

**Oriental Union Chemical Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 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 September 30, 2019 and 2018, and the consolidated statements of comprehensive income for the three-month and nine-month then ended, and the consolidated statements of changes in equity and cash flows for the nine-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 September 30, 2019 and 2018, combined total assets of these non-significant subsidiaries were NT\$3,929,336 thousand and NT\$4,284,541 thousand, respectively, representing 11% and 12%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$2,073,224 thousand and NT\$2,299,167 thousand, respectively, representing 11% and 12%, respectively, of the consolidated total liabilities; for the three-month and nine-month periods ended September 30, 2019 and 2018, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$(23,039) thousand, NT\$(42,976) thousand, NT\$(59,364) thousand and NT\$(110,081) thousand, respectively, representing 6%, (8%), 132% and (5%), respectively, of the consolidated total comprehensive profit (loss). In addition, as disclosed in Note 13 to the consolidated financial statements, as of September 30, 2019 and 2018, investments accounted for using the equity method were NT\$84,186 thousand and NT\$171,472 thousand, respectively; for the three-month and nine-month periods

ended September 30, 2019 and 2018, the amounts of the share of loss recognized from investments accounted for using the equity method were NT\$19,546 thousand, NT\$17,448 thousand, NT\$63,854 thousand and NT\$83,482 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 September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the three-month and nine-month then ended September 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

November 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)

| ASSETS | September 30, 2019 (Reviewed) | | December 31, 2018 (Audited) | | September 30, 2018 (Reviewed) | |
|--|----------------------------------|-----|--------------------------------|-----|----------------------------------|-----|
| | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Notes 6 and 29) | \$ 1,228,515 | 4 | \$ 1,910,500 | 5 | \$ 1,928,788 | 5 |
| Financial assets at fair value through profit or loss (Note 7) | 126,957 | 1 | 78,069 | - | 82,387 | - |
| Financial assets at amortized cost (Notes 9 and 29) | 429,203 | 1 | - | - | - | - |
| Notes receivable, net (Note 10) | 325,108 | 1 | 785,625 | 2 | 607,310 | 2 |
| Trade receivables, net (Note 10) | 1,132,438 | 3 | 1,162,447 | 3 | 1,706,842 | 5 |
| Trade receivables from related parties (Notes 10 and 29) | 110,005 | - | 70,183 | - | 156,285 | - |
| Other receivables (Note 29) | 76,351 | - | 61,545 | - | 61,595 | - |
| Inventories (Note 11) | 1,301,026 | 4 | 1,630,103 | 5 | 1,910,050 | 5 |
| Prepayments for leases (Note 17) | - | - | 12,587 | - | 12,863 | - |
| Prepayments for purchases (Note 29) | 379,793 | 1 | 326,976 | 1 | 696,894 | 2 |
| Other prepayments | 337,378 | 1 | 201,199 | 1 | 362,599 | 1 |
| Other current assets (Note 18) | 439,140 | 1 | 569,124 | 2 | 566,655 | 2 |
| Total current assets | 5,885,914 | 17 | 6,808,358 | 19 | 8,092,268 | 22 |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income (Notes 8 and 29) | 5,905,066 | 17 | 5,307,418 | 15 | 5,392,888 | 15 |
| Financial assets at amortized cost (Notes 9, 29 and 30) | 55,892 | - | 76,968 | - | 54,470 | - |
| Investments accounted for using the equity method (Notes 13 and 29) | 2,229,337 | 6 | 2,188,879 | 6 | 2,132,397 | 6 |
| Property, plant and equipment (Note 14) | 14,270,731 | 40 | 15,063,737 | 41 | 15,043,587 | 40 |
| Construction in progress (Note 14) | 993,453 | 3 | 934,934 | 3 | 899,859 | 2 |
| Right-of-use assets (Note 15) | 415,167 | 1 | - | - | - | - |
| Investment properties (Note 16) | 1,991,592 | 6 | 1,991,654 | 5 | 1,991,675 | 5 |
| Intangible assets | 19,516 | - | 22,811 | - | 23,007 | - |
| Deferred tax assets | 382,163 | 1 | 346,643 | 1 | 373,280 | 1 |
| Long-term prepayments for leases (Note 17) | - | - | 393,617 | 1 | 392,529 | 1 |
| Other non-current assets (Notes 18 and 29) | 3,183,404 | 9 | 3,263,201 | 9 | 2,850,400 | 8 |
| Total non-current assets | 29,446,321 | 83 | 29,589,862 | 81 | 29,154,092 | 78 |
| TOTAL | \$ 35,332,235 | 100 | \$ 36,398,220 | 100 | \$ 37,246,360 | 100 |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Notes 19 and 29) | \$ 8,536,479 | 24 | \$ 5,305,133 | 15 | \$ 5,803,980 | 16 |
| Short-term bills payable | 200,000 | 1 | 300,000 | 1 | 300,000 | 1 |
| Trade payables | 1,468,343 | 4 | 2,908,964 | 8 | 2,605,072 | 7 |
| Trade payables to related parties (Note 29) | 2,348 | - | 1,990 | - | 456,110 | 1 |
| Other payables (Note 20) | 406,539 | 1 | 667,978 | 2 | 642,165 | 2 |
| Other payables to related parties (Note 29) | 106,456 | - | 109,877 | - | 154,551 | - |
| Current tax liabilities | 22,796 | - | 216,602 | 1 | 460,759 | 1 |
| Lease liabilities (Note 15) | 9,786 | - | - | - | - | - |
| Other current liabilities (Note 21) | 341,675 | 1 | 170,423 | - | 243,929 | 1 |
| Total current liabilities | 11,094,422 | 31 | 9,680,967 | 27 | 10,666,566 | 29 |
| NON-CURRENT LIABILITIES | | | | | | |
| Long-term borrowings (Notes 19 and 30) | 6,139,736 | 18 | 7,013,325 | 19 | 7,117,642 | 19 |
| Deferred tax liabilities | 684,467 | 2 | 675,374 | 2 | 689,657 | 2 |
| Lease liabilities (Note 15) | 16,732 | - | - | - | - | - |
| Deferred revenue | 106,461 | - | 115,177 | - | 116,383 | - |
| Net defined benefit liabilities (Note 22) | 247,816 | 1 | 250,160 | 1 | 257,608 | 1 |
| Guarantee deposits | 25,751 | - | 30,878 | - | 27,567 | - |
| Other non-current liabilities (Note 21) | - | - | 44,624 | - | 31,876 | - |
| Total non-current liabilities | 7,220,963 | 21 | 8,129,538 | 22 | 8,240,733 | 22 |
| Total liabilities | 18,315,385 | 52 | 17,810,505 | 49 | 18,907,299 | 51 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23) | | | | | | |
| Common stock | 8,857,031 | 25 | 8,857,031 | 24 | 8,857,031 | 24 |
| Capital surplus | 789,428 | 2 | 765,359 | 2 | 765,359 | 2 |
| Retained earnings | | | | | | |
| Legal reserve | 2,325,353 | 7 | 2,150,280 | 6 | 2,150,280 | 6 |
| Special reserve | 1,911,129 | 5 | 1,911,129 | 5 | 1,911,129 | 5 |
| Unappropriated earnings | 597,513 | 2 | 2,246,662 | 6 | 2,124,902 | 6 |
| Total retained earnings | 4,833,995 | 14 | 6,308,071 | 17 | 6,186,311 | 17 |
| Other equity | | | | | | |
| Exchange differences on translating foreign operations | (419,174) | (1) | (290,555) | (1) | (381,371) | (1) |
| Unrealized loss on financial assets at fair value through other comprehensive income | (247,452) | (1) | (484,926) | (1) | (399,456) | (1) |
| Total other equity | (666,626) | (2) | (775,481) | (2) | (780,827) | (2) |
| Treasury stock | (187,798) | (1) | (187,798) | - | (187,798) | (1) |
| Total equity | 17,016,850 | 48 | 18,587,715 | 51 | 18,339,061 | 49 |
| TOTAL | \$ 35,332,235 | 100 | \$ 36,398,220 | 100 | \$ 37,246,360 | 100 |
| NON-CONTROLLING INTERESTS | | | | | | |
| Total equity | 3,390,820 | 10 | 3,620,533 | 10 | 3,498,985 | 9 |

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

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

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|--|---|------------|------------------|------------|--|------------|-------------------|------------|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUE | | | | | | | | |
| Sales revenue (Note 29) | \$ 5,380,044 | 100 | \$ 8,819,971 | 100 | \$ 18,248,493 | 100 | \$ 24,293,372 | 100 |
| Other operating revenue | <u>17,291</u> | - | <u>(1,384)</u> | - | <u>18,500</u> | - | <u>271</u> | - |
| Total operating revenue | <u>5,397,335</u> | <u>100</u> | <u>8,818,587</u> | <u>100</u> | <u>18,266,993</u> | <u>100</u> | <u>24,293,643</u> | <u>100</u> |
| COST OF GOODS SOLD (Notes 11, 24 and 29) | <u>5,169,661</u> | <u>96</u> | <u>7,558,730</u> | <u>86</u> | <u>17,819,067</u> | <u>97</u> | <u>20,540,371</u> | <u>85</u> |
| GROSS PROFIT | <u>227,674</u> | <u>4</u> | <u>1,259,857</u> | <u>14</u> | <u>447,926</u> | <u>3</u> | <u>3,753,272</u> | <u>15</u> |
| OPERATING EXPENSES (Notes 24 and 29) | | | | | | | | |
| Selling and marketing expenses | 146,679 | 2 | 136,151 | 1 | 424,855 | 2 | 384,691 | 2 |
| General and administrative expenses | 61,990 | 1 | 70,539 | 1 | 176,522 | 1 | 212,610 | 1 |
| Research and development expenses | 42,677 | 1 | 49,949 | 1 | 118,062 | 1 | 131,122 | - |
| Expected credit loss recognized (Note 10) | <u>2,139</u> | - | <u>1,744</u> | - | <u>1,163</u> | - | <u>2,821</u> | - |
| Total operating expenses | <u>253,485</u> | <u>4</u> | <u>258,383</u> | <u>3</u> | <u>720,602</u> | <u>4</u> | <u>731,244</u> | <u>3</u> |
| (LOSS) PROFIT FROM OPERATIONS | <u>(25,811)</u> | - | <u>1,001,474</u> | <u>11</u> | <u>(272,676)</u> | <u>(1)</u> | <u>3,022,028</u> | <u>12</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Interest income | 26,290 | 1 | 6,423 | - | 60,284 | - | 31,836 | - |
| Rental income (Note 29) | 9,942 | - | 10,731 | - | 30,048 | - | 32,103 | - |
| Dividend income | 48,382 | 1 | 33,889 | - | 49,089 | - | 43,656 | - |
| Other income (Note 24) | 15,667 | - | 23,422 | - | 379,008 | 2 | 89,776 | - |
| Gain on disposal of investments (Note 29) | - | - | - | - | - | - | 19,103 | - |
| Foreign currency exchange loss | (1,972) | - | (44,517) | - | (15) | - | (28,011) | - |
| (Loss) gain on financial assets at fair value through profit or loss | (2,074) | - | 5,127 | - | 8,230 | - | 4,280 | - |
| Interest expense (Notes 24 and 29) | (92,738) | (2) | (103,093) | (1) | (258,765) | (1) | (289,592) | (1) |
| Other expenses (Note 24) | (37,236) | (1) | (41,345) | - | (128,457) | (1) | (119,864) | - |
| Share of profit of associates accounted for using the equity method | <u>58,571</u> | <u>1</u> | <u>166,669</u> | <u>2</u> | <u>88,945</u> | <u>1</u> | <u>123,604</u> | <u>1</u> |
| Total non-operating income and expenses | <u>24,832</u> | - | <u>57,306</u> | <u>1</u> | <u>228,367</u> | <u>1</u> | <u>(93,109)</u> | - |
| (LOSS) PROFIT BEFORE INCOME TAX | (979) | - | 1,058,780 | 12 | (44,309) | - | 2,928,919 | 12 |
| INCOME TAX EXPENSE (Note 25) | <u>6,145</u> | - | <u>284,246</u> | <u>3</u> | <u>44,567</u> | - | <u>745,818</u> | <u>3</u> |
| NET (LOSS) PROFIT FOR THE PERIOD | <u>(7,124)</u> | - | <u>774,534</u> | <u>9</u> | <u>(88,876)</u> | - | <u>2,183,101</u> | <u>9</u> |

(Continued)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|--|---|------------|-------------------|----------|--|----------|---------------------|----------|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income | \$ (75,310) | (1) | \$ 132,968 | 1 | \$ 237,474 | 1 | \$ 261,168 | 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 | (227,268) | (4) | (282,113) | (3) | (145,919) | (1) | (222,344) | (1) |
| Share of the other comprehensive loss of associates accounted for using the equity method | (67,853) | (2) | (79,173) | (1) | (47,632) | - | (58,026) | - |
| Other comprehensive (loss) income for the period, net of income tax | (370,431) | (7) | (228,318) | (3) | 43,923 | - | (14,813) | - |
| TOTAL COMPREHENSIVE (LOSS) PROFIT FOR THE PERIOD | <u>\$ (377,555)</u> | <u>(7)</u> | <u>\$ 546,216</u> | <u>6</u> | <u>\$ (44,953)</u> | <u>-</u> | <u>\$ 2,168,288</u> | <u>9</u> |
| NET (LOSS) PROFIT ATTRIBUTED TO: | | | | | | | | |
| Owners of the Corporation | \$ 48,639 | 1 | \$ 543,809 | 6 | \$ 75,905 | 1 | \$ 1,635,889 | 7 |
| Non-controlling interests | (55,763) | (1) | 230,725 | 3 | (164,781) | (1) | 547,212 | 2 |
| | <u>\$ (7,124)</u> | <u>-</u> | <u>\$ 774,534</u> | <u>9</u> | <u>\$ (88,876)</u> | <u>-</u> | <u>\$ 2,183,101</u> | <u>9</u> |
| TOTAL COMPREHENSIVE (LOSS) PROFIT ATTRIBUTED TO: | | | | | | | | |
| Owners of the Corporation | \$ (221,092) | (4) | \$ 443,170 | 5 | \$ 184,760 | 1 | \$ 1,721,024 | 7 |
| Non-controlling interests | (156,463) | (3) | 103,046 | 1 | (229,713) | (1) | 447,264 | 2 |
| | <u>\$ (377,555)</u> | <u>(7)</u> | <u>\$ 546,216</u> | <u>6</u> | <u>\$ (44,953)</u> | <u>-</u> | <u>\$ 2,168,288</u> | <u>9</u> |
| EARNINGS PER SHARE (Note 26) | | | | | | | | |
| Basic | <u>\$ 0.06</u> | | <u>\$ 0.63</u> | | <u>\$ 0.09</u> | | <u>\$ 1.88</u> | |
| Diluted | <u>\$ 0.06</u> | | <u>\$ 0.62</u> | | <u>\$ 0.09</u> | | <u>\$ 1.87</u> | |

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

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

(Concluded)

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 | | | | 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 | Treasury Stock | Non-controlling Interests | |
| | | 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 nine months ended September 30, 2018 | - | - | - | - | - | 1,635,889 | - | - | - | 547,212 | 2,183,101 |
| Other comprehensive income (loss) for the nine months ended September 30, 2018 | - | - | - | - | - | 4,389 | (180,422) | 261,168 | - | (99,948) | (14,813) |
| Total comprehensive income (loss) for the nine months ended September 30, 2018 | - | - | - | - | - | 1,640,278 | (180,422) | 261,168 | - | 447,264 | 2,168,288 |
| Cash dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | (36,611) | (36,611) |
| Change in capital surplus from dividends distributed to subsidiary | - | - | 24,068 | - | - | - | - | - | - | - | 24,068 |
| BALANCE AT SEPTEMBER 30, 2018 | \$ 8,857,031 | \$ 470,767 | \$ 294,592 | \$ 2,150,280 | \$ 1,911,129 | \$ 2,124,902 | \$ (381,371) | \$ (399,456) | \$ (187,798) | \$ 3,498,985 | \$ 18,339,061 |
| 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 nine months ended September 30, 2019 | - | - | - | - | - | 75,905 | - | - | - | (164,781) | (88,876) |
| Other comprehensive (loss) income for the nine months ended September 30, 2019 | - | - | - | - | - | - | (128,619) | 237,474 | - | (64,932) | 43,923 |
| Total comprehensive income (loss) for the nine months ended September 30, 2019 | - | - | - | - | - | 75,905 | (128,619) | 237,474 | - | (229,713) | (44,953) |
| Change in capital surplus from dividends distributed to subsidiary | - | - | 24,069 | - | - | - | - | - | - | - | 24,069 |
| BALANCE AT SEPTEMBER 30, 2019 | \$ 8,857,031 | \$ 470,767 | \$ 318,661 | \$ 2,325,353 | \$ 1,911,129 | \$ 597,513 | \$ (419,174) | \$ (247,452) | \$ (187,798) | \$ 3,390,820 | \$ 17,016,850 |

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

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

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Nine Months Ended September 30 | |
|---|---|--------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss) profit before income tax | \$ (44,309) | \$ 2,928,919 |
| Adjustments : | | |
| Depreciation expenses | 813,179 | 799,105 |
| Amortization expenses | 9,889 | 14,094 |
| Expected credit loss recognized | 1,163 | 2,821 |
| Gain on financial assets at fair value through profit or loss, net | (8,230) | (4,280) |
| Interest expense | 258,765 | 289,592 |
| Interest income | (60,284) | (31,836) |
| Dividend income | (49,089) | (43,656) |
| Share of profit of associates accounted for using the equity method | (88,945) | (123,604) |
| Loss (gain) on disposal of property, plant and equipment | 8,553 | (193) |
| Gain on disposal of investments | - | (19,103) |
| Write-downs of inventories | 23,748 | 9,927 |
| Unrealized gain on foreign currency exchange | (98,360) | (104,596) |
| Amortization of prepayments for leases | - | 7,377 |
| Changes in operating assets and liabilities | | |
| Financial assets at fair value through profit or loss | (40,658) | 22,844 |
| Notes receivable | 460,826 | 241,454 |
| Trade receivables | 28,537 | (574,023) |
| Trade receivables from related parties | (39,822) | 11,600 |
| Other receivables | (42,262) | 3,874 |
| Inventories | 306,356 | 330,133 |
| Prepayments | (312,688) | (323,905) |
| Other current assets | 129,984 | 88,427 |
| Trade payables | (1,440,621) | 187,602 |
| Trade payables to related parties | 358 | 445,997 |
| Other payables | (224,284) | (15,629) |
| Other current liabilities | 126,628 | (88,019) |
| Net defined benefit liabilities | (2,344) | (27,307) |
| Deferred revenue | (6,696) | (6,788) |
| Other non-current liabilities | - | 31,876 |
| Cash (used in) generated from operations | (290,606) | 4,052,703 |
| Interest received | 55,690 | 32,222 |
| Interest paid | (252,996) | (278,425) |
| Income tax paid | (232,825) | (512,948) |
| Net cash (used in) generated from operating activities | (720,737) | 3,293,552 |

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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 Nine Months Ended September 30 | |
|--|---|---------------------|
| | 2019 | 2018 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | \$ (360,174) | \$ (670,392) |
| Proceeds from the capital reduction of financial assets at fair value through other comprehensive income | - | 15,000 |
| (Payments for) proceeds from disposal of financial assets at amortized cost | (408,127) | 21,676 |
| Proceeds from disposal of investments accounted for using the equity method | - | 180,257 |
| Payments for property, plant and equipment | (26,293) | (51,178) |
| Proceeds from disposal of property, plant and equipment | - | 7,695 |
| Payments for intangible assets | (23) | (698) |
| Decrease (increase) in other non-current assets | 195,191 | (1,350,830) |
| Increase in construction in progress | (265,557) | (184,006) |
| Increase in other prepayments | - | (1,860) |
| Other dividend received | <u>49,089</u> | <u>43,656</u> |
| Net cash used in investing activities | <u>(815,894)</u> | <u>(1,990,680)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 3,381,740 | 840,758 |
| (Repayments of) proceeds from short-term bills payable | (100,000) | 68,000 |
| Proceeds from long-term borrowings | 8,434,345 | 3,192,240 |
| Repayments of long-term borrowings | (9,312,857) | (3,837,095) |
| (Decrease) increase in guarantee deposits | (5,127) | 1,013 |
| Repayment of the principal portion of lease liabilities | (7,919) | - |
| Dividends paid to owners of the Corporation | (1,525,912) | (1,525,912) |
| Dividends paid to non-controlling interests | <u>-</u> | <u>(36,611)</u> |
| Net cash generated from (used in) financing activities | <u>864,270</u> | <u>(1,297,607)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>(9,624)</u> | <u>(22,496)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (681,985) | (17,231) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>1,910,500</u> | <u>1,946,019</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 1,228,515</u> | <u>\$ 1,928,788</u> |

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

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

(Concluded)

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

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 November 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:

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

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

| New IFRSs | Effective Date Announced by IASB |
|--|---|
| Amendments to IFRS 3 “Definition of a Business” | January 1, 2020 (Note 1) |
| Amendments to 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

| New IFRSs | Effective Date Announced by IASB (Note) |
|--|--|
| Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform | January 1, 2020 |
| 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 8 and 9 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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-----------------------|----------------------|-----------------------|
| Cash on hand | \$ 110 | \$ 110 | \$ 110 |
| Checking accounts and demand deposits | 1,209,973 | 1,755,024 | 1,832,043 |
| Cash equivalents | | | |
| Time deposits with original maturities of less than 3 months | 18,432 | 13,426 | 71,635 |
| Repurchase agreements collateralized by bonds | <u>-</u> | <u>141,940</u> | <u>25,000</u> |
| | <u>\$ 1,228,515</u> | <u>\$ 1,910,500</u> | <u>\$ 1,928,788</u> |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|-----------------------|----------------------|-----------------------|
| Financial assets mandatorily classified as at FVTPL | | | |
| Domestic listed shares | \$ 54,563 | \$ 14,480 | \$ 9,187 |
| Domestic mutual funds | <u>72,394</u> | <u>63,589</u> | <u>73,200</u> |
| | <u>\$ 126,957</u> | <u>\$ 78,069</u> | <u>\$ 82,387</u> |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|----------------------|-----------------------|----------------------|-----------------------|
| <u>Non-current</u> | | | |
| Domestic investments | | | |
| Listed shares | \$ 1,509,544 | \$ 1,272,070 | \$ 1,489,860 |
| Unlisted shares | <u>4,395,522</u> | <u>4,035,348</u> | <u>3,903,028</u> |
| | <u>\$ 5,905,066</u> | <u>\$ 5,307,418</u> | <u>\$ 5,392,888</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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-----------------------|----------------------|-----------------------|
| <u>Current</u> | | | |
| Domestic investments | | | |
| Time deposits with original maturities of more than 3 months (a) | \$ <u>429,203</u> | \$ <u>-</u> | \$ <u>-</u> |
| <u>Non-current</u> | | | |
| Domestic investments | | | |
| Pledged certificates of deposits (b) | \$ <u>55,892</u> | \$ <u>76,968</u> | \$ <u>54,470</u> |

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 2.70%-2.95% per annum as of September 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 September 30, 2019, December 31, 2018 and September 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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| <u>Notes receivable</u> | | | |
| Notes receivable | \$ 325,467 | \$ 786,293 | \$ 608,136 |
| Less: Allowance for impairment loss | <u>(359)</u> | <u>(668)</u> | <u>(826)</u> |
| | <u>\$ 325,108</u> | <u>\$ 785,625</u> | <u>\$ 607,310</u> |
| <u>Trade receivables</u> | | | |
| Trade receivables | \$ 1,249,352 | \$ 1,238,067 | \$ 1,871,440 |
| Less: Allowance for impairment loss | <u>(6,909)</u> | <u>(5,437)</u> | <u>(8,313)</u> |
| | <u>\$ 1,242,443</u> | <u>\$ 1,232,630</u> | <u>\$ 1,863,127</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.

September 30, 2019

| | 0 to 60 Days | 61 to 90 Days | 91 to 120 Days | 121 to 150 Days | Total |
|-----------------------------------|---------------------|----------------------|-----------------------|------------------------|---------------------|
| Carrying amount | \$ 1,543,151 | \$ 24,909 | \$ 6,550 | \$ 209 | \$ 1,574,819 |
| Loss allowance (Lifetime ECLs) | <u> -</u> | <u> (509)</u> | <u> (6,550)</u> | <u> (209)</u> | <u> (7,268)</u> |
| Amortized cost | <u>\$ 1,543,151</u> | <u>\$ 24,400</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,567,551</u> |

December 31, 2018

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

September 30, 2018

| | 0 to 60 Days | 61 to 90 Days | 91 to 120 Days | 121 to 150 Days | Total |
|-----------------------------------|---------------------|----------------------|-----------------------|------------------------|---------------------|
| Carrying amount | \$ 2,454,048 | \$ 19,954 | \$ 4,621 | \$ 953 | \$ 2,479,576 |
| Loss allowance (Lifetime ECLs) | <u> (826)</u> | <u> (2,739)</u> | <u> (4,621)</u> | <u> (953)</u> | <u> (9,139)</u> |
| Amortized cost | <u>\$ 2,453,222</u> | <u>\$ 17,215</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,470,437</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:

| | <u>Nine Months Ended September 30</u> | |
|-------------------------------------|--|-----------------|
| | 2019 | 2018 |
| Balance at January 1 | \$ 6,105 | \$ 6,318 |
| Net remeasurement of loss allowance | <u>1,163</u> | <u>2,821</u> |
| Balance at September 30 | <u>\$ 7,268</u> | <u>\$ 9,139</u> |

11. INVENTORIES

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|------------------|-----------------------|----------------------|-----------------------|
| Finished goods | \$ 1,037,363 | \$ 1,119,503 | \$ 1,122,210 |
| Work in progress | 21,655 | 27,027 | 25,024 |
| Raw materials | <u>242,008</u> | <u>483,573</u> | <u>762,816</u> |
| | <u>\$ 1,301,026</u> | <u>\$ 1,630,103</u> | <u>\$ 1,910,050</u> |

The cost of inventories recognized as cost of goods sold for the three months and nine months ended September 30, 2019 and 2018 was \$5,169,661 thousand, \$7,558,730 thousand, \$17,819,067 thousand and \$20,540,371 thousand, respectively. The cost of goods sold for the three months and nine months ended September 30, 2019 and 2018 included reversals of inventory write-downs of \$23,977 thousand, inventory write-downs of \$4,610 thousand, inventory write-downs of \$23,748 thousand and inventory write-downs of \$9,927 thousand. The reversals of previous write-downs resulted from increased selling prices in certain markets.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor | Investee | Nature of Activities | Proportion of Ownership | | | Remark |
|-----------------|--|---|-------------------------|---------------------|-----------------------|--------|
| | | | September 30, 2019 | December 31 2018 | September 30, 2018 | |
| The Corporation | Ton Fu Investment Corp. ("TFIC") | Investment | 100 | 100 | 100 | 1) |
| | Pacific Petrochemical (Holding) Ltd. ("PPL") | Investment | 100 | 100 | 100 | - |
| | OUC (Bermuda) Holding Ltd. ("OUC (Bermuda)") | Investment | 100 | 100 | 100 | 1) |
| OUC (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 September 30, 2019 and 2018, combined total assets of these non-significant subsidiaries were \$3,929,336 thousand and \$4,284,541 thousand, respectively, representing 11% and 12%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were \$2,073,224 thousand and \$2,299,167 thousand, respectively, representing 11% and 12%, respectively, of the consolidated total liabilities; for the three months and nine months ended September 30, 2019 and 2018, the amounts of combined comprehensive income (loss) of these subsidiaries were \$(23,039) thousand, \$(42,976) thousand, \$(59,364) thousand and \$(110,081) thousand, respectively, representing 6%, (8%), 132% and (5%), respectively, of the consolidated total comprehensive profit (loss).

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 | | |
|--------------------|-----------------------------|---|-------------------|--------------------|
| | | September 30, 2019 | December 31, 2018 | September 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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|---------------------|---------------------|---------------------|
| Material associates | | | |
| Oriental Petrochemical (Shanghai) Corporation (“OPSC”) | \$ 2,145,151 | \$ 2,039,984 | \$ 1,960,925 |
| Associates that are not individually material | | | |
| Hwa Xu Heat Supply Co. (“HXYZ”) | <u>84,186</u> | <u>148,895</u> | <u>171,472</u> |
| | <u>\$ 2,229,337</u> | <u>\$ 2,188,879</u> | <u>\$ 2,132,397</u> |

Material associates

| Name of Associate | Nature of Activities | Principal Place of Business | Proportion of Ownership and Voting Rights | | |
|-------------------|--|-----------------------------|---|-------------------|--------------------|
| | | | September 30, 2019 | December 31, 2018 | September 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 September 30, 2019 and 2018, investments accounted for using the equity method was \$84,186 thousand and \$171,472 thousand, respectively; for the three months and nine months ended September 30, 2019 and 2018, the amount of the share of loss recognized from investments accounted for using the equity method were \$19,546 thousand, \$17,448 thousand, \$63,854 thousand and \$83,482 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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-----------------------|----------------------|-----------------------|
| Land | \$ 1,591,461 | \$ 1,591,461 | \$ 1,591,461 |
| Land improvements | 45,736 | 10,366 | 10,812 |
| Buildings | 1,187,770 | 1,257,188 | 1,254,307 |
| Machinery and equipment | 11,286,878 | 12,028,609 | 12,005,641 |
| Other equipment | <u>158,886</u> | <u>176,113</u> | <u>181,366</u> |
| | 14,270,731 | 15,063,737 | 15,043,587 |
| Construction in progress and equipment to be inspected | <u>993,453</u> | <u>934,934</u> | <u>899,859</u> |
| | <u>\$ 15,264,184</u> | <u>\$ 15,998,671</u> | <u>\$ 15,943,446</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 nine months ended September 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 | 15-25 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

| | September 30, 2019 |
|--------------------------|-----------------------|
| <u>Carrying amounts</u> | |
| Land | \$ 390,315 |
| Machinery | 20,443 |
| Transportation equipment | <u>4,409</u> |
| | <u>\$ 415,167</u> |

| | For the Three Months Ended September 30, 2019 | For the Nine Months Ended September 30, 2019 |
|---|--|---|
| Additions to right-of-use assets | \$ <u> -</u> | \$ <u> 1,832</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 2,474 | \$ 7,512 |
| Machinery | 1,614 | 4,842 |
| Transportation equipment | <u>1,007</u> | <u>2,826</u> |
| | <u>\$ 5,095</u> | <u>\$ 15,180</u> |

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

b. Lease liabilities - 2019

| | September 30, 2019 |
|-------------------------|-------------------------------|
| <u>Carrying amounts</u> | |
| Current | \$ <u> 9,786</u> |
| Non-current | \$ <u>16,732</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 nine months ended September 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

| | December 31, 2018 | September 30, 2018 |
|-------------|------------------------------|-------------------------------|
| Current | \$ 12,587 | \$ 12,863 |
| Non-current | <u>393,617</u> | <u>392,529</u> |
| | <u>\$ 406,204</u> | <u>\$ 405,392</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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|-----------------------|-------------------------------|------------------------------|-------------------------------|
| <u>Other assets</u> | | | |
| Silver and catalysts | \$ 1,837,699 | \$ 2,203,479 | \$ 2,227,553 |
| Prepayments (Note 29) | 779,944 | 659,133 | 208,553 |
| Materials | 483,593 | 464,901 | 449,275 |
| Input tax | 282,416 | 266,303 | 286,051 |
| Others | <u>238,892</u> | <u>238,509</u> | <u>245,623</u> |
| | <u>\$ 3,622,544</u> | <u>\$ 3,832,325</u> | <u>\$ 3,417,055</u> |
| Current | \$ 439,140 | \$ 569,124 | \$ 566,655 |
| Non-current | <u>3,183,404</u> | <u>3,263,201</u> | <u>2,850,400</u> |
| | <u>\$ 3,622,544</u> | <u>\$ 3,832,325</u> | <u>\$ 3,417,055</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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--------------------------------------|-----------------------|----------------------|-----------------------|
| <u>Unsecured borrowings</u> | | | |
| Line of credit borrowings | \$ 7,702,649 | \$ 5,305,133 | \$ 4,650,285 |
| Loans from related parties (Note 29) | <u>833,830</u> | <u>-</u> | <u>1,153,695</u> |
| | <u>\$ 8,536,479</u> | <u>\$ 5,305,133</u> | <u>\$ 5,803,980</u> |
| Interest rate | 0.79%-4.13% | 1.00%-4.57% | 1.00%-4.79% |

b. Long-term borrowings

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| <u>Secured borrowings (Note 30)</u> | | | |
| Long-term commercial paper payables | \$ <u>129,878</u> | \$ <u>-</u> | \$ <u>129,887</u> |
| <u>Unsecured borrowings</u> | | | |
| Bank loans | 4,810,000 | 5,263,937 | 5,238,400 |
| Long-term commercial paper payables | <u>1,199,858</u> | <u>1,749,388</u> | <u>1,749,355</u> |
| | <u>6,009,858</u> | <u>7,013,325</u> | <u>6,987,755</u> |
| Long-term borrowing | <u>\$ 6,139,736</u> | <u>\$ 7,013,325</u> | <u>\$ 7,117,642</u> |
| Interest rate | 0.57%-1.12% | 0.57%-3.43% | 0.52%-3.14% |
| Maturity date | November 2021 | November 2020 | September 2020 |

20. OTHER PAYABLES

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-----------------------|----------------------|-----------------------|
| Payables for purchase of equipment | \$ 78,949 | \$ 109,062 | \$ 70,948 |
| Payables for salaries | 49,514 | 108,483 | 81,838 |
| Freight payables | 46,183 | 42,357 | 47,413 |
| Payables for dividends | 37,694 | 36,044 | 36,194 |
| Interest payables | 26,531 | 20,762 | 44,163 |
| Payables for annual leave | 9,399 | 18,798 | 23,759 |
| Payables for employee's compensation and remuneration of directors | 7,661 | 49,039 | 59,190 |
| Others | <u>150,608</u> | <u>283,433</u> | <u>278,660</u> |
| | <u>\$ 406,539</u> | <u>\$ 667,978</u> | <u>\$ 642,165</u> |

21. OTHER LIABILITIES

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-----------------------|----------------------|-----------------------|
| Contract liabilities | \$ 242,016 | \$ 148,159 | \$ 220,728 |
| Provisions for repairs and maintenance | 75,708 | 44,624 | 31,876 |
| Others | <u>23,951</u> | <u>22,264</u> | <u>23,201</u> |
| | <u>\$ 341,675</u> | <u>\$ 215,047</u> | <u>\$ 275,805</u> |
| Current | \$ 341,675 | \$ 170,423 | \$ 243,929 |
| Non-current | <u>-</u> | <u>44,624</u> | <u>31,876</u> |
| | <u>\$ 341,675</u> | <u>\$ 215,047</u> | <u>\$ 275,805</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 and \$4,305 thousand, \$9,783 thousand and \$11,956 thousand for the three months and nine months ended September 30, 2019 and 2018, respectively.

23. EQUITY

a. Common stock

| | September 30, 2019 | December 31, 2018 | September 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

| | September 30, 2019 | December 31, 2018 | September 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>318,661</u> | <u>294,592</u> | <u>294,592</u> |
| | <u>\$ 789,428</u> | <u>\$ 765,359</u> | <u>\$ 765,359</u> |

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

c. Retained earnings and dividends policy

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

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

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

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

The appropriation of earnings for 2018 and 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:

| | Appropriation of Earnings | Dividends Per Share (NT\$) |
|----------------|--------------------------------------|---------------------------------------|
| 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:

| | Appropriation of Earnings | Dividends Per Share (NT\$) |
|----------------|--------------------------------------|---------------------------------------|
| 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:

| Name of Subsidiary | Number of Stocks Held (In Thousands of Stocks) | Carrying Amount | Market Price |
|---------------------------|---|----------------------------|---------------------|
| <u>September 30, 2019</u> | | | |
| TFIC | 13,754 | <u>\$ 303,266</u> | <u>\$ 303,266</u> |
| <u>December 31, 2018</u> | | | |
| TFIC | 13,754 | <u>\$ 354,842</u> | <u>\$ 354,842</u> |
| <u>September 30, 2018</u> | | | |
| TFIC | 13,754 | <u>\$ 468,309</u> | <u>\$ 468,309</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 September 30 | | For the Nine Months Ended September 30 | |
|--|--|------------------|---|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Settlement of insurance claims (Note) | \$ 3,393 | \$ 467 | \$ 282,607 | \$ 43,035 |
| Government grants | (43) | - | 68,495 | - |
| Others | <u>12,317</u> | <u>22,955</u> | <u>27,906</u> | <u>46,741</u> |
| | <u>\$ 15,667</u> | <u>\$ 23,422</u> | <u>\$ 379,008</u> | <u>\$ 89,776</u> |

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

b. Interest expense

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-------------------|---|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest on bank loans | \$ 87,761 | \$ 76,903 | \$ 244,966 | \$ 244,037 |
| Interest on loans from related parties (Note 29) | 4,896 | 26,186 | 13,531 | 45,535 |
| Interest on lease liabilities | 77 | - | 248 | - |
| Other interest expense | <u>4</u> | <u>4</u> | <u>20</u> | <u>20</u> |
| | <u>\$ 92,738</u> | <u>\$ 103,093</u> | <u>\$ 258,765</u> | <u>\$ 289,592</u> |

Information about capitalized interest was as follows:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|----------------------|--|-------------|---|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Capitalized interest | \$ 258 | \$ 252 | \$ 766 | \$ 742 |
| Capitalization rate | 0.49%-1.12% | 0.41%-1.16% | 0.49%-1.17% | 0.41%-1.18% |

c. Depreciation and amortization

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------------|---|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Property, plant and equipment | \$ 256,145 | \$ 264,881 | \$ 797,937 | \$ 799,044 |
| Right-of-use assets | 5,095 | - | 15,180 | - |
| Intangible assets (included other assets) | 3,277 | 4,605 | 9,889 | 14,094 |
| Investment properties | <u>21</u> | <u>20</u> | <u>62</u> | <u>61</u> |
| | <u>\$ 264,538</u> | <u>\$ 269,506</u> | <u>\$ 823,068</u> | <u>\$ 813,199</u> |
| An analysis of depreciation by function | | | | |
| Operating costs | \$ 244,182 | \$ 252,278 | \$ 760,586 | \$ 761,959 |
| Operating expenses | 17,058 | 12,603 | 52,531 | 37,085 |
| Non-operating expenses and losses | <u>21</u> | <u>20</u> | <u>62</u> | <u>61</u> |
| | <u>\$ 261,261</u> | <u>\$ 264,901</u> | <u>\$ 813,179</u> | <u>\$ 799,105</u> |
| An analysis of amortization by function | | | | |
| Operating costs | \$ 2,264 | \$ 3,510 | \$ 6,722 | \$ 10,753 |
| Operating expenses | <u>1,013</u> | <u>1,095</u> | <u>3,167</u> | <u>3,341</u> |
| | <u>\$ 3,277</u> | <u>\$ 4,605</u> | <u>\$ 9,889</u> | <u>\$ 14,094</u> |

d. Employee benefits expense

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-----------------------|---|-----------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Salary expense | \$ 123,134 | \$ 150,416 | \$ 377,352 | \$ 460,080 |
| Insurance expense | 15,015 | 14,415 | 42,183 | 40,956 |
| Post-employment benefits | | | | |
| Defined contribution plans | 7,372 | 7,600 | 22,079 | 22,122 |
| Defined benefit plans (Note 22) | 3,085 | 4,305 | 9,783 | 11,956 |
| Other employee benefits | 24,591 | 24,796 | 77,128 | 80,394 |
| Total employee benefits expense | <u>\$ 173,197</u> | <u>\$ 201,532</u> | <u>\$ 528,525</u> | <u>\$ 615,508</u> |
| An analysis of employee benefits expense by function | | | | |
| Operating costs | \$ 109,486 | \$ 121,787 | \$ 341,665 | \$ 382,064 |
| Operating expenses | 63,711 | 79,745 | 186,860 | 233,444 |
| | <u>\$ 173,197</u> | <u>\$ 201,532</u> | <u>\$ 528,525</u> | <u>\$ 615,508</u> |

In compliance with the Articles, the Corporation accrued employees' compensation and remuneration of directors at the rates from 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors 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 were \$0 thousand and \$17,270 thousand, \$1,195 thousand and \$55,893 thousand for the three months and nine months ended September 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 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 recognized in profit or loss are as follows:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|----------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Current tax | | | | |
| In respect of the current periods | \$ 7,038 | \$ 211,516 | \$ 78,206 | \$ 635,220 |
| Income tax on unappropriated earnings | - | - | 1,849 | 1,045 |
| Adjustments for prior periods | - | - | (9,667) | - |
| | <u>7,038</u> | <u>211,516</u> | <u>70,388</u> | <u>636,265</u> |

(Continued)

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------------|---|----------------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Deferred tax | | | | |
| In respect of the current periods | \$ (893) | \$ 72,730 | \$ (25,821) | \$ 137,187 |
| Effect of tax rate changes | <u>-</u> | <u>-</u> | <u>-</u> | <u>(27,634)</u> |
| | <u>(893)</u> | <u>72,730</u> | <u>(25,821)</u> | <u>109,553</u> |
| Income tax expense recognized in profit or loss | <u>\$ 6,145</u> | <u>\$ 284,246</u> | <u>\$ 44,567</u> | <u>\$ 745,818</u> (Concluded) |

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%.

In July 2019, the President of the ROC approved the announcement of the amendments to the Statute of Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in certain assets or technologies above a specific amount are allowed as deduction when computing the income tax on unappropriated earnings. However, the related implementation rules are yet to be issued by the Ministry of Finance; thus, the Corporation could not estimate the effect on the current income tax.

b. Income tax assessments

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. EARNINGS PER SHARE

Net Profit for the Period

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-------------------|---|---------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Earnings used in the computation of basic earnings per share | <u>\$ 48,639</u> | <u>\$ 543,809</u> | <u>\$ 75,905</u> | <u>\$ 1,635,889</u> |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 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 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>36</u> | <u>1,094</u> | <u>386</u> | <u>1,406</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>871,985</u> | <u>873,043</u> | <u>872,335</u> | <u>873,355</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

September 30, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------------|----------------|---------------------|---------------------|
| Financial assets at FVTPL | | | | |
| Domestic listed shares | \$ 54,563 | \$ - | \$ - | \$ 54,563 |
| Domestic mutual funds | <u>72,394</u> | <u>-</u> | <u>-</u> | <u>72,394</u> |
| | <u>\$ 126,957</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 126,957</u> |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic listed shares | \$ 1,509,544 | \$ - | \$ - | \$ 1,509,544 |
| Domestic unlisted shares | <u>-</u> | <u>-</u> | <u>4,395,522</u> | <u>4,395,522</u> |
| | <u>\$ 1,509,544</u> | <u>\$ -</u> | <u>\$ 4,395,522</u> | <u>\$ 5,905,066</u> |

December 31, 2018

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

September 30, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------------|----------------|---------------------|---------------------|
| Financial assets at FVTPL | | | | |
| Domestic listed shares | \$ 9,187 | \$ - | \$ - | \$ 9,187 |
| Domestic mutual funds | <u>73,200</u> | <u>-</u> | <u>-</u> | <u>73,200</u> |
| | <u>\$ 82,387</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 82,387</u> |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic listed shares | \$ 1,489,860 | \$ - | \$ - | \$ 1,489,860 |
| Domestic unlisted shares | <u>-</u> | <u>-</u> | <u>3,903,028</u> | <u>3,903,028</u> |
| | <u>\$ 1,489,860</u> | <u>\$ -</u> | <u>\$ 3,903,028</u> | <u>\$ 5,392,888</u> |

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

c. Categories of financial instruments

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|-------------------------------|------------------------------|-------------------------------|
| <u>Financial assets</u> | | | |
| Fair value through profit or loss (FVTPL) | | | |
| Mandatorily classified as at FVTPL | \$ 126,957 | \$ 78,069 | \$ 82,387 |
| Financial assets at amortized cost (Note 1) | 3,357,512 | 4,067,268 | 4,515,290 |
| Financial assets at FVTOCI | | | |
| Equity instruments | 5,905,066 | 5,307,418 | 5,392,888 |
| <u>Financial liabilities</u> | | | |
| Amortized cost (Note 2) | 16,885,652 | 16,338,145 | 17,107,087 |

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 and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group through internal risk evaluation. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

The following details the effects of a 5% increase in NTD (the functional currency) against the relevant foreign currencies. For a 5% strengthening of NTD against the relevant currency, the net (loss) profit would be decrease of \$36,291 thousand and increase \$86,286 thousand for the nine months ended September 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:

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Fair value interest rate risk | | | |
| Financial assets | \$ 503,527 | \$ 232,334 | \$ 151,105 |
| Financial liabilities | 10,802,997 | 10,238,458 | 10,271,622 |
| Cash flow interest rate risk | | | |
| Financial assets | 1,070,512 | 1,727,863 | 1,802,286 |
| Financial liabilities | 4,099,736 | 2,380,000 | 2,950,000 |

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's net (loss) profit for the nine months ended September 30, 2019 and 2018 would increase/decrease by \$11,360 thousand and decrease/increase \$4,304 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 nine months ended September 30, 2019 and 2018 would have decreased/increased by \$6,348 thousand and increased/decreased \$4,119 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 nine months ended September 30, 2019 and 2018 would have increased/decreased by \$75,477 thousand and decreased/increased \$74,493 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 September 30, 2019, December 31, 2018 and September 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.

September 30, 2019

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|--|---|-----------------------|-------------------------------|---------------------|
| Non-interest bearing Lease liabilities | \$ - 891 | \$ 1,470,691 1,783 | \$ - 7,352 | \$ - 16,949 |
| Variable interest rate liabilities | 3,135 | 5,239 | 19,816 | 4,123,094 |
| Fixed interest rate liabilities | <u>4,730,663</u> | <u>3,385,661</u> | <u>665,233</u> | <u>2,040,000</u> |
| | <u>\$ 4,734,689</u> | <u>\$ 4,863,374</u> | <u>\$ 692,401</u> | <u>\$ 6,180,043</u> |

December 31, 2018

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

September 30, 2018

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|---------------------|-------------------------------|---------------------|
| Non-interest bearing Variable interest rate liabilities | \$ - - | \$ 3,061,555 - | \$ - - | \$ - 2,986,382 |
| Fixed interest rate liabilities | <u>1,654,517</u> | <u>2,948,821</u> | <u>1,553,187</u> | <u>4,171,988</u> |
| | <u>\$ 1,654,517</u> | <u>\$ 6,010,376</u> | <u>\$ 1,553,187</u> | <u>\$ 7,158,370</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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--------------------------------|-----------------------|----------------------|-----------------------|
| Unsecured bank borrowing limit | | | |
| Amount used | \$ 16,379,000 | \$ 16,889,000 | \$ 16,358,000 |
| Amount unused | <u>13,743,000</u> | <u>12,552,000</u> | <u>11,058,000</u> |
| | <u>\$ 30,122,000</u> | <u>\$ 29,441,000</u> | <u>\$ 27,416,000</u> |
| Secured bank borrowing limit | | | |
| Amount used | \$ 130,000 | \$ - | \$ 130,000 |
| Amount unused | <u>-</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 |
| Shanghai Yuanzi Information Technology Ltd. | Others |
| Far Eastern Dyeing & Finishing (Suzhou) Ltd. | Others |

a. Sale of goods

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-------------------|---|---------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Investors with significant influence over the Group | \$ 263,388 | \$ 471,883 | \$ 831,239 | \$ 1,678,038 |
| Others | <u>22,796</u> | <u>21,466</u> | <u>96,211</u> | <u>279,607</u> |
| | <u>\$ 286,184</u> | <u>\$ 493,349</u> | <u>\$ 927,450</u> | <u>\$ 1,957,645</u> |

b. Purchase of goods

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|------------|--|-------------------|---|---------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Associates | \$ 68,284 | \$ 137,133 | \$ 289,097 | \$ 274,570 |
| Others | | | | |
| PETH | 363 | (15,559) | (45,068) | 1,625,876 |
| Others | <u>-</u> | <u>24</u> | <u>52</u> | <u>1,213</u> |
| | <u>363</u> | <u>(15,535)</u> | <u>(45,016)</u> | <u>1,627,089</u> |
| | <u>\$ 68,647</u> | <u>\$ 121,598</u> | <u>\$ 244,081</u> | <u>\$ 1,901,659</u> |

c. Operating expenses

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-------------------------|--|------------------|---|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Associates | \$ 1,501 | \$ 3,430 | \$ 2,626 | \$ 10,492 |
| Others | | | | |
| Fu Ming Transport Corp. | 43,849 | 45,119 | 131,121 | 130,753 |
| Others | <u>17,453</u> | <u>22,353</u> | <u>70,424</u> | <u>62,998</u> |
| | <u>61,302</u> | <u>67,472</u> | <u>201,545</u> | <u>193,751</u> |
| | <u>\$ 62,803</u> | <u>\$ 70,902</u> | <u>\$ 204,171</u> | <u>\$ 204,243</u> |

d. Interest expense

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|------------------|---|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Others | | | | |
| Far Eastern Industries (Shanghai) Co., Ltd. | \$ - | \$ 20,928 | \$ - | \$ 30,257 |
| Others | <u>4,896</u> | <u>5,258</u> | <u>13,531</u> | <u>15,278</u> |
| | <u>\$ 4,896</u> | <u>\$ 26,186</u> | <u>\$ 13,531</u> | <u>\$ 45,535</u> |

e. Rental income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-----------------------|--|-----------------|---|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Others | | | | |
| Fu Da Transport Corp. | <u>\$ 2,423</u> | <u>\$ 2,423</u> | <u>\$ 7,270</u> | <u>\$ 7,270</u> |

f. Cash and cash equivalents

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--------|-------------------------------|------------------------------|-------------------------------|
| Others | <u>\$ 114,535</u> | <u>\$ 72,530</u> | <u>\$ 36,530</u> |

g. Trade receivables

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-------------------------------|------------------------------|-------------------------------|
| Investors with significant influence over the Group | | | |
| Far Eastern New Century Corp. | \$ 101,738 | \$ 59,272 | \$ 143,591 |
| Others | <u>8,267</u> | <u>10,911</u> | <u>12,694</u> |
| | <u>\$ 110,005</u> | <u>\$ 70,183</u> | <u>\$ 156,285</u> |

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

h. Prepayments

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|-----------------------|-------------------------------|------------------------------|-------------------------------|
| Associates | | | |
| HXYZ | <u>\$ 1,148,585</u> | <u>\$ 950,029</u> | <u>\$ 748,112</u> |
| Current | \$ 368,641 | \$ 290,896 | \$ 539,559 |
| Non-current (Note 18) | <u>779,944</u> | <u>659,133</u> | <u>208,553</u> |
| | <u>\$ 1,148,585</u> | <u>\$ 950,029</u> | <u>\$ 748,112</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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|------------|-------------------------------|------------------------------|-------------------------------|
| Associates | | | |
| HXYZ | \$ 8,036 | \$ 10,051 | \$ 4,777 |
| Others | | | |
| PETH | <u>44,988</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 53,024</u> | <u>\$ 10,051</u> | <u>\$ 4,777</u> |

j. Financial assets at amortized cost

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--------|-------------------------------|------------------------------|-------------------------------|
| Others | | | |
| FEIB | <u>\$ 199,370</u> | <u>\$ 60,041</u> | <u>\$ 37,904</u> |

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|-------------------------------|------------------------------|-------------------------------|
| Others | | | |
| Far Eastern Industries (Shanghai) Co., Ltd. | \$ - | \$ - | \$ 310,610 |
| Far Eastern Industries (Yangzhou) Co., Ltd. | 526,630 | - | 532,475 |
| Others | <u>307,200</u> | <u>-</u> | <u>310,610</u> |
| | <u>\$ 833,830</u> | <u>\$ -</u> | <u>\$ 1,153,695</u> |

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

l. Payables to related parties

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|------------|-------------------------------|------------------------------|-------------------------------|
| Associates | <u>\$ 2,348</u> | <u>\$ 1,990</u> | <u>\$ 4,260</u> |
| Others | | | |
| PETH | <u>-</u> | <u>-</u> | <u>451,850</u> |
| | <u>\$ 2,348</u> | <u>\$ 1,990</u> | <u>\$ 456,110</u> |

m. Other payables

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|-----------------------|----------------------|-----------------------|
| Others | \$ 100,573 | \$ 102,558 | \$ 141,736 |
| Associates | 5,883 | 7,319 | 10,132 |
| Investors with significant influence over the Group | <u>-</u> | <u>-</u> | <u>2,683</u> |
| | <u>\$ 106,456</u> | <u>\$ 109,877</u> | <u>\$ 154,551</u> |

n. Acquisitions of financial assets

For the nine months ended September 30, 2019

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

For the nine months ended September 30, 2018

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

There were no acquisitions of financial assets for the three months ended September 30, 2019 and 2018.

o. Disposals of investment accounted for using equity method

For the nine months ended September 30, 2018

| | Line Item | Number of Shares | Underlying Assets | Purchase Price | Gain (Loss) on Disposal |
|----------------------------|--|---------------------|------------------------------------|-------------------|----------------------------|
| 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 September 30, 2019 and 2018 and for the nine months ended September 30, 2019.

p. Compensation of key management personnel

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|------------------------------|--|-----------------|---|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Short-term employee benefits | \$ 7,950 | \$ 7,800 | \$ 30,555 | \$ 28,834 |
| Post-employment benefits | <u>108</u> | <u>108</u> | <u>324</u> | <u>324</u> |
| | <u>\$ 8,058</u> | <u>\$ 7,908</u> | <u>\$ 30,879</u> | <u>\$ 29,158</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:

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|-----------------------|----------------------|-----------------------|
| Pledged deposits (financial assets at amortized cost) | <u>\$ 55,892</u> | <u>\$ 76,968</u> | <u>\$ 54,470</u> |

As of September 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 September 30, 2019, December 31, 2018 and September 30, 2018 were as follows:

- a. As of September 30, 2019, unused letters of credit for purchases of raw materials amounted to approximately \$1,791,440 thousand, purchase guarantees from banking institution amounted to \$412,000 thousand and refundable deposit with the Harbor Bureau amounted to \$212,486 thousand, respectively.
- b. Endorsements/guarantees provided to subsidiaries and associates

The Corporation

| | |
|----------------|---------------------|
| TFIC | \$ 850,000 |
| PPL | 931,200 |
| OUCB (Bermuda) | 1,552,000 |
| OPYC | <u>1,241,600</u> |
| | <u>\$ 4,574,800</u> |
| <u>FUPY</u> | |
| HXYZ | <u>\$ 107,305</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:

September 30, 2019

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 4,928 | 31.04 (USD:NTD) | \$ 152,965 |
| USD | 3,068 | 7.07 (USD:RMB) | 95,231 |
| RMB | 185 | 4.39 (RMB:NTD) | <u>812</u> |
| | | | <u>\$ 249,008</u> |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| RMB | 507,986 | 4.39 (RMB:NTD) | <u>\$ 2,229,337</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 23,238 | 7.07 (USD:RMB) | \$ 721,308 |
| USD | 7,954 | 31.04 (USD:NTD) | 246,892 |
| EUR | 65 | 7.74 (EUR:RMB) | 2,207 |
| EUR | 130 | 33.95 (EUR:NTD) | <u>4,414</u> |
| | | | <u>\$ 974,821</u> |

December 31, 2018

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

September 30, 2018

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$ 173,796 | 4.44 (RMB:NTD) | \$ 771,654 |
| USD | 15,853 | 30.53 (USD:NTD) | 483,992 |
| USD | 4,895 | 6.88 (USD:RMB) | 149,444 |
| EUR | 261 | 7.99 (EUR:RMB) | <u>9,260</u> |
| | | | <u>\$ 1,414,350</u> |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| RMB | 480,563 | 4.44 (RMB:NTD) | <u>\$ 2,132,397</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 70,485 | 6.88 (USD:RMB) | \$ 2,151,907 |
| USD | 32,216 | 30.53 (USD:NTD) | 983,554 |
| EUR | 130 | 35.48 (EUR:NTD) | <u>4,612</u> |
| | | | <u>\$ 3,140,073</u> |

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

| For the Three Months Ended September 30 | | | | |
|--|----------------------|---|----------------------|---|
| 2019 | | | 2018 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| NTD | 1 (NTD:NTD) | \$ 882 | 1 (NTD:NTD) | \$ (28,099) |
| RMB | 4.46 (RMB:NTD) | <u>(2,854)</u> | 4.51 (RMB:NTD) | <u>(16,418)</u> |
| | | <u>\$ (1,972)</u> | | <u>\$ (44,517)</u> |

| For the Nine Months Ended September 30 | | | | |
|---|----------------------|---|----------------------|---|
| 2019 | | | 2018 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| NTD | 1 (NTD:NTD) | \$ 6,608 | 1 (NTD:NTD) | \$ (11,702) |
| RMB | 4.53 (RMB:NTD) | <u>(6,623)</u> | 4.59 (RMB:NTD) | <u>(16,309)</u> |
| | | <u>\$ (15)</u> | | <u>\$ (28,011)</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. (Table 6)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 7)
- 11) Information on investees. (Table 8)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)

34. SEGMENT INFORMATION

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

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

a. Segment revenues and results

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

| | Segment Revenues | | Segment Profit (Loss) | |
|---------------------------------------|---|---------------|---|--------------|
| | For the Nine Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2019 | 2018 | 2019 | 2018 |
| Ethylene glycols business | \$ 14,046,586 | \$ 20,178,604 | \$ (806,600) | \$ 2,652,262 |
| Special chemicals business | 4,243,056 | 4,296,419 | 98,794 | 6,243 |
| Gas business | 1,262,441 | 1,250,969 | 314,909 | 276,906 |
| Investment and others | 18,500 | 271 | (8,283) | (22,170) |
| Other eliminations and adjustments | (1,303,590) | (1,432,620) | 128,504 | 108,787 |
| Total operating segments | \$ 18,266,993 | \$ 24,293,643 | (272,676) | 3,022,028 |
| Non-operating income and expense | | | 228,367 | (93,109) |
| (Loss) profit before income tax | | | \$ (44,309) | \$ 2,928,919 |

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|------------------------------------|-------------------------------|------------------------------|-------------------------------|
| <u>Segment assets</u> | | | |
| Ethylene glycols business | \$ 14,530,438 | \$ 16,144,299 | \$ 16,842,438 |
| Special chemicals business | 4,852,876 | 4,979,602 | 5,383,334 |
| Gas business | 2,535,526 | 2,597,895 | 2,685,392 |
| Investment and others | 26,254,174 | 26,665,277 | 26,089,746 |
| Other eliminations and adjustments | <u>(12,840,779)</u> | <u>(13,988,853)</u> | <u>(13,754,550)</u> |
| Total segment assets | <u>\$ 35,332,235</u> | <u>\$ 36,398,220</u> | <u>\$ 37,246,360</u> |

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 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 (Note) | Aggregate Financing Amount Limits (Note) | Note |
|-----|----------------|----------------|---|-----------------|--------------------------------|----------------|-------------------------|-------------------|------------------------------------|------------------------------|----------------------------------|-------------------------------|------------------|-------|---|---|------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | PPL | OUCG (Bermuda) | Receivables - related parties | Yes | \$ 325,920 | \$ - | \$ - | - | Necessary for short-term financing | \$ - | Operating capital | \$ - | - | \$ - | 200% of net worth of the Corporation \$12,380,880 | 200% of net worth of the Corporation \$12,380,880 | |
| 2 | OUCG (Bermuda) | OPYC | Receivables - related parties | Yes | 438,858 | - | - | - | 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 | 219,429 | - | - | - | Necessary for short-term financing | - | Operating capital | - | - | - | 40% of net worth of the Corporation \$1,760,644 | 40% of net worth of the Corporation \$1,760,644 | |
| 4 | TPIY | FUPY | Other receivables - related parties loans | Yes | 351,086 | 351,086 | 351,086 | 3.6 | Necessary for short-term financing | - | Operating capital | - | Promissory notes | - | 40% of net worth of the Corporation \$952,012 | 40% of net worth of the Corporation \$952,012 | |

Note: Based on the latest audited or reviewed financial statements.

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 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 \$6,813,015 | \$ 950,000 | \$ 850,000 | \$ 613,000 | \$ - | 6.24 | 100% of net worth of the Corporation \$13,626,030 | Y | N | N | |
| | | PPL | 2 | 50% of net worth of the Corporation \$6,813,015 | 931,200 | 931,200 | - | - | 6.83 | 100% of net worth of the Corporation \$13,626,030 | Y | N | N | |
| | | OUCC (Bermuda) | 2 | 50% of net worth of the Corporation \$6,813,015 | 1,552,000 | 1,552,000 | - | - | 11.39 | 100% of net worth of the Corporation \$13,626,030 | Y | N | N | |
| | | OPYC | 3 | 50% of net worth of the Corporation \$6,813,015 | 1,241,600 | 1,241,600 | 978,653 | - | 9.11 | 100% of net worth of the Corporation \$13,626,030 | Y | N | Y | |
| | | FUPY | 6 | 50% of net worth of the Corporation \$6,813,015 | 465,600 | - | - | - | - | 100% of net worth of the Corporation \$13,626,030 | Y | N | Y | |
| 1 | FUPY | HXYZ | 6 | 50% of net worth of the Corporation \$2,200,805 | 109,495 | 107,305 | 107,305 | - | 2.44 | 100% of net worth of FUPY \$4,401,610 | 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
 SEPTEMBER 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 | September 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 | \$ 72,394 | - | \$ 72,394 | Note 1 |
| | Far Eastern Department Stores Ltd. | Same chairman | Financial assets at FVTOCI - non-current | 14,378,228 | 343,640 | 1 | 343,640 | Note 2 |
| | Far Eastern New Century Corp. | Same chairman | Same as above | 6,888,446 | 197,354 | - | 197,354 | Note 2 |
| | Asia Cement Corp. | Same chairman | Same as above | 8,486,315 | 367,457 | - | 367,457 | Note 2 |
| | Everest Textile Co., Ltd. | The chairman of Everest Textile Co., Ltd. is a director of the Corporation | Same as above | 12,885,683 | 130,145 | 3 | 130,145 | 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 | Wan Hai Lines Ltd. | - | Financial assets mandatorily classified as at FVTPL - current | 200,000 | 3,650 | - | 3,650 |
| Standard Foods Corp. | | - | Same as above | 70,000 | 4,347 | - | 4,347 | Note 2 |
| Tong Yang Industry Co., Ltd. | | - | Same as above | 25,000 | 1,173 | - | 1,173 | Note 2 |
| Sercomm Corp. | | - | Same as above | 85,000 | 6,715 | - | 6,715 | Note 2 |
| Taiwan Cement Corp. | | - | Same as above | 157,010 | 6,225 | - | 6,225 | Note 2 |
| Hon Hai Precision Industry Co., Ltd. | | - | Same as above | 80,000 | 5,856 | - | 5,856 | Note 2 |
| Zhen Ding Technology Holding Limited | | - | Same as above | 40,000 | 4,440 | - | 4,440 | Note 2 |
| Formosa Chemicals & Fibre Corp. | | - | Same as above | 40,000 | 3,468 | - | 3,468 | Note 2 |
| Accton Technology Corp. | | - | Same as above | 20,000 | 3,270 | - | 3,270 | Note 2 |
| Huaku Development Co., Ltd. | | - | Same as above | 70,000 | 5,600 | - | 5,600 | Note 2 |
| Lanner Electronics Inc. | | - | Same as above | 30,000 | 2,166 | - | 2,166 | Note 2 |
| Taiwan Semiconductor Manufacturing Co., Ltd. | | - | Same as above | 20,000 | 5,440 | - | 5,440 | Note 2 |
| Chinese Gamer International Corp. | | - | Same as above | 25,000 | 2,213 | - | 2,213 | Note 2 |
| The Corporation | | Treasury stock | Financial assets at FVTOCI - non-current | 13,753,554 | 303,266 | 2 | 303,266 | Note 2 |
| Far Eastern International Commercial Bank ("FEIC") | | The chairman of the Corporation is FEIC's director | Same as above | 29,387,288 | 352,648 | 1 | 352,648 | Note 2 |
| Everest Textile Co., Ltd. | | The chairman of Everest Textile Co., Ltd. is the Corporation's parent corporation's director | Same as above | 11,712,847 | 118,300 | 2 | 118,300 | Note 2 |
| Yue Ding Enterprise Corp. | | Related party in substance | Same as above | 5,228,340 | 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 September 30, 2019.

Note 2: The market value was calculated at closing price on September 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 NINE MONTHS ENDED SEPTEMBER 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 NINE MONTHS ENDED SEPTEMBER 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 | \$ (831,239) | (5) | Same as those to unrelated parties | - | - | \$ 101,738 | 6 | - |
| FUPY | OPYC | Same parent | Sale | (786,963) | (4) | Same as those to unrelated parties | - | - | 58,577 | 4 | - |
| TDIY | FUPY | Same parent | Sale | (513,390) | (3) | Same as those to unrelated parties | - | - | 96,632 | 6 | - |
| | | | Purchase | 428,033 | 2 | Same as those to unrelated parties | - | - | 86,135 | 6 | - |
| FUPY | HXYZ | Equity-method investee | Purchase | 259,434 | 1 | Same as those to unrelated parties | - | - | - | - | - |

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|-----------------|-------------------------------------|---------------|------------------------|---------------|---------|---------------|---------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| The Corporation | Far Eastern New Century Corporation | Same chairman | Receivables \$ 101,738 | 13.77 | \$ - | - | \$ 98,566 | \$ - |

ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 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 | c | Other receivables | \$ 63,818 | Based on terms agreed upon by both parties | - |
| 2 | FUPY | OPYC | c | Receivables | 58,577 | Based on terms agreed upon by both parties | - |
| | | | | Sales revenue | 786,963 | Based on terms agreed upon by both parties | 4 |
| | | | | Other receivables | 86,135 | Based on terms agreed upon by both parties | - |
| | | | | Other income | 81,862 | Based on terms agreed upon by both parties | - |
| 3 | TDIY | FUPY | c | Receivables | 96,632 | Based on terms agreed upon by both parties | - |
| | | | | Sales revenue | 513,390 | Based on terms agreed upon by both parties | 3 |
| | | | | Other receivables | 351,086 | Based on terms agreed upon by both parties | 1 |
| 4 | OPYC | FUPY | c | Rental income | 36,916 | 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 INVESTEES
 FOR THE NINE MONTHS ENDED SEPTEMBER 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 September 30, 2019 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|------------------|------------------|-------------------------|--|----------------------------|-------------------|--------------------------|-----|-----------------|-----------------------------------|-------------------------|------|
| | | | | September 30, 2019 | December 31, 2018 | Stocks | % | Carrying Amount | | | |
| The Corporation | PPL | British Virgin Islands | Investment | US\$ 192,972 | US\$ 192,972 | 148,356 | 100 | \$ 6,023,510 | \$ (32,130) | \$ (32,130) | Note |
| | TFIC | Taipei City, ROC | Enterprise and financial institution investments | \$ 1,110,000 | \$ 1,110,000 | 146,658,995 | 100 | 1,241,210 | 34,650 | 10,581 | |
| | OUCG (Bermuda) | British Bermuda Islands | Investment | US\$ 80,000 | US\$ 70,000 | 71,544 | 100 | 540,769 | (145,469) | (145,469) | |

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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of September 30, 2019 | Accumulated Repatriation of Investment Income as of September 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 87,488 | 39 | \$ 152,799 (Note 2) | \$ 2,145,151 | \$ - | |
| OPYC | Manufacturing and selling ethanolamine (EA) and alcohol ethoxylates (AEO). | US\$ 70,000 | Indirect | US\$ 70,000 | US\$ - | US\$ - | US\$ 70,000 | RMB (30,431) | 100 | (137,936) (Note 3) | 491,308 | - | |
| 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 (100,022) | 50 | (226,438) (Note 2) | 2,188,268 | - | 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 27,314 | 50 | 61,904 (Note 2) | 1,190,015 | - | 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 (28,231) | 25 | (63,854) (Note 3) | 84,186 | - | |

| Accumulated Outward Remittance for Investment in Mainland China as of September 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.