ 76,968	\$ 54,470

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 2.79%-2.95% per annum as of June 30, 2019.
- b. The ranges of interest rates for the pledge certificates of deposits were approximately 0.67%-1.4%, 0.6%-1.4% and 0.6%-1.4% per annum as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively. The Group assesses there has not been a significant expected credit losses and an increase in credit risk since the original recognize.

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

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Notes receivable</u>			
Notes receivable	\$ 770,962	\$ 786,293	\$ 470,165
Less: Allowance for impairment loss	(640)	(668)	(560)
	<u>\$ 770,322</u>	<u>\$ 785,625</u>	<u>\$ 469,605</u>
<u>Trade receivables</u>			
Trade receivables	\$ 1,020,274	\$ 1,238,067	\$ 1,435,611
Less: Allowance for impairment loss	(4,489)	(5,437)	(6,835)
	<u>\$ 1,015,785</u>	<u>\$ 1,232,630</u>	<u>\$ 1,428,776</u>

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



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

June 30, 2019

	<b>0 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 150 Days</b>	<b>Total</b>
Carrying amount	\$ 1,769,551	\$ 13,639	\$ 7,695	\$ 351	\$ 1,791,236
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(4,778)</u>	<u>(351)</u>	<u>(5,129)</u>
Amortized cost	<u>\$ 1,769,551</u>	<u>\$ 13,639</u>	<u>\$ 2,917</u>	<u>\$ -</u>	<u>\$ 1,786,107</u>

December 31, 2018

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

June 30, 2018

	<b>0 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 150 Days</b>	<b>Total</b>
Carrying amount	\$ 1,874,184	\$ 25,154	\$ 6,352	\$ 86	\$ 1,905,776
Loss allowance (Lifetime ECLs)	<u>(560)</u>	<u>(397)</u>	<u>(6,352)</u>	<u>(86)</u>	<u>(7,395)</u>
Amortized cost	<u>\$ 1,873,624</u>	<u>\$ 24,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,898,381</u>

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

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

	<b>Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 6,105	\$ 6,318
Net remeasurement of loss allowance	<u>(976)</u>	<u>1,077</u>
Balance at June 30	<u>\$ 5,129</u>	<u>\$ 7,395</u>

## 11. INVENTORIES

	June 30, 2019	December 31, 2018	June 30, 2018
Finished goods	\$ 959,176	\$ 1,119,503	\$ 1,095,590
Work in progress	16,994	27,027	22,119
Raw materials	<u>459,639</u>	<u>483,573</u>	<u>611,666</u>
	<u>\$ 1,435,809</u>	<u>\$ 1,630,103</u>	<u>\$ 1,729,375</u>

The cost of inventories recognized as cost of goods sold for the three months and six months ended June 30, 2019 and 2018 was \$6,320,723 thousand, \$6,454,766 thousand, \$12,649,406 thousand and \$12,981,641 thousand, respectively. The cost of goods sold for the three months and six months ended June 30, 2019 and 2018 included inventory write-downs of \$50,219 thousand, \$3,815 thousand, \$47,725 thousand and \$5,317 thousand.

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			June 30, 2019	December 31 2018	June 30, 2018	
The Corporation	Ton Fu Investment Corp. ("TFIC")	Investment	100	100	100	1)
	Pacific Petrochemical (Holding) Ltd. ("PPL")	Investment	100	100	100	-
	OUCC (Bermuda) Holding Ltd. ("OUCC (Bermuda)")	Investment	100	100	100	1)
OUCC (Bermuda)	Oriental Petrochemical (Yangzhou) Corporation ("OPYC")	Manufacturing and selling ethanolamine (EA) and alcohol ethoxylates (AEO)	100	100	100	1)
PPL	Far Eastern Union Petrochemical (Yangzhou) Ltd. ("FUPY")	Manufacturing and selling ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide.	50	50	50	2)
	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	50	2)

Remarks:

- 1) Which are non-significant subsidiaries; their financial statements have not been reviewed.
- 2) Which are subsidiaries that have material non-controlling interests.

The financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2019 and 2018, combined total assets of these non-significant subsidiaries were \$3,963,022 thousand and \$4,129,435 thousand, respectively, representing 10% and 11%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were \$2,387,010 thousand and \$2,264,740 thousand, respectively, representing 11% and 12%, respectively, of the consolidated total liabilities; for the three months and six months ended June 30, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were \$(27,367) thousand, \$(90,874) thousand, \$(36,325) thousand and \$(67,105) thousand, respectively, representing 12%, (15%), (11%) and (4%), respectively, of the consolidated total comprehensive income.

### 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		
		June 30, 2019	December 31, 2018	June 30, 2018
FUPY	Yang Zhou, China	50%	50%	50%
TDIY	Yang Zhou, China	50%	50%	50%

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### Investments in Associates

	June 30, 2019	December 31, 2018	June 30, 2018
Material associates			
Oriental Petrochemical (Shanghai) Corporation (“OPSC”)	\$ 2,134,886	\$ 2,039,984	\$ 1,855,982
Associates that are not individually material			
Hwa Xu Heat Supply Co. (“HXYZ”)	<u>106,504</u>	<u>148,895</u>	<u>196,006</u>
	<u>\$ 2,241,390</u>	<u>\$ 2,188,879</u>	<u>\$ 2,051,988</u>

#### Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights		
			June 30, 2019	December 31, 2018	June 30, 2018
OPSC	Manufacture and sale of purified terephthalic acid	Shanghai, China	39%	39%	39%

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

Liquidation processes of 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.

Except for OPSC, the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on the associates’ financial statements which have not been reviewed. As of June 30, 2019 and 2018, investments accounted for using the equity method was \$106,504 thousand and \$196,006 thousand, respectively; for the three months and six months ended June 30, 2019 and 2018, the amount of the share of loss recognized from investments accounted for using the equity method were \$18,606 thousand, \$31,148 thousand, \$44,308 thousand and \$66,034 thousand respectively. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of these investments in associates which have not been reviewed.

#### 14. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	June 30, 2019	December 31, 2018	June 30, 2018
Land	\$ 1,591,461	\$ 1,591,461	\$ 1,591,461
Land improvements	9,496	10,366	11,274
Buildings	1,230,869	1,257,188	1,308,559
Machinery and equipment	11,713,632	12,028,609	12,506,368
Other equipment	<u>168,873</u>	<u>176,113</u>	<u>181,502</u>
	14,714,331	15,063,737	15,599,164
Construction in progress and equipment to be inspected	<u>981,842</u>	<u>934,934</u>	<u>898,770</u>
	<u>\$ 15,696,173</u>	<u>\$ 15,998,671</u>	<u>\$ 16,497,934</u>

Except for depreciation recognized and transfers of buildings, machinery and equipment and other equipment from construction in progress and equipment to be inspected, the Group had no significant addition, disposal, and impairment of property, plant and equipment for the six months ended June 30, 2019 and 2018.

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

#### 15. LEASE ARRANGEMENTS

##### a. Right-of-use assets - 2019

	June 30, 2019	
<u>Carrying amounts</u>		
Land		\$ 404,283
Machinery		22,057
Transportation equipment		<u>5,416</u>
		<u>\$ 431,756</u>
	<b>For the Three Months Ended June 30, 2019</b>	<b>For the Six Months Ended June 30, 2019</b>
Additions to right-of-use assets	<u>\$ 913</u>	<u>\$ 1,832</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,531	\$ 5,038
Machinery	1,614	3,228
Transportation equipment	<u>1,008</u>	<u>1,819</u>
	<u>\$ 5,153</u>	<u>\$ 10,085</u>

Except for depreciation recognized, the Group had no significant addition, disposal, and impairment of right-of-use assets for the six months ended June 30, 2019.

b. Lease liabilities - 2019

**June 30, 2019**

Carrying amounts

Current	<u>\$ 10,576</u>
Non-current	<u>\$ 18,795</u>

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

c. Material lease-in activities and terms

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

d. Other lease information

2019

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

The Group as lessor

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

## 16. INVESTMENT PROPERTIES

Except for depreciation recognized, the Group had no significant addition, disposal, and impairment of investment properties for the six months ended June 30, 2019 and 2018.

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.

## 17. PREPAYMENTS FOR LEASES - 2018

	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Current	\$ 12,587	\$ 13,635
Non-current	<u>393,617</u>	<u>410,190</u>
	<u>\$ 406,204</u>	<u>\$ 423,825</u>

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

## 18. OTHER ASSETS

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Other assets</u>			
Silver and catalysts	\$ 1,965,874	\$ 2,203,479	\$ 2,384,078
Prepayments (Note 29)	782,480	659,133	-
Materials	482,949	464,901	441,402
Input tax	316,439	266,303	616,718
Others	<u>233,274</u>	<u>238,509</u>	<u>275,814</u>
	<u>\$ 3,781,016</u>	<u>\$ 3,832,325</u>	<u>\$ 3,718,012</u>
Current	\$ 523,864	\$ 569,124	\$ 916,160
Non-current	<u>3,257,152</u>	<u>3,263,201</u>	<u>2,801,852</u>
	<u>\$ 3,781,016</u>	<u>\$ 3,832,325</u>	<u>\$ 3,718,012</u>

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

## 19. BORROWINGS

### a. Short-term borrowings

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Unsecured borrowings</u>			
Line of credit borrowings	\$ 7,223,987	\$ 5,305,133	\$ 4,352,962
Loans from related parties (Note 29)	<u>858,424</u>	<u>-</u>	<u>1,795,394</u>
	<u>\$ 8,082,411</u>	<u>\$ 5,305,133</u>	<u>\$ 6,148,356</u>
Interest rate	1.09%-4.35%	1.00%-4.57%	1.17%-4.75%

b. Long-term borrowings

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Secured borrowings (Note 30)</u>			
Long-term commercial paper payables	\$ -	\$ -	\$ 129,927
Bank loans	<u>-</u>	<u>-</u>	<u>592,203</u>
	<u>-</u>	<u>-</u>	<u>722,130</u>
<u>Unsecured borrowings</u>			
Bank loans	6,761,081	5,263,937	4,102,820
Long-term commercial paper payables	<u>1,199,408</u>	<u>1,749,388</u>	<u>1,199,329</u>
	<u>7,960,489</u>	<u>7,013,325</u>	<u>5,302,149</u>
Less: Current portion of long-term borrowings	<u>-</u>	<u>-</u>	<u>40,189</u>
Long-term borrowing	<u>\$ 7,960,489</u>	<u>\$ 7,013,325</u>	<u>\$ 5,984,090</u>
Interest rate	0.49%-4.67%	0.57%-3.43%	0.41%-5.63%
Maturity date	June 2021	November 2020	April 2020

**20. OTHER PAYABLES**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Payables for dividends	\$ 1,587,758	\$ 36,044	\$ 1,586,291
Payables for purchase of equipment	73,956	109,062	145,927
Freight payables	47,892	42,357	46,175
Payables for salaries	42,028	108,483	79,149
Interest payables	27,061	20,762	47,060
Payables for employee's compensation and remuneration of directors and supervisors	18,261	49,039	54,921
Payables for annual leave	9,399	18,798	23,759
Others	<u>143,100</u>	<u>283,433</u>	<u>202,214</u>
	<u>\$ 1,949,455</u>	<u>\$ 667,978</u>	<u>\$ 2,185,496</u>

## 21. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Contract liabilities	\$ 145,665	\$ 148,159	\$ 128,919
Provisions for repairs and maintenance	64,019	44,624	23,416
Others	<u>27,639</u>	<u>22,264</u>	<u>26,545</u>
	<u>\$ 237,323</u>	<u>\$ 215,047</u>	<u>\$ 178,880</u>
Current	\$ 237,323	\$ 170,423	\$ 155,464
Non-current	<u>-</u>	<u>44,624</u>	<u>23,416</u>
	<u>\$ 237,323</u>	<u>\$ 215,047</u>	<u>\$ 178,880</u>

Contract liabilities were receipts in advance.

## 22. RETIREMENT BENEFIT PLANS

Post-employee benefits in respect of the Corporation's defined benefit retirement plans were calculated by using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017. The amount were \$3,085 thousand, \$3,840 thousand, \$6,698 thousand and \$7,651 thousand for the three months and six months ended June 30, 2019 and 2018, respectively.

## 23. EQUITY

### a. Common stock

	June 30, 2019	December 31, 2018	June 30, 2018
Number of stocks authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Stocks authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>885,703</u>	<u>885,703</u>	<u>885,703</u>
Stocks issued	<u>\$ 8,857,031</u>	<u>\$ 8,857,031</u>	<u>\$ 8,857,031</u>

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



b. Capital surplus

	June 30, 2019	December 31, 2018	June 30, 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (Note)			
Issuance of common stock	\$ 470,767	\$ 470,767	\$ 470,767
Only be used to offset a deficit			
Treasury stock transactions	<u>294,592</u>	<u>294,592</u>	<u>270,524</u>
	<u>\$ 765,359</u>	<u>\$ 765,359</u>	<u>\$ 741,291</u>

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation’s Articles of Incorporation (“Articles”), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation’s board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders’ meeting for the distribution of dividends and bonuses to stockholders. The settlement of the dividend and bonus distribution due to a capital increase in the fiscal year should be resolved in the stockholders’ meeting. For the policies on the distribution of employees’ compensation and remuneration of directors and supervisors before and after amendment, refer to Note 24 (d) “Employee benefits expense”.

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

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

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

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

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

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

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

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

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:

<b>Name of Subsidiary</b>	<b>Number of Stocks Held (In Thousands of Stocks)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>June 30, 2019</u>			
TFIC	13,754	<u>\$ 354,154</u>	<u>\$ 354,154</u>
<u>December 31, 2018</u>			
TFIC	13,754	<u>\$ 354,842</u>	<u>\$ 354,842</u>
<u>June 30, 2018</u>			
TFIC	13,754	<u>\$ 452,492</u>	<u>\$ 452,492</u>

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

## 24. NET (LOSS) PROFIT

### a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Settlement of insurance claims (Note)	\$ 14,081	\$ 42,035	\$ 279,214	\$ 42,568
Government grants	(21)	-	68,538	-
Others	<u>(812)</u>	<u>13,826</u>	<u>15,589</u>	<u>23,786</u>
	<u>\$ 13,248</u>	<u>\$ 55,861</u>	<u>\$ 363,341</u>	<u>\$ 66,354</u>

Note: The Group applied for settlement of insurance claims resulted from business interruption which was due to the fire damage.

### b. Interest expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest on bank loans	\$ 82,285	\$ 88,946	\$ 157,205	\$ 167,134
Interest on loans from related parties (Note 29)	5,184	9,819	8,635	19,349
Interest on lease liabilities	84	-	171	-
Other interest expense	<u>12</u>	<u>12</u>	<u>16</u>	<u>16</u>
	<u>\$ 87,565</u>	<u>\$ 98,777</u>	<u>\$ 166,027</u>	<u>\$ 186,499</u>

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Capitalized interest	\$ 251	\$ 243	\$ 508	\$ 490
Capitalization rate	0.49%-1.16%	0.44%-1.16%	0.49%-1.17%	0.44%-1.18%

### c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Property, plant and equipment	\$ 270,359	\$ 269,316	\$ 541,792	\$ 534,163
Right-of-use assets	5,153	-	10,085	-
Intangible assets (included other assets)	3,277	4,784	6,612	9,489
Investment properties	<u>20</u>	<u>21</u>	<u>41</u>	<u>41</u>
	<u>\$ 278,809</u>	<u>\$ 274,121</u>	<u>\$ 558,530</u>	<u>\$ 543,693</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
An analysis of depreciation by function				
Operating costs	\$ 257,735	\$ 256,860	\$ 516,404	\$ 509,681
Operating expenses	17,777	12,456	35,473	24,482
Non-operating expenses and losses	<u>20</u>	<u>21</u>	<u>41</u>	<u>41</u>
	<u>\$ 275,532</u>	<u>\$ 269,337</u>	<u>\$ 551,918</u>	<u>\$ 534,204</u>
An analysis of amortization by function				
Operating costs	\$ 2,230	\$ 3,673	\$ 4,458	\$ 7,243
Operating expenses	<u>1,047</u>	<u>1,111</u>	<u>2,154</u>	<u>2,246</u>
	<u>\$ 3,277</u>	<u>\$ 4,784</u>	<u>\$ 6,612</u>	<u>\$ 9,489</u>

(Concluded)

d. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Salary expense	\$ 116,818	\$ 154,708	\$ 254,218	\$ 309,664
Insurance expense	13,367	12,997	27,168	26,541
Post-employment benefits				
Defined contribution plans	7,079	7,305	14,707	14,522
Defined benefit plans (Note 22)	3,085	3,840	6,698	7,651
Other employee benefits	<u>23,723</u>	<u>26,398</u>	<u>52,537</u>	<u>55,598</u>
Total employee benefits expense	<u>\$ 164,072</u>	<u>\$ 205,248</u>	<u>\$ 355,328</u>	<u>\$ 413,976</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 112,355	\$ 127,516	\$ 232,179	\$ 260,277
Operating expenses	<u>51,717</u>	<u>77,732</u>	<u>123,149</u>	<u>153,699</u>
	<u>\$ 164,072</u>	<u>\$ 205,248</u>	<u>\$ 355,328</u>	<u>\$ 413,976</u>

In compliance with the Articles, the Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates from 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors 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 were \$(2,569) thousand, \$22,156 thousand, \$1,195 thousand and \$38,623 thousand for the three months and six months ended June 30, 2019 and 2018.

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

Information on the employees' compensation and remuneration of directors 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.

## 25. INCOME TAXES

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
In respect of the current periods	\$ 430	\$ 159,930	\$ 71,168	\$ 423,704
Income tax on unappropriated earnings	1,849	1,045	1,849	1,045
Adjustments for prior periods	<u>(9,667)</u>	<u>-</u>	<u>(9,667)</u>	<u>-</u>
	<u>(7,388)</u>	<u>160,975</u>	<u>63,350</u>	<u>424,749</u>
Deferred tax				
In respect of the current periods	(21,769)	11,821	(24,928)	64,457
Effect of tax rate changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,634)</u>
	<u>(21,769)</u>	<u>11,821</u>	<u>(24,928)</u>	<u>36,823</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (29,157)</u>	<u>\$ 172,796</u>	<u>\$ 38,422</u>	<u>\$ 461,572</u>

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%.

- b. 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 2017 have been assessed by the tax authorities.

## 26. (LOSS) EARNINGS PER SHARE

### Net (Loss) Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
(Loss) earnings used in the computation of basic (loss) earnings per share	<u>\$ (163,634)</u>	<u>\$ 493,476</u>	<u>\$ 27,266</u>	<u>\$ 1,092,080</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of common stock	885,703	885,703	885,703	885,703
Less: Reclassification of the Corporation's stocks held by subsidiaries	<u>(13,754)</u>	<u>(13,754)</u>	<u>(13,754)</u>	<u>(13,754)</u>
Weighted average number of common stock used in the computation of basic (loss) earnings per share	871,949	871,949	871,949	871,949
Effect of potentially dilutive ordinary shares:				
Employees' compensation or bonuses issued to employees	<u>-</u>	<u>783</u>	<u>559</u>	<u>1,252</u>
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	<u>871,949</u>	<u>872,732</u>	<u>872,508</u>	<u>873,201</u>

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

## 27. CAPITAL MANAGEMENT

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

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

## 28. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

June 30, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Domestic listed shares	\$ 52,837	\$ -	\$ -	\$ 52,837
Domestic mutual funds	<u>73,545</u>	<u>-</u>	<u>-</u>	<u>73,545</u>
	<u>\$ 126,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,382</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,584,854	\$ -	\$ -	\$ 1,584,854
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>4,395,522</u>	<u>4,395,522</u>
	<u>\$ 1,584,854</u>	<u>\$ -</u>	<u>\$ 4,395,522</u>	<u>\$ 5,980,376</u>

December 31, 2018

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

June 30, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Domestic listed shares	\$ 41,231	\$ -	\$ -	\$ 41,231
Domestic mutual funds	<u>69,862</u>	<u>-</u>	<u>-</u>	<u>69,862</u>
	<u>\$ 111,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,093</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,356,892	\$ -	\$ -	\$ 1,356,892
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>3,903,028</u>	<u>3,903,028</u>
	<u>\$ 1,356,892</u>	<u>\$ -</u>	<u>\$ 3,903,028</u>	<u>\$ 5,259,920</u>

As of June 30, 2019 and 2018, there were no transfers between Levels 1 and 2.

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. As of June 30, 2019 and 2018, there were no material change on fair value of related investments.

c. Categories of financial instruments

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily classified as at FVTPL	\$ 126,382	\$ 78,069	\$ 111,093
Financial assets at amortized cost (Note 1)	5,782,537	4,067,268	3,055,700
Financial assets at FVTOCI			
Equity instruments	5,980,376	5,307,418	5,259,920
<u>Financial liabilities</u>			
Amortized cost (Note 2)	19,704,110	16,338,145	17,275,818

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

Note 2 The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, trade payables 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 32.

Sensitivity analysis

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 (loss) profit would be decrease/increase of \$27,844 thousand and \$44,875 thousand for the six months ended June 30, 2019 and 2018, respectively. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rate is 5%.

b) Interest rate risk

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

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Fair value interest rate risk			
Financial assets	\$ 2,123,177	\$ 232,334	\$ 73,522
Financial liabilities	11,422,863	10,238,458	10,135,621
Cash flow interest rate risk			
Financial assets	1,752,092	1,727,863	986,840
Financial liabilities	4,849,408	2,380,000	2,337,014

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 (loss) profit for the six months ended June 30, 2019 and 2018 would increase/decrease by \$7,743 thousand and \$3,375 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its cash flow by variable-rate bank loans.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax (loss) profit for the six months ended June 30, 2019 and 2018 would have decreased/increased by \$6,319 thousand and \$5,555 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the six months ended June 30, 2019 and 2018 would have increased/decreased by \$79,243 thousand and \$67,845 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which 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 June 30, 2019, December 31, 2018 and June 30, 2018, the Group had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon 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.

June 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
Non-interest bearing Lease liabilities	\$ - 891	\$ 1,382,364 2,038	\$ - 7,912	\$ - 19,063
Variable interest rate liabilities	4,355	8,710	28,592	4,877,495
Fixed interest rate liabilities	<u>2,073,355</u>	<u>4,039,299</u>	<u>2,249,126</u>	<u>3,111,327</u>
	<u>\$ 2,078,601</u>	<u>\$ 5,432,411</u>	<u>\$ 2,285,630</u>	<u>\$ 8,007,885</u>

December 31, 2018

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

June 30, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
Non-interest bearing Variable interest rate liabilities	\$ - -	\$ 2,408,158 -	\$ - -	\$ - 2,398,934
Fixed interest rate liabilities	<u>2,016,583</u>	<u>1,804,439</u>	<u>2,720,377</u>	<u>3,649,554</u>
	<u>\$ 2,016,583</u>	<u>\$ 4,212,597</u>	<u>\$ 2,720,377</u>	<u>\$ 6,048,488</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are 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

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured bank borrowing limit			
Amount used	\$ 17,780,000	\$ 16,889,000	\$ 13,846,000
Amount unused	<u>12,496,000</u>	<u>12,552,000</u>	<u>13,999,000</u>
	<u>\$ 30,276,000</u>	<u>\$ 29,441,000</u>	<u>\$ 27,845,000</u>
Secured bank borrowing limit			
Amount used	\$ -	\$ -	\$ 130,000
Amount unused	<u>130,000</u>	<u>130,000</u>	<u>-</u>
	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

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

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

a. Sale of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Investors with significant influence over the Group	\$ 292,243	\$ 625,772	\$ 567,851	\$ 1,206,155
Others	<u>41,880</u>	<u>62,808</u>	<u>73,415</u>	<u>258,141</u>
	<u>\$ 334,123</u>	<u>\$ 688,580</u>	<u>\$ 641,266</u>	<u>\$ 1,464,296</u>

b. Purchase of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Associates	\$ 112,210	\$ 70,904	\$ 220,813	\$ 137,437
Others				
PETH	14	75,316	(45,431)	1,641,435
Others	<u>52</u>	<u>-</u>	<u>52</u>	<u>1,189</u>
	<u>66</u>	<u>75,316</u>	<u>(45,379)</u>	<u>1,642,624</u>
	<u>\$ 112,276</u>	<u>\$ 146,220</u>	<u>\$ 175,434</u>	<u>\$ 1,780,061</u>

c. Operating expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Associates	\$ -	\$ 3,554	\$ 1,125	\$ 7,062
Others				
Fu Ming Transport Corp.	44,710	45,748	87,272	85,634
Others	<u>18,761</u>	<u>14,837</u>	<u>52,971</u>	<u>40,645</u>
	<u>63,471</u>	<u>60,585</u>	<u>140,243</u>	<u>126,279</u>
	<u>\$ 63,471</u>	<u>\$ 64,139</u>	<u>\$ 141,368</u>	<u>\$ 133,341</u>

d. Interest expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Others	<u>\$ 5,184</u>	<u>\$ 9,819</u>	<u>\$ 8,635</u>	<u>\$ 19,349</u>

e. Rental income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Others				
Fu Da Transport Corp.	<u>\$ 2,424</u>	<u>\$ 2,424</u>	<u>\$ 4,847</u>	<u>\$ 4,847</u>

f. Cash and cash equivalents

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Others	\$ <u>36,872</u>	\$ <u>72,530</u>	\$ <u>42,002</u>

g. Trade receivables

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Investors with significant influence over the Group			
Far Eastern New Century Corp.	\$ 73,410	\$ 59,272	\$ 162,448
Others	<u>13,100</u>	<u>10,911</u>	<u>15,737</u>
	<u>\$ 86,510</u>	<u>\$ 70,183</u>	<u>\$ 178,185</u>

The outstanding trade receivables from related parties are unsecured. For the six months ended June 30, 2019 and 2018, no impairment losses were recognized for trade receivables from related parties.

h. Prepayments

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Associates			
HXYZ	\$ <u>1,161,994</u>	\$ <u>950,029</u>	\$ <u>695,415</u>
Current	\$ 379,514	\$ 290,896	\$ 695,415
Non-current (Note 18)	<u>782,480</u>	<u>659,133</u>	<u>-</u>
	<u>\$ 1,161,994</u>	<u>\$ 950,029</u>	<u>\$ 695,415</u>

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Associates			
HXYZ	\$ 8,268	\$ 10,051	\$ 2,471
Others			
PETH	<u>45,017</u>	<u>-</u>	<u>-</u>
	<u>\$ 53,285</u>	<u>\$ 10,051</u>	<u>\$ 2,471</u>

j. Financial assets at amortized cost

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Others			
FEIB	<u>\$ 153,718</u>	<u>\$ 60,041</u>	<u>\$ 37,904</u>

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Others			
Far Eastern Industries (Shanghai) Co., Ltd.	\$ -	\$ -	\$ 920,715
Far Eastern Industries (Yangzhou) Co., Ltd.	542,162	-	552,429
Others	<u>316,262</u>	<u>-</u>	<u>322,250</u>
	<u>\$ 858,424</u>	<u>\$ -</u>	<u>\$ 1,795,394</u>

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

l. Payables to related parties

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Associates	\$ 3,097	\$ 1,990	\$ 4,814
Others			
PETH	<u>-</u>	<u>-</u>	<u>468,783</u>
	<u>\$ 3,097</u>	<u>\$ 1,990</u>	<u>\$ 473,597</u>

m. Other payables

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Others	\$ 98,140	\$ 102,558	\$ 173,979
Associates	4,551	7,319	7,008
Investors with significant influence over the Group	<u>-</u>	<u>-</u>	<u>5,265</u>
	<u>\$ 102,691</u>	<u>\$ 109,877</u>	<u>\$ 186,252</u>

n. Acquisitions of financial assets

For the three months ended June 30, 2019

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

For the six months ended June 30, 2019

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

For the three months ended June 30, 2018

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

For the six months ended June 30, 2018

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

o. Disposals of investment accounted for using equity method

For the six months ended June 30, 2018

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

There was no disposal of investment accounted for using the equity method for the three months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019.



p. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 11,950	\$ 11,169	\$ 22,605	\$ 21,034
Post-employment benefits	<u>108</u>	<u>108</u>	<u>216</u>	<u>216</u>
	<u>\$ 12,058</u>	<u>\$ 11,277</u>	<u>\$ 22,821</u>	<u>\$ 21,250</u>

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2019	December 31, 2018	June 30, 2018
Pledged deposits (financial assets at amortized cost)	<u>\$ 54,788</u>	<u>\$ 76,968</u>	<u>\$ 54,470</u>

As of June 30, 2019, the Corporation pledged 28,599 thousand stocks of the subsidiary TFIC as security.

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and unrecognized commitments of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

- a. As of June 30, 2019, unused letters of credit for purchases of raw materials amounted to approximately \$1,551,919 thousand, purchase guarantees from banking institution amounted to \$470,000 thousand, refundable deposit with the Harbor Bureau amounted to \$218,311 thousand, and project performance bond amounted to \$4,479 thousand, respectively.
- b. Endorsements/guarantees provided to subsidiaries and associates

The Corporation

TFIC	\$ 850,000
PPL	931,800
OUCB (Bermuda)	1,553,000
OPYC	1,242,400
FUPY	<u>465,900</u>
	<u>\$ 5,043,100</u>
<u>FUPY</u>	
HXYZ	<u>\$ 110,470</u>

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

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 165	4.52 (RMB:NTD)	\$ 745
USD	7,814	31.06 (USD:NTD)	242,703
USD	6,255	6.87 (USD:RMB)	<u>194,280</u>
			<u>\$ 437,728</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	496,100	4.52 (RMB:NTD)	<u>\$ 2,241,390</u>
<u>Financial liabilities</u>			
Monetary items			
USD	23,904	6.87 (USD:RMB)	\$ 742,458
USD	7,970	31.06 (USD:NTD)	247,548
EUR	130	35.38 (EUR:NTD)	<u>4,599</u>
			<u>\$ 994,605</u>

December 31, 2018

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

June 30, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 182,431	4.60 (RMB:NTD)	\$ 839,183
USD	20,606	30.46 (USD:NTD)	627,659
USD	365	6.62 (USD:RMB)	11,118
EUR	261	7.70 (EUR:RMB)	<u>9,239</u>
			<u>\$ 1,487,199</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	445,738	4.60 (RMB:NTD)	<u>\$ 2,051,988</u>

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 31,339	30.46 (USD:NTD)	\$ 954,586
USD	46,709	6.62 (USD:RMB)	1,422,756
EUR	130	35.40 (EUR:NTD)	4,602
EUR	78	7.70 (EUR:RMB)	<u>2,761</u>
			<u>\$ 2,384,705</u> (Concluded)

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

<b>For the Three Months Ended June 30</b>				
<b>2019</b>			<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
NTD	1 (NTD:NTD)	\$ 2,474	1 (NTD:NTD)	\$ (10,883)
RMB	4.57 (RMB:NTD)	<u>(7,552)</u>	4.67 (RMB:NTD)	<u>(66,533)</u>
		<u>\$ (5,078)</u>		<u>\$ (77,416)</u>
<b>For the Six Months Ended June 30</b>				
<b>2019</b>			<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
NTD	1 (NTD:NTD)	\$ 5,726	1 (NTD:NTD)	\$ 16,397
RMB	4.57 (RMB:NTD)	<u>(3,769)</u>	4.64 (RMB:NTD)	<u>109</u>
		<u>\$ 1,957</u>		<u>\$ 16,506</u>

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired or 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. (None)
  - 9) Trading in derivative instruments. (None)
  - 10) Intercompany relationships and significant intercompany transactions. (Table 6)
  - 11) Information on investees. (Table 7)
- 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 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)

#### **34. SEGMENT INFORMATION**

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

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

a. Segment revenues and results

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

	<b>Segment Revenues</b>		<b>Segment Profit (Loss)</b>	
	<b>For the Six Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Ethylene glycols business	\$ 10,094,514	\$ 12,816,551	\$ (604,231)	\$ 1,741,749
Special chemicals business	2,908,726	2,755,283	69,653	39,905
Gas business	822,906	810,329	216,189	181,521
Investment and others	1,209	1,655	(18,402)	(14,256)
Other eliminations and adjustments	<u>(957,697)</u>	<u>(908,762)</u>	<u>89,926</u>	<u>71,635</u>
Total operating segments	<u>\$ 12,869,658</u>	<u>\$ 15,475,056</u>	<u>(246,865)</u>	<u>2,020,554</u>
Non-operating income and expense			<u>203,535</u>	<u>(150,415)</u>
(Loss) profit before income tax			<u>\$ (43,330)</u>	<u>\$ 1,870,139</u>

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

b. Segment total assets

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Segment assets</u>			
Ethylene glycols business	\$ 15,456,278	\$ 16,144,299	\$ 16,266,520
Special chemicals business	4,890,952	4,979,602	5,345,142
Gas business	2,562,027	2,597,895	2,734,502
Investment and others	28,167,251	26,665,277	25,563,755
Other eliminations and adjustments	<u>(12,629,931)</u>	<u>(13,988,853)</u>	<u>(13,310,949)</u>
Total segment assets	<u>\$ 38,446,577</u>	<u>\$ 36,398,220</u>	<u>\$ 36,598,970</u>

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES**

**FINANCINGS PROVIDED TO OTHERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Amount Limits	Note
													Item	Value			
1	PPL	OUCG (Bermuda)	Receivables - related parties	Yes	\$ 326,130	\$ -	\$ -	-	Necessary for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	200% of net worth of the Corporation \$12,709,669	200% of net worth of the Corporation \$12,709,669	
2	OUCG (Bermuda)	OPYC	Receivables - related parties	Yes	451,802	-	-	-	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	225,901	-	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	40% of net worth of the Corporation \$1,867,948	40% of net worth of the Corporation \$1,867,948	

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Endorsee/Guaranteed		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Corporation	TFIC	2	50% of net worth of the Corporation \$6,911,527	\$ 950,000	\$ 850,000	\$ 650,000	\$ -	6.15	100% of net worth of the Corporation \$13,823,053	Y	N	N	
		PPL	2	50% of net worth of the Corporation \$6,911,527	931,800	931,800	-	-	6.74	100% of net worth of the Corporation \$13,823,053	Y	N	N	
		OUCC (Bermuda)	2	50% of net worth of the Corporation \$6,911,527	1,553,000	1,553,000	271,081	-	11.23	100% of net worth of the Corporation \$13,823,053	Y	N	N	
		OPYC	2	50% of net worth of the Corporation \$6,911,527	1,242,400	1,242,400	960,079	-	8.99	100% of net worth of the Corporation \$13,823,053	Y	N	Y	
		FUPY	2	50% of net worth of the Corporation \$6,911,527	465,900	465,900	447,284	-	3.37	100% of net worth of the Corporation \$13,823,053	Y	N	Y	
1	FUPY	HXYZ	6	50% of net worth of the Corporation \$2,334,935	112,725	110,470	110,470	-	2.37	100% of net worth of FUPY \$4,669,869	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

JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2019				Note
				Number of Stocks/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	HSBC Global Themes Fund of Funds	-	Financial assets mandatorily classified as at FVTPL - current	5,754,696	\$ 73,545	-	\$ 73,545	Note 1
	Far Eastern Department Stores Ltd.	Same chairman	Financial assets at FVTOCI - non-current	14,378,228	323,510	1	323,510	Note 2
	Far Eastern New Century Corp.	Same chairman	Same as above	6,888,446	230,763	-	230,763	Note 2
	Asia Cement Corp.	Same chairman	Same as above	8,486,315	403,524	-	403,524	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	144,016	3	144,016	Note 2
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	309,334,376	2,783,107	14	2,783,107	Note 3
	Grand Cathay Venture Capital Co., Ltd.	-	Same as above	26,666,667	228,000	17	228,000	Note 3
	Eminent Venture Capital Corp.	-	Same as above	4,500,000	24,210	10	24,210	Note 3
	Eminent II Venture Capital Corp.	-	Same as above	6,000,000	47,400	6	47,400	Note 3
	Tai An Technologies Corp.	-	Same as above	249,999	3,993	5	3,993	Note 3
	TFIC	Standard Foods Corp.	-	Financial assets mandatorily classified as at FVTPL - current	110,000	6,677	-	6,677
Tong Yang Industry Co., Ltd.		-	Same as above	50,000	2,245	-	2,245	Note 2
Ta Chen Stainless Pipe Co., Ltd.		-	Same as above	125,000	5,662	-	5,662	Note 2
Elite Material Co., Ltd.		-	Same as above	25,000	2,342	-	2,342	Note 2
Hon Hai Precision Industry Co., Ltd.		-	Same as above	55,000	4,257	-	4,257	Note 2
Eva Airways Corp.		-	Same as above	450,000	6,728	-	6,728	Note 2
Fubon Financial Holding Co., Ltd.		-	Same as above	145,000	6,648	-	6,648	Note 2
CTBC Financial Holding Co., Ltd.		-	Same as above	250,000	5,338	-	5,338	Note 2
Taiwan Semiconductor Manufacturing Co., Ltd.		-	Same as above	20,000	4,780	-	4,780	Note 2
Sion-American Silicon Products Inc.		-	Same as above	100,000	8,160	-	8,160	Note 2
The Corporation		Treasury stock	Financial assets at FVTOCI - non-current	13,753,554	354,154	2	354,154	Note 2
Far Eastern International Commercial Bank ("FEIC")		The chairman of the Corporation is FEIC's director	Same as above	28,628,630	352,132	1	352,132	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	130,909	2	130,909	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	98,759,902	888,551	4	888,551	Note 3	

Note 1: The net asset value of the fund as of June 30, 2019.

Note 2: The market value was calculated at closing price on June 30, 2019.

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

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE SIX MONTHS ENDED JUNE 30, 2019  
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note)	Relationship (Note)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	Stocks Oriental Petrochemical (Taiwan) Co., Ltd.	Financial assets at FVTOCI - non-current	-	-	282,033,256	\$ 2,884,990	27,301,120	\$ 273,011	-	\$ -	\$ -	-	309,334,376	\$ 3,158,001
TFIC	Stocks Oriental Petrochemical (Taiwan) Co., Ltd.	Financial assets at FVTOCI - non-current	-	-	90,043,587	900,436	8,716,315	87,163	-	-	-	-	98,759,902	987,599

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

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	Far Eastern New Century Corp.	Same chairman	Sale	\$ (567,851)	(4)	Same as those to unrelated parties	-	-	\$ 73,410	4	-
FUPY	OPYC	Same parent	Sale	(594,478)	(5)	Same as those to unrelated parties	-	-	44,362	2	-
TDIY	FUPY	Same parent	Sale	(360,722)	(3)	Same as those to unrelated parties	-	-	57,364	3	-
			Purchase	293,358	2	Same as those to unrelated parties	-	-	(94,183)	(7)	-
FUPY	HXYZ	Equity-method investee	Purchase	197,144	2	Same as those to unrelated parties	-	-	-	-	-

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2019  
 (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	FUPY OPYC	c c	Other receivables	\$ 73,000	Based on terms agreed upon by both parties	-
				Other receivables	34,947	Based on terms agreed upon by both parties	-
2	FUPY	OPYC	c	Trade receivables	44,362	Based on terms agreed upon by both parties	-
				Sales revenue	594,478	Based on terms agreed upon by both parties	5
		TDIY	c	Other receivables	94,183	Based on terms agreed upon by both parties	-
				Other income	58,916	Based on terms agreed upon by both parties	-
3	TDIY	FUPY	c	Trade receivables	57,364	Based on terms agreed upon by both parties	-
				Sales revenue	360,722	Based on terms agreed upon by both parties	3
4	OPYC	FUPY	c	Rental income	24,838	Based on terms agreed upon by both parties	-

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

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 FOR THE SIX MONTHS ENDED JUNE 30, 2019  
 (In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				June 30, 2019	December 31, 2018	Stocks	%	Carrying Amount			
The Corporation	PPL	British Virgin Islands	Investment	US\$ 192,972	US\$ 192,972	148,356	100	\$ 6,187,904	\$ (50,786)	\$ (50,786)	Note
	TFIC	Taipei City, ROC	Enterprise and financial institution investments	\$ 1,110,000	\$ 1,110,000	146,658,995	100	1,215,273	(3,381)	(3,381)	
	OUCG (Bermuda)	British Bermuda Islands	Investment	US\$ 70,000	US\$ 70,000	39,508	100	286,989	(96,493)	(96,493)	

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

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 2019	Note
					Outflow	Inflow							
OPSC	Manufacture and sale of purified terephthalic acid.	US\$ 241,310	Indirect	US\$ 92,886	US\$ -	US\$ -	US\$ 92,886	RMB 42,364	39	\$ 74,682 (Note 2)	\$ 2,134,886	\$ -	
OPYC	Manufacturing and selling ethanolamine (EA) and alcohol ethoxylates (AEO).	US\$ 70,000	Indirect	US\$ 70,000	US\$ -	US\$ -	US\$ 70,000	RMB (19,675)	100	(89,898) (Note 3)	554,397	-	
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 (69,382)	50	(158,344) (Note 2)	2,321,945	-	Note 4
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 21,663	50	49,492 (Note 2)	1,212,348	-	Note 4
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 (19,433)	25	(44,308) (Note 3)	106,504	-	

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2019	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 reviewed financial statements.

Note 3: Based on non-reviewed financial statements.

Note 4: Significant non-controlling interests.