Common Stock Code: 1718

CHINA MAN-MADE FIBER CORPORATION

2019 Financial Statements

Date published: March 2020

Inquiry of annual reports available at:

Market Observation Post System of the Taiwan Stock Exchange Corporation at http://mops.twse.com.tw

The Company's website: www.cmfc.com.tw

(I) Company Spokesman
Name: Hung-Yang Wu
Title: Assistant Vice Presidents
TEL: (02)2393-7111
E-mail address: tom-wu@cmfc.com.tw

Company acting spokesman
Name: Chang-His Yang
Title: Project Manager
TEL: (02)2393-7111
E-mail address: vincent-yang@cmfc.com.tw

(II) Address and telephone number of the company and factory
Company: No. 8, Jingjian Rd., Dashe Dist., Kaohsiung City 815
TEL: (07)351-2161
Taipei office: 10F., No. 50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City 100
TEL: (02)2393-7111
Kaohsiung factory: No. 8, Jingjian Rd., Dashe Dist., Kaohsiung City 815
TEL: (07)351-2161

(III) Institution handling the stock transfer
Name: Shareholder Services Section of China Man-Made Fiber
Address: 11F., No. 50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City
TEL: (02)2393-7111
http://www.cmfc.com.tw

(IV) Name of CPAs, accounting firm, address and TEL for the financial reports of the most recent year
Firm Name: Deloitte & Touche
Name of accountant: Wen-Ya Hsu and Oscar Shih
Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City
TEL: 2725-9988
http://www.deloitte.com.tw

(V) Name of overseas exchange where securities are listed, and inquiring the foreign-listed securities:

(VI) Company’s website
http://www.cmfc.com.tw

Table of contents

One. A Message to the Shareholders

I. The 2019 Business result

(I) Business plan execution and achievement

In 2019, the individual operating revenue is $13,591,338 thousand, the non-operating revenue is $1,494,973 thousand, operating cost and expenses is $15,978,768 thousand, the realized gain or loss of affiliates is $7,243 thousand, the non-operating expense is $218,889 thousand and the profit before tax is $1,104,103 thousand. Net liss for 2019 is $729,764 thousand.

In 2018, the consolidated revenue is $35,732,022 thousand, the expense is $32,615,940 thousand and the profit before tax is $3,116,082 thousand. The 2019 consolidated profit for 2018 is $2,580,824 thousand.

(II) Budget implementation situation

* The Company

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company does not need to disclose the financial forecast of 2019, so there is no analysis of budgeting of 2019.

* Consolidated companies

1. Pan Asia Oil & Chemical Corporation: The 2019 budgeting does not require the disclosure of financial forecasts.
2. Taichung Commercial Bank: Budgeting in 2019:

   At the end of 2019, the average deposit balance amounted to NT$ 579.607 billion, which represents a budget achievement rate of 98.17%. The average loan balance reached NT$ 441.102 billion, marking a budget achievement rate of 99.13%. Undertaken foreign exchange operations totaled US$ 17.172 billion, which represents a budget achievement rate of 101.06%.

(III) Financial income and expense and profitability analysis (individual information)

Item			2019	2018
Financial structure (%)	Debt to assets ratio		41.45	42.36
	Ratio of long-term capital to property, plant and equipment		247.21	250.63
Solvency analysis	Current ratio (%)		66.03	94.31
	Liquid ratio (%)		49.23	65.04
	Interest coverage ratio		(4.92)	9.09
Profitability analysis	Return on assets (%)		(1.52)	4.01
	Return on equity (%)		(3.29)	6.33
	Paid-in capital Percentage (%)	Operating profit	(14.68)	0.37
		Income before taxation	(6.81)	8.86
	Net profit rate (%)		(5.37)	6.84
	Earnings per share (NTD)		(0.57)	1.06

Financial income and expense and profitability analysis (consolidated information)

Item		2019	2018
Financial structure (%)	Debt to assets ratio	91.49	91.92
Profitability analysis	Return on assets (%)	0.95	1.17
	Return on equity (%)	4.34	7.90
	Pre-tax profits to paid-up capital ratio (%)	19.22	33.79
	Net profit rate (%)	14.39	18.21
	Earnings per share (NTD)	(0.57)	1.06

(IV) Research and development

* The Company

1. Motor pump G-9712B for the manufacturing process at the petrochemical plant was changed to the variable-frequency drive type to reduce power consumption and achieve carbon reduction.

2. Condensate pump G-9522A at the petrochemical plant was changed to the variable-frequency drive type to reduce power consumption and increase the reliability of equipment operation.
3. After the waste water from the manufacturing process is treated at the wastewater plant, about 1,200 tons per day of waste water is recovered and reused. The water is sent to the cooling water tower as makeup water to reduce the production cost and save water.
4. Continue to introduce the latest high-efficiency catalysts from abroad to increase production output and reduce raw material cost.
5. Energy conservation improvements (public consumption) in the polyester plant:
   (1) Expanded application of last year's ceramic coating repair project for the cooling water circulation double-suction pump to improve blade surface friction, enhance overall efficiency, and reduce power consumption.
   (2) Gradual replacement of traditional lighting fixtures in the whole polyester plant with LED lighting devices to reduce power consumption.
   (3) Update of cooling discharge and enhancement of the heat exchange rate for the AC and process cooling facilities in the polyester plant to reduce the number of condensing units in operation and thereby greatly reducing power consumption.

The aforementioned improvement measures not only help conserve power but also generate carbon reduction effects.

* Consolidated companies
  1. Pan Asia Oil & Chemical Corporation:
     (1) Development of POY/SDY spinning oil agent
     (2) Development of esterified nonionic surfactants
     (3) Development of anionic and cationic surfactants
     (4) Development of nonionic surfactants for special products
     (5) Development of esterified products and surfactants for cosmetics and personal cleansing products
     (6) Development of esterified products for a variety of purposes
  2. Taichung Commercial Bank:

     Regular Fintech Development Strategy meetings are held to cope with the advent of the online-only banking era. The goal lies in the development and proposal of Bank 4.0 digital finance strategies based on existing development strategies and projects in the field of digital finance to enable the bank to provide its customers with innovative and diversified financial services.

Four Major strategic goals	Digital service contextualization, product personalization, process smartification, and marketing digitization
Six Major Development Dimensions	Development of digital finance products, internal and external virtual/physical channels, personalized and contextualized marketing, new-generation technical support, a powerful digital talent pool, and solid smart back-end management.

II. Summary of business plan 2020

(I) Operation strategies

* The Company
  1. Reduce costs and inventory and improve operational efficiency.
  2. Research and develop value-added products, accelerate the vertical integration of products and improve competitiveness.
  3. Computerize the operations management, inspect various operating procedures, strengthen internal control and improve efficiency.
  4. Strengthen marketing efforts and market development, and improve service quality and customer satisfaction.
  5. Actively and prudently assess various investments and adjust the portfolios in a timely manner.
  6. Control customers' credit line to reduce the occurrence of bad debts.

7. Pay attention to employee welfare, promote labor-management coordination, emphasize occupational safety and fulfill social responsibilities.

* Consolidated companies

1. Pan Asia Chemical Corporation
   (1) Focus on core businesses, improve quality and enhance customer service.
   (2) Improve operational performance, integrate resources, study value-added products and improve competitiveness in the market.
   (3) Strengthen organizational operations, promote labor-management coordination and improve advantages for the Company's sustainability.
2. Taichung Commercial Bank: Please see page 4 for key production and sales policies.

(II) 2020 operational objectives and prospects.

* The Company

Looking back on the past year, overall operating performance and profitability failed to meet expectations, which can be attributed to various factors including the lingering US–China trade conflict, the Brexit turmoil, and constant geopolitical incidents, which in turn resulted in a weakening growth momentum of the global economy, sluggish demand, a cooling down of the manufacturing sector, and dropping raw material prices worldwide. Looking ahead to this year, the US–China trade tensions are expected to ease in the wake of a preliminary bilateral trade agreement concluded recently, and trade is projected to pick up steam due to the added impact of preventive interest rate cuts in the US and financial stimulus policies successively launched by major nations coupled with low base period factors. All major forecasting institutions believe that the global economic outlook is rosier than last year and predict a gentle rebound. However, the global economy is still facing numerous risks and uncertainties which require constant monitoring. For instance, it is currently unclear whether the new coronavirus epidemic, which broke out after the lunar new year, will continue to spread and how long it will last. Other factors include lingering uncertainties in the aftermath of the US–Chinese trade negotiations, the slowing down of the Chinese economy, the impact of Brexit, geopolitical risks, price fluctuations in the international crude oil and commodity markets, turbulence in international finance, stock, and foreign exchange markets, and trade protectionism. All these factors have a significant impact on the global economic outlook. A cautious approach is therefore warranted this year.

If the US initiates the use of shale gas for the large-scale production of ethylene this year, the price of this major raw material for EG (Ethylene Glycol) is expected to drop. This has the potential to ease cost pressures, widen profit margins, and will hopefully result in better operating performance. In addition, diversification strategies including reinvestment in Taichung Bank and Pan Asia Chemical Corporation, which is engaged in the field of nonionic surfactant Ethylene Oxide Derivatives (EOD), are also conducive to company operations.

Supply of EG has increased dramatically as a result of the successive commissioning of large-scale petrochemical production capacities in China, the US, and the Middle East, which can be attributed to the positive outlook of the petrochemical industry in recent years. It is estimated that the global demand for EG will grow by 1.08 million tons. However, newly added capacities amount to 6.7 million tons, which is expected to result in mounting price pressure due to supply significantly exceeding demand. These production capacities are mostly concentrated in China, which will lead to a dramatic decrease in imports to China. In conclusion, this year will still pose arduous challenges despite the projected rise in petrochemical product prices.

As for polyester filament, local supply of polyester and processed filament in China has increased due to a significant decrease of the order volume of downstream clients in the textile industry against the backdrop of the US–China trade war. It is therefore evident that there is not much room for price increases, which will result in dropping gross profits. In the wake of the rise of textile supply chains in Southeast Asia, domestic downstream clients are relocating their factories to Southeast Asia, which is associated with dropping order and shipping volumes. This trend is expected to prevail this year.

The industry was deeply affected by the new coronavirus epidemic in the first quarter of this year. However, a wave of restocking is expected after the epidemic ends and consumer confidence is restored. In view of the volatility surrounding future oil price movements, overall business performance is characterized by a high degree of uncertainty this year. We are therefore actively committed to the implementation of product differentiation for certain product lines. For instance, high count processed filament and eco-friendly yarn (Note 1) have been developed to increase revenues and profits and evade price disadvantages in the field of bulk commodities caused by fierce competition with China and ASEAN countries. This strategy also helps alleviate the impact of oil price fluctuations.

In 2020, we expect to sell 324,962 tons of ethylene glycol (EG), 16,444 tons of ethylene oxide (EO), 19,036 tons of non-phenol (NP), 39,449 tons of partially oriented yarn (POY), 30,689 tons of spin draw yarn (SDY), 27,900 tons of draw texturized yarn (DTY) and 5,668 tons of polyester chips, for a total of 464,148 tons.

Note 1: Against the backdrop of environmental agreements, renowned international brands such as Nike and Adidas have announced their decision to adopt eco-friendly, recyclable materials exclusively for all their textiles and fabrics starting in 2024 to honor their commitment to sustainability and environmental protection.

* Consolidated companies

1. Pan Asia Chemical Corporation

   EOD plant makes petrochemical EOD, esterification plant transforms them into new products, and the total expected sales is about 39,000 tons.

2. Taichung Commercial Bank

Item	2020 objectives
Deposits (including foreign currencies)	NT$599.5 billion by the end of December.
Lending (including foreign currencies)	NT$ 460.697 billion by the end of December
Foreign Exchanges Operations	Annual amount USD16,300 million

(III) Important production and marketing policy

* The Company

1. Ethylene glycol: Continuous increase in the added production volume results in oversupply. Strictly monitor the prices of raw materials and products.
2. Ethylene oxide: Maintain quality and steady production supply.
3. Nonylphenol: Due to environmental awareness, some countries have limited the use of this product. It is difficult to explore new markets. The demands from the existing users continue to drop. Focus on maintaining steady sales.
4. Polyester yarn:
   (1) Will gradually enter the peak season of polyester yarn demand. Focus on production in full capacity and make timely price adjustments to achieve a balance between production and sales.
   (2) Reduce batch quantity to decrease batch inventory.
   (3) Flexibly adjust the product mix to quickly respond to market demands.

* Consolidated companies

1. Pan Asia Chemical Corporation
   (1) Retain old customers, explore potential customers to co-develop new products and expand sales volume.
   (2) Esterification plant continues to develop and transform to develop products and markets which offer better return to improve the overall efficiency.
   (3) Continue to develop the market for spinning oil agents.
   (4) Coordinate the bargaining of purchase price of raw materials to reduce cost.
2. Taichung Commercial Bank
   (1) Strengthening of the legal compliance system, creation of automation tools to facilitate execution and management, raising of the legal awareness of employees and reinforcement of compliance concepts; continued optimization

of operating procedures and AML systems and enhancement of AML (anti-money laundering) and CTF (counter-terrorism financing) risk assessment, client due diligence (CDD), and transaction monitoring to perfect relevant AML mechanisms of the bank.

(2) Pursuit of equitable and fair treatment of consumers in the promotion of services and carrying out of operations; reviews and recommendations with regard to fair consumer treatment implementation conditions in all operating procedures through a liaison and communication mechanism consisting of 2–3 defense lines in the context of the internal control system with the goal of perfecting the consumer protection mechanism of the bank.

(3) Optimal utilization of risk mitigation and promotion of low capital-intensive services to implement an optimized capital utilization and management system Adjustment of loan structures and monitoring of risk developments to ensure the quality of the bank's assets through an equal emphasis on risks and profits; implementation of a reexamination and early warning control mechanism and acceleration of the liquidation of NPL (non-performing loans).

(4) Strengthening of the competitive edge of SMEs, planning of comprehensive corporate financing schemes in line with national economic development policies, and utilization of a credit guarantee mechanism to minimize credit risks.

(5) Expansion of the scope of foreign exchange business, absorption of foreign exchange funding sources, and increase of foreign exchange demand deposit ratios; active expansion of self-liquidating foreign exchange credit and trade financing services and assistance in hedging by import/export businesses through derivatives to develop potential profit sources of the bank.

(6) Raising of the added value of mortgages, strengthening of the coverage and penetration rate of second mortgage services, and continued provision of diversified and integrated financial products to intensify dealings with relevant customer groups and thereby strengthen the bank's competitive edge in the field of consumer finance.

(7) Firm grasp of the market pulse and business opportunities and creation of comprehensive and diversified product lines; cultivation of a professional financial management team and expansion of the scope of wealth management assets; diversified customer group management and intensification of the dealings and bond with high-asset customers.

(8) Continued expansion of interest rate differentials to raise net interest incomes, optimization of financial operation performance, and increase of net incomes through service charges; gradual development of a profit growth model based on the three pillars of interest, service charge, and financial operation revenues.

(9) The Company embraces a philosophy of "proximity to daily life and care for customers" and espouses "simultaneous advances in innovative technologies and optimization, integration of systems and operating procedures, establishment of AI-based, intelligent operating procedures, and enhancement of the digital competency of the whole bank "as its key policies". The goal is to provide services in line with customer needs in a precise manner. The Company also aims to create optimal digital experiences for its customers through the adoption of innovative models and touching services and thereby expand its customer base in all age groups.

(10) Creation of employee career maps and cultivation of all-around professional talent in the field of finance through the adoption of diversified learning channels and design of tailor-made training courses to honor the Company's deep commitment to international competitiveness in the field of talent.

(IV) Development strategy of the Company in the future

* The Company

1. Investment in the manufacturing of products related to the upstream and downstream industries.

2. Improve the integration of upstream, midstream and downstream products.

* Consolidated companies
  1. Pan Asia Chemical Corporation
     (1) EOD plant continues to promote value-added products.
     (2) Strengthen long-term collaboration with foreign customers to retain partners and expand sales channels to increase product sales.
     (3) Maintain the domestic market share. Increase the sales of specialized products and indirectly cultivate customers' export market. Co-develop products with downstream customers.
     (4) Vertical industry development. Continue to develop markets for esterification products, spinning oil agents and cleaning agents to improve revenue and standards and image of the industry and technologies.
  2. Taichung Commercial Bank

     Digital finance continues to transform customer dealings and bank management ecosystems. The Bank therefore embraces the principles of taking on challenges and pursuit of progress coupled with stability. It also aims to achieve continuity in the field of business development and deployment and consolidate the momentum of operational development through the six major dimensions of financial governance, fair treatment of consumers, risk management, operational performance, financial innovation, and talent cultivation.

(V) Subject to competition of external environment.

* The Company
  1. The market supply of EG is expected to gradually increase as a result of the large-scale construction and commissioning of new plants in China. This competitive advantage is further aggravated by the current shortage of Ethylene in Taiwan coupled with limitations in the field of transportation.
  2. More and more textile firms are moving to Vietnam and other ASEAN countries. In the future, the industry and supply chain may be affected. It is necessary to pay attention to the movements of downstream clients and respond to them early.
  3. Whether it is the anti-dumping duty or the regional FTA, the export of our domestic products has faced a very unfair competitive environment. The country has experienced slow progress in signing FTA with other countries, leading to a higher tariff compared to other competitors. Furthermore, there are more countries that start to use the anti-dumping policy to protect their domestic industries, such as China, India, Turkey and South Africa, and the tax rate plus tariff will greatly increase the difficulty of export for Taiwan’s industry once the cases are established.
* Consolidated companies
  1. Pan Asia Chemical Corporation

     Faced with the continuing expansion of production capacity by both the foreign and domestic competitors, we will continue to develop new products and maintain quality to remain competitive and offer product diversification.
  2. Taichung Commercial Bank

     Recent years have seen a rising global trend of fintech innovation. Bank management modes, in particular, have seen unprecedented changes. This includes mobile payment, online loan approval, smart customer services, robo-advisors, and blockchain applications. With a view to expanding fintech applications, the Financial Supervisory Commission approved the establishment of three online-only banks (LINE Bank, Next Bank, and Rakuten Bank in July 2017. The goal is to drive market innovation and achieve catfish effects through new business models and application of new technologies. In October 2019, the open financial API (Application Program Interface), which was developed under the direction of Financial Information Service Co., Ltd., was officially launched by adopting a gradual, voluntary, and autonomous approach to spur the establishment of an open banking architecture. Publicly available information of the first stage allows interface integration and greatly facilitates one-stop comparison of lending rates, credit card offers, and other financial products offered by different banks.

Despite temporary negative impacts on financial markets and traditional banks such as price competition and pressure generated initially by the accelerated development of fintech and digital finance as well as innovative services provided by online-only banks, these new trends will have numerous positive effects in the long run. For instance, accelerated development and rapid expansion of fintech, diversification of profit sources, and emergence of new business models and markets for the financial sector.

(VI) Impact of regulatory environment and overall business environment.

* The Company

1. Rising base salaries lead to increasing labor costs and generate pressure and new challenges in the field of corporate management.
2. Domestic environmental awareness and the related regulations still have many restrictions on enterprises investing in new equipment. Communication with the neighboring residents often faces great resistance.
3. The overall business environment, including the acquisition of land, investment in environmental equipment and other external environment factors is what all enterprises need to face in the domestic development.
4. Numerous uncertainties in the field of US–China trade negotiations have a significant impact on the global economy. Rapid expansion of capacities in the field upstream raw materials (PX, PTA) for chemical fiber in China in recent years has led to price pressures for downstream processed products. Competitive disadvantages generated by factors such as aging chemical fiber technologies and management talent, high tariffs, and anti-dumping pose numerous challenges for the industry.
5. CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), which took effect on December 30, 2018, eliminated tariffs for over 70% of all products. Taiwan has expressed its willingness to join CPTPP. Some of the member nations such as Japan, Singapore, Malaysia, and Vietnam are among the island nation’s top ten trading partners. If Taiwan successfully becomes a member of this partnership, it will be conducive to further growth and cooperation with other member nations in this region. It will also lead to an expansion of export markets and lower raw material import costs for the textile and apparel industry and petrochemical and plastics industry in Taiwan due to decreased tariffs within the region.

   In addition, RCEP (Regional Comprehensive Economic Partnership), the free trade agreement with the largest scope worldwide, may be signed in the fourth quarter of this year. Member nations which include China, Japan, Korea, and ten Southeast Asian countries (ASEAN Plus Six) have vowed to gradually eliminate tariffs between themselves. However, Taiwan is excluded from this partnership and will face mounting competitive pressure if the agreement is actually concluded.
6. The unilateral protectionism of the United States stresses “America First” and “Made in America”, brining spillover effects to the global supply chain. The policies adopted by the US to implement fair trade may lead to countermeasures by countries that have been sanctioned, and this proves the necessity of multilateral regional agreements. Besides the participation in the abovementioned CPTPP, companies will rely on the government to speed up the FTA and RCEP signing with other countries to facilitate the expansion of the international market, creating great benefits to Taiwan’s economic growth and the competitiveness of the domestic companies.
7. Due to the impact of the new coronavirus epidemic in 2020, oil prices dropped to around 45 dollars per barrel. In addition, governments all over the world implemented lockdowns and anti-epidemic measures to curb the spread of COVID-19, which in turn led to a slowing down of global economic activity. As a result, the petrochemical industry did not benefit from dropping oil prices and upstream

raw material prices. On the contrary, prices and demand for various petrochemical products actually fell due to the impact of the epidemic. It is expected that the petrochemical industry will face arduous challenges caused by sluggish business, deficits, and the threat of a weakening global economy in the first half of the year as a consequence of the epidemic. Once the COVID-19 outbreak is under control, the global economy is projected to stage a recovery and market demand is expected to rebound.

8. The market uncertainty caused by the US-China trade conflict will speed up the moves of the fabric supply chain to ASEAN (especially to Vietnam) taken by the global brand customers. Currently, the procurement strategies adopted by the global brands focus on larger firms who display vertical integration capability and have factories in Vietnam. Therefore, the sign of big textile suppliers growing bigger in 2020 will become even more prominent. For the small and medium enterprises in Taiwan who lack the capability to conduct vertical integration and overseas investments, they will certainly face even more challenges in 2020.

* Consolidated companies

1. Pan Asia Chemical Corporation

   The domestic product control policies on NP/NPEDO affect the Company's domestic sales of NPEOD. Attempt the development of NPEOD substitutes to maintain customer relationship and increase the development and sales of other new products to maintain a balance between production and sales.

   Applying the terms of ECFA, the tariff on Taiwan's export of nonionic surfactants is reduced to 0% (excluding PEG solid products), and China re-opened the foreign import of NP and NPE in early 2018, further increasing the Company's export to China and continuing the co-development of specialized products with customers to compensate for the lack of sales.

2. Taichung Commercial Bank: Please see page 5 for external competitive environment.

Chairman Kuei-Hsien Wang

Two. Company Profile

I. Date of establishment: May 11, 1955

II. Company History:

* The Company

1955 Factory set up in Toufen Township, with a paid-in capital of NT$40 million.

1957 The factory in Toufen produced its first man-made rayon fiber. With the technical support from Wanco of the US, the plant had a daily production rate of 4 ton in a total of 22 spinning machines.

1961 Added 2 spinning machines.

1962 The cellophane plant purchased a set of equipment from Chemtex of the US. The original design was at a spinning rate of 100M/m to have a daily output of 5 tons, but the larger factor control system resulted in operating only at 70M/m.

1966 Added 6 spinning machines.

1967 Added 10 spinning machines.

1970 Added 6 spinning machines and the cellophane plant added an addition set of equipment.

1971 In order to improve the quality of cellophane and increase production, collaborated with Mr. Watanabe of Japan to replace defoamer machine.

1973 In line with the government's policies on developing petrochemical industry, the Company constructed its first ethylene glycol (EG) plant in Dashe District in Kaohsiung, with an annual output of 50,000 tons.

1974 The cellophane plant formed a technical collaboration with Olin of the US.

1976 The construction of the ethylene glycol plant was completed, officially starting the production. Rebuilt #1 cellophane machine.

1977 Rebuilt the #2 cellophane machine. Focused on the synchronized motor, #1 tank for flume type, PVC and three stainless steel lines, cluster roll, steam water heating roll and width control roll equipped with tension control.

1979 Planned an expansion to offer an annual production of 40,000 tons of ethylene oxide. Immediately startd the construction and signed purchase contracts with HRI of the US and Mitsubishi from Japan.

1980 The air separation machinery supplied by HRI arrived at the plant in Kaohsiung. The delivery of EO machinery supplied by Mitsubishi reached more than 85%.

1982 CMFC and Japan's Asia Corp. co-invested in Pan Asia Oil & Chemical Corporation, which mainly produced ethylene oxide derivatives (EOD), and the production started at the end of 1984 upon the completion of the plant construction.

1984 The installation of EOD machinery was completed, and trial production began.

1990 To diversify the risks of selling a single product and expand into a more diversified business, the Company adopted an additional cash capital increase and invested NT$550 million in construction of a nonylphenol facility which can offer an annual production capacity of 25,000 tons and invested NT$1.2 billion in construction of a cogeneration facility which can generate 41,700KWH, both within the Kaohsiung plant.

1992 Formed a joint venture with Hung Chou Fiber Industry and Shan Fong Construction to build commercial buildings.

1993 Raised additional cash capital to construction a polyester product plant which can produce 120,000 ton per year.

1994 The construction of nonylphenol factory was completed and signed an agreement with UHDE of Germany to provide patent manufacturing technologies.

1996 The petrochemical plant in Kaohsiung obtained its ISO 9002 certification.

1997 The cogeneration facility was completed and started generating power. The polyester facility was completed and started mass production and sales.

1998 Raised additional cash capital to invest in Nan-Chung Petrochemical Corp. and Nan Ya Plastic Corp. to manufacture petrochemical products.

2000 Completed phase 2 expansion of polyester fiber facility, and began trial production of Nan-Chung Petrochemical.

2001 Toufen factory stopped production starting Q3 due to business efficiency considerations.

2004 Raised additional cash capital to construction an ethylene glycol plant with an annual production capacity of 400,000 tons.

2009 Petrochemical plant in Kaohsiung expanded production capacity for high-purity EO.

2010 Collaborated with Toyota Tsusho Corporation to co-invest in Taiwan Green Alcohols to venture into bio-energy business.

2011 Built a new ethylene glycol facility and false-twisting facility within the Kaohsiung plant zone.

2013 Built a cogeneration facility No. 2, completed the construction of false-twisting facility and began its production and completed the trial production of ethylene glycol facility.

2014 Capital reduction through treasury stocks at NT$388.97 million, and the total capital was reduced to NT$13,716,932,460.

2015 Capital reduction through treasury stocks at NT$100 million, and the total capital was reduced to NT$13,616,932,460.

2016 Recapitalization of earnings at NT$678,002,120, and the total capital was increased to NT$14,294,934,580.

2018 Recapitalization of earnings at NT$929,170,740, and the total capital was increased to NT$15,224,105,320.

2019 Recapitalization of earnings at NT$989,566,850, and the total capital was increased to NT$16,213,672,170.

- Mergers and acquisitions and reorganization of the Company: Not applicable.
- Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, or the changes in ownership: Not applicable.
- Significant change in the mode of operations or business content: None
- Major events affecting the rights and privileges of the shareholders and the effect on the Company: None.
- Affiliates through re-investment: Please refer to page 257 of the annual report for information on affiliates.

* Consolidated companies

1. Pan Asia Chemical Corporation

1982 Joint venture of China Man-Made Fiber, Japan's Asia Corp. and the Bank of Communications invested in Pan Asia Oil & Chemical Corporation, with a total capital of NT$100 million.

1984 Completed the construction of the ethylene oxide derivatives (EOD) facility in Dashe Industrial Park, and completed the trial testing.

1985 Established an in-house brand, Pannox, and completed license registration with the Bureau of Standards, Metrology and Inspection under the Ministry of Economic Affairs.

1987 After the Bank of Communications completed the counseling program, the equity was transferred.

1990 Japan Asia Group EOD transferred its equity.

1991 The company name was changed to Pan Asia Oil & Chemical Corporation.
Cash capital increase of NT$530 million. The total paid-in capital became NT$630 million.

1992 Completed the plant expansion. The production capacity was increased to 52,000 tons and DCS automatic computerized control was adopted.

1993 Established Research and Development Section to be committed to developing new products.

1996 Obtained the ISO-9002 international quality certification.

1997 Applied for OTC trading with the Taipei Exchange.

1998 The Company was officially listed on the OTC for trading on May 20.
2002 Obtained ISO9001:2000 international quality certification (NO.4850-1996-AQ-RGC-RvA) through DNV of the Netherlands.
2004 Recapitalization of earnings at NT$295 million, and the total capital was increased to NT$862.13 million.
2005 Capital reduction through treasury stocks at NT$3.2 million and recapitalization of earnings at NT$334 million, and the total capital was reduced to NT$1,189,510,000.
2006 Capital reduction through treasury stocks at NT$13.11 million, cash capital increase at NT$600 million and recapitalization of earnings at NT$140,512,000 and the total capital was increased to NT$1,916,912,000.
2007 Capital reduction through treasury stocks at NT$20 million, and the total capital was reduced to NT$1,896,912,000.
2008 Recapitalization of earnings at NT$181,625,200, and the total capital was increased to NT$2,078,537,200.
2009 Recapitalization of earnings at NT$196,587,720, and the total capital was increased to NT$2,275,124,920.
2010 Capital reduction through treasury stocks at NT$20.66 million, and the total capital was reduced to NT$2,254,464,920.
2011 Capital reduction through treasury stocks at NT$16.25 million, and the total capital was reduced to NT$2,238,214,920.
2012 Capital reduction through treasury stocks at NT$15.75 million, and the total capital was reduced to NT$2,222,464,920.
2014 Capital reduction through treasury stocks at NT$46.31 million, and the total capital was reduced to NT$2,176,154,920.
2015 Capital reduction through treasury stocks at NT$26.4 million, and the total capital was reduced to NT$2,149,754,920.
2016 Recapitalization of earnings at NT$106,334,740, and the total capital was increased to NT$2,256,089,660.
2017 Recapitalization of earnings at NT$200,972,660 and the total capital was increased to NT$2,457,062,320.
2018 Recapitalization of earnings at NT$221,135,600, and the total capital was increased to NT$2,678,197,920.
2019 Recapitalization of earnings at NT$187,473,850, and the total capital was increased to NT$2,865,671,770.

- Mergers and acquisitions and reorganization of the Company: Not applicable.
- Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, or the changes in ownership: Not applicable.
- Significant change in the mode of operations or business content: None
- Major events affecting the rights and privileges of the shareholders and the effect on the Company: None.
- Affiliates through re-investment: Taichung Commercial Bank, Taichung Securities Investment Trust.

2. Taichung Commercial Bank

Formerly a cooperative savings company in Taichung established in April 1953, the predecessor of Taichung Bank started its operation in savings and loans in August 1st of the same year. The scope of business then covered Taichung City, Taichung County, Chang Hwa County before restructuring and Nantou County. In 1978, the Bank was reorganized as the “Taichung Small and Medium Business Bank” in responding to the promulgation of the Bank Act and business development needs. On May 15 1984, the Bank publicly offered its shares at the centralized market for broaden the base of operation and public participation in equity. Since then, the Bank has laid down a solid foundation for development in the future.

In September 1995, the Taipei Branch was established with business covering different districts, which set a new milestone of the operation of the Bank. The Bank continued to relocate its branches, which were previously located in central Taiwan, to northern and southern Taiwan. After this process of expansion, the Bank has banking locations across western Taiwan. Since then, the Bank has emerged as a national commercial bank. For the purpose of internationalization, the Company established its first overseas branches in October 2018, the Labuan branch and Kuala Lumpur Marketing Services Office in Malaysia, opening a new chapter in its global planning.

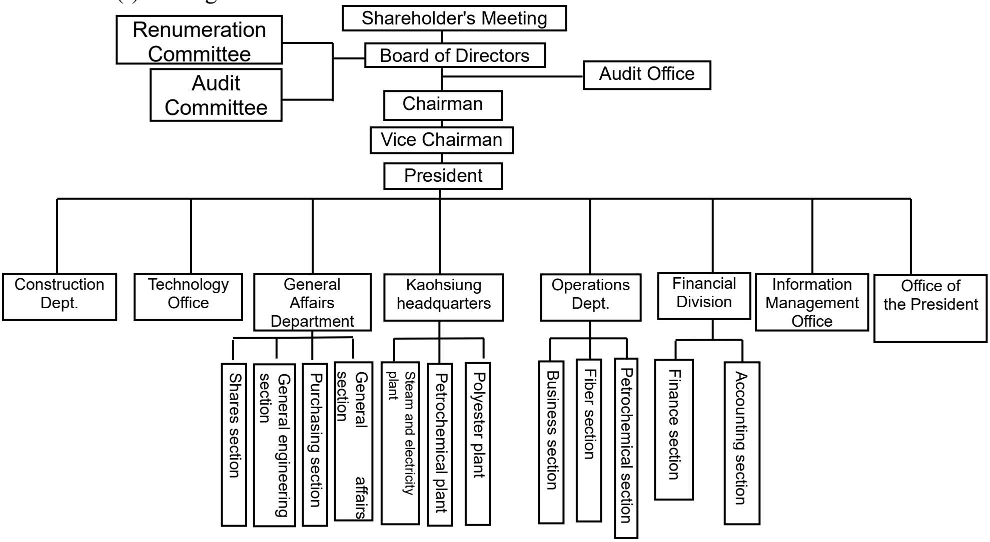
By the end of 2019, the paid-in capital of the bank had risen from NT$ 500,000 at its inception to NT$ 37.088 billion. The number of business locations had also seen an increase from five branches in the early stages to 83 domestic and overseas branches and one offshore banking unit. For the upgrade of the competitive advantage in "local banking", "SME financing", "diversified banking", the Bank has invested to established the "TC Bank Insurance Broker Co., Ltd.", "TC Bank Leasing Co., Ltd.", "TC Bank Financing and Leasing (Suzhou) Co., Ltd.", and "TC Bank Securities Co., Ltd.", which in turn jointly invested to establish the "Reliance Securities Investment Trust Co., Ltd." so as to build up the framework of diversified banking for the accomplishment of the mission of sustainable corporate development and for the vision of establishing overseas business territories. The scope and volume of business of the Bank multiplied over the years. The variety and size of the operation far exceeded that at the time of its establishment as a cooperative saving company. The achievement was the feedback of the whole-hearted operation of the Bank. The growth and the excellence in operation of Taichung Commercial Bank have been witnessed by the public.

- Mergers and acquisitions of banks, direct investment or reorganization of affiliates in the most recent year to the date this report was printed: No mergers and acquisitions or reorganization of the Company.
- There are 6 investee companies and among them, 3 are subsidiaries, Taichung Bank Insurance Brokers, Taichung Bank Securities and Taichung Bank Leasing, and 2 are second-tier subsidiaries, CCBL Co., Ltd. and Taichung Bank Leasing (Suzhou), 100% owned by Taichung Bank Leasing, and an investee company, Reliance Securities Investment Trust.
- Subordination to particular financial holding company: Nome..
- Any massive transfer or replacement of equity by directors or as required for declaration under Article 25-III of the Banking Act in the most recent year to the date this report was printed.
- Change in the management, mode of operation, or significant change in the content of business and any other that significantly affected the equity of shareholders: None.

Three. Corporate Governance

I. Organizational structure

(I) Organizational structure



(II) The responsibilities of various divisions

1. General Manager's Office: Assists the General Manager in the business planning, personnel administration and human resources planning of the Company.
2. Information Dept.: Administer the planning, configuration and operation of IT system and banking information package software. Also responsible for the purchase and maintenance of hardware and software related to the Company's computers.
3. Finance Department: Responsible for the Company's investments, capital allocation, assets custody, accounting, cost accounting and other related matters.
4. Operations Department: Responsible for preparation of production and marketing plans, execution of domestic and overseas sales, market research, storage and transportation and other related matters.
5. Kaohsiung headquarters: Responsible for production and inspection of petrochemical, polyester and cogeneration products, maintenance and improvement of manufacturing equipment, factory affairs, environmental protection, occupational safety and other safety-related issues.
6. General Affairs Department: Responsible for procurement of raw materials, property management, leasing and general affairs.
7. Technology Office: Responsible for improvement of manufacturing technologies and processes and other research and development issues.
8. Construction Department: Responsible for construction of public housing, renting and leasing of commercial building, land investment and development and other related matters.
9. Auditing Office: Internal audit.
10. Audit Committee: A functional committee established under the board of directors. Every member has different specialization, and the independence of the Committee helps the board in governing the Company and strengthening the occupational competence of the board.
11. Remuneration Committee: Assists the board in reviewing salary and remuneration and provides recommendations.

II. Background information of the Director, President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

(I) Profiles of Directors

February 29, 2020

Title	Nationality or place of registration	Name or Legal Persons	Gender	Date elected	Duration	Inauguration date	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other Chief or Directors with a Spousal or Other Immediate Relative			Remark
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Affiliation	
Institutional Director	Taiwan R.O.C.	China Man-Made Fiber Investment Co., Ltd.	N/A	2016.6.8	3 years	2007.06.21	39,661,820	2.60%	42,239,838	2.61%	0	0	0	0	Director of PACC	Director of PACC	N/A	N/A	N/A	N/A
Institutional Director	Taiwan R.O.C.	Pan Asia Investment Co., Ltd.	N/A	2016.6.8	3 years	2007.06.21	47,303,844	3.11%	50,378,593	3.11%	0	0	0	0	Director of PACC	N/A	N/A	N/A	N/A	N/A
Chairman	Taiwan R.O.C.	Pan Asia Investment Co., Ltd. Representative: Kuei-Hsien Wang	Male	2016.6.8	3 years	2004.06.25	0	0	0	0	0	0	0	0	Chairman of Taichung Securities Investment Trust and CMFC, vice chairman of Taichung Commercial Bank. Department of Finance at Boston University and Department of Finance at New York University.	Chairman of PACC, and Chou Chin Industrial Co., Ltd., Pan Asia Investment, Tai Yi Investment, Dah-Fa Investment, Ge Ling Company Jeou Chang, Formosa Imperial Wineseller, chairman of China Man-Made Fiber Investment, Nan-Chung Petrochemical Director.	**Director**	Kuei-Fong Wang	**Second degree of kinship**	N/A
Vice Chairman	Taiwan R.O.C.	China Man-Made Fiber Investment Co., Ltd. Representative: Ming-Shan Chuang	Male	2016.6.8	3 years	2011.5.6	4,398	0.00%	4,683	0.00%	713	0.00%	0	0	Vice chairman of ITOCHU Taiwan Corporation and Pan Asia National Taiwan University	The Company's President Chairman of Mélasse Director of Taichung Commercial Bank	N/A	N/A	N/A	N/A
Independent director	Taiwan R.O.C.	Chin-Tsai Li (Note 1)	Male	2016.6.8	3 years	2013.6.19	0	0	0	0	0	0	0	0	General counsel and department director of the legal department of Cosmos Bank, head of compliance of the head office. Director of Department of Secretary and department director of Prince Motors EMBA, National Chengchi University	Independent director of PACC	N/A	N/A	N/A	N/A
Managing Director (Independent director)	Taiwan R.O.C.	De-Wei Li	Male	2016.6.8	3 years	2013.6.19	0	0	0	0	0	0	0	0	Director of Hong Ying Investment, president of the Taiwan branch of the World Youth Alliance, president of Taipei Youth Labor Alliance, lecturer of Hsuan Chuang University. The Department of Political Science at the University of Northern Iowa	Incumbent Legislator Independent director of PACC	N/A	N/A	N/A	N/A

Independent director	Taiwan R.O.C.	Li-Yeh Hsu	Male	2016.6.8	3 years	2016.6.8	0	0	0	0	0	0	0	0	Researcher of J.P. Morgan Chase's Hong Kong branch Bachelor's degree from the Department of Business Management, Tatung University	Assistant general manager of Lean Mass Independent director of PACC	N/A	N/A	N/A	N/A
Director	Taiwan R.O.C.	Pan Asia Investment Co., Ltd. Representative: Kuei-Hsien Wang	Male	2016.6.8	3 years	2010.9.10	26,838	0.00%	28,582	0.00%	0	0	0	0	Chairman of CMFC, director of Taichung Commercial Bank, chairman of PACC. VP, Corporate Financing Dept., BNP Paribas Hong Kong; MBA of NYU	Chairman of Taichung Commercial Bank, director of PACC, Chou Chin Industrial Co., Ltd., Pan Asia Investment, Tai Yi Investment, Dah-Fa Investment and supervisor of Shu Tian Investment.	**Chairman**	Kuei-Hsien Wang	**Second degree of kinship**	N/A
Director	Taiwan R.O.C.	Pan Asia Investment Co., Ltd. Representative: Ming-Hsiung Huang	Male	2016.6.8	3 years	2011.5.6	34,665	0.00%	36,918	0.00%	0	0	0	0	Assistant general manager of Cosmos Bank. Department of International Trade at Tamkang University.	Vice chairperson of Taichung Bank Securities Investment, Managing Director of Taichung Commercial Bank, Director of Chou Chin Industrial Co., Ltd., Bomy, and JeouChang Co., Ltd.	N/A	N/A	N/A	N/A
Director	Taiwan R.O.C.	China Man-Made Fiber Investment Co., Ltd. Representative: Hung-Yang Wu (Note 2)	Male	2019.11.19	3 years	2011.5.6	0	0	0	0	0	0	0	0	Assistant VP of CHINA MAN-MADE FIBER CORPORATION ; Department of Agricultural Machinery Engineering at National Chung Hsing University	Assistant VP of the Company; Director of Pan Asia Chemical Corporation, Nan-Chung Petrochemical Corp., Formosa Imperial Wineseller Corp. and Deh Hsing Investment Co., Ltd..	N/A	N/A	N/A	N/A
Director	Taiwan R.O.C.	China Man-Made Fiber Investment Co., Ltd. Representative: Yung-Ta Liu (Note 2)	Male	2016.6.8	3 years	2011.5.6	0	0	0	0	0	0	0	0	Sales VP of this Company Department of Transportation and Logistics Management, National Chiao Tung University	Director and Manager of Melasse	N/A	N/A	N/A	N/A
Director	Taiwan R.O.C.	China Man-Made Fiber Investment Co., Ltd. Representative: Kuo-Ching Chen	Male	2016.6.8	3 years	2011.6.15	164,067	0.01%	174,731	0.01%	0	0	0	0	The Company's Vice President Department of Chemical Engineering at National Taiwan University	Vice President of Pan Asia Chemical Corporation	N/A	N/A	N/A	N/A

Note 1: Independent director Chin-Tsai Li dismissed on January 9, 2020

Note 2: China Man-Made Fiber Investment Co., Ltd. replaced Yung-Ta Liu with Wu, Hung-Yang as juristic person director representative

Remarks: Where the chairperson of the board of directors and the general manager or person of an equivalent post of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto in the remarks column: NA

Major shareholders of legal person directors and supervisors

February 29, 2020

Corporate shareholder Name	Major shareholder of corporate shareholder and shareholding Ratio of Shareholding thereof
Chung Chien Investment Co., Ltd.	Ta Fa Investment Co., Ltd. (28.08%); Pan Asia Investment Co., Ltd. (17.67%); Tung Hao Enterprises Corp. (15.64%); Chin-Yuan Huang (14.72%); Yu Hui Limited (10.52%); Hsu Tian Investment Co., Ltd. (9.57%); Kuei-Hsien Wang (1.70%); Kuei-Fong Wang (1.55%); Sheng Jen Knitted Textiles Co., Ltd. (0.44%); Tsai-Lien Cheng (0.06%).
Pan Asia Investment Co., Ltd.	Tai Yi Investment Co., Ltd. (47.42%), Ta Fa Investment Co., Ltd. (42.63%), Tsung Hao Enterprise Co., Ltd. (9.44%), Kuei-Hsien Wang (0.51%).

Major Shareholders of Major Corporate Shareholder:

February 29, 2020

Corporate shareholder Name	Major shareholder of corporate shareholder and shareholding Ratio of Shareholding thereof
Da Fa Investment Company	Tai Yi Investment Co., Ltd. (42.93%), Pan Asia Investment Co., Ltd. (33.59%), Tsung Hao Enterprise Co., Ltd. (22.73%), Kuei-Hsien Wang (0.75%).
Pan Asia Chemical Corporation	China Man-Made Fiber Co., Ltd. (44.40%); Sheng Jen Knitted Textiles Co., Ltd. (6.20%); CMFC Investment (5.12%); Deh Hsing Investment Co., Ltd. (4.69%); Yu Hui Limited (1.88%); Tai Yi Investment Co., Ltd. (1.75%); Kuang-Hsien, Liao (0.91%); Pan Asia Employee Welfare Committee (0.62%); Chien-Hsing Wu (0.57%); Yu-Sheng Li (0.33%).
General Pride Enterprise Co., Ltd.	Yu Hui Limited (40.40%), Chung Chien Investment Co., Ltd. (53.47%), Pan Asia Investment Co., Ltd. (17.30%), Chao-Chang Wang (5.16%), Kuei-Hsien Wang (1.12%), Ku-Yeh Wang (0.51%)
Yu Hwei Technology Co., LTD.	Kuei-Hsien Wang (99.96%), Hsiao-Chieh Lin (0.04%)
Hsu Tian Investment Co., Ltd.	Chia-Chun Chiang (50%), Kuei-Fong Wang (50%).
Sheng Jen Knitted Textiles Co., Ltd.	Chung Chien Investment Co., Ltd. (53.47%), Yu Hui Limited (40.40%), Chao-Chang Wang (5.57%), Kuei-Hsien Wang (0.25%), Shang-Jr Chiang (0.15%), Shi-Yi Chiang (0.10%), Chao-Ching Wang (0.05%).
Tai Yi Investment Co., Ltd.	Pan Asia Investment Co., Ltd. (41.80%), Ta Fa Investment Co., Ltd. (38.17%), Tsung Hao Enterprise Co., Ltd. (9.93%), Kuei-Hsien Wang (6.31%), Sian-Jhang Syu (2.53%), Yu Hui Limited (1.26%).

2. Information on the directors

Condition / Name	Have more than 5 years of experience and the following professional qualifications			Status of independence (note 2)												Number of public companies where the person holds the title as independent director
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Kuei-Hsien Wang			ˇ			ˇ		ˇ	ˇ	ˇ		ˇ		ˇ		N/A
Ming-Shan Chuang			ˇ			ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		N/A
Chin-Tsai Li (Note 1)			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		ˇ	1
De-Wei Li			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1
Li-Yeh Hsu			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1
Kuei-Fong Wang			ˇ			ˇ		ˇ	ˇ	ˇ		ˇ		ˇ		N/A
Ming-Hsiung Huang			ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		N/A
Hung-Yang Wu			ˇ			ˇ	ˇ	ˇ	ˇ	ˇ		ˇ	ˇ	ˇ		N/A
Kuo-Ching Chen			ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		N/A

Note 1:Independent director Chin-Tsai Li dismissed on January 9, 2020

Note 2:
(1) Not employed by the company or any of its affiliated companies.
(2) Not a director or supervisor of this Company or its affiliates (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
(3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
(4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the managers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
(6) Not a director, supervisor, or employee of another company in which a majority of the director seats or voting shares are controlled by the same person as in this Company (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
(7) Not a director, supervisor, or employee of another company or institution if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at the other company or institution are the same person or are spouses (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (these restrictions shall not apply where said specified company or institution holds between 20% and 50% percent of the total number of issued shares of the Company or to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$ 500,000, or a spouse thereof. Provided that this restriction does not apply to a member of the remuneration Committee, public tender offer review Committee or special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.
(10) Not a spouse or relative of second degree or closer to any other directors.
(11) Does not meet any descriptions stated in Article 30 of the Company Act.
(12) Not elected as a government or corporate representative according to Article 27 of The Company Act.

(II) Background information of the President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

February 29, 2020

Title	Nationality	Name	Gender	Election Date	Quantity of Shares		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Positions with other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Affiliation	
President	Taiwan R.O.C.	Ming-Shan Chuang	Male	2018.7.16	4,683	0.00%	0	0	0	0	ITOCHU Taiwan Corporation Vice chairman of Pan Asia National Taiwan University	Chairman of Mélasse Director of Taichung Commercial Bank	N/A	N/A	N/A	N/A
VP Production Services Department	Taiwan R.O.C.	Yung-Ta Liu (Note)	Male	2008.02.01	0	0	0	0	0	0	Department of Transportation and Logistics Management, National Chiao Tung University	Director of PACC Supervisor of Nan-Chung Petrochemical Corp. General manager of Mélasse	N/A	N/A	N/A	N/A
VP Production Services Department	Taiwan R.O.C.	Jeh-Yi Wang (Note)	Male	2020.1.13	0	0	0	0	0	0	Project manager of the Production Services Department of this Company Department of Business Administration, Fu Jen Catholic University	President of Pan Asia Chemical Corporation, Director of Pan Asia and Nan Chung Petrochemical Corp., and supervisor of Technic Investment (International) Ltd.	N/A	N/A	N/A	N/A
Director of General Affairs Department	Taiwan R.O.C.	Hung-Yang Wu	Male	2009.09.01	0	0	0	0	0	0	Department of Agricultural Machinery Engineering at National Chung Hsing University	Director of Nan-Chung Petrochemical, Formosa Imperial Wineseller and Taiwan Silk Development	N/A	N/A	N/A	N/A
Chief Internal Auditor	Taiwan R.O.C.	Lai-Hsiang Tsai	Female	2010.10.04	1,190	0.00%	0	0	0	0	Cosmos Bank auditor Department of Business Administration, National Taiwan University	N/A	N/A	N/A	N/A	N/A
Chief financial officer	Taiwan R.O.C.	Po-Nien Lin	Male	2005.04.01	30,124	0.00%	0	0	0	0	Department of Economics, National Taiwan University	Supervisor of Reliance Securities Investment Trust Co., Ltd.	N/A	N/A	N/A	N/A
Chief accountant	Taiwan R.O.C.	Kuo Hua Lin	Female	2017.06.19	37	0.00%	0	0	0	0	PACC chief accountant Accounting Department of Soochow University	N/A	N/A	N/A	N/A	N/A

Note: Due to the voluntary retirement of Yung-Ta Liu, VP of the Production Services Department on November 14, 2019, the board of directors hired Jeh-Yi Wang as VP on January 13, 2020.

(III) Remuneration paid to Directors, the President, and the Vice President in the most recent year

1. Remuneration of directors and independent directors

Unit: NT$ thousand/ thousand shares

Title	Name	Remuneration to Directors: Director fees (A): The Bank	Remuneration to Directors: Director fees (A): All companies mentioned in the financial statements	Pension (B): The Company	Pension (B): All companies mentioned in the financial statements	Remuneration to directors (C): The Company	Remuneration to directors (C): All companies mentioned in the financial statements	For services (D): The Company	For services (D): All companies mentioned in the financial statements	The sum of A, B, C and D in proportion to Earnings: The Company	The sum of A, B, C and D in proportion to Earnings: All companies mentioned in the financial statements	Remuneration in the capacity as employees: Salaries, bonus and special subsidies (E): The Company	Salaries, bonus and special subsidies (E): All companies mentioned in the financial statements	Pension (F): The Company	Pension (F): All companies mentioned in the financial statements	Remuneration to employees (G): The Company: Cash	Remuneration to employees (G): The Company: Stock	Remuneration to employees (G): All companies mentioned in the financial statements: Cash	Remuneration to employees (G): All companies mentioned in the financial statements: Stock	The sum of A, B, C, D, E, F and G in proportion to Earnings (%): The Company	The sum of A, B, C, D, E, F and G in proportion to Earnings (%): All companies mentioned in the financial statements	Remuneration received from the invested companies other than the subsidiaries and the parent company
Institutional Director	China Man-Made Fiber Investment Co., Ltd.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Pan Asia Investment Co., Ltd.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	Kuei-Hsien Wang	3,786	3,786	0	0	0	0	0	0	0.519	0.519	0	0	0	0	0	0	0	0	0.519	0.519	0
	Ming-Shan Chuang	1,282	1,282	0	0	0	0	0	64	0.176	0.184	0	0	0	0	0	0	0	0	0.176	0.184	0
	Kuei-Fong Wang	0	7,837	0	0	0	0	0	1,300	0	1.252	0	0	0	0	0	0	0	0	0	1.252	0
	Ming-Hsiung Huang	0	5,793	0	0	0	0	0	240	0	0.827	0	0	0	0	0	0	0	0	0	0.827	0
	Yung-Ta Liu	0	0	0	0	0	0	0	0	0	0	3,023	3,023	37	37	0	0	0	0	0.419	0.419	0
	Kuo-Ching Chen	0	0	0	0	0	0	0	0	0	0	0	1,309	0	85	0	0	92	0	0	0.202	0
Independent director	De-Wei Li	430	430	0	0	0	0	0	0	0.059	0.059	0	0	0	0	0	0	0	0	0.059	0.059	0
	Li-Yeh Hsu	400	400	0	0	0	0	0	0	0.550	0.550	0	0	0	0	0	0	0	0	0.550	0.550	0
	Chin-Tsai Li	430	430	0	0	0	0	0	0	0.059	0.059	0	0	0	0	0	0	0	0	0.059	0.059	0

1. Please describe the policy, systems, standards and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks and invested time:
Pursuant to the provisions set forth in Article 40 of the Articles of Incorporation, the Company shall appropriate 1% to 5% of its profits of the respective year as employee compensations. The board of directors shall determine the distribution ratios and methods (stocks or cash) and may appropriate a sum not exceeding 0.03 % of the aforementioned profits as director compensations. The amount of director compensations shall be adjusted in line with variations in pre-tax income. No director compensations were paid out due to a recorded loss this year. Directors therefore only received their fixed salaries, which is deemed reasonable.
2. Pay for services (such as non-employee consultant) specified in the financial statements provided by directors in the previous year not specified above: Not applicable.

2. Remuneration to the President and Vice President

Unit: NT$ thousand/ thousand shares

Title	Name	Salary (A): The Company	Salary (A): All companies mentioned in the financial statements	Pension (B): The Company	Pension (B): All companies mentioned in the financial statements	Bonuses and allowances etc (C): The Company	Bonuses and allowances etc (C): All companies mentioned in the financial statements	Remuneration to the employees (D): The Company: Cash	Remuneration to the employees (D): The Company: Stock	Remuneration to the employees (D): All companies mentioned in the financial statements: Cash	Remuneration to the employees (D): All companies mentioned in the financial statements: Stock	The sum of A, B, C, and D as a percentage of after-tax net profit (%): The Company	The sum of A, B, C, and D as a percentage of after-tax net profit (%): All companies mentioned in the financial statements	Remuneration received from the invested companies other than the subsidiaries and the parent company
President	Ming-Shan Chuang (Note)	1,282	1,282	0	0	**0**	**0**	0	0	0	0	0.175	0.175	0
Executive Vice President	Yung-Ta Liu (Note)	1,835	1,835	37	37	1,189	1,189	0	0	0	0	0.419	0.419	0

Note: Ming-Shang Chuang, Vice Chairperson and General Manager of this Company only received salary payments for his position as Vice Chairperson.

Note: VP Yung-Ta Liu voluntarily retired on November 14, 2019

3. Individual remuneration paid to each of the top five management personnel Unit: NT$ thousand/ thousand shares

Title	Name	Salary (A): The Company	Salary (A): All companies mentioned in the financial statements	Pension (B): The Company	Pension (B): All companies mentioned in the financial statements	Bonuses and allowances etc (C): The Company	Bonuses and allowances etc (C): All companies mentioned in the financial statements	Remuneration to the employees (D): The Company: Cash	Remuneration to the employees (D): The Company: Stock	Remuneration to the employees (D): All companies mentioned in the financial statements: Cash	Remuneration to the employees (D): All companies mentioned in the financial statements: Stock	The sum of A, B, C, and D as a percentage of after-tax net profit (%): The Company	The sum of A, B, C, and D as a percentage of after-tax net profit (%): All companies mentioned in the financial statements	Remuneration received from the invested companies other than the subsidiaries and the parent company
Executive Vice President	Yung-Ta Liu	1,835	1,835	37	37	1,189	1,189	0	0	0	0	0.419	0.419	0
Assistant VP	Hung-Yang Wu	1,020	1,020	63	63	714	714	0	0	0	0	0.246	0.246	0
President	Ming-Shan Chuang	1,282	1,282	0	0	0	0	0	0	0	0	0.175	0.175	0
Chief financial officer	Po-Nien Lin	783	783	48	48	335	335	0	0	0	0	0.160	0.160	0
Chief accountant	Kuo Hua Lin	877	877	58	58	438	438	0	0	0	0	0.188	0.188	0

Name of the managers received remuneration and the distribution of remuneration

Unit: NT$ thousand/ thousand shares

	Title	Name	Stock	Cash	Total	As a percentage of net profit after tax (%)
Manager	Assistant VP	Hung-Yang Wu	0	0	0	0%
	Chief accountant	Kuo Hua Lin				
	Chief financial officer	Po-Nien Lin				

4. Compare and disclose remunerations paid in the last 2 years by The Company and all companies included in the consolidated financial statements to The Company's Directors, Supervisors, President and Vice Presidents as a percentage of after-tax net profit. Describe the remuneration policy, standards and packages, the procedures for determining remuneration, and their link to business performance.
   (1) 2019 remuneration of all directors was NT$9,423 thousand, accounting for 1.2913% of the after-tax profit margin of 2019. The 2018 remuneration was NT$14,078 thousand, accounting for 1.0% of the after-tax profit margin.
   (2) 2019 remuneration of the general manager and assistant general managers was NT$4,342 thousand, accounting for 0.595% of the after-tax profit margin of 2019. The 2018 remuneration was

NT$3,187 thousand, accounting for 0.002% of the after-tax profit margin.

(3) 2018 remuneration of all directors of all companies on the consolidated statements was NT$232,453 thousand, accounting for 0.004% of the after-tax profit margin. 2018 remuneration of the general manager and assistant general managers was NT$3,188 thousand, accounting for 0.002% of the after-tax profit margin. Please refer to the table above for the 2019 information.

(4) The amount of directors' remuneration is approved by the shareholders meeting. The remuneration of the general manager and assistant general managers is determined based on the industry standard.

(5) The operating performance of the Company will affect the appropriation of year-end bonuses for executives.

(6) Correlation of future risk: Will affect the appropriation of bonuses for executives.

III. Corporate governance

(1) Functionality of the Board of Directors

The Board called 9 meetings in 2019. The attendance of directors is specified as follows:

Title	Name	Actual number of attendance	Attend through proxy	Attendance rate (%)	Remark
Chairman	Kuei-Hsien Wang	9	0	100	
Vice Chairman	Ming-Shan Chuang	8	1	89	
Managing Director (Independent director)	Chin-Tsai Li	5	0	56	Please see the next page for the details of attendance of each board meeting in 2019.
Independent director	De-Wei Li	8	0	89	Please see the next page for the details of attendance of each board meeting in 2019.
Independent director	Li-Yeh Hsu	9	0	100	Please see the next page for the details of attendance of each board meeting in 2019.
Director	Kuei-Fong Wang	7	2	78	
Director	Ming-Hsiung Huang	7	0	78	
Director	Hung-Yang Wu	1	0	100	November 19, 2019 assumption of office, attendance required once
Director	Kuo-Ching Chen	8	1	89	

Other notes:

I. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

(1) The content of the particulars inscribed in Article14-3 of the Securities and Exchange Act:

January 14, 2019 (17th meeting of the 25th term) Regarding the 2019 remuneration policies for the Company's directors and insiders, the independent directors in attendance had no objection and approved the presented proposals.

March 14, 2019 (15th meeting of the 25th term) Discussion of the 2018 Internal Control Statement, the 2018 financial statement, Issuance of New Shares via Capital Increase from Retained Earnings, and amendment of the Procedures Governing the Acquisition and Disposal of Assets, Rules of Procedure for Shareholders Meetings, and the internal control system for stock affairs – All proposals were approved with no dissenting opinions of attending independent directors on record.

May 13, 2019 (20th meeting of the 25th term) Discussion of amendments to the Procedures

Governing Lending Funds to Other Parties and the Procedures Governing Endorsements and Guarantees – All proposals were approved with no dissenting opinions of attending independent directors on record.

November 11, 2019 (2nd meeting of the 26th term board) Discussion of the 2020 audit plan, amendment to the Financial Statement Preparation Procedures and Management Operations (internal control and audit proposal), fees charged by Deloitte Taiwan in 2019, sale of land in Douliu City, Yunlin, procurement of an additional set of steam power plant equipment, purchase of real property as an external dumping area for the steam power plant and coal plant – All proposals were approved with no dissenting opinions of attending independent directors on record.

(II) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: Not applicable.

II. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:

2019.04.19 Discussion of the review of independent director nominations by shareholders with holdings of 1% or more (the three independent directors Chin-Tsai Li, De-Wei Li, and Li-Yeh Hsu recused themselves from the meeting due to a conflict of interest).

2019.07.19 Discussion of participation in the subscription to common stock issued for cash by Technic Investment (International) Ltd. (directors Wang, Kuei-Shiang and Yung-Ta Liu recused themselves from the meeting due to a conflict of interest). Appointment of the three members of the new remuneration committee (the three independent directors Chin-Tsai Li, De-Wei Li, and Li-Yeh Hsu recused themselves from the meeting due to a conflict of interest).

2019.08.12 Discussion of salary increments and compensations for insiders (employees) of the Company in 2019 (director Yung-Ta Liu recused himself from the meeting due to a conflict of interest).

III. TWSE/TPEx Listed Companies shall disclose assessment cycles, periods, scope, methods, and contents for self or peer evaluation of the board of directors and record relevant details on attached form 2. Self-evaluations of the board of directors are implemented starting in 2020 – Evaluation results were therefore not available for disclosure in 2019.

IV. The objective of enhancing the occupational function of the Board of Directors in current year and the most recent year, and assessing its implementation: Not evaluated.

Supplementary Notes: Details of attendance of each board meeting in 2019.

2019	The 1st time	2nd time	3rd time	2th time	5th time	6th time	7th time	8th time	8th time
Chin-Tsai Li	◎	◎	◎	◎	◎	＊	＊	＊	＊
De-Wei Li	◎	◎	＊	◎	◎	◎	◎	◎	◎
Li-Yeh Hsu	◎	◎	◎	◎	◎	◎	◎	◎	◎

◎ In person ☆ Attendance by substitution ＊ Not in attendance

(II) The operation of the Auditing Committee

The Auditing Committee convened for 4 times (A) in FY2019 The attendance of the independent directors is shown below:

Title	Name	Actual number of attendance	Attend through proxy	Attendance rate (%)	Remark
Independent director	Chin-Tsai Li	2	0	50	
Independent director	De-Wei Li	4	0	100	
Independent director	Li-Yeh Hsu	4	0	100	

Other notes:

I. For the operation of the Audit Committee in any of the following circumstances, please specify the date, term, the contents of the proposals, the resolution of the Audit Committee, and the process of the opinions proposed by the Audit Committee:

(I) Issues listed in Article 14-5 of the Securities and Exchange Act:

January 14, 2019 (17th meeting of the 25th term) Regarding the 2019 remuneration policies for the Company's directors and insiders, the audit committee members in attendance had no objection and approved the presented proposals.

March 14, 2019 (15th meeting of the 25th term)Discussion of the 2018 Internal Control Statement, the 2018 financial statement, Issuance of New Shares via Capital Increase from Retained Surpluses, and amendment of the Procedures Governing the Acquisition and Disposal of Assets, Rules of Procedure for Shareholders Meetings, and the internal control system for stock affairs – All proposals were approved with no dissenting opinions of attending audit committee members on record.

May 13, 2019 (20th meeting of the 25th term) Discussion of amendments to the Procedures Governing Lending Funds to Other Parties and the Procedures Governing Endorsements and Guarantees of the Company and its subsidiaries– All proposals were approved with no dissenting opinions of attending audit committee members on record.

November 11, 2019 (2nd meeting of the 26th term) Discussion of the 2020 audit plan, amendment to the Financial Statement Preparation Procedures and Management Operations (internal control and audit proposal), fees charged by Deloitte Taiwan in 2019, sale of land in Douliu City, Yunlin, procurement of an additional set of steam power plant equipment, purchase of real property as an external dumping area for the steam power plant and coal plant – All proposals were approved with no dissenting opinions of attending audit committee members on record.

(II) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: Not applicable.

II. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: Not applicable.

III. Performance of communications by and between independent directors, internal audit head and Certified Public Accountant(s) (should include the Company’s financial, business operation affairs, issued, methods and outcomes of communications among them):

Date	Method	Main points of communication	Result
2019.3.18	Meeting	The CPA discussed the following key items pertaining to the 2018 consolidated financial statement: audit scope, major accounting policies, major accounting estimates, incidents, or transactions, identification of significant risks, and key audit items.	Acknowledged

Summary of previous communications between independent directors and internal audit managers.

Date	Method	Main points of communication	Result
2019.3.18	Audit Committee	1. 2018 Q4 audit report and follow-up improvement. 2. The Company's 2018 Q4 follow-up progress in accordance with "Proposal on Improving the Compilation Capability for Financial Reports". 3. Results of self-assessments of the internal control system in 2018 and issuance of the Internal Control Statement specifying the design of the internal control system of the Company and major deficiencies in its implementation.	Acknowledged Acknowledged Approval of submission to the board for discussion
2019.5.13	Audit Committee	1. 2019 Q1 audit report and follow-up improvement. 2. The Company's 2019 Q1 follow-up progress in accordance with "Proposal on Improving the Compilation Capability for Financial Reports". 3. The financial unit of the Company has independently prepared the whole financial report for Q4 2018 (as of Q2 2019, it is no longer required to include plans for the enhancement of the ability to independently prepare financial reports as an internal control tracking item).	Acknowledged Acknowledged Acknowledged
2019.8.12	Audit Committee	1. Q2 2019 audit report and tracking of improvements for deficiencies.	Acknowledged
2019.11.11	Audit Committee	1. 2019 Q3 audit. 2. 2020 internal audit plan.	Acknowledged Approval of submission to the board for discussion

(III) How The Company's actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why

* The Company

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
1. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?		V	The Company has not yet developed the plan.	If there are regulatory or necessary considerations, the provisions of th relevant laws and other regulations shall apply.
2. Shareholding structure and shareholders' equity (1) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly? (2) Does the Company possess a list of principal shareholders and beneficial owners of these principal shareholders? (3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	(2) V (3) V (4) V	(1) V	(1) The Company has a spokesperon, an acting spokesperson and full-time shareholder services personnel responsible for handling recommendations or questions from shareholders, and the offical website also has an "Investor Relations" section to answer questions. (2) The Company constantly monitors the shareholdings of directors, supervisors, managerial officers, or principal shareholders owning more than 10% of the shares. (3) Transaction management of interested parties, endorsement and guarantee and capital loans between the Company and its affiliates are governed by rules, and there are internal control and audit measures developed in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, to monitor subsidiaries. (4) The Company has established internal rules prohibiting insider trading on undisclosed information.	Insignificant difference. Meet the requirements. Meet the requirements. Meet the requirements.
3. The constitution and obligations of the board of directors (1) Will the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members? (2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily? (3) Has the Company had the rules governing the performance evaluation of the board of directors and evaluation methods	(1) V	(2) V (3) V	(1) The board is composed of senior executives, each with different professional expertise and meeting the goals for diversification. (2) Will discuss the possibility of establishment based on the Company's actual business needs. (3) The Company will formulate board performance appraisal guidelines and methods starting in 2020. The results of these appraisals will serve as a key reference	Meet the requirements. Insignificant difference. Adequate. Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
stipulated, the performance evaluation performed annually and regularly, the results of the performance evaluations reported to the board of directors, and the evaluation result applied as a reference for individual director's remuneration and nomination for re-election? (4) Will the Company have the independence of the public accountant evaluated regularly?	V		for director remunerations and relevant requirements of nomination for reelection. (4) The Company regularly reviews the independence of the certified accountant to check if the accountant is a director, supervisor or shareholder of the Company or receives salary from the Company, verifying that the accountant is not an interested person. The certified accountant must take a recusal action in the event there is a direct conflict of interests or interested relationship with the commissioned tasks, and the rotation of accountants must comply with relevant regulations.	
4. Has the Company designated an adequate number of corporate governance personnel with appropriate qualifications and appointed a chief corporate governance officer as the most senior officer in charge of corporate governance affairs (including, but not limited to, provision of data required for the execution of relevant operations by the directors, assistance in legal compliance by directors, handling of matters pertaining to board meetings and shareholders meetings pursuant to relevant laws, and preparation of minutes for board meetings and shareholders meetings)?	V		The Company has appointed representatives from departments and offices to form a corporate governance team which reviews the auditing criteria of corporate governance and provides improvements.	Meet the requirements.
5. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	V		The Company offers communication channels for various entities (including interested parties) based on different circumstances, and they can be found on the Company's website at http://www.cmfc.com.tw	Meet the requirements.
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?		V	The shareholder services of the Company are handled by specialized personnel, and the services are regularly audited by both the internal and external organizations and meet all requirements.	For the purpose of saving on operating cost, outsourcing is currently not considered.
7. Disclosure of information (1) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		(1) The Company's financials and disclosures are disclosed on the Exchange's website in accordance with the regulations, and the annual reports are also published on	Meet the requirements. Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
(2) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)? (3) Has the Company publicly announced and filed its annual financial reports within two months after the close of the given fiscal year? Has it publicly announced and filed the financial reports for the first, second, and third quarter and the operational status reports for each month prior to the prescribed time limit?	V	V	the Company's official website. (2) The Company has assigned personnel responsible for the collection of disclosed information and implemented the spokesperson practice. (3) Pursuant to the provisions set forth in Article 36 of the Securities and Exchange Act, the Company currently publicly announces and files its annual financial reports within three months after the close of the given fiscal year. Financial reports for the respective quarter are publicly announced and filed within 45 days after the end of the first, second, and third quarters of each fiscal year, and operational status reports for the previous month are publicly announced and filed within the first ten days of each calendar month.	This is currently not planned due to manpower allocation considerations.
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		Employees' rights and welfare: To achieve sustainable operations and growth, the Company protects employees' welfare in accordance with the Labor Standards Act and other related measures and also establishes a Staff Welfare Committee to be responsible for various welfare measures to improve its overall care of employees. For example: 12 months of maternity subsidy, scholarship for employees' children, medical subsidies and others. Investor Relations: The Company treats all its investors with fairness and openness. Shareholders meetings are held annually in accordance with the requirements of the Company Act and the relevant laws and regulations. Investors are notified of attendance to shareholders meetings and encouraged to participate in the resolutions of all proposals of the meetings. In order to ensure that shareholders have full rights to know, participate and decide on key issues of the Company, a spokesperson and an acting spokesperson are assigned to properly handle all recommendations, questions and disputes. Supplier relationship: Maintain a good relationship based on the principle of good faith.	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			Rights of interested parties: They can contact us through the mailbox on the official homepage or directly contact us. Continuing education of directors and supervisors: Please see page 23 of this annual report for details. Implementation of risk management policies and measurement criteria: The Company has established various internal management regulations in accordance with the law and conducted various risk management and assessment to effectively control the risks of the Company's operations. Implementation of customer policies: The Company maintains a good relationship with its customers. Purchase of liability insurance for directors and supervisors: The Company has purchased insurance policies in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and disclosed them on the Market Observation Post System.	
9. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures. Corporate governance assessment results of Taiwan stock exchange co., ltd. released by the corporate governance center at the 6th session of the year 108. The assessment results of our company are listed as 36% ~ 50% of the listed companies, and the unscored items will be further disclosed The following improvements have been made in the 6th assessment of the 2019： The company shall disclose the communication between the independent director and the internal audit supervisor and the accountant (such as the way, matters and results of the communication on the company's financial report and financial business status) on the company's website.				

Note: Continued education of directors and supervisors:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Independent director	De-Wei Li	Corporate Governance Association in Taiwan	Last line of defense for corporate governance – Director/supervisor liability insurance	3	Yes
Independent director	Li-Yeh Hsu	Corporate Governance Association in Taiwan	Last line of defense for corporate governance – Director/supervisor liability insurance	3	Yes
Corporate Director representative	Kuo-Ching Chen	TWSE	Information meeting on the effective performance of director functions	3	Yes

		Corporate Governance Association in Taiwan	Key information and analysis of responsibilities in the annual report: Views of directors and supervisors	3	Yes
		Securities and Futures Institute	Ability of directors and supervisors to interpret financial information	3	Yes
Corporate Director representative	Ming-Hsiung Huang	Corporate Governance Association in Taiwan	Prevention of internal corporate fraud and establishment of a whistleblower system	3	Yes
		Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3	Yes
Corporate Director representative	Ming-Shan Chuang	Corporate Governance Association in Taiwan	Prevention of internal corporate fraud and establishment of a whistleblower system	3	Yes
		Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3	Yes
Corporate Director representative	Kuei-Fong Wang	Corporate Governance Association in Taiwan	Prevention of internal corporate fraud and establishment of a whistleblower system	3	Yes
		Corporate Governance Association in Taiwan	Causes of corporate fraud and legal liability of directors and supervisors – Case studies	3	Yes
		Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3	Yes

*Consolidated companies

1. Pan Asia Chemical Corporation

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
1. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?		V	The Company has not yet developed its own "Corporate Governance Best Practice Principles".	If there are regulatory or necessary considerations, the provisions of the relevant laws and other regulations shal apply.
2. Shareholding structure and shareholders' equity				
(1) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?		V	(1) The Company has a spokesperson, an acting spokesperson and full-time shareholder services personnel responsible for handling recommendations or questions from shareholders, and the official website also has an "Investor Relations" section to handle recommendations or disputes.	Adequate.
(2) Does the Company possess a list of principal shareholders and beneficial owners of these principal shareholders?	V		(2) The Company constantly monitors the shareholdings of directors, supervisors, managerial officers, or principal shareholders owning more than 10% of the shares.	Meet the requirements.
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(3) Transaction management of interested parties, endorsement and guarantee and capital loans between the Company and its affiliates are governed by rules, and there are internal control and audit measures developed in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, to monitor subsidiaries.	Meet the requirements.
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) In order to maintain the fairness in the securities trading market, the Company has established the "Procedures to Prevent Insider Trading" and the "Procedures for Handling Material Inside Information".	Meet the requirements.
3. The constitution and obligations of the board of directors				
(1) Will the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	V		(1) The Company values diversification of the board composition, and members are generally equipped with knowledge, skills and competencies necessary to perform their duties.	Meet the requirements. Insignificant difference.
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?		V	(2) Will discuss the possibility of establishment based on the Company's actual business needs.	In progress

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
(3) Has the Company had the rules governing the performance evaluation of the board of directors and evaluation methods stipulated, the performance evaluation performed annually and regularly, the results of the performance evaluations reported to the board of directors, and the evaluation result applied as a reference for individual director's remuneration and nomination for re-election? (4) Will the Company have the independence of the public accountant evaluated regularly?	 V	V	(3) The Company will formulate board performance appraisal guidelines on March 16, 2020. In the future, appraisals will be conducted annually on a regular basis in accordance with prescribed methods. Results will be made public upon reporting to the board of directors and may serve as a key reference for the nomination of directors by the board or shareholders with holdings of 1% or more. (4) The Finance Department assesses the independence of certified accountants on an annual basis. The main criteria include if the accountants and their relatives hold any significant financial interests of the Company, hold key positions within the Company the most recent two years or are relatives within the second degree of those in key positions of the Company and if the accountants have received donations or gifts at a great value from the Company, and the results are reported to the board. The Finance Department finds that the qualifications of Wen-Ya Hsu and Oscar Shih, of Deloitte Taiwan, meet the standards of the Company on independence and determines that they are capable of serving as the Company's certified accountants.	Meet the requirements.
4. Has the TWSE/TPEx Listed Company designated an adequate number of corporate governance personnel with appropriate qualifications and appointed a chief corporate governance officer as the most senior officer in charge of corporate governance affairs (including, but not limited to, provision of data required for the execution of relevant operations by the directors and supervisors, assistance in legal compliance by directors and supervisors, handling of matters pertaining to board meetings and shareholders meetings pursuant to relevant laws, corporate registration and amendment registration, and preparation of minutes for board meetings and shareholders meetings)?	V		The Company has appointed representatives from departments and offices to handle corporate governance matters. Deliberation of appointment of a chief governance officer prior to June 2021	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
5. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings and others)?	V		The Company offers communication channels for various entities (including interested parties) based on different circumstances, and they can be found in the "Stakeholders" section on the Company's website at http://www.pacc.com.tw	Meet the requirements.
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?		V	The shareholder services of the Company are handled by specialized personnel, and the services are regularly audited by both the internal and external organizations and meet all requirements.	For the purpose of saving on operating cost, outsourcing is currently not considered.
7. Disclosure of information (1) Does the Company have a website setup and the financial business and corporate governance information disclosed? (2) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)? (3) Has the Company publicly announced and filed its annual financial reports within two months after the close of the given fiscal year? Has it publicly announced and filed the financial reports for the first, second, and third quarter and the operational status reports for each month prior to the prescribed time limit?	V V	V	(1) The Company's financials and disclosures are disclosed on the OTC official website in accordance with the regulations, and the annual reports are also published on the Company's official website. The Company's website is www.pacc.com.tw, with available links connecting to the Market Observation Post System. (2) The Company has assigned personnel responsible for the collection of disclosed information and implemented the spokesperson practice. (3) Pursuant to the provisions set forth in Article 36 of the Securities and Exchange Act, annual financial reports are publicly announced and filed within three months after the close of the given fiscal year. Financial reports for the respective quarter are publicly announced and filed within 45 days after the end of the first, second, and third quarters of each fiscal year, and operational status reports for the previous month are publicly announced and filed within the first ten days of each calendar month.	Meet the requirements. Meet the requirements. In conformity with relevant laws and regulations; currently not planned due to manpower allocation considerations.
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of	V		<u>Employees' rights and interests:</u> Comply with the Labor Standards Act and establish communication channels with employees, encourage employees to directly communicate	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company’s directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?			with the management, directors and supervisors, properly reflect employees' opinions on the Company's operations and financial conditions or major decisions related to employees' interests. Employee care: Comply with the Labor Standards Act, respect and maintain employees' legitimate rights and interests and establish communication channels. Investor relations: In operating its normal business and maximizing the shareholder interest, the Company respect and maintain investor's interests, conduct business operations with good faith, pay attention to the trading order on the securities market and have a high regard for the social responsibility of the Company. Supplier relationship: Maintain a good relationship based on the principle of good faith. Rights of interested parties: They can contact us through the mailbox on the official homepage or directly contact us. Continuing education of directors and supervisors: Please see page 19 of this annual report for details. Implementation of risk management policies and measurement criteria: The Company has established various internal management regulations in accordance with the law and conducted various risk management and assessment to effectively control the risks of the Company's operations. Implementation of customer policies: In addition to regular visits to customers and convening distributor meetings, the Company conducts annual customer satisfaction surveys to understand customers' actual responses to marketing, logistics management and technical support. Customers are invited to provide their recommendations to ensure that their needs are understood and met. Purchase of liability insurance for directors and supervisors: The Company and its parent (China Man-Made Fiber Corporation) jointly take out professional liability insurance for directors, supervisors, and key employees and disclose relevant information on the Market Observation Post System (MOPS).	

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
9. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures: The following improvements have been implemented based on the 6th evaluation in 2019: The company discloses the communication between independent directors and Chief Internal Auditor (e.g., the communication method, items and results regarding the company's financial reports and financial and business conditions) on the company website.				

Continued education of directors and supervisors:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Director	Kuei-Fong Wang	Corporate Governance Association in Taiwan	Prevention of internal corporate fraud and establishment of a whistleblower system	3	Yes
		Corporate Governance Association in Taiwan	Latest revision trends and analysis of the Company Act	3	Yes
Independent director	De-Wei Li	Corporate Governance Association in Taiwan	Last line of defense for corporate governance – Director/supervisor liability insurance	3	Yes
Independent director	Li-Yeh Hsu	Corporate Governance Association in Taiwan	Last line of defense for corporate governance – Director/supervisor liability insurance	3	Yes

2. Taichung Commercial Bank

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
1. Equity structure and shareholders' equity (1) Has the Bank instituted an internal procedure for handling recommendations, queries, disputes of the shareholders and legal actions, and comply with the procedure properly?	✓		(1) The Company has established its "Corporate Governance Best Practice Principles", which has a chapter dedicated to the topic of "Protect Shareholders" Rights". (2) The Company has assigned a spokesperson and an acting spokesperson to properly handle all recommendations from shareholders and a designated shareholder service organization responsible for handling questions and disputes. The contact information is listed on the Company's global information webpage.	no difference
(2) Has the Bank kept track on the dominant shareholders of the Bank and the parties controlling these shareholders?	✓		The Bank shall keep track on the change in equity shares or pledge of equity shares under lien by shareholders holding more than 5% of the stakes and shareholders who are also directors of the Bank, and shall disclose the update information in "MOPS" as required.	
(3) Has the Bank established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	✓		(1) The Company has formulated the "Information Management of Interested Parties and Credit Policies" and co-developed a database on interests with the affiliates to comply with the requirements of Article 32 and 33 of the Banking Act and other related regulations. (2) Establish "Guidelines for Supervision of Subsidiaries" to regulate the operation, finances, sales and audit management and reported to the board quarterly.	
2. The organization of the Board and their duties (1) Further to the establishment of the Remuneration Committee and the Auditing Committee, has the Bank voluntarily established other functional committees?	✓		Please refer to page 7 (1) Organizational Structure of the 1. organization system.	no difference
(2) Has the Bank assessed the independence of the commissioned certified public accountants regularly?	✓		(1) The commissioned CPA will be subject to assessment on the status of independence annually. (2) The last assessment was made pursuant to Article 38 of the "Best Practice Principles of Corporate Governance for Banking Industry" and Article 3 of the "Organization Code of the Auditing Committee" of the Bank with reference to Articles 46-48 of the "Certified Public Accountant Act" thereby items for assessment of the independence of the CPA were established. The content covers whether or not the CPA is affiliated with Bank directly or significantly but indirectly in financial interest, major unusual financing relation, or involvement in guarantee of financing not under normal business transactions, the rendering of auditing and non-auditing services simultaneously, and the	

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
(3) Will the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	✓		effect on the 8 status of independence. (3) According to Paragraph 6 of Article 40 of the Corporate Governance Best Practice Principles: The appointment, dismissal or remuneration of certified accountants shall be approved by the board. The findings were passed by the 17th term of the Board in the 23rd session on March 14 2019 on record, which indicated relevance with related regulations governing the independent status of the CPA. (1) Chapter Four "Strengthen Occupational Competence of the Board" of the Company's Corporate Governance Best Practice Principles has specified the diversification policy of the board members. (2) List of 12 directors of the 23rd session of the company, besides having two female members, the board consists of members specializing in operational decisions, accounting and financial analysis, operations management, risk management, crisis management, leadership, industry expertise and global market perspectives, and they are, Chairman Kuei-Fong Wang, director Deh-Wei Chia, managing director Ming-Hsiung Huang, independent managing director Li-Wen Lin, independent directors Hsin-Chang Tsai and Jin-Yi Li, director Ming-Shang Chuang, managing director Wei-Liang Lin, director Hsin-Ching Chang, Chien-Hui Huang and Yeh Shu Hui. Director Lai-Hsiang Tsai specializes in operational decisions, accounting and financial analysis, crisis management, industry expertise and global market perspectives. (3) The number of female directors accounted for 16.7% of the board members. 2 of the independent directors have served for less than 3 years and 1 independent director have served for a period of 6 to 9 years. (4) The Company disclosed the Board's policy on diversity on the official website and MOPS.	
3. The organization of the Board and their duties (1) Further to the establishment of the Remuneration Committee and the Auditing Committee, has the Bank voluntarily established other functional committees? (2) Has the Bank assessed the independence of the commissioned certified public accountants regularly?	✓ ✓		Please refer to page 7 (1) Organizational Structure of the 1. organization system. (1) The commissioned CPA will be subject to assessment on the status of independence annually. (2) The last assessment was made pursuant to Article 38 of the “Best Practice Principles of Corporate Governance for Banking Industry” and	no difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
			Article 3 of the "Organization Code of the Auditing Committee" of the Bank with reference to Articles 46-48 of the "Certified Public Accountant Act" thereby items for assessment of the independence of the CPA were established. The content covers whether or not the CPA is affiliated with Bank directly or significantly but indirectly in financial interest, major unusual financing relation, or involvement in guarantee of financing not under normal business transactions, the rendering of auditing and non-auditing services simultaneously, and the effect on the 8 status of independence. According to Paragraph 6 of Article 40 of the Corporate Governance Best Practice Principles: The appointment, dismissal or remuneration of certified accountants shall be approved by the board. The findings were passed by the 17th term of the Board in the 23rd session on March 14 2019 on record, which indicated relevance with related regulations governing the independent status of the CPA.	
(3) Will the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	✓		(1) Chapter Four "Strengthen Occupational Competence of the Board" of the Company's Corporate Governance Best Practice Principles has specified the diversification policy of the board members. (2) List of 12 directors of the 23rd session of the company, besides having two female members, the board consists of members specializing in operational decisions, accounting and financial analysis, operations management, risk management, crisis management, leadership, industry expertise and global market perspectives, and they are, Chairman Kuei-Fong Wang, director Deh-Wei Chia, managing director Ming-Hsiung Huang, independent managing director Li-Wen Lin, independent directors Hsin-Chang Tsai and Jin-Yi Li, director Ming-Shang Chuang, managing director Wei-Liang Lin, director Hsin-Ching Chang, Chien-Hui Huang and Yeh Shu Hui. Director Lai-Hsiang Tsai specializes in operational decisions, accounting and financial analysis, crisis management, industry expertise and global market perspectives. (3) The number of female directors accounted for 16.7% of the board members. 2 of the independent directors have served for less than 3 years and 1 independent director have served for a period of 6 to 9 years. (4) The Company disclosed the Board's policy on diversity on the official website and MOPS.	
4. If the Bank is a TWSE/GTSM-listed company, is it necessary to establish a full-time (part-time) position or body charged with the corporate governance			(1) In order to protect shareholders' rights and strengthen the occupational competence of the board, the Corporate Governance Section of the board of directors serves as the full-time unit dedicated to corporate governance, and it	no difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
affairs of the Bank (including but not limited to providing information for the Directors and Supervisors necessary for their performance of duties, organization of sessions for the Board and the General Meeting of shareholders, administering company registration and making changes in the registration content, preparation of the minutes of Board meetings and General Meeting of shareholders on record)?			was approved by the board on December 13, 2018. Assistant general manager Kai-Yu Lin, who has more than three years of managerial experience in legal affairs, finances, shareholder services and corporate governance, was appointed to the head of the corporate governance unit and is responsible for corporate governance related matters. The main responsibilities are as follows: 1. Pursuant to the legally prescribed time limits, advance registration of the date of the shareholders meeting, uploading of the meeting notice and handbook 30 days in advance, and provision of meeting minutes within 20 days after the meeting.	
	✓		2. Matters related to the board of directors, board of managing directors and audit committee: (1) Agenda for the board and audit committee and other meeting information are submitted to the directors 7 days before the meeting, and the meeting minutes are completed within 20 days after the meeting. (2) The meeting standards have specified terms on recusal. Directors are reminded of recusal whenever topics presented have any conflict of interests. (3) Compile the resolutions and statements from the proceedings of each meeting, and monitor the follow-up responsive measures taken by the relevant unit and report them. 3. Support directors: Assist directors and independent directors in their continuing education and promote regulatory compliance of which directors shall follow. 4. Information disclosure: Convening of two investor conferences on March 15, 2019 and August 27, 2019, respectively. (2) Progress of relevant operations in 2019 can be summarized as follows: 1. Drafting and amendment of corporate governance related rules and regulations. 2. All directors have completed the required hours of continuing professional education pursuant to the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE and TPEx Listed Companies and receive constant assistance in continuing education. 3. Assistance to directors in the performance of duties and provision of required information 4. Assistance to independent directors in the communication with the chief	

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>audit executive and CPA.
5. Handling of matters and procedures pertaining to shareholders meetings, board meetings, managing director meetings, and audit committee meetings in accordance with relevant regulations; reminder to directors to recuse themselves in case of conflicts of interest associated with proposal contents.
6. Education of incumbent directors, managers, and employees on the Code of Conduct for Directors and Managers and Procedures for the Handling of Material Inside Information as well as the scope of material internal information of the Bank and confidentiality procedures in June and November 2019.</td><td></td></tr>
<tr><td>5. Has the Bank established channels for communication with stakeholders (including but not limited to shareholders, employees, and customers)?</td><td>✓</td><td></td><td>(1) The Bank has already disclose it on the Bank's intranet pursuant to the Banking act and the competent authority's requirements about limitation on the credit extended to stakeholders, and also held the seminars for laws and regulations irregularly to enable the persons-in-charge to comply with and know the laws and regulations, and request completion of the stakeholder information list immediately upon the stakeholder's transfer. The communication channel is considered uninterrupted.
(2) The Bank not only disclosed the message on the MOPS site as required but also published it on the Company's official website to help investors' search.
(3) Official website:
Provide an open and transparent communication channel on the "About Taichung Commercial Bank" and "Stakeholders" sections.</td><td>no difference</td></tr>
<tr><td>6. Disclosures
(1) Has the Bank established a website for the disclosure of financial position, operation, and corporate governance?

(2) Has the Bank adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the institutional investor's conference on record posted on the website)?</td><td>✓

✓</td><td></td><td>The Company discloses its financials, businesses and information on corporate governance of Taichung Commercial Bank on the official website.

(1) For the proper handling of materiality and disclosure, the Bank has established the "Criteria for Handling Materiality" whereby relevant departments shall appoint designated personnel to handle materiality.
(2) Public information related to Taichung Bank and investor conferences is disclosed on the official website of the Bank and MOPS, respectively. In addition, an English website has been set up to disclose information related to financial affairs and operations.
(3) The Bank has established the spokesman system for release of information to ensure investors accessible to accurate information.</td><td>no difference</td></tr>
<tr><td>7. Any other vital information that helps to understand</td><td>✓</td><td></td><td>(1) For information on the rights and privileges of the employees, refer to (I)</td><td>no difference</td></tr>
</table>

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
the status of corporate governance at the Bank (including but not limiting to the rights of employees, concern for the employees, investor relation, the rights of the stakeholders, continuing education of the directors and the supervisors, risk management policy and the implementation of risk assessment, the pursuit of customer policy, the liability insurance taken by the Bank for the protection of the Directors and Supervisors, donations to political parties, stakeholders, and social charity groups)?			important rights and privileges of the employees, labor-management agreement and implementation on Page 83 and 84. (2) For the protection of rights and obligations, stakeholders are regulated on files in accordance with the Banking Act. In addition, there is also the provision for the avoidance of the conflict of interest for Board meetings. (3) The Company has provided contact hotlines and email boxes for the spokesperson, acting spokesperson and audit committee. They serve as a communication channel for supplier relations and stakeholders, facilitating the protection of stakeholders' rights. (4) The information on the continuing education of the Directors, and their attendance to Board meetings are updated regularly and disclosed at MOPS of TWSE. (5) The Board Performance Appraisal Guidelines were approved on December 13, 2018 to facilitate implementation of corporate governance and strengthen the functions of the board of directors of the Bank, Appraisals are conducted internally once a year. External appraisals are conducted by an independent professional institution or a team of scholars and experts at least every three years. Performance appraisals must be completed prior to the end of the first quarter of the following year. A report must be delivered in a board meeting and implementation conditions and appraisal results must be disclosed on the Bank's official website or annual report. 1. The self-evaluation questionnaires must include the following indicators and measurement items for performance appraisal: (1) Measurement items for board performance appraisals: A. Level of participation in company operations B. Enhancement of the board decision quality C. Board composition and structure D. Director election and continuing education E. Internal control. (2) Measurement items for appraisals of the performance of individual board members: A. Firm grasp of company goals and missions B. Clear understanding of director responsibilities C. Level of participation in company operations D. Management of internal relations and communication E. Professionalism and continuing education of directors F. Internal control.	

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
			2. Evaluation method: The Bank commissioned PwC Taiwan, a professional and independent external organization, to conduct the 2018 board and director performance appraisals in form of document reviews, self-evaluation questionnaires filled out by board members, and on-site interviews of directors. PwC Taiwan also issued a board/board member performance appraisal analysis report. 3. Appraisal results: (1) Composite score of 97.5, reported to the board of directors on May 2, 2019 (2) Recommendations of the professional external organization with regard to the appraisal results: A. The board should supervise the formulation of a succession plan (a succession plan has been disclosed on the official website) B. Organization of corporate culture forming activities (e.g., golf tournament, blood donation drive) C. Strengthening of the implementation of corporate governance (please refer to the explanations for appraisal item 7 "State of Corporate Governance Implementation") Based on these performance appraisal results, the Bank continues to strengthen the functions of the board and improve corporate governance implementation effects. (3) The aforementioned performance appraisal results will serve as a key reference for the determination of individual salaries and remunerations. (6) The Bank has already purchased liability insurance for its directors from Shinkong Insurance with a coverage of US$ 10 million (insurance period: May 1, 2019–May 1, 2020). (7) Signed "Institutional Investors' Due Diligence and Compliance Statement" on July 30, 2018 to continue monitoring investee companies and adopting shareholder activism to fulfill the responsibility of institutional investors. (8) The Company has formulated "Guidelines for Donation Practices" to specify donations to political parties, stakeholders and other public interest groups. Please see page 41 and 42 for details.	
8. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation	✓		(1) The results of the 2018 corporate governance evaluations announced by the Corporate Governance Center of the Taiwan Stock Exchange Corporation indicate that the Company is ranked in the 51%–65% bracket of all evaluated	no difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures.			companies. At the time of printing of this annual report, the results of the 2019 corporate governance evaluations had not been released yet. (2) The Bank has adopted the following measures to strengthen corporate governance: 1. The Bank approved the Board Performance Appraisal Guidelines on December 13, 2018 and conducts regular board performance appraisals to enhance the board functions. 2. One additional female director has been appointed – the board is currently composed of 12 directors (2 female and 10 male) to strengthen the board functions and diversity. 3. All auditors of the Bank are Certified information System Auditors (CISA). 4. Significant information have been reported in both Chinese and English versions since 2018. 5. The Bank has disclosed the organizational chart and basic information of all members of the board of directors and all functional committees in the Taichung Bank/Corporate Governance section of its official website. 6. The Policy Governing the Handling of Whistleblower Reports was formulated on July 12, 2018 and disclosed in the Taichung Bank/Governance Section of the Bank's official website. (3) The Bank will continue to list items for which no scores had been received in past evaluations as priority improvement indicators based on their importance and assessed achievement rate.	

(IV) The operation of the Remuneration Committee:
Information on the members of the Remuneration Committee

By identity (Note 1)	Condition / Name	Have more than 5 years of experience and the following professional qualifications			Status of independence (note 2)										Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies	Remark
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required Work experience in commerce, law, finance, accounting or others required by the company	1	2	3	4	5	6	7	8	9	10		
Independent director	Chin-Tsai Li			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	N/A	No
Independent director	De-Wei Li			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	N/A	No
Independent director	Li-Yeh Hsu			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	N/A	No

Note 1: Identity is known as director, independent director or others.

Note 2: place a "✓" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

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

(2) Not a director or supervisor of this Company or its affiliates (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).

(3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.

(4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the managers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) Not a director, supervisor, or employee of another company in which a majority of the director seats or voting shares are controlled by the same person as in this Company (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).

(7) Not a director, supervisor, or employee of another company or institution if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at the other company or institution are the same person or are spouses (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (these restrictions shall not apply where said specified company or institution holds between 20% and 50% percent of the total number of issued shares of the Company or to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$ 500,000, or a spouse thereof. Provided that this restriction does not apply to a member of the remuneration Committee, public tender offer review Committee or special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchanges Act, the Business Mergers and Acquisitions Act, or related law and regulations.

(10) Does not meet any descriptions stated in Article 30 of the Company Act.

2. Information on the operation of the Remuneration Committee
   (1) The Remuneration Committee of the Company is consisted of 3 persons.
   (2) Term of office of current remuneration committee members: July 9, 2019 – June 4, 2022; three remuneration committee meetings were convened in the most recent fiscal year.

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A) (Note)	Remark
Independent director	Chin-Tsai Li	2	0	2	Dismissed on January 9, 2020
Independent director	De-Wei Li	3	0	3	
Independent director	Li-Yeh Hsu	3	0	3	

Other notes:

I. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): None.

II. If any of the members of the Remuneration Committee hold adverse opinion or qualified opinions with record or in written declaration against the resolutions of the committee, specify the date and the session of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members

(1) January 14, 2019 (9th meeting of the 3rd term committee) Discussion of the 2018 year-end bonus for insiders and the 2019 remuneration policy and system for directors and insiders – All members in attendance approved submission to the board for discussion.

(2) March 18, 2019 (10th meeting of the 3rd term committee) Discussion of the ratios of appropriated surpluses for director and employee compensations in 2018 – All members in attendance approved submission to the board for discussion.

(3) August 12, 2019 (1st meeting of the 4th term committee) Discussion of 2019 salary increments and 2018 compensations for directors and employees of the Company – All members in attendance approved submission to the board for discussion.

(V) Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons

1. The Company

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?			The Company has formulated a Corporate Social Responsibility Policy which encompasses protection of the general public and the environment, emphasis on employee value, exercise of influence on partners, and promotion of sustainability. Implementation by relevant units is supervised and implementation effects and continuing improvements are reviewed to ensure effective implementation of the CSR policy.	Not distinctive
2. Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?			The Finance Department serves as the unit concurrently promoting CSR initiatives, responsible for notifying the designated personnel of each organizational units of discussions on CSR, and it also composes a CSR report and submits it to the Chairman for review.	Not distinctive
3. Environmental issues (1) Does the Company have an appropriate environmental management system established in accordance with its industrial character? (2) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental? (3) Does the Company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues?	 V V V		(1) The environmental impact mainly comes from the Company's manufacturing processes, and the chimney of the cogeneration plant has a 24-hour exhaust gas monitoring device which is connected to the Department of Environmental Protection in order to jointly monitor the emissions quality. An environmental quality monitoring system (DAS) has been installed within the plant facility to scan for potential sources of leakage from manufacturing processes that have hazardous gases. (2) The Company has adopted the use of recycled paper and online signing of internal work procedures to reduce paper use, and employees are required to bring their own cups or mugs. (3) The environmental affairs are jointly managed by the Taipei office and the factory. Due to the risks of climate change, the operations have been adjusted accordingly, for example, the coal-fired boilers are installed with electrostatic precipitators and sulfur and nitrate removers, so the	In general, we meet the requirements of the Ethical Corporate Management Best Practice Pri nciples for the Listed Companies

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Social Responsibility Best Practice Prin ciples for TWSE/ GTSM Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(4) Does the Company count greenhouse gas emissions, water consumption, and total weight of waste over the last two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?</td><td>V</td><td></td><td>emissions quality can reach the national standards. The air inlet of boiler furnaces are installed with air preheaters to recover waste heat for re-use. The wastewater plant has a wastewater re-treatment and recovery system to save on huge water consumption. A reactive afterburner has been installed within the manufacturing processes to reduce odor dissipation of VOC (volatile organic matter) and the impact on the environment.
(4) SGS certifications indicate the following annual GHG emission amounts in the two-year period:
Unit: CO_2e metric tons
<table>
<tr><th></th><th>2019</th><th>2018</th></tr>
<tr><td>Greenhouse gas</td><td>467,968 (Note)</td><td>555,821</td></tr>
</table>
Note: Certification has not been completed.</td><td></td></tr>
<tr><td></td><td></td><td></td><td>Water consumption and wastewater recovery amounts in the two-year period:
Unit: m3
<table>
<tr><th>Year</th><th>2019</th><th>2018</th></tr>
<tr><td>Total water consumption</td><td>2,411,508</td><td>2,674,107</td></tr>
<tr><td>Total amount of recovered water</td><td>131,993</td><td>224,306</td></tr>
<tr><td>Recovery rate (%)</td><td>5.47</td><td>8.39</td></tr>
</table>
Weight of solid waste over the two-year period:
Unit: metric tons
<table>
<tr><th>Item</th><th>2019</th><th>2018</th></tr>
<tr><td>Total amount of process waste</td><td>18,089</td><td>22,888</td></tr>
<tr><td>Total amount of domestic waste</td><td>291</td><td>246</td></tr>
<tr><td>Total amount of hazardous industrial waste</td><td>33</td><td>26</td></tr>
<tr><td>Total amount of solid waste</td><td>18,413</td><td>23,161</td></tr>
</table>
Energy policy of the Company: Continuing</td><td></td></tr>
</table>

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Prin ciples for TWSE/ GTSM Listed Companies" and reasons
	Yes	No	Summary	
			improvement of energy performance, enhancement of energy usage efficiency, compliance with relevant laws and regulations, preferential procurement of energy-saving equipment, guarantee of organizational resource acquisition, review of energy goals and targets, staff participation in energy conservation and carbon reduction, reinforcement of energy conservation concepts of staff members, building of a green corporate culture, and pursuit of sustainability.	
4. Social issues (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights? (2) Has the Company formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee remuneration? (3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly? (4) Does the Company have an effective career capacity development training			(1) The Company has established work rules for employees and complied with the Labor Standards Act to protect the legitimate rights and interests of its employees. The proper management measures and procedures and the implementation are in these areas: 1. Provide employees with a reasonable salary and bonus structure. 2. Hold employee education and training sessions. 3. Implementation of holiday and attendance policies. 4. Allocate pension payment in accordance with the law. (2) The Company has established rules and measures to form a fair salary and remuneration policy, and also sets up a reward and punishment system for fighting corruption and fraudulent behaviors to facilitate social stability and putting corporate ethics and social responsibility in full practice. (3) Apply the following measures to provide employees with a safe and health working environment: 1. Arrange regular health examination and education sessions for employees. 2. Purchase accidental and medical insurance policies for employees. 3. Assign a supervisor responsible for occupational safety and health affairs and employ personnel who have occupational safety and health certification. (4) The Company provides internal and external specialized	Not distinctive

Items for evaluation	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies" and reasons
program established for the employees? (5) Regarding customer health and safety, customer privacy, marketing, and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer protection policies and appeal procedures? (6) Has the Company formulated a supplier management policy that required suppliers to follow relevant norms on specific issues, such as, environmental protection, occupational safety and health, or labor rights, and their implementation?			education and training sessions to enrich employees' professional competence. The Company also encourages employees to assess their interests, skills, values and goals and communicate their career goals with administrators to plan for their long-term career. (5) All products of the Company are labeled pursuant to relevant norms and specifications to ensure conformity with national and international regulations. Customer complaints are handled by relevant personnel to safeguard consumer rights and interests. (6) The Company will request suppliers to provide products with energy-saving and carbon reduction features to improve the CSR practices.	
5. Does the Company refer to international criteria or guidelines for the preparation of reports, and compile reports on corporate non-financial information, such as, corporate social responsibility reports? Did the aforementioned reports obtain the assurance or guarantee opinion of a third-party verification institute?			The Company has compiled reports that disclose non-financial information such as CSR reports with reference to universal international report preparation criteria or guidelines. No assurance statements issued by a third-party certification body have been acquired for the aforementioned reports.	Not distinctive
6. If the Company has established its corporate social responsibility code of practice according to the "Corporate Social Responsibility Best Practice Principles for Listed Companies", please describe the operational status and differences: The Company has not yet established its own CSR code of practice.				
7. Other important information for facilitating the understanding of CSR and its implementation: Please refer to the key information on the implementation of corporate governance and the CSR report. (1) Amount committed to the community-friendly policy in 2019: Local give-back rewards and subsidies to the local groups and schools for a total of NT$8,002 thousands. (2) Employment opportunities to local residents in 2019:				
7. Describe the criteria undertaken by any institution to certify the company's corporate responsibility reports: None.				

Dashe	Nanzih	Renwu	Total	% of the whole plant
90 persons	104 persons	47 persons	241 persons	44%

*Consolidated companies

1. Pan Asia Chemical Corporation

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Does the Company conduct assessments of risks associated with environmental, social, and corporate governance issues related to company operations in accordance with materiality principles and formulated relevant risk management policies and strategies (Note: the term "materiality principles" refers to environmental, social, and corporate governance issues that have a significant impact on investors and other stakeholders).)	V		When formulating annual business plans, the Company conducts risk assessments and adopts corresponding risk strategies in accordance with materiality principles based on current internal/external environmental conditions, social conditions, corporate governance, and projected future incidence conditions.	Not distinctive
2. Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?	V		The Finance Department serves as the unit concurrently promoting CSR initiatives, responsible for notifying the designated personnel of each organizational units of discussions on CSR, and it also composes a CSR report and submits it to the Chairman for review.	If there are regulatory or necessary considerations, refer to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and other applicable regulations.
3. Environmental issues (1) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		(1) Conduct regular inspection for emissions of volatile organic compounds throughout the entire plant once every quarter. Conduct regular inspection to monitor pollution and emissions from the facilities at the site and pollution discharges once a year. The whole factory has installed 38 sets of pollutant concentration monitoring systems to forecast potential environmental pollution for immediate response. Regularly dispose of waste at the factory at least once a month and commission qualified vendors to conduct proper treatment and disposal to prevent environmental pollution.	Not distinctive

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies" and reasons
	Yes	No	Summary	
			Conduct concentration inspection of the on-site working environment quality at least twice a year.	
(2) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	V		(2) Replace paper signing with electronic signing and actively promote paperless office practice.	
(3) Does the Company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues?	V		(3) The Company has already identified potential risk factors and relevant improvement opportunities and measures. It has also defined indicators for GHG emission reductions, water and energy conservation, and waste reduction and actively strives to achieve these target values. It also conducts rolling reviews thereof.	
(4) Does the Company count greenhouse gas emissions, water consumption, and total weight of waste over the last two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?	V		(4) Implement factory site pollution and emissions control in accordance with regional environment changes and policies from the authority. Set temperature control policies for indoor air-conditioning to prevent waste of electricity. Carry out inspection of greenhouse gas emissions from the manufacturing processes and conduct energy-saving and carbon-reduction measures based on policies from the authority. Use automatic detection devices to change the time of using supplementary lightning depending on the season. Garbage sorting is promoted and implemented to reduce the amount of generated waste. Processes are improved to decrease the amount of process waste. A constant pursuit of technical feasibility of waste reuse in Taiwan serves the purpose of minimizing environmental burdens. To make resources sustainable, environmental protection has become a key topic in the world. To reduce energy and resources consumption and emissions of greenhouse gas and improve product efficiency and competitiveness, the factory plans to save at least 3% in electricity consumption,	

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>reduce 15% of greenhouse gas emissions and cut down waste by 5% within 5 years. The factory will put energy-saving, carbon reduction and waste recycling to full practice, fulling the duties of global citizens.
Carbon dioxide emissions every two years and greenhouse gas emissions every year:
Unit: CO2e metric tons
<table><tr><th>Year</th><th>2018</th><th>2019</th></tr><tr><td>Carbon dioxide</td><td>448.9806</td><td>415.8983</td></tr><tr><td>Greenhouse gas</td><td>449.419</td><td>416.291</td></tr></table>Total weight of waste in the two-year period:
Unit: metric tons
<table><tr><th></th><th>2018</th><th>2019</th></tr><tr><td>General domestic waste</td><td>111.23</td><td>41.44</td></tr><tr><td>General industrial waste</td><td>342.2</td><td>495.68</td></tr><tr><td>Special industrial waste</td><td>0</td><td>0</td></tr><tr><td>Recycled and reused waste</td><td>0</td><td>31.16</td></tr></table>Water consumption in the two-year period:
Unit: metric tons
<table><tr><th>Year</th><th>2018</th><th>2019</th></tr><tr><td>Running water amount</td><td>172,639</td><td>163,181</td></tr><tr><td>Wastewater amount</td><td>88,472</td><td>69,541</td></tr></table></td><td></td></tr>
<tr><td>4. Social issues
(1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and</td><td>V</td><td></td><td>(1) The Company complies with the Labor Standards Act to protect the legitimate rights and interests of its employees</td><td>Not distinctive</td></tr>
</table>

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies" and reasons
	Yes	No	Summary	
international conventions on human rights?			and adopts two-way communication.	
(2) Has the Company formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee remuneration?	V		(2) Employee welfare policies of the Company are positively correlated with individual abilities, contributions to the company, individual performance, and business performance. For instance, 1% - 5% of annual surpluses are appropriated as employee compensation. The Company gives back to its employees based on its business performance and results in an adequate manner.	
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		(3) Conduct comprehensive safety check and testing once a year for high-risk machinery and equipment. Set up rules for the use of occupational safety gears and equipment so employees can properly wear their personal protective equipment, ensuring their own safety. Occupational safety education and training sessions are regularly held for employees. Regular health examination for employees.	
(4) Does the Company have an effective career capacity development training program established for the employees?	V		(4) The Company provides internal and external specialized education and training sessions to enrich employees' professional competence. The Company also encourages employees to assess their interests, skills, values and goals and communicate their career goals with administrators to plan for their long-term career.	
(5) Regarding customer health and safety, customer privacy, marketing, and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer protection policies and appeal procedures?	V		(5) The Company strives to achieve "Customer Satisfaction" and "Customer privacy"and values and immediately handles customer complaints to provide customer with comprehensive product information.	
(6) Has the Company formulated a supplier management policy that required suppliers to follow relevant norms on specific issues, such as,	V		(6) The Company will monitor the performance of suppliers and include the grading into the supplier assessment.	

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>environmental protection, occupational safety and health, or labor rights, and their implementation?</td><td></td><td></td><td></td><td></td></tr>
<tr><td>5. Does the Company refer to international criteria or guidelines for the preparation of reports, and compile reports on corporate non-financial information, such as, corporate social responsibility reports? Did the aforementioned reports obtain the assurance or guarantee opinion of a third-party verification institute?</td><td>V</td><td></td><td>The Company has compiled reports that disclose non-financial information such as CSR reports with reference to universal international report preparation criteria or guidelines. The aforementioned reports have not yet been certified by a third-party certification body.</td><td>Not distinctive</td></tr>
<tr><td colspan="5">6. If the Company has established its corporate social responsibility code of practice according to the "Corporate Social Responsibility Best Practice Principles for Listed Companies", please describe the operational status and differences: The Company has not yet established its own CSR code of practice.</td></tr>
<tr><td colspan="5">7. Other important information for facilitating the understanding of CSR and its implementation: Please refer to the key information on the implementation of corporate governance.
(1) Amount committed to the community-friendly policy in 2019: Local give-back rewards for NT$1,358 thousand and subsidies to the local groups and schools for NT$482 thousands.
(2 Employment opportunities to local residents in 2019:
<table><tr><th>Dashe</th><th>Nanzih</th><th>Renwu</th><th>Total</th><th>% of the whole plant</th></tr><tr><td>6 persons</td><td>13 persons</td><td>5 persons</td><td>24 persons</td><td>24.74%</td></tr></table></td></tr>
</table>

2. Taichung Commercial Bank

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Realization of corporate governance (1) Has the Bank established the policy or system of corporate social responsibility, and reviewed the effect of implementation? (2) Has the Bank organized education and training programs in corporate social responsibility? (3) Has the Bank established a designated (part-time) body for the advocacy of corporate social responsibility headed by a senior executive at the authorization of the Board, and report to the Board on the performance of corporate social responsibility? (4) Has the Bank established reasonable remuneration policy, and linked the performance evaluation system of employees to the corporate social responsibility policy, and has explicitly specified the policy for reward and punishment?	✓ ✓ ✓ ✓		The Bank has established the "Best Practice Principles of Corporate Social Responsibility" for governing the Board in its obligation in the performance of corporate social responsibility under due diligence, and has reviewed the result with continued effort in the improvement of corporate social responsibility. The content of consumer protection, compliance of laws, corporate ethics, and financial corruptions has been incorporated into the curriculum for routine education. Based on the Company's corporate social responsibility code of practice, the Business Department is responsible for promoting corporate social responsibility values, measures or other management policies and implementation of programs and reporting to the board on a regular basis every year. The Bank has established reasonable remuneration policy through the institutionalization of relevant rules and regulations. In addition, the Bank has also established the system clearing specifying the punishment of employees in accordance with the work regulations and the evaluation of employees for corruption and fraud so as to bolster social stability and realize business ethics and social responsibility.	no difference
2. Fostering a Sustainable Environment (1) Has the Bank made effort to enhance the efficient use of all resources and used regenerated materials to mitigate the impact on the environment? (2) Has the Bank established a suitable environment management system by nature of the industry?	✓ ✓		Continue the streamlining of operation process with the reduced use of papers. The annual report was printed on recycled paper. Dumps are classified and recycled with the use of environmental friendly tableware and avoid the use of disposable tableware. The General Affairs Department of the Bank has been designated to administer the "Best Practice Principles of Corporate Social Responsibility" in the aspect of environmental management and is responsible for the establishment, advocacy and maintenance of related environmental management system and action plans, and facilitates	no difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Princ iples for TWSE/GTSM List ed Companies” and reasons
	Yes	No	Summary	
(3) Has the Bank paid attention to the effect of climatic change on the operation, and has conducted inspection on green house gas and mapped out the strategy for energy saving and the reduction of carbon and greenhouse gas?	✓		the education on environment. The Bank has also established the “Particulars for the Management of Corporate Headquarters Building” and “Rules for Occupational Safety and Health”. The “Best Practice Principles of Corporate Social Governance” of the Bank is established in consideration of the influence on the ecology by the operation and aims at the reduction of energy and resource consumption, proper handling of dumps, advocacy of green purchase. In practice, the Bank seeks to use low energy consumption materials, promote digital banking service and provide education on environmental protection, and encourage the recycle and reuse of regenerated resources, advocate environmental protection and realize carbon reduction and energy saving through research, development, purchase, operation, and services. Disclosure of power consumption, fuel consumption and the emission of greenhouse gas have been made in the “Corporate Social Responsibility Report” being released.	
3. Preserving Public Welfare (1) Has the Bank established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights? (2) Has the Bank established the mechanism and channels for the employees in filing complaints and properly responded to the complaints?	✓ ✓		The Company has established its corporate social responsibility code of practice according to the "Corporate Social Responsibility Best Practice Principles for Listed Companies" and disclosed the human rights policy on the official website. The Company has set up a complaint hotline and email box and disclosed "Measures for Handling Grievances" on its official website. Employees can use the hotline or directly speak to any manager in the Human Resources Department to express their opinions. They can also mail the opinions to the Human Resources Department by writing or email. The Company keeps confidential the employees who express heir opinions and immediately provide responses and handle sexual harassment incidents to prevent malpractices or illegal incidents.	no difference
(3) Has the Bank provided a safe and health work environment for the employees, and provided education on labor safety and health regularly? (4) Has the Bank developed the mechanism for communication with the employees at regular intervals and informed the employees of any	✓ ✓		Please refer to (IV) Work Environment and the Safety of Employees Policy on Page 81. Labor-management meetings are held every quarter to coordinate the labor-management relations and promote collaboration, and employee benefits and interests are also fully discussed. The Company's internal website has business information and employee communication bulletins where they can freely express their opinions.	no difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
change in the operation of the Bank that may cause significant influence on the employees through reasonable means?				
(5) Has the Bank established the training program for the effective planning of career development for the employees?	✓		Based on the strategic development and career mapping of each employee, the Company establishes annual education and training plans to promote exclusive training sessions of each function. Every year, outstanding talents are selected to be nurtured through individual development plan (IDP) to handle future managerial duties.	
(6) Has the Bank mapped out the policy for the protection of consumer rights through the R&D, procurement, operation, and service process and the procedure for handling consumer complaints?	✓		In order to protect consumer rights, the Company has introduced "Consumer Protection Policy" and "Policies and Strategies on Fair Treatment to Consumers" and specified complaint channels for customers' opinions and dispute handling procedures.	
(7) Has the Bank duly observed applicable laws and international standards in the marketing and labeling of products and services?	✓		Related financial products and services are offered in accordance with the regulations of the competent authority and the Company.	
(8) Before the engagement with suppliers in business, has the Bank evaluated the suppliers on any record showing their impact on the environment and the society in the past?	✓		Check if specific supplier has a record of environmental and social impact by nature of the content of procurement and the industry. If the supplier has a negative record, the Bank shall go for other suppliers.	
(9) Are there provisions contained in major agreements binding the Bank and the suppliers specifying that if the suppliers are allegedly involved in the violation of its corporate social responsibility policy and have caused significant influence on the environment and the society, the Bank may terminate or discharge the agreements at any time?	✓		In case the Bank discovers specific contractor or contractor has negative social image in the course of procurement, the Bank shall notify the contractor to give explanation and take corrective action. If the situation is critical, terminate the purchase or proceed to return of sales depending on the content of the contracts.	

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>4. Enhancing Information Disclosure
Has the Bank disclosed relevant and reliable information on corporate social responsibility at its official website and MOPS?</td><td>✓</td><td></td><td>The Company has established a "Corporate Social Responsibility" section on its official website to disclosure the related information which are also announced on the Market Observation Post System.</td><td>no difference</td></tr>
<tr><td colspan="5">5. If the Company has established its corporate social responsibility code of practice according to the "Corporate Social Responsibility Best Practice Principles for Listed Companies", please describe the operational status and differences: The Company has established its own CSR code of practice based on the Corporate Social Responsibility Best Practice Principles for Listed Companies in order to fulfill corporate social responsibility, and the actions taken are not much different from the established code of practice.</td></tr>
<tr><td colspan="5">6. Other information critical to the understanding of our bank’s corporate social responsibility and how it is put into practice:
(1) With a view to implementing corporate social responsibility and sustainability, the Bank released its first CSR report in June 2015. Key concepts include corporate sustainability, corporate governance, customer care, environmental sustainability, employee care, and social welfare. We hope that all stakeholders including employees, customers, shareholders, and the public will take accountability and strive to provide them with the best care possible.
(2) The Bank is always dedicated to taking part in social welfare activities, and sponsoring the following activities:
1. Art & Culture
● Sponsorship of the Art & Taoist Ritual Program and Outdoor Theater of the National Taichung Theater
● Sponsorship of the 6th Obstacle-free Life Festival organized by Eden Social Welfare Foundation on October 19, 2019
● Supported Changhwa County Tianzhong Town Office to hold the “2019 Taiwan Rice Heaven-Tienzhong Marathon” aimed at the promotion of tourist resources of Tienzhong by bringing together sports, leisure, agriculture and commercial activities.
● Sponsorship of the “Celestial Voices in the Clouds” Pingtan Ballad Book Fair jointly organized by C. F. Koo Foundation, the Suzhou Pingtan Troupe, and famous artist Sheng, Xiaoyun
2. Public Welfare & Charity
● Work with “Eden Social Welfare Foundation” in the charity petty cash donation activity and install petty cash donation boxes at the business locations of the Bank’s branches.
● The Bank donated to the Taichung Chen Lan Home for the Children under the Da Jia Ma Welfare Foundation for performance of corporate social responsibility.
● The Bank allocates specific percentage of the transactions by using the Mazu Safety Card to Zheng Lang Temple at Da Jia for commemoration of the blessing of Mazu. This move helps the advocacy of religious activities for contribution to the welfare of the local community.
● The Company mobilized all branches in Taiwan for a blood donation drive titled “Spread Love and Care – My Blood Can Make a Difference!” to alleviate blood shortages in Taiwanese blood banks. The activity relied on the joint efforts of all branches and employees nationwide. Customers and local citizens were enlisted to participate in this meaningful activity. A total of 7,969 local citizens participated in the blood donation drive in 94 locations all over Taiwan. This activity which raised a total of 11,182 bags of blood aimed to show compassion and concern for patients in need of life-saving blood transfusions.
● The Bank participated in the “2019 Financial Service Charity Carnival” organized by Taiwan Federation of Financial Unions (the events in Tainan and Hsinchu) with the setting up of booth at the fair for the advocacy of fraud prevention and anti-money laundering.
● Promoted a reward program for branches to participate in corporate social responsibility. Employees were encouraged to organize their own or participate in social or welfare services, starting from the communities where the branches were located at. They were able to put their value of CSR in actual practice and called for the</td></tr>
</table>

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	

joint support from their families and customers. In 2019, a total of 142 events were held for the benefits of social welfare.

3. Sports development
   - The Company supports sports development in Taiwan through sponsorship of athletes such as Sally Wang, a triathlete, and Li, Xin-yu, a pool player.
   - The Company also sponsors the corporate archery tournament organized by the Chinese Taipei Archery Association and has formed the Taichung Bank Archery Marksmen who participate in competitions.
   - Support the Taiwan Aboriginal Baseball Development Association to hold the “26th Aboriginal Cup” baseball game for the concern of the aboriginal groups and national sports development.
   - Sponsorship of the 11th Chung-Kuang Cup Youth Baseball Championship organized by the Chen Chung-Kuang Cultural Foundation helped stimulate interest in youth baseball in Taiwan.
   - Sponsorship of the 2019 Taichung Bank Asian Men’s Club Volleyball Championship and 2019 Taichung Bank Asian Beach Volleyball Open, which carried the bank’s name.
   - Sponsorship of 2019 Asia Max Challenge Malaysia Kart Race
4. Academic Education
   - The Bank established the “TCB Cultural and Educational Foundation” on September 30, 1975 for purpose of helping good students in poverty with subsidies and scholarships. The cause is to train good people for the country and society. TCB convenes to determine the amount and the number of recipients of the scholarship every year. This move helps students in not-well-off families to continue their studies and make ends meet in their daily lives.
   - In 2019, the Bank organized 28 seminars in schools and local communities to educate the people in finance and help the students and the public to develop a proper concept in finance and wealth management.
   - The Company had an industry-academia collaboration program with 18 universities and colleges to offer internship opportunities. A total of 50 students chose to officially become the Company's employees after completing their internship. In continuation of the original program, 67 student internship opportunities in different units were offered in 2019.
   - Provided scholarships for students from Da Der Commercial and Technical Vocational School and Holy Savior High School.

(3) As of the end of February 2020, The Company had employed 19 physically and mentally impaired employees (of whom 4 are at a severe level of being handicapped).

7. Describe the criteria undertaken by any institution to certify the company's corporate responsibility reports:
   The “2019 Corporate Social Responsibility Report” has been authenticated and validated by BSI but not yet released by the time this report was printed.

(VI) The Company's ethical corporate management performance and its difference from the "Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies" and the root causes

1. The Company

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
1. The policy and plan of business integrity (1) Does the Company explicitly state policies and methods of ethical corporate management in its approved ethical corporate management policies, rules, and regulations, and external documents and is the commitment of the board and management level to active implementation of such policies clearly stipulated? (2) Has the Company had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?" (3) Has the Company specified the operating procedures, guidelines for conducts punishment and appeal system for violations in the prevention programs, have they been implemented accordingly and regularly reviewed and revised the aforementioned programs?	 V V	V	(1) The Company has not yet clearly defined matters related to ethnical business management but has required directors and executives to lead by example, follow the principle of good faith and build a corporate culture of sincerity and integrity. (2) The code of conduct for employees also specifies reward and punishment measures to prevent any dishonest behaviors. (3) The Company also complies with the laws and regulations, requiring each donation and sponsorship to be reported and authorized by the proper authorization levels before being approved. The Company adheres to the business philosophy of integrity, transparency and responsibility, continues to promote policies based on good faith and establish robust corporate governance and risk control measures to create a sustainable business environment.	Not distinctive
2. The Materialization of Business Integrity (1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed? (2) Does the Company have a specific (part-time) unit setup under the board of directors to advocate the code of integrity and to report on its implementation to the Board on a regular basis? (3) Does the Company set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a	V V	 V	(1) The Company engages in transactions and purchases in accordance with the laws and regulations to prevent the engagement with those who have had records of unethical conduct. (2) No dedicated unit has been designated (3) No dedicated unit has been designated; to prevent conflicts of interest, it can be stated through	Not distinctive

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
year) report to the board of directors its ethical corporate management policies and unethical conduct preventive action and the implementation of supervision? (4) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform the check? (5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	 V V		administrative reporting channels whether a potential conflict of interest that is likely to prejudice the interest of the Company exists. (4) The Company's Audit office conducts auditing procedures based on the Regulations Governing Establishment of Internal Control Systems by Public Companies and assigns audit personnel according to the annual audit plan. (5) The Company provides regular education and training for its employees every year. It also encourages relevant personnel to participate in off-the-job training on relevant issues.	
3. The operations of the Company's Report System (1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? (2) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms? (3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	 V V V		(1) If unethical conduct is detected, employees may directly report malpractices or improper conduct to top executives or the HR Department. (2) The Company has a disciplinary system and enables employees to file grievances through regular administrative procedures. Disciplinary action is taken against violators and dedicated personnel is designated for the handling of relevant cases to ensure full implementation of the confidentiality mechanism. (3) Relevant measures are adopted pursuant to HR rules and regulations of the Company based on the principle of protecting the innocent and punishing the guilty to prevent retaliation and safeguard the rights and interests of employees.	no difference
4. Enhancing Information Disclosure Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	V		The Company has already disclosed its "Code of Ethics" on its official website.	no difference
5. If the company has established corporate governance policies based on the Ethical Corporate Management Best Practice Principles for the Listed Companies, please describe any discrepancy between the policies and their implementation in the Company: The Company has not defined its code of ethical business management but the operations follow the Ethical Corporate Management Best Practice Principles for the Listed Companies.				

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	

6. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity):

China Man-Made Fiber Code of Ethical Conduct

It was resolved in the Board meeting on March 16, 2015

Article 1 (Purpose and basis)

This code of conduct is developed to guide the directors, supervisors (or independent directors), managers and employees to meet ethical standards and also allow the Company's stakeholders to gain more aware of the Company's ethical standards.

Article 2 (Subject of Application)

This code of conduct applies to directors, supervisors (or independent directors), managers and employees. The above-mentioned subjects are hereinafter referred to as the company personnel.

Article 3 (Principle of Good Faith)

The Company personnel shall abide by the regulatory requirements and this code of conduct when performing their duties and maintain active, positive and responsible attitude, have empathy, value teamwork and principle of good faith and hold themselves to high ethical standards.

Article 4 (Preventing Conflict of Interest)

The Company personnel shall handle tasks in an objective and efficient manner and shall not direct improper benefits to themselves, spouses, parents, children or blood relatives within the second degree while holding positions in the Company.

If the abovementioned people work for affiliates who have capital transactions, major assets transactions and buying and selling with the Company or the Company provides guarantee to the affiliates, the Company personnel shall take the initiative to explain if there is any potential conflict of interest and report the relation to the superiors or managers to prevent conflict of interest.

Article 5 (Self-Interest Not Allowed)

When the Company has an opportunity for profit, it is the responsibility of the Company personnel to maximize the reasonable and proper benefits that can by obtained by the Company.

Company personnel shall not conduct the following acts:

1. Obtaining personal gain by using company property or information or taking advantage of their positions.
2. Engagement in competition with the Company.

Article 6 (Confidentiality)

1. The Company personnel shall be bound by obligation to maintain the confidentiality of any information regarding the Company or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.
2. The Company personnel shall keep secret information, technical data, personal data or other business information unknown to the public (whether verbal, in writing or with or without being marked with "Confidential") of the third-party, affiliates, users of affiliates or the Company confidential. Except for the performance of their tasks, the information shall not be arbitrarily inquired or used. Confidential information shall not be duplicated or produced in additional backup without the prior written consent of the Company. The information shall not be disclosed, mentioned or transferred to others in any way or published in any format.

Article 7 (Fair Trade)

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">
1. Company personnel shall treat all suppliers and customers, competitors and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.
2. Company personnel are expected to abide by the Company's ethical standards and principle of fair trade in their daily work and business operations. Pay attention to the following matters when accepting gifts or hospitality from companies who are interested parties:
(1) Do not request or expect or accept bribes, kickbacks, gifts or other illegitimate gains through the job position.
(2) If the gifts or hospitality from companies are found to be in violation of social etiquette or custom, they shall be rejected right away, and it is strictly forbidden to accept cash or negotiable securities as gifts.
(3) If, due to force majeure or the gifts or hospitality from companies are found to be in violation of social etiquette or custom after being accepted, the incident shall be reported to the superiors, and at the same time the top auditing supervisor shall be notified to determine further actions.
Article 8 (Proper Protection and Use of Company Assets)
Company personnel have the responsibility to safeguard company assets and ensure that they can be effectively and lawfully used for official business purposes to prevent any theft, negligence in care or waste of the assets.
Article 9 (Regulatory Compliance)
All Company personnel shall abide by all laws and regulations governing company activities, company policies and the Securities and Exchange Act, and regulations on anti-insider trading shall be advocated. The Company's key undisclosed information shall not be used to be engaged in securities trading.
Article 10 (Encouraging Reporting on Illegal or Unethical Activities)
Incidents suspected of or are found to be in violation of regulations or any code of ethical conduct shall be reported to supervisors or audit committee, managerial officers, human resources units, internal head of auditing or other appropriate individual, and sufficient information shall be provided to enable further responsive measures.
The Company will handle the reported cases in a confidential manner and do its best to protect the safety of the person filing the grievance. For those who make malicious or false reports, the Company will provide counseling or, if necessary, carry out punishment. Retaliation, threat or harassment as a result of the above shall be immediately reported to the superiors or managers, and the Company will immediately take appropriate measures.
Article 11 (Penalty and Remedy)
If the Company personnel are suspected of violating the code of ethical conduct, the Company shall handle the issues according to the related regulations. However, anyone who violates this code of conduct may file an appeal, and the Company may provide remedies for violations of the ethical code of conduct.
Article 12 (Procedures for Exemption)
If the directors, supervisors and managers are to be exempt from the requirements of this code of conduct, they shall be first approved by the board of directors.
The date of approval by the board for exemption, objection or reservation of the independent directors, exemption period and reasons and the applicable criteria shall be disclosed on the Market Observation Post System.
Article 13 (Disclosure Method)
This Code shall be published internally within the Company and disclosed in the annual report, prospectus and the Market Observation Post System, and the same applies to the amendment.
Article 14 (Enforcement)
This code of ethical conduct is to be implemented after the approval by the board, and the same applies to the amendment.
</td></tr>
</table>

(VII) Inquiry for code of corporate governance and the related regulations: The Company has not yet established the procedures but will handle issues according to the regulations established by the authority.

(VIII) Important information regarding the Company's governance operations and the inquiry method: http://www.cmfc.com.tw

* Consolidated companies

1. Pan Asia Chemical Corporation

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
1. The policy and plan of business integrity (1) Has the Company formulated an ethical corporate management policy that was approved by the board of directors, and clearly specified in the rules and external document the ethical corporate management policies and strategies and the commitment by the board of directors and senior management on rigorous and thorough implementation of the policies in internal management and in commercial activities?		V	(1) Conceived with the corporate philosophy of integrity, transparency and accountability, the Company established its corporate policy on the basis of honesty and sincerity and has properly developed the mechanisms of corporate governance and risk control for cultivating the operation environment of sustainable development. The Company has developed its Code of Ethical Conduct and required directors and executives to lead by example, follow the principle of good faith and build a corporate culture of sincerity and integrity.	Adequate.
(2) Has the Company had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?”	V		(2) The Company first assesses the legality and the past transaction records based on good faith of the companies before establishing business relationships in order to avoid dealing with those who have flawed records. The Company also complies with the laws and regulations, requiring each donation and sponsorship to be reported and authorized by the proper authorization levels before being approved.	
(3) Has the Company specified the operating procedures, guidelines for conducts punishment and appeal system for violations in the prevention programs, have they been implemented accordingly and regularly reviewed and revised the aforementioned programs?	V		(3) The code of conduct for employees also specifies reward and punishment measures to prevent any dishonest behaviors.	

Items for evaluation	Implementation Status: Yes	No	Summary	Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
2. The Materialization of Business Integrity (1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed? (2) Does the Company set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors its ethical corporate management policies and unethical conduct preventive action and the implementation of supervision? (3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (4) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform the check? (5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V V V V	 V	(1) The Company engages in transactions and purchases in accordance with the laws and regulations and reviews the contract performance of suppliers to prevent the engagement with those who have had records of unethical conduct. (2) The Company has not yet established any dedicated team or team concurrently responsible for ethical corporate conduct to report to the board on a regular basis. For the purpose of sustainable management, the appointment of managers values ethics as the priority. Any violations of ethical management shall be punished and reported to the board. (3) Administrative reporting procedures can be used to explain whether there is a potential conflict of interest with the Company. (4) The Company's Audit office conducts auditing procedures based on the Regulations Governing Establishment of Internal Control Systems by Public Companies and assigns audit personnel according to the annual audit plan. (5) The Company advocates for the principle of ethical business management and conveys the value to employees through meetings.	Adequate.
3. The operations of the Company’s Report System (1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? (2) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms? (3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V V V		If there is any act of dishonesty, employees can directly report fraud or misconduct to the high-rank executives. The Company also keeps the identity of informant and the content of grievance filing confidential to prevent any retaliation. The Company has a disciplinary system of which formal administrative procedures can be followed to take disciplinary action against violators. The Company is responsible for the confidentiality of the person filing grievances and will not take any improper handling procedures.	Adequate.
4. Enhancing Information Disclosure (1) Does the Company have the contents of corporate management and its	V		The Company has already disclosed its "Code of Ethics"	Adequate.

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
implementation disclosed on the website and MOPS?			on its official website.	

5. If the company has established corporate governance policies based on the Ethical Corporate Management Best Practice Principles for the Listed Companies, please describe any discrepancy between the policies and their implementation in the Company: The Company has not defined its code of ethical business management but the operations follow the Ethical Corporate Management Best Practice Principles for the Listed Companies.

6. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity):

Pan Asia Oil & Chemical Corporation Code of Ethical Conduct

Approved by the board on March 16, 2015

1. Purpose of institution and normative reference
   To help the Company's directors, supervisors, managerial officers (including general managers or their equivalents, assistant general managers or their equivalents, department directors or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) and other employees to act in line with ethical standards and to help interested parties better understand the ethical standards of the Company, this code of conduct is developed in accordance with the Guidelines for the Adoption of Codes of Ethical Conduct for the Listed Companies.
2. Subject of Application
   This code of conduct applies to directors, supervisors, managers and other employees. The above-mentioned subjects are hereinafter referred to as the company personnel.
3. The content
   The Company's code of ethics includes the following eight aspects:
   (1) Prevention of the conflict of interest:
   The Company personnel shall handle tasks in an objective and efficient manner and shall not direct improper benefits to themselves, spouses, parents, children or blood relatives within the second degree while holding positions in the Company.
   If the abovementioned people work for affiliates who have capital transactions, major assets transactions and buying and selling with the Company or the Company provides guarantee to the affiliates, the Company personnel shall take the initiative to explain if there is any potential conflict of interest and report the relation to the superiors.
   (2) Avoidance of seeking personal interest:
   1. Company personnel shall not conduct the following acts
      (1) Seeking opportunities for personal interest with the use of company assets, information, or the duties and functions they performed.
      (2) Acquisition of personal interest with the use of company assets, information, or the duties and functions they performed.
      (3) Engagement in competition with the Company.
   2. When there is an opportunity for the Company to generate profits, the Company’s staff should strive to help generate legitimate interests for the Company.
   (3) Confidentiality
   The Company personnel shall be bound by obligation to maintain the confidentiality of any information regarding the Company or its suppliers and customers, except when authorized or required by law to disclose such information. Information for non-disclosure includes the undisclosed information possibly be used by competitors or the disclosure of which may cause damage to the Company or the customers.
   The Company personnel shall keep secret information, technical data, personal data or other business information unknown to the public (whether verbal, in writing or with or without being marked with "Confidential") of the third-party, affiliates, users of affiliates or the Company confidential. Except for the performance of their tasks,

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">the information shall not be arbitrarily inquired or used. Confidential information shall not be duplicated or produced in additional backup without the prior written consent of the Company. The information shall not be disclosed, mentioned or transferred to others in any way or published in any format.
(4) Fair Trade
Company personnel shall treat all suppliers and customers, competitors and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.
(5) Protection and appropriate use of company assets:
Company personnel have the responsibility to safeguard company assets and ensure that they can be effectively and lawfully used for official business purposes to prevent any theft, negligence in care or waste of the assets.
(6) Compliance with applicable laws
Company personnel shall abide by the Securities and Exchange Act and other related regulations.
(7) Encourage the reporting of any illegal act or act of defiance of the Code of Conduct:
Incidents suspected of or are found to be in violation of regulations or any code of ethical conduct shall be reported to supervisors, managerial officers, human resources units, internal head of auditing or other appropriate personnel. Sufficient information shall be provided to enable further responsive measures.
The Company will handle the reported cases in a confidential manner and do its best to protect the safety of the person filing the grievance. For those who make malicious or false reports, the Company will provide counseling or, if necessary, carry out punishment. Retaliation, threat or harassment as a result of the above shall be immediately reported to the superiors or managers, and the Company will immediately take appropriate measures.
(8) Penalty:
If the Company personnel are suspected of violating the code of ethical conduct, the Company shall handle the issues according to the related regulations. However, anyone who violates this code of conduct may file an appeal, and the Company may provide remedies for violations of the ethical code of conduct.
4. The Waiver Procedure
If the directors, supervisors and managers are to be exempt from the requirements of the Company's code of conduct, they shall be first approved by the board of directors. The date of approval by the board for exemption, objection or reservation of the independent directors, exemption period and reasons and the applicable criteria shall be disclosed on the Market Observation Post System.
5. Means of Disclosure
This code of ethical conduct shall be disclosed in the Company's official website, annual report, prospectus and the Market Observation Post System, and the same applies to the amendment.
6. Implementation
This code of ethical conduct is to be implemented after the approval by the board, and the same applies to the amendment.</td></tr>
</table>

(VI) Corporate Governance Practices and the relevant regulations: Please refer to http://newmops.tse.com.tw/ corporate governance

(VIII) Important information regarding the Company's governance operations and the inquiry method: http://www.pacc.com.tw

2. Taichung Commercial Bank

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
1. The policy and plan of business integrity (1) Has the Bank publicly declared its policy and means in ethical corporate management in its internal code and external documents, and the Board and the management of the Bank has made positive effort in the commitment of its corporate policy?	✓		(1) The Bank has formulated Ethical Corporate Management Best Practice Principles which explicitly state that directors, managers, employees, mandataries, or persons with substantial control over the Company shall not commit any unethical acts when engaging in commercial activities. It clearly stipulates policies and methods of ethical corporate management and the commitment of the board and management level to active implementation of such policies. (2) The Company has made declaration at the website and in the declaration of internal control that it shall duly observe the regulation governing internal control and internal audit system of financial holding companies and banks, and announced the issues requiring additional internal control and corrective action for improvement.	no difference
(2) Has the Bank established the scheme for the prevention of unethical practices, related operation procedures, code of conduct, the punishment of unethical practices, and the system of complaints, and properly implemented the systems?	✓		(1) The Bank has formulated Procedures for Ethical Management and Guidelines for Conduct and Code of Conduct for Directors and Managers, stipulating concrete guidelines for the performance of duties by directors, managers, and bank personnel and thereby ensure implementation of ethical corporate management policies. (2) The Bank has set up the stop loss point for transactions, investment, and lending by nature of the operation or different levels of risk concentration, and adjusts these standards with reference to relevant economic indicators and the business development of the Bank at regular intervals.	
(3) Has the Bank taken relevant preventive measures against business activities as stated in Paragraph 2 in Article 7 f the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies” or within the scope of business entailing higher risk of unethical practices ?	✓		The Bank has establishment the system of compliance officer and related training to educate employees in banking and finance in compliance with the principle of integrity and applicable laws. The Bank has instituted the criteria for external donations in compliance with applicable laws thereby regulate the recipients and amount of donations.	

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
2. The Materialization of Business Integrity (1) Has the Bank evaluated the record on ethical practices of its counterparties, and has specified the clause of business ethic in the agreements binding the Bank and its counterparties?	✓		Has the Bank paid attention to the record of ethical practices of contractors in procurement or tender invitation, and has signed the clauses in the agreements on the consequences of the violation of ethical practices.	no difference
(2) Has the Bank established a designated (part-time) body for the advocacy of ethical corporate management under the Board, and this body has report to the Board of the implementation of ethical corporate management regularly?	✓		The board office promotes ethical corporate management policies and assists the board of directors and management level in audits and assessments to determine the effectiveness of preventive measures adopted for the implementation of ethical corporate management. Compliance with relevant operating procedures is assessed on a regular basis, and annual reports are submitted to the board of directors.	
(3) Has the Bank mapped out the policy for the avoidance of the conflict of interest and has provided suitable channels for such purpose, and properly pursued the policy?	✓		(1) Control and archiving of stakeholder information is based on the Bank's Policy Governing Control of Stakeholder Information and Lending. The Bank has also formulated a Policy Governing the Management of Transactions with Stakeholders Other than Lending to prevent conflicts of interest. The Code of Conduct for Directors and Managers also contains provisions stipulating recusal to avoid conflict of interest and thereby facilitate implementation of ethical corporate management. Directors are also required to exercise self-discipline and refrain from mutual support in improper dealings. (2) The Company has provided contact hotlines and email boxes as communication channels for the spokesperson, acting spokesperson and audit committee.	
(4) Has the Bank established effective accounting system, internal control system for purpose of ethical corporate management, and the internal audit function has conducted audit regularly, or the Bank has appointed certified public accountants to conduct internal audits?	✓		The Bank has established the "Auditing Office of the Board" and this office has conducted routine audits in accordance with the "Regulation Governing the Conduct of Internal Audit System" of the Bank. In addition, the Bank has established the "Accounting Department" and the "accounting system". Deloitte Taiwan has audited the financial statements of the Bank at regular intervals.	
(5) Has the Bank organized internal and external training on ethical corporate management?	✓		(1) The Bank organizes ethical corporate management related education and training on a regular basis. Financial fraud cases, the Financial	

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
			Consumer Protection Act, special lectures on anti-money laundering and counter-terrorism financing, and compliance with the Personal Information Protection Act are listed as materials for internal education and training. In 2019, education and online tests were administered for all staff members including newly recruited employees (all employees are required to complete at least 12 hours of training and relevant tests every year). Employees are also assigned to participate in off-the-job training organized by external organizations as deemed necessary. (2) Self-auditor workshops are organized regularly every year and "three lines of defense" concepts are reinforced and implemented through case studies to ensure effective implementation of self-audits, strengthen internal control of business units, and prevent the occurrence of unethical conduct. (3) Legal compliance awareness of employees is strengthened through education on cases of fines and sanctions in the financial industry and the main focus of inspections and internal audits of domestic banks made public by the competent authority.	
3. The reporting system of the Bank in action (1) Has the Bank established a reporting and reward system and the channels for facilitating the report on unethical practices, and has appointed designated personnel to handle the subject of reporting? (2) Has the Bank established the standard operation procedure for handling report on unethical practices and keep it confidential? (3) Has the Bank taken protection measures to protect the informant from improper treatment after reporting on unethical practices?	✓ ✓ ✓		A reporting and incentive system has been established pursuant to the Policy Governing the Handling of Whistleblower Reports, Personnel Management Rules, and Employee Work Rules. In addition, a whistleblower reporting hotline and mailbox have been set up and reported items are processed and tracked by dedicated units. The Bank has established the "Regulation for Human Resources Evaluation and the Establishment of the Evaluation Committee" and the "Regulation Governing the Complaints of Sexual Harassment and Related Punishment", and also the review and investigation procedure, provisions for the avoidance of the conflict of interests by stakeholders, and confidentiality and no-disclosure mechanism. (1) Under the "Regulations Governing the Implementation of Compliance System", the heads of all functional units shall not take any revenge or harmful action against the Compliance Officer. The Legal and Compliance Department shall pay close attention to safeguard the rights and interest of the compliance officers of relevant functional units.	no difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
			(2) Regulations set forth in the Policy Governing the Handling of Whistleblower Reports of the Bank clearly stipulate that the whistleblower's identity shall be kept confidential and no information that may be used to identify that person shall be disclosed. It is further stipulated that the whistleblower shall not be terminated, dismissed, demoted/relocated, given a reduction in pay, impairment to any entitlement under the law, contract or customs, or other unfavorable disposition due to the reported case.	
4. Enhancing Information Disclosure Has the Bank disclosed the content of ethical corporate management best practice principles and the result at its official website and MOPS?	✓		The Bank discloses ethical corporate management related regulations and practices on its official website and MOPS. This includes Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Code of Conduct for Directors and Managers, Procedures for Handling Material Inside Information, Rules of Procedure for Board of Directors Meetings, the Audit Committee Charter, due care and fiduciary duties of directors, managers, and employees as good administrators, performance of operations based on principles of good faith and trust, recusal of directors if an interested party relationship exists with regard to an agenda item of a board meeting, and faithful exercise of duties by audit committee members with the due care of good administrators.	no difference
5. Where banks formulate Ethical Corporate Management Best Practice Principles with reference to the TWSE Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, they shall provide a detailed account of relevant operations and differences between their own version and the principles formulated by TWSE: The Bank has formulated Ethical Corporate Management Best Practice Principles with reference to the TWSE Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.				
6. Other vital information that helps to understand the practice of ethical corporate management of the Bank (e.g., the review and amendment to the ethical corporate management best practice principles of the Bank): no.				

(VII) Corporate Governance Practices and the relevant regulations:

Please visit the Market Observation Post System at http://mops.twse.com.tw for corporate governance.

(VIII) Other major Information:

Please visit the Market Observation Post System at http://mops.twse.com.tw for important messages and announcements.

(IX) The following shall be disclosed in the pursuit of the internal control system

1. Declaration of Internal Control Policies

CHINA MAN-MADE FIBER CORPORATION

Statement of Declaration of Internal Control System

March 16, 2020

The following declaration is based on the 2019 self-audit over the Company's internal control policies:

I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's board of directors and managers. These policies were implemented throughout The Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.

II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.

IV. The Company adopted the abovementioned criteria to evaluate the effectiveness of its policy design and execution.

V. The Company has detected major deficiencies as listed on the attached form upon assessment:

VI. Based on the aforementioned assessment results, the Company believes that the design and execution of its internal control system in October 31,2019 (incl. monitoring and management of subsidiaries) is effective except for the aforementioned deficiencies. The system encompasses a clear understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliable, timely, and transparent reporting, and compliance with applicable laws, regulations, and bylaws.

VII. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. Any misrepresentation or concealment of the aforementioned disclosures shall be liable to violation of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act and the legal consequences thereof.

VIII. This declaration was approved by The Company's Board of Directors in the meeting dated March 16, 2020. None of the 8 directors present to the meeting held any objections, and had unanimously agreed to the contents of this declaration.

CHINA MAN-MADE FIBER CORPORATION

Chairman: Kuei-Hsien Wang

President: Ming-Shan Chuang

2. For the CPAs specifically commissioned to review the internal control system, the Independent Auditor's Report should be disclosed: None.

CHINA MAN-MADE FIBER CORPORATION
Improvement plans of the internal control system
(Base date: December 31, 2019)

Enhancement Items	Improvement Measures	Planned Date of Completion
I. The Financial Supervisory Commission has determined that the internal control and audit system of Taichung Bank, a subsidiary of the Company, has the following deficiencies: (1) Taichung Bank has failed to supervise or provide assistance to its subsidiary Taichung Bank Insurance Brokers Co., Ltd. in the establishment of an effective internal control and audit system for the reimbursement of entertainment expenses pursuant to its own subsidiary management regulations. This has resulted in suspected irregularities in the field of reimbursed amounts and non-compliance with provisions set forth in the Regulations Governing Assessment of Profit-seeking Enterprise Income Tax and Business Entity Accounting Act. (2) The audit unit of Taichung Bank conduct two special audits of Taichung Bank Insurance Brokers Co., Ltd. every year. However, relevant deficiencies were not detected, and audit opinions were not provided. The Company also failed to audit and supervise said subsidiary and evaluate the effectiveness of its internal audit operations. The aforementioned deficiencies constitute a violation of relevant provisions set forth in Article 45-1, Paragraph 1 of the Banking Act. The Financial Supervisory Commission therefore imposed a fine of NT$ 6 million pursuant to the provisions set forth in Article 129, Subparagraph 7 of the Banking Act effective at the time of the offense. [2020.1.17 Letter Jin-Guan-Yin-Piao-Zi No.10802742181]	Taichung Commercial Bank offered the following improvement measures: 1. Taichung Bank, a subsidiary of the Company, has urged Taichung Bank Insurance Brokers Co., Ltd. to amend and revise relevant regulations in its Budget Preparation and Execution Procedures, Directions for Reimbursement of Entertainment Expenses of Top Management Personnel, Accounting System, Internal Control Manual – Accounting Cycle, and Internal Audit Manual. 2. Taichung Bank supervises the establishment of a reasonable assessment mechanism for expense reimbursement operations by all subsidiaries. A report was submitted to the board of directors on February 25, 2020. 3. The Company reviews inspection record forms for internal audits of Taichung Bank Insurance Brokers Co., Ltd. conducted by Taichung Bank at least every six months to confirm that internal audit items conform to relevant legal amendments and that all key business activities and actual operating procedures are fully covered. 4. Taichung Bank urges auditors of its subsidiaries to compile all rules, regulations, key audit items, and precautionary matters. The chief auditor convenes meetings with supervising personnel of the Audit Office and all internal auditors with leadership duty of said subsidiary prior to audits to determine whether said auditors have a full understanding of all key audit items and precautionary matters. The chief auditor and audit office supervising personnel provides reminders of key audit items. 5. Taichung Bank has raised the frequency of subsidiary audits, increased the number of auditors, and lengthened audit periods to expand the depth and width of audits. 6. Taichung Bank assigns internal auditors of its subsidiaries with leadership duty to participate in off-the-job training courses related to the business areas. These auditors also serve as instructors and share their experience internal training courses to expand the depth and width of internal audits.	Corrective action was performed and completed.
II. The Financial Supervisory Commission has ordered Taichung Bank to rectify deficiencies in its anti-money laundering operations (failure to verify the reasonableness of transaction backgrounds and purposes) which could impede sound operations pursuant to relevant provisions set forth in Article 61-1 of the Banking Act. [2020.1.17 Letter Jin-Guan-Yin-Piao-Zi No.10802742181]	Taichung Commercial Bank offered the following improvement measures: 1. Taichung Bank has already formally promulgated its Detailed Regulations Governing Monitoring and Reporting of Suspicious Transactions Involving Money Laundering and Terrorism Financing, prescribing the following examination principles and steps: confirmation of suspicious transaction type, clear understanding of	Corrective action was performed and completed.

Enhancement Items	Improvement Measures	Planned Date of Completion
	transaction behavior, comprehensive assessment of transaction reasonableness upon verification of customer identity, main emphasis on customer funding sources, identity and background, transaction purposes, and destination of funds. 2. Taichung Bank conducts spot checks of assessment contents pertaining to suspected money-laundering transactions on a regular (quarterly) basis to determine the effectiveness of the transaction monitoring system. The bank evaluates whether customer identity and background, funding sources, transaction purposes, and fund destinations are described in an adequate manner and whether the reasonableness of said suspicious transaction has been assessed in a comprehensive manner based on the aforementioned key factors. 3. Taichung Bank has already notified domestic business units to rely on predetermined control points for OTC transactions within a certain period with system assistance to strengthen examinations of suspected money-laundering transaction types. Transactions involving cash withdrawals followed by deposits amounting to NT$ 500,000 or more at the same counter or between counters require approval by supervisors.	
III. The Financial Supervisory Commission (FSC) stated that violations committed by Taichung Bank in October 2016, September 2017, and August 2018 involving monetary dealings between bank clerks and customers, completion of transactions on behalf of customers, assistance and brokerage of loans between customers, safekeeping of customer seals and passbooks indicate that Taichung Bank failed to effectively review the causes of deficiencies and carry out improvements, which could impede sound operations. The FSC has ordered rectification pursuant to the provisions set forth in Article 61-1 of the Banking Act. It has also requested reviews and putting forward of improvement measures. Prior to acknowledgment of improvements by the FSC, the Bank may not apply for the establishment of additional branches in Taiwan. These restrictions do not apply to remote areas (areas with a shortage of financial services). [2020.1.17 Letter Jin-Guan-Yin-Piao-Zi No.10802742181]	Taichung Commercial Bank offered the following improvement measures: 1. Taichung Bank has already listed legal violations that led to sanctions and fines, reported cases verified upon investigation, and disciplinary measures imposed by the Personnel Evaluation Committee as improvement and tracking items. The bank also conducted compliance testing to reinforce monitoring. Questionnaires have been designed for self-assessments and testing of internal control measures by business management departments and offices with regard to improvement and tracking items. Tests and constant monitoring of improvement and tracking items are carried out and concrete improvement measures have been put forward. 2. With a view to preventing violations committed by financial advisors and strengthening its internal control mechanism, Taichung Bank has revised, amended, and promulgated its Professional Ethics and Conduct Guidelines for Financial Advisors and Consultants, Operation Directions for the Confirmation and Review of Domestic and Overseas Securities Sales Transactions Involving Non-Discretionary Money Trusts, and Inspection Directions for the Second Line of Defense to Prevent Appropriation of Customer Funds by Wealth Management Specialists pursuant to the Internal Control Principles to Prevent Appropriation of Customer Funds by Financial	The aforementioned improvements are expected to be completed by March 31, 2020

Enhancement Items	Improvement Measures	Planned Date of Completion
	Advisors formulated by the Bankers Association Of The Republic Of China and approved for future reference by the FSC. 3. Taichung Bank has formally promulgated its Directions for Delivery of Important Items and Receipts and Payments Processed by Agency to ensure proper notification of customers and retention of relevant records by third parties through an IVR Audio Recording System for the whole bank for non-OTC customer transactions including receipts and payments. 4. Taichung Bank has formally notified all its business units that all unit supervisors are required to conduct non-scheduled inspections at least on a monthly basis to rule out instances of bank clerks safekeeping important items on behalf of customers and thereby strengthen internal control and malpractice prevention mechanisms. Where it is detected that bank clerks safekeep seals, passbooks, documents with affixed seals, automatic fund transfer tools and passwords, concrete evidence must be provided and the sales department must be notified in writing to report the matter to the Personnel Appraisal and Evaluation Committee for investigation and adoption of disciplinary measures.	
IV. The FSC has ordered Taichung Bank to conduct thorough investigations regarding failure to provide accurate information of contract parties in the context of risk profile assessments for minors, which constitutes a violation of the provisions set forth in Article 9, Paragraph 1 of the Financial Consumer Protection Act and Official Letter Jin-Guan-Fa-Zi No. 1010054522 issued by FSC on March 22, 2012. Pursuant to the provisions set forth in Article 12-1, Paragraph 1, the Bank has been ordered to thoroughly investigate the status of risk profile assessments for minors. Improvements must be completed within two months upon receipt of official notification if non-conformities are detected. [2020.1.17 Letter Jin-Guan-Yin-Piao-Zi No.10802742181]	Taichung Commercial Bank offered the following improvement measures: 1. Thorough investigation of the status of risk profile assessments for minors in all business units of Taichung Bank. 2. Taichung Bank has updated its online banking system and established relevant control mechanisms as follows: (1) Control mechanism for minors aged 15 (inclusive) or below. (2) Addition of investment risk profile assessment procedures for online banking; where discrepancies exist with previous assessments, completion of customer investment profile assessments is subject to confirmation by the customer.	Corrective action was performed and completed.
V. The FSC has ordered Taichung Bank to rectify deficiencies (failure to identify beneficial owners of corporate clients and failure to implement verification and confirmation of monitoring reports for transactions that show signs of money-laundering) in the anti-money laundering operations of ______ and _____ branches which could impede sound operations pursuant to relevant provisions set forth in Article 61-1 of the Banking Act. [2020.2.25 Letter Jin-Guan-Yin-Piao-Zi No.10801346241]	Taichung Commercial Bank offered the following improvement measures: 1. Taichung Bank provides education and training, urging responsible persons and supervisors to examine changes in customer equity when handling deposit balance certificates for capital increase and verification, examination of loan fund flows, or changes of the responsible person of corporate clients. The goal lies in the acquisition of complete information for the reidentification and survey of beneficial owners to implement KYC. 2. Taichung Bank has already notified all business management departments in writing to reinspect operating procedures for the	Corrective action was performed and completed.

Enhancement Items	Improvement Measures	Planned Date of Completion
	detection of changes in beneficial owners of non-natural person clients or trusts or persons with ownership or control rights in their managed operations. Control points must be set to facilitate identification of beneficial owners of corporate accounts through acquisition of complete information. 3. Taichung Bank creates monthly reports on customer applications for deposit balance certificates for the purpose of capital increase as a reference for follow-up tracking of equity changes by business units.	

(X) Penalties incurred by the Company and its employees pursuant to relevant laws or penalties imposed by the Company for violations of internal control system regulations by its employees in the most recent fiscal year up to the date of printing of annual reports must be listed with detailed information on relevant contents, major deficiencies, and improvements provided that the results of such penalties have a significant impact on shareholders' equity or security prices: NA

(XI) Important Resolution of the Board of Directors and implementation as of the Publication Date of the Annual Report:

1. The important resolutions reached in the 2019 shareholders' meeting and their implementation:
   (1) Confirm the Company's 2018 business report and financial report.
   (2) Acknowledging the Company's 2018 Earnings Distribution.
   Implementation status: August 12, 2019 has been set as the distribution base date; distribution was initiated on September 10, 2019 as per shareholders meeting resolution. (Cash dividends of NT$ 0.1 per share)
   (3) Approval of amendments to the Procedures Governing the Acquisition and Disposal of Assets and the Rules of Procedure for Shareholders Meetings
   Implementation status: Handling in accordance with amended laws, regulations, and procedures
   (4) Pass the capitalization of profit to issue new shares.
   Implementation status: August 12, 2019 has been set as the distribution base date; amendment registration for capital increase at the Ministry of Economic Affairs was completed on August 21, 2019 and distribution was initiated on September 10, 2019 (Stock dividends of NT$ 0.65 per share)
   (5) Election and appointment of the nine members of the 26th term board of directors (smooth board operations)
2. Major Board of Directors resolutions:

January 14, 2019	Passed the 2018 year-end bonuses for the Company's insiders. Passed the preparation for 2019 salary and remuneration of the Company's directors and insiders.
March 18, 2019	Approval of the financing proposal, 2019 Business Plan outline, 2018 Internal Control Statement, 2018 Business Report, individual and consolidated financial statements, 2018 Surplus Distribution Proposal, 2018 Employee and Director Compensation Proposal, Issuance of New Shares via Capital Increase from Retained Surpluses, amendments to certain provisions of the Procedures Governing the Acquisition and Disposal of Assets and the Rules of Procedure for Shareholders Meetings, revised internal control system for stock affairs, setting of the date and

	agenda for the 2019 Shareholders Meeting, and appointment of the chief governance officer
April 19, 2019	Approval of the review of 2019 proposals by shareholders with holdings of 1% or more and independent director nomination
May 13, 2019	Approval of the bank financing proposal, amendments to certain provisions of the Procedures Governing Lending Funds to Other Parties and the Procedures Governing Endorsements and Guarantees of the Company and its subsidiaries, and Standard Operating Procedures for the Handing of Demands by Directors
June 5, 2019	Election of a new chairperson and vice chairperson
May 13, 2019	Approval of retroactive ratification of the acquisition and disposal of securities, retroactive ratification of common stock issued for cash by Technic Investment (International) Ltd. and bank financing, renewal of the lease agreement for business air charter, appointment of the members of the new remuneration committee, 2018 ex-date and ex-dividend date
July 19, 2019	Approval of retroactive ratification of the acquisition and disposal of securities, retroactive ratification of common stock issued for cash by Technic Investment (International) Ltd. and bank financing, renewal of the lease agreement for business air charter, appointment of the members of the new remuneration committee, 2018 ex-date and ex-dividend date
August 12, 2019	Approval of the financing proposal of the Company and Chang Hwa Bank, Q2 2018 Consolidated Financial Statement, amendments to certain provisions of the Audit Committee Charter, 2019 Salary Increment Proposal for insiders, 2018 Director Surplus Distribution and Compensations for Insiders (employees) of the Company
November 11, 2019	Approval of the bank financing proposal, 2020 Audit Plan, 2020 Budget Proposal, amendment to the Financial Statement Preparation Procedures and Management Operations (internal control and audit proposal), fees charged by Deloitte Taiwan in 2019, sale of land in Douliu City, Yunlin and continued authorization of disposal by the chairperson, planned procurement of an additional set of steam power plant equipment, purchase of real property as an external dumping area for the steam power plant and coal plant
November 22, 2019	Approval of the lease of Sterling Silver from Bank of Nova Scotia
January 13, 2020	Approval of the financing proposal of the Company, Bank of Taiwan, and Entie Bank, 2019 year-end bonus for insiders (employees) of the Company, 2020 Salary and Remuneration Policy for directors and insiders

(12) If the directors or supervisors have different opinions on the resolutions reached by the Board of Directors with a record or written statement made in the most recent year and up to the printing date of the annual report, please state the content of the opinion: Not applicable.

(13) Resignation and dismissal of persons connected to financial statements in the most recent fiscal year up to the date of printing of annual reports (incl. Chairperson, General Manager, and chief accounting, finance, internal audit, governance, and R&D officers): NA

(14) Procedures for handling material inside information

At the 12th meeting of the 22nd term of the board on December 22, 2009, the board passed the Procedures to Prevent Insider Trading and has notified all employees, managers and directors of the regulation to prevent violations due to insider trading. The procedures for handling material information specified in Article 5 are as follows:

1. To establish a robust handling and disclosure mechanism for material inside information. Prevent improper disclosure of information. Ensure the consistency and correctness of information released by the Company to the general public.

2. The Company shall handle and disclose the material inside information in accordance with applicable laws and regulations, the rules and regulations of the Taiwan Stock Exchange Corporation or the Taipei Exchange.
3. The material inside information referred to in these Procedures are based on the Securities and Exchange Act and the related laws and orders and the regulations of the TWSE or Taipei Exchange.
4. The Finance Department is responsible for handling material inside information, and its obligations include the following:
   (1) Responsible for formulating and amending the drafts of these Procedures.
   (2) Responsible for receiving inquiries in connection with the methods of handling material inside information, and for consultation, review, and recommendations relating to these Procedures.
   (3) Responsible for receiving reports on unauthorized disclosures of material inside information and formulation of corresponding measures.
   (4) Responsible for designing a system for preserving all documents, files, electronic records and other materials related to these Procedures.
   (5) Other activities related to these Procedures.
5. The directors, supervisor, managerial officers and employees of the Company shall exercise duty of care and duty of loyalty and act in good faith when performing their duties and shall sign confidentiality agreements.
   No director, supervisor, managerial officer or employee with knowledge of material inside information of the Company may divulge the information to others.
   No director, supervisor, managerial officer, or employee of the Company may inquire about or collect any non-public material inside information not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties.
6. Proper protection of confidentiality shall be given to files and documents containing the Company's material inside information when transmitted in written form. When transmitted by e-mail or other electronic means, such files and documents must be processed with appropriate security technology such as encryption or electronic signatures. Files and documents containing the Company's material inside information shall be backed up and stored in a secure location.
7. Any organization or person outside of the Company involved in any corporate action of the Company relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business partnership plans or the signing of a major contract shall be required to sign a confidentiality agreement, and may not disclose to another party any material inside information of the Company's thus acquired.
8. The Company shall comply with the following principles when making external disclosures of material inside information:
   (1) The information disclosed shall be accurate, complete, and timely.
   (2) There shall be a well-founded basis for the information disclosure.
   (3) The information shall be disclosed fairly.
9. Any disclosure of the Company's material inside information, unless otherwise required by law or regulation, shall be made by the spokesperson or the acting spokespersons in a confirmed sequential order. When necessary, the disclosure may be made directly by a responsible person of the Company.

The Company's spokesperson or acting spokespersons shall communicate to outside parties only information within the scope authorized by the Company, and no personnel other than those serving as the responsible person, spokesperson, or acting spokespersons may disclose any material inside information of the Company to outside parties without authorization.

10. The Company shall keep records of the following in respect of any disclosure of information to outside parties:
    (1) The person who discloses the information and the date and time of disclosure.
    (2) How the information is disclosed.
    (3) What information is disclosed.
    (4) What written material is delivered.
    (5) Any other relevant details.
11. If the contents of the media report are inconsistent with the those disclosed by the Company, the Company shall promptly issue a clarification on the Market Observation Post System and request the media agency to correct the information.
12. Any director, supervisor, managerial officer, or employee of the Company that becomes aware of any unauthorized disclosure of the material inside information shall report to the responsible unit and the internal audit department as soon as possible.

    Upon receipt of a report made pursuant to the preceding paragraph, the responsible unit shall formulate corresponding measures. When necessary, it may invite members from the internal audit and other departments to meet for discussion of the measures, and shall keep a record of the results of the measures for future reference. The internal auditors shall also perform such audits as their duties may require.
13. The Company shall take measures to find those responsible and take appropriate legal action against any personnel under any of the following circumstances:
    (1) Company personnel who disclose material inside information without authorization to any outside party, or otherwise violate these Procedures or any other applicable law or regulation.
    (2) The spokesperson or acting spokesperson of the Company communicates to any outside party any information beyond the scope authorized by the Company, or otherwise violates these Procedures or any other applicable law or regulation.
    (3) If any person outside the Company divulges any material inside information, thereby causing damage to any property or interest of the Company, the Company shall pursue appropriate measures to hold the person divulging the information legally liable.

IV. Disclosure of CPAs' remuneration

Unit: NT$

Firm Name	CPA Name	Auditing fee	Non-Auditing fee					The duration of the audit	Remark
			System design	Corporate Registration	Human Resources	Others (Note 2)	Subtotal		
Deloitte & Touche	Wen-Ya Hsu	6,110	0	60	0	221	281	2019.01.01 to 2019.12.31	1. Maintenance fees for offshore companies 2. Opinions on recapitalization of earnings 3. Report on transfer pricing 4. Execution of agreement procedures and issuance of result reports
	Oscar Shih								

Note 1: If there is any CPA or CPA Firm being replaced in current year, the auditing period should be indicated separately and the reason for such replacement should be detailed in the remark column; also, the information regarding the audit and non-audit fee paid should be disclosed.

Note 2: non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, then services must be detailed in the remarks column.

1. Remuneration of non-audit services to CPAs, CPAs' firm and its affiliated companies that exceed one quarter of audit remuneration: None.
2. Commissioned a new CPA Firm to serve for an audit fee less than the year before: Not applicable.
3. Audit fee of current year is more than 10% less than the year before: Not applicable.

V. Change of CPA: Not applicable.

VI. Any of the Company's Chairman, General Manager, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year: Not applicable.

VII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer or principal shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

(1) Changes in shareholdings

Title	Name	2019		Until February 29, 2020	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Institutional Director	Chung Chien Investment Co., Ltd.	2,578,018	14,126,000	0	0
Institutional Director	Pan Asia Investment Co., Ltd.	3,074,749	1,126,000	0	0
Director	Kuei-Fong Wang	1,744	0	0	0
Vice Chairman	Ming-Shan Chuang	285	0	0	0
Executive Vice President	Yung-Ta Liu	0	0	0	0
Assistant VP	Hung-Yang Wu	0	0	0	0
Chief accountant	Kuo Hua Lin	2	0	0	0
Chief financial officer	Po-Nien Lin	1,838	0	0	0
Major Shareholder	Pan Asia Chemical Corporation	15,346,644	0	0	0

(2) Information of shares ownership transfer: Not applicable, because the counterparts of said shares ownership transfer are not stakeholders.

(3) Information of shares ownership pledge: Not applicable, because the counterparts of said shares ownership pledge are not stakeholders.

VIII. The top 10 shareholders by proportion of shareholding and information on their affiliations

February 29, 2020

Name	Own shareholdings		Shares Held by Spouse & Dependents		Shareholdings under the title of a third party		Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relative within the second degree.		Remark
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name	Affiliation	
Pan Asia Chemical Corporation	251,448,874	15.51%	0	0	0	0	Shen-Ren Knitting Factory Co., Ltd. Chung Chien Investment Co., Ltd.	Corporate director of the Pan Asia Chemical Corporation Corporate director of the Pan Asia Chemical Corporation	
Chou Chin Industrial Co., Ltd.	59,122,831	3.65%	0	0	0	0	Pan Asia Chemical Corporation Chung Chien Investment Co., Ltd. Pan Asia Investment Co., Ltd.	Substantial related party Same responsible person Same responsible person	
Pan Asia Investment Co., Ltd.	50,378,593	3.11%	0	0	0	0	Chou Chin Industrial Co., Ltd. Chung Chien Investment Co., Ltd. Pan Asia Chemical Corporation	Same responsible person Same responsible person Same responsible person	
Chung Chien Investment Co., Ltd.	42,239,838	2.61%	0	0	0	0	Pan Asia Investment Co., Ltd. Pan Asia Chemical Corporation Deh Hsing Investment Co., Ltd.	Same responsible person Institutional Director of Pan Asia Chemical Corporation Same responsible person	
Chou Chin Industrial Co., Ltd., China Man-Made Fiber Investment Co., Ltd. Pan Asia Investment Co., Ltd. and Pan Asia Oil & Chemical Corporation Chairman: Kuei-Hsien Wang	0	0	0	0	0	0	N/A	N/A	
Shen-Ren Knitting Factory Co., Ltd.	70,770,845	4.36%	0	0	0	0	Pan Asia Chemical Corporation	Institutional Director of Pan Asia Chemical Corporation	
Shen-Ren Knitting Factory Co., Ltd. Chairman: Hsiao-Chieh Lin	0	0	0	0	0	0	N/A	N/A	
JP Morgan Chase N.A., Taipei Branch as a custodian for Vanguard Total International Stock Index Fund	22,005,497	1.36%	0	0	0	0	N/A	N/A	
JP Morgan Chase Taipei branch as a custodian for Vanguard Emerging Markets Stock Index Fund Investor Shares managed by the Vanguard Group	21,500,430	1.33%	0	0	0	0	N/A	N/A	
Standard Chartered sales department serves as a custodian for iShares Core MSCI	14,173,589	0.87%	0	0	0	0	N/A	N/A	
Citibank Trust DFA core securities investment account for emerging markets	13,569,488	0.84%	0	0	0	0	N/A	N/A	
Kao-Huang Lin	13,060,095	0.81%	0	0	0	0	N/A	N/A	

IX. Investments jointly held by The Company, The Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by The Company. Calculate shareholding in aggregate of the above parties

Unit: Thousand Shares; %

Investee	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Combined investment	
	Quantity	Shareholding	Quantity	Shareholding	Quantity	Shareholding
Taichung Commercial Bank	826,726	22	242,873	7	1,069,594	29
Pan Asia Chemical Corporation	127,242	44	13437	5	140,679	49
Deh Hsing Investment Co., Ltd.	155,000	100	0	0	115,000	100
Taichung Securities Investment Trust Co., Ltd.	922	3	14,695	47	15,617	50
Nan Chung Petrochemical Corp.	100,000	50	0	0	100,000	50
Chou Chin Industrial Co., Ltd.	31,071	46	2,113	3	33,184	50
EUREKA INVESTMENT COMPANY LIMITED	3,750	100	0	0	3,750	100
Melasse	1,450	50	1,450	50	2,900	100

Note: The Company's investment in the equity method

Four. Funding Status

I. Capital and outstanding shares

(I) Capital Sources

Year /month	Issuing price	Authorized shares capital		Paid-in shares capital		Remark		
		Stock	Amount	Stock	Amount	Sources of shares and dividends	Paid in properties other than cash	Others
2018/9	10	1,680,000,000	16,800,000,000	1,522,410,532	15,224,105,320	September 13, 2018 Jing-Shou-Shang-Zhi Document #10701117230 approved recapitalization of earnings at NT$929,170,740.	N/A	N/A
2019/08	10	1,680,000,000	16,800,000,000	1,621,367,217	16,213,672,170	August 21, 2019 Jing-Shou-Shang-Zhi Document #10801114230 approved recapitalization of earnings at NT$989,566,850.	N/A	N/A

Stock Type	Authorized shares capital			Remark
	Outstanding shares	Unissued Shares	Total (Note)	
Common stock	1,621,367,217	58,632,783	1,680,000,000	Shares outstanding are all publicly traded.

Self registration system information: None

(II) Composition of Shareholders February 29, 2020

Composition of Shareholders / Amount	Government Apparatus	Financial Institution	Other Juridical	Individual	Foreign Institution and Foreigner	Total
No. of Person	2	0	252	130,506	149	130,909
Quantity of Shares	42,467	0	536,143,839	920,369,261	164,811,650	1,621,367,217
Shareholding	0.00%	0	33.07%	56.77%	10.16%	100%

(III) Equity Distribution February 29, 2020

Range of Shares	No. of Shareholders	Quantity of Shares	Shareholding
1 to 999	67,563	14,265,880	0.88%
1,000 to 5,000	35,879	81,951,804	5.05%
5,001 to 10,000	10,588	70,837,108	4.37%
10,001 to 15,000	6,373	75,804,216	4.68%
15,001 to 20,000	1,920	32,936,050	2.03%
20,001 to 30,000	3,233	76,832,537	4.74%
30,001 to 50,000	2,202	83,328,832	5.14%
50,001 to 100,000	1,655	111,232,728	6.86%
100,001 to 200,000	878	116,560,944	7.19%
200,001 to 400,000	387	103,430,233	6.38%
400,001 to 600,000	91	44,387,426	2.74%
600,001 to 800,000	42	29,071,279	1.79%
800,001 to 1,000,000	18	15,837,459	0.98%
1,000,001 and above	80	764,890,721	47.18%
Total	130,909	1,621,367,217	100%

Preferred stock: Not issued.

(IV) List of major shareholders

February 29, 2020

Name of Principle shareholder \ Stock	Quantity of Shares	Shareholding
Pan Asia Chemical Corporation	251,448,874	15.51%
Sheng Jen Knitted Textiles Co., Ltd.	70,770,845	4.36%
Chou Chin Industrial Co., Ltd.	59,122,831	3.65%
Pan Asia Investment Co., Ltd.	50,378,593	3.11%
Chung Chien Investment Co., Ltd.	42,239,838	2.61%
JP Morgan Chase N.A., Taipei Branch as a custodian for Vanguard Total International Stock Index Fund	22,005,497	1.36%
JP Morgan Chase Taipei branch as a custodian for Vanguard Emerging Markets Stock Index Fund Investor Shares managed by the Vanguard Group	21,500,430	1.33%
Standard Chartered sales department serves as a custodian for iShares Core MSCI	14,173,589	0.87%
Citibank Trust DFA core securities investment account for emerging markets	13,569,488	0.84%
Kao-Huang Lin	13,060,095	0.81%

(V) Market price, net value, earnings, dividend per share and related information in the last 2 years

Unit: NTD

Item \ Year			2019	2018
Market Price Per Share	The Highest		10.3	12.6
	The Lowest		7.68	8.57
	Average		9	10.23
Net Value Per Share	Before Distribution		17.05	18.50
	After dividend distribution (Note 1)		Note 1	18.37
Earnings per share	Weighted average shares (in thousands shares)		1,290,382	1,211,626
	Earnings per share		(0.57)	1.06
Dividend Per Share (Note 2)	Cash dividends		0	0.10
	Free-Gratis Dividends	Retained Shares Distribution	0	0.65
		Capital Reserve Shares Distribution	0	0
	Retained Dividends		0	0
Return on investment Analysis	P/E ratio (Note 3)		(15.79)	9.05
	Dividend Yield (Note 4)		0	102.30
	Cash Dividend Yields (Note 5)		0	0.01

Note 1: The shareholder meeting resolved that the cash dividends would be deducted first before further calculation.

Note 2: Annual profit distribution.

Note 3: P/E ratio = Average closing price per share for the year / earnings per share.

Note 4: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Note 5: Cash dividend yield = Cash dividend / average closing price per share for the current year.

(VI) The company's dividend policies and execution

1. Dividend policies

   If the Company is profitable in the fiscal year, it shall allocate 1% to 5% of the profit as the remuneration of employees in the form of stocks or cash as resolved by the board. Employees of subsidiaries are also entitled to receive remuneration, provided that they meet the criteria specified by the board of directors. Up to 0.3% (inclusive) of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors. The proposal for distributing the remuneration to employees, directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company still as accumulated losses, the amount shall be retained for compensation, and then appropriated as remuneration to employees, directors and supervisors based on the percentages mentioned above.

   If there is profit, the Company pays taxes and makes up for the accumulated losses in accordance with the law before allocating 10% as an earnings reserve. However, the legal reserve shall not be allocated once it reaches the amount of the Company's paid-in capital. The rest will be recognized or reversed as special earnings reserve. The reversed special earnings reserve is consolidated into undistributed surplus before being distributed. If there is a balance, it is consolidated into the accumulated undistributed earnings in the previous year. The board may propose a profit distribution proposal, depending on the actual situation, and request the shareholders meeting to determine the distribution of dividends to shareholders.

   The Company's dividend policy is in line with the current and future development plans and considers the investment environment, long-term financial planning and shareholders' equity. The annual dividend distribution is mainly in the form of cash and it may be distributed in the form of stock. However, the proportion of stock dividends is not higher than 95% of the total dividends.

2. Dividend distribution proposal of this shareholders meeting: It is recommended not to distribute dividends
3. Significant changes to the expected dividend policy: None.

(VII) The impact of bonus shares proposed by the shareholder meeting on the Company's operating performance and earnings per share: The Company has not prepare and announce the 2019 financial forecast and is not required to disclose such information in accordance with Tai-Chai-Cheng (1) Document #00371 of February 1, 2000 (89) specified by the Securities and Futures Bureau of the Ministry of Finance.

(VIII) Remuneration for directors and supervisors

1. The percentage or scope of remuneration to the employees, Directors, and Supervisors as stated in the Articles of Incorporation: Refer to dividend policy.
2. The estimation basis of remuneration to employees, directors and supervisors for the current period, and the accounting process when there is discrepancy between the calculation basis and actual distribution amount of employee remuneration distributed by shares and the estimated value:

   The Company's estimate of remuneration payable to employees, directors and supervisors is based on the requirements of the articles of incorporation. At the end of the fiscal year, where the directors' meeting resolves the actual allocated amount different from the estimate, the changes shall result in the adjustment of the expenses provided for the current year. Where the shareholders' meeting resolves the actual allocated amount different from the estimate, it shall be stated as the change in accounting valuation in the year of the resolution made by the shareholders' meeting. If the shareholders' meeting resolves to allocate stock as the employees' bonus, the quantity of stock shall be determined based on the amount of the employee bonus divided by fair value of the stock. The fair value of the stock is based on the closing price on the day prior to the day of resolution made by the shareholders' meeting and takes the effect of ex-right and ex-dividend into consideration

3. Remuneration to be distributed as resolved in the board of directors:
   (1) Remunerations for employees, directors and supervisors distributed in cash or stocks. If there is any discrepancy between compensation amounts and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, reasons therefor, and how it is treated shall be disclosed: The Company recorded a loss in the final accounts for 2019. Pursuant to the Articles of Incorporation, employee, director, and supervisor compensations are estimated to be NT$ 0 thousand These figures have been submitted for resolution by the shareholders meeting. If the actual distributed amounts differ from the estimates, discrepancies shall serve as the basis for 2020 accounting estimate changes.
   (2) The proportion of amount equivalent to the stock distributed as compensation for employees in the earnings after tax in the individual or single financial statement of the period and the total amount of compensation for employees: Not applicable.
4. The actual distribution of remuneration for employees, directors and supervisors in the previous year (including the number of shares, amount and share price when distributed), difference with the recognized remuneration for employees, directors and supervisors and the description on the difference, reasons and ways to handle the circumstances: For the year ended 2018, the remuneration for employee is NT$13,673 thousand, and for directors and supervisors, it is NT$4,102 thousand.

(IX) Buy-back of the Company's shares by the company: Not applicable.

II. Any offering of corporate bonds (including offshore bonds): None.

III. Disclosure relating to preference shares: none.

IV. Disclosure relating to depository receipts: none.

V. Employee stock warrants: none.

VI. Restricted stock awards: None.

VII. Disclosure on new shares issued for the acquisition or transfer of other shares: none.

VIII. Progress on the use of funds: None.

Five. Business performance

I. Content of business

(I) Business scope

* The Company

1. Principal business activities
   (1) Manufacturing, processing and buying and selling of man-made fiber, cellophane, polyamine fiber, polyester fiber, chemicals and the raw materials.
   (2) Development, manufacturing and buying and selling of machinery used for the above products.
   (3) Manufacture and trading of ethylene glycol, eto ethylene oxide, nonylphenol, ethylene, LGP and petrochemical industry-related products;
   (4) Commission construction firms to build residential and commercial buildings to be rented or for sale.
   (5) Distribution, sorting and storage of various products.
   (6) Operate supermarkets which sell fresh food, vegetables, fish, meat, cooking garnishes and spices and seasonings.
   (7) Manufacturing and sales of steam and industrial and commercial electricity by cogeneration (electricity shall not be sold to energy users).
   (8) Agency, distribution and contract bidding for installation of cogeneration and pollution control equipment.
   (9) Manufacturing and sales of oxygen, liquid oxygen, nitrogen, liquid nitrogen, air argon, liquid argon, carbon dioxide and compressed air.
   (10) F212011 Gas station.
   (11) D201021 Gas station.
   (12) All business items that are not prohibited or restricted by law, except those that are subject to special approval
2. Percentage of current business
   In the Company's 2019 business operations, chemical products account for 66%, chemical fiber products account for 22% and the rest account for 12%.
3. Current product line

Type	Item
Chemical products	Ethylene glycol, ethylene oxide, nonylphenol
Chemical fibers	Polyester pellet, polyester filament

4. New products planned for development
   Continuing the development of oriented yarn, we plan to manufacture products made of oriented yarn and develop another new type of product, textured yarn, which retains the characteristics of oriented yarn and improves the texture and comfort.
   (1) Draw textured color yarn:
   Polyester color yarn is dyed before spinning, so it does not fade easily. It offers good color fastness against sunlight, water and rubbing. It does not require post-dyeing processing, so there is no waste water pollution. DTY with colors offers good texture feel and a variety of applications, such as in home decoration, curtains, luggage, backpacks and others.
   (2) Moisture absorption and wicking DTY fibers:
   Offer better moisture absorption and quick drying than the oriented yarn, improving the wearing comfort of the fabric. It uses irregular cross-section with high surface area and capillary effect to accelerate the sweat wicking, keeping body dry and comfortable.
   (3) DTY high denier count fiber:
   The thinner the denier, the softer the fiber, offering better texture of fabric, and products will have better added value. In addition to retaining the original characteristics of oriented yarn, it offers even better texture and

softness and can be widely used in high-end dresses for females.

(4) DTY FD dull yarn:
By adding high-concentration inorganic particles, the gloss of the fiber is reduced, at the same time enhancing the suspension of fiber.
FD dull yarn is mainly used in sportswear.

(5) DTY CD yarn:
By using cationic dye particles, fiber in dark and vivid color effect can be spun, creating a softer touch with better fastness. CD yarn is mostly used in sportswear, casual wear, jackets and coats.

(6) DTY antibacterial and mold resistant yarn:
Antibacterial materials are added according to different needs, and the yarn does not get decomposed by ultraviolet rays, acids, alkalis or organic solvents. It provides long-term antibacterial and mold resistant effects and is mainly used in sportswear, underwear, medical fabrics, bedding fabrics and shoe materials.

(7) UV resistant fiber:
UV-resistant fiber offers the best protection for skin, as UV-A and UV-B with a wavelength of 200-400nm may penetrate the ozone layer and cause great damage to human skin. They can lead to melanogenesis, skin aging and even skin cancer.

(8) Hollow fiber:
The lightweight and warm hollow fiber is a new type of material of which the cross-section is hollow. The inner air layer blocks the loss of body temperature, so that the surface temperature of the skin is not quickly lost due to the harshness of weather conditions, hence the insulation effect.

(9) SDY and DTY environmental protection yarn:
Polyester fiber produced from plastic bottles by applying special spinning technology offer good quality. Using recycled plastic bottles can reduce pollution from bottles, reliance on petrochemical raw materials, carbon dioxide and the use of energy and risk of warming climate.

* Consolidated companies

1. Pan Asia Chemical Corporation

(1) The main contents of the business service:
A. C801020 Petrochemical manufacturing.
B. C802090 Cleaning products manufacturing.
C. D101050 Steam and electricity paragenesis.
D. F212011 Gas station.
E. F212061 Automobile liquefied petroleum gas station.
F. H701010 Residence and buildings lease construction and development
G. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

(2) Percentage of current business
Nonionic surfactants account for about 80% of the revenue and esterified products account for about 20%.

(3) Current products
Polyethylene glycol and alkane ether, polyethylene glycol and alkyl ether, castor oil EO addenda, polyethylene glycol propanamine, polyethylene glycol and fatty acid esters, polyethylene glycol, poly-propylene glycol and polyethylene glycol, trimethylolpropane EO additive, polyol EO, PO addenda, spinning oil agent, lubricating oil esters, plastic slip agents, cosmetic esters, cleaning agent esters and bath softeners.

(4) New products planned for development
Polyethylene glycol derivatives, spinning oil agents, fiber softeners, esterified products.

2. Taichung Commercial Bank

(1) The main contents of the business service:
Deposits, lending, foreign exchange, wealth management, corporate banking, electronic finance, trust and investment.
(2) Percentage of current business: 100% in banking.
(3) Current products: Not applicable.
(4) New products under development: Not applicable.

(II) Industry overview:
* The Company
1. Present state of the industry and development
(1) Ethylene glycol: The supply in market has increased and the competition has become more significant.
(2) Polyester yarns:
A. In view of the continued depletion of the Earth's resources and the issue of global warming, going green is a topic all mankind must consider. In the case of Adidas, the company has declared last year that using sustainable fiber materials is its top corporate priority, and its ultimate goal is to use recycled polyester in all its products by 2024. For its spring fashion line of 2018, the company used recycled polyester in 40% of its products. Nike has claimed that 75% of its products use recycled materials. Taiwanese companies are actively promoting the concept of circular economy in the development of industries. From product design to production, the trends are going to recovery, recycling, waste reduction and energy-saving, and green products have become the new mainstream for the development of Taiwan's polyester products. ◦
B. In recent years, domestic polyester manufacturers have undergone a series of consolidation, somewhat easing pressure on the industry. In particular, the oversupply of POY has been significantly improved. It is necessary to take this opportunity to expand the existing customer base and conduct proper screening to find long-term and stable customers who are willing to collaborate for win-win situations. Besides timely grasping the market trends, adjusting prices and being flexible in accepting orders, the Company should continue to improve the automation of equipment and technical R&D, reduce defects, abnormality and production cost, produce high-quality and value-added product with good economies of scale and collaborate with downstream players to quickly respond to the market in order to maintain good competitiveness in the industry.
C. Many emerging countries in Asia have invested heavily in the development of man-made fibers industry, making the supply-demand competition of the market fierce. To retain competitiveness in the global market, the polyester industry shall change its production and marketing strategies, moving from "quantity" to "quality", and actively invest in functional product differentiation. Companies should withdraw from competing in quantity and move toward producing quality and forward-looking products by using higher-level technologies. Products then can be more value-added, increasing the sales price and profit. The downstream weaving industry has demands in terms of functionality and environmental protection, and composite and super-fine materials, elastic and stretching, denier and lightweight, moisture absorption and wicking and low-temperature dyeing and other innovative features can enhance the image of the supply chain and market share through brand marketing.
D. Orders for ready-to-wear garments have gradually shifted to China or Southeast Asia (especially in Vietnam), and domestically, functional and

industrial fabrics (shoes) have better competitive advantages. However in recent years, the value chain in Vietnam and other places have formed, and the level of technologies in those countries have been improved. Orders from the European and American brands no longer favor Taiwan. The advantages of the abovementioned products will gradually disappear, further impacting the growth of the man-made fibers industry on the upstream.

(3) Nonylphenol: Provided as an additive to industrial products, and the demand is stable.

2. The association of industries from upstream to downstream:
   (1) The Company obtains ethylene from CPC Corporation and Formosa Petrochemical Corp. to produce ethylene glycol and ethylene oxide. The produced ethylene glycol is used at the Company's polyester plant and sold to other polyester plants in Asia. Ethylene oxide is sold to surfactant manufacturers.
   (2) Nonene and Phenol raw materials are sourced from other companies both at home and abroad to produce nonylphenol, which is then sold to the other domestic and foreign surfactant manufacturers.
   (3) Polyester yarn is supplied to other domestic and foreign processing fiber plants and textile mills.
3. Trends of development of various products and competition
   (1) Ethylene glycol: Stable downstream customers. Reinforce the supply-demand relationship.
   (2) Nonylphenol: The booming development of the textile industry in Asia drives the demand for textile additives. Build a quality brand image and produce in volume to reduce cost.
   (3) Polyester fiber: Product customization, diversification, refinement, differentiation and market segmentation.

* Consolidated companies

1. Pan Asia Chemical Corporation
   (1) Industrial status and development:
   In 2019, the demand of the Chinese market continued to weaken as a result of the US–China trade war, which was coupled with decreasing demand of the Taiwanese market and other Asian markets. However, the overall sales was still higher than that of the previous year.
   (2) Correlation of upstream, midstream, and downstream industry:
   Nonionic surfactants serve as a bridge between the upstream petrochemical industry and the downstream consumer and industry product industries, and they are irreplaceable to the growth of industries.
   (3) Developing trend and competitiveness of products:
      A. Nonionic surfactants are essential for economic development and are less susceptible to the impact from economic fluctuations.
      B. The industry requires the advantages of having EO plants, and the Company has the competitive advantage.
      C. Due to the zero tariff between the member countries in the ASEAN–China Free Trade Area starting 2009, the Company has faced challenges in terms of the pricing.
2. Taichung Commercial Bank: Not applicable.

(III) Technological research and development

* The Company

1. Research and development expenses
   Research and development expenses committed the past two years: No research and development expenses.

2. Successfully developed technologies or products: None.
3. Expected R&D program in the future and the forecasted R&D expenses: No R&D program.

* Consolidated companies

1. Pan Asia Chemical Corporation
   (1) R&D expenses: NT$22,113 thousand.
   (2) Technologies or products successfully developed: Environmentally friendly plasticizer-DOTP, metal cleaning agent, spinning oil agent, lubricating oil esters, plastic slip agents, cleaning agent esters and bath softeners.
2. Taichung Commercial Bank
   (1) R&D expenses the past two years:

Unit: NTD thousand

Year	2018	2019
Amount	90,843	92,203

   (2) R&D results the past two years:
      A. The following mobile banking functions were added to enhance customer experiences and raise mobile banking usage rates:
         (A) Trust transaction function: This feature enables customers to conduct fund transactions and conversions via mobile banking.
         (B) Fast login function: This feature allows fast login by customers to carry out mobile banking transactions via the fingerprint, facial, and gesture recognition functions of mobile devices without the hassle of entering User IDs and passwords.
      B. Convenient personal online banking: This feature allows convenient fund transfer transactions by users with physical disabilities.
      C. Linkage of Jkopay to account payment services of the Bank: This feature enables customers to link Jkopay to diversified mobile payment services including deposit, payment, and fund transfer of their bank account.
      D. First stage of open API – Creation of an open data interface: This feature allows TSP businesses to apply for a platform provided by FISC and thereby gain access to the open data interface and application services provided by the Bank.
      E. Centralized loan appropriation and joint control of quota: Establishment of a more efficient centralized drawdown and limit joint control management system with the integration of the credit information system to enhance drawdown rate. Centralization helps to save human resources and the work load of operation management.
      F. Replacement and upgrade of the Automated Clearing House (ACH) system: In line with nationwide upgrades and replacement of the Taiwan Clearing House authorization system, the Bank has implemented synchronized conversion and establishment of internally integrated systems in the fields of front-end services, online banking, foreign exchange, stock administration, and credit cards.
      G. Various measures including control of past AML queries, special nation archiving, enhancement of the integrity of retained customer information, and addition of items such as nationality, annual income, and purpose of business dealings have been added to strengthen anti-terrorism financing and anti-money laundering transaction control and achieve effective control in the field of high-risk countries and polite rejection of account opening. It is planned to adopt bans in the form of "temporary suspension of transactions," "rejection of transactions," and "freezing of transactions" as well as freezing of accounts to prevent

money laundering and terrorism financing.

H. Establishment of overseas branch information systems: Information system for the branch in Labuan, Malaysia

I. SWIFT upgrade to version 7.2 and improvement to SWIFT information security: Fortify the protection of the SWIFT system in conformity to the Customer Security Programme or CSP launched by SWIFT for the effective prevention of online attacks and safeguard information security at financial institutions, upgrade the protection mechanism of the Internet and reduction of information security risk.

J. Fund redemption and further subscription project: Agreement to subscribe to another fund at the same time when a fund is redeemed to reduce investor operation times and increase capital activation.

K. Overseas stock ETF system branch establishment: Promotion in conjuction with the wealth management business. Improve competitive advantage, reinforce customer service, reduce manual processing and lower risks of operations. Build a real-time and automated transaction system dedicated to equity products (ETF, overseas preferred stocks). Use a single transaction platform for both the front and back ends to reduce the time the Company spends on accounting and transaction processing and help customers to have more liquidity.

L. NCCNET credit card payment platform for small purchases: In order to provide fast service, the "NCCNET Payment Platform for Small Purchase" from the National Credit Card Center allows users to swipe cards and pay for purchases under NT1,000 (inclusive) without requiring signature and receipt printout at designated stores.

M. E-healthpay platform: This platform allows credit card customers of the Bank to charge their hospital expenses to their credit card.

N. Integrated account opening system with linked hosts: This system with NBT and OPEN-API integration enhances the efficiency of unit operations and reduces data entry errors.

O. Electronic confirmation of finance blockchain (API): Conversion to automatic generation (API) in line with finance blockchain usage.

(2) Future plans: Research and development expenses totaling NT$210,550 thousand.

P. API management platform project: APIM servers will be enhanced and backup environments will be set up to increase APIM stability and effectiveness and achieve the goal of uninterrupted services. Continued adoption of container technology by application systems will be assessed and applied in a way to facilitate the future creation of a comprehensive microservice ecosystem.

Q. End-to-end encrypted transmission: An end-to-end encryption mechanism has been established in line with the security control criteria for e-banking operations conducted by financial institutions and online banking password protection from the user to the server end to enhance data transmission security.

R. Intelligent customer service: Adoption of text customer service or chatbots through a machine learning platform. Customers receive optimal responses and recommendations through text customer service interfaces and intelligent customer service analysis. Customer user experiences are enhanced, and customer service personnel receive adequate assistance in problem queries and responses which also eases their workload.

S. Web application firewall: This firewall has been established to prevent temporary loopholes and unpredictable losses caused by logical errors or inherent weaknesses or risks in developed applications or adopted application platforms of the Bank. Screening and protection is carried out with regard to security attacks in HTTP/HTTPS layer 7 protocols to strengthen the security, stability, and reliability of the Bank's web applications.

T. Dual-channel, multi-factor authentication and device binding project: Adoption of a dual-channel, multi-factor identity authentication and device binding technology is planned to enhance security control options for transaction certification in line with future project development pursuant to regulations of the FSC and the Bankers Association Of The Republic Of China.

U. New digital deposit account project: Only Type 1 Applications are currently available for digital deposit accounts. In line with strategy formulation by business management units, Type 1 and 3 applications, procedures, and future applications will be added.

V. Fund transfer through mobile numbers: In line with FISC planning, customers will gain the ability to carry out fund transfer transactions via smartphones instead of accounts on relevant channels after linking their smartphones to their accounts.

W. Foreign exchange system enhancement project: Optimized functions of the foreign exchange system will simplify foreign exchange system procedures and enhance real-time backup capabilities.

X. Financial information system for derivatives: Provision of diversified product trading and risk control mechanisms.

Y. Intelligent form filling system for remittances: Data entry by bank tellers is facilitated through provision of past remittance data. A customer-end interface (e.g., tablets, touchscreens) is set up at counters for customer viewing. The goal lies in the integration of original process breakpoints and automatic seal/signature verification.

Z. Introduction of big data in machine learning:
   (A) Precision marketing: Targets are consumer finance and wealth management
   (B) Risk control: Credit scores, bad debt forecasts, judgment of credit card fraud, in-depth analysis of AML/KYC
   (C) Semantic analysis, public opinion analysis, OCR identification, and intelligent customer service

AA. Office device and document management:
   (A) Adoption of new-generation document scanning to enhance staff work efficiency
   (B) Implementation of file encryption and access control to improve the preservation of access records
   (C) Regular generation of document access traces and provision of authority inventory report functions to implement internal control and articulation operations

BB. New anti-money laundering system: Optimization of various anti-money laundering modules to reduce the risk of legal violation by the Bank with an equal emphasis on internal operation costs, enhancement of operational efficiency, and accelerated provision of financial services for customers

(IV) Long and short-term business development plans

1. Ethylene glycol: Good market stability
   Short-term: Conduct sales planning for products.
   Long-term: Increase sales volume and market share in the market of ethylene glycol through investments and collaboration.
2. Nonylphenol
   Short-term: Establish collaboration with downstream partners, for example,

outsource the contract manufacturing of surfactants to downstream partners or help them to promote products.

Long-term: Form long-term partnership with downstream players so both parties benefit from long-term interests.

3. Polyester yarns

Short-term:

A. Develop special-purpose yarns to diversify products and increase operating profit.

B. Commit more false-twisting machinery in the production to improve quality. Serve priority long-term customers and gradually build market confidence and expand market share.

Long-term:

A. Make products more refined, diversified and technological to gain higher profit.

B. Adequate adjustment of order and product mixes to facilitate selection of high-profit orders.

C. Integrated development with the upstream and downstream partners to take advantage of vertical integration.

* Consolidated companies

1. Pan Asia Chemical Corporation
   (1) Short-term: Increase the proportion of sales of EOD and esterified products which are value-added to increase overall revenue and profit.
   (2) Long-term: Improve the technology level of products, develop vertical integration to explore new fields in the market.
2. Taichung Commercial Bank
   (1) Short-term: Please refer to (II) Expected sales and its bases on page 3.
   (2) Long-term: Please refer to (IV) Future development strategies on page 4.

II. Market and sales overview

(I) Market analysis

* The Company

1. The regions for the sale of premium products
   (1) Ethylene glycol: Supply domestic companies and export to countries in Asia.
   (2) Ethylene oxide: Mainly supply domestic downstream companies who manufacture ethylene oxide derivatives.
   (3) Nonylphenol: About 15% for domestic market, 85% export to other countries in Asia.
   (4) Polyester yarns: About 94% for domestic market and 6% is for export.
   (5) Electricity: Sold to Taipower beside the proportion for in-house use.
2. Market share

Product portfolio	Market share (domestic)	Product portfolio	Market share (domestic)
Ethylene glycol	20 %	Nonylphenol	50 %
Ethylene oxide	30 %	Polyester yarns	8 %

3. Future market supply/demand and growth potentials
   (1) Ethylene glycol: Polyester fiber for the domestic downstream partners. At present, the production capacity is not increased.
   (2) Ethylene oxide: Stable demand from downstream customers. Expect to maintain stable sales volume.
   (3) Nonylphenol: Bigger fluctuation in price of raw material. Fierce competition for products in the market.
   (4) Electricity: Domestic power supply has been insufficient.
   (5) Polyester yarn: Will gradually enter the peak demand for polyester yarn in Q2, which should drive market growth.
4. Competitive advantage

   Focus on production in full capacity and sales in full capacity. Reduce production cost. Improve product quality and competitiveness.

5. Favorable and unfavorable factors and response policy of development vision
   (1) Favorable conditions: The demand for polyester fiber will gradually increase, further driving the demand for ethylene glycol. Competitors in polyester market will gradually withdraw from the market, which will increase the Company's market share and selling price.
   (2) Unfavorable conditions: Main product materials come from CPC and the contracted quantity is insufficient.
   (3) Responsive measures: Find other import channels or purchase from Formosa Petrochemical to avoid the insufficient supply of CPC.

* Consolidated companies

1. Pan Asia Chemical Corporation
   (1) The regions for the sale of premium products
      A. Domestic sales: About 46%, through other distributors or by the Company.
      B. Export: About 54%, with the most comes from China, followed by Southeast Asia, the Middle East and Australia.
   (2) Market share: About 40% in the domestic market.
   (3) Future market supply and demand and the growth
      A. Supply-demand status: In 2019, the market demands in Taiwan and other countries were slightly reduced. As for the China market, the competition from other players in the industry and the US-China trade conflicts slowed down the demand. However, the overall sales was still higher than that of the previous year.
      B. ECFA reduced the import tariff of China to 0%. Very helpful for some of the Company's products sold to China.
   (4) Competitive advantage
      A. Stable supplies of raw materials of EO, NP, DEG and natural alcohol.
      B. Stable quality. Competitive price. Seamless marketing channels.
   (5) Favorable and unfavorable factors and response policy of development vision
      A. Favorable factors
         a. Diversified products. Wide variety of demands in the industry, and it is less susceptible to the impact from economic fluctuation.
         b. Higher levels of technology than China and Southeast Asia. Stable production and supply. Stable export volumes to China and Southeast Asia every year.
         c. Strong sales channels and relationships. Products are sold to various industries both domestically and internationally.
         d. Secure supply of raw materials. The supply of main raw materials, NP and petrochemical EO, comes from a long-term partner, CMFC's production line.
      B. Unfavorable factors
         a. Environmental awareness is still high. Large fluctuation in the price of global crude oil. Stronger competition among industry players both at home and abroad. The Company will quickly adjust the sales proportion of main products and increase the sales volume of specialty products which offer higher gross margin to stimulate the overall revenue.
         b. The domestic industries continue to move out, further reducing the demand.
         c. The domestic environmental protection policy limits the use of nonylphenol products and the textiles sold to Europe are prohibited from using nonylphenol additives.
      C. Countermeasures
         a. Develop natural alcohol-based products in response to the trend of environmental protection to reduce the impact from the increasing price of petrochemical raw materials.
         b. Develop high value-added products and contract manufacturing

products in response to the industry upgrade and customer demands to improve the competitiveness in the industry.

2 Taichung Commercial Bank

(1) Territories of banking business

Currently, there are 82 domestic branches and 1 international financial branch. There are also the Labuan branch and Kuala Lumpur Marketing Services Office in Malaysia. The Company provides a varieties of services such as personal finance, corporate finance and wealth finance. The Company develops refined financial products dedicated to the particular characteristics of the local markets, expand the scope of business and provide customers with quality, convenient and attentive financial services. ◦

(2) Supply and Demand of the market and growth in the future

A. Market supply:

Due to the market saturation in banking in Taiwan, the differences between competitors offering financial products and services are rather limited. The abundance of market capital leads to low bank deposit spreads and limited profit growth. In 2019, the FSC will continue to amend relevant laws and regulations to promote further opening up of overseas market layout and fintech markets in pursuit of more opportunities for business development and enhanced competitiveness. Factors such as the all-out development of fintech, increased use and trust by the public, and the transformation of bank business models caused by the advent of online-only banking open up new markets and customer segments for banks.

B. Market demand:

Against the backdrop of uncertainties generated by the US–China trade war, numerous international forecasting institutions have revised down their global economic growth projections for 2020 but only to a certain extent. In the wake of the adoption of financial policies coupled with monetary easing by many countries, the performance of emerging markets and developing economies is expected to improve compared to 2019, which will offset the risks associated with the economic downturns in the US and China. The Taiwanese economy is expected to maintain a steady pace of economic development in 2020 despite an adverse macroenvironment characterized by the slowing growth momentum of the global economy. The country will continue to closely monitor uncertainty factors affecting the global economy (US presidential election, geopolitical conflicts, financial crises, and highly contagious pneumonia outbreak). It will also grasp opportunities generated by the US–China trade conflict and actively strive to woo the high-end manufacturing industry chain back to Taiwan. R&D, innovation, applications, and services will be strengthened to boost the economic momentum.

(3) The competitive edge, factors favorable and unfavorable for development in the long run, and responses

A. Favorable factors

a. The Bank has, for a long time, cultivated its business relation with the small and medium enterprises in central Taiwan and hence has the distinctive advantage and a strong and stable clientele base.

b. The experience of the Bank in servicing small and medium enterprises helps to focus its customer groups and develop differentiated mode of operation.

c. Construct the diversity of the banking service system is beneficial for integrated marketing of the organization and will yield better result.

d. A gradual loosening of the financial laws and regulations by the government will be conducive to the sound development of the financial sector in Taiwan.

e. The asset quality of the Bank is constantly improving, and business development is increasingly stable.

B. Unfavorable factors

a. The globalization of banking and finance and the cross-industry competition of financial holding companies narrow the space for the existing market of small and medium banks in banking service.

b. The high degree of homogeneity of products and the keen competition in the financial and banking sector make it difficult to broaden the interest spread.

c. There are numerous factors for the sluggish global economy and the financial environment is under the pressure of adaptation in operation.

d. Fintech associated with online-only banking acts as a driving force for the creation of new finance lifestyles.

C. Countermeasures

The Bank embraces the principles of taking on challenges and pursuit of progress coupled with stability. It also aims to achieve continuity in the field of business development and deployment and consolidate the momentum of operational development through the six major dimensions of financial governance, fair treatment of consumers, risk management, operational performance, financial innovation, and talent cultivation.

(II) Intended use and production processes of the main products

* The Company

1. Intended use of the main products

(1) Monoethylene glycol (MEG): Mainly used as the raw material of polyester fiber, and it can also be used to manufacture antifreeze, high temperature coolant, ice and snow remover and explosive.

(2) Diethylene glycol (DEG): It is mainly used as a basic raw material for plastics, and can also be used to manufacture ink solvents, brake oils, solvent oils, gas water removers, fiber softeners and plastic fillers.

(3) Triethylene glycol (TEG): Mainly used as a regulator, for air treatment and as a wetting agent.

(4) Ethylene oxide (EO): Mainly used as a raw material for surfactants, glycol ethers and others.

(5) Nonylphenol (NP): Mainly used as a raw material for surfactant, antioxidant, stabilizer, phenol formaldehyde resin, lubricant additives and others.

(6) Polyester yarn: Mainly used to make garment fabric, woven bags (straps), industrial fabric, shoe materials and others.

(7) Electricity: Energy supply.

2. Manufacturing process

(1) Ethylene + Oxygen ---> Ethylene oxide

(2) Ethylene oxide + Water ---> Monoethylene glycol

(3) Monoethylene glycol + Ethylene oxide ---> Diethylene glycol

(4) Diethylene glycol + Ethylene oxide ---> Triethylene glycol

(5) Phenol + terpene ---> Nonylphenol

(6) Ethylene glycol + PTA ---> Polyester pellet

(7) Electricity: A cogeneration system that generates steam and electricity by burning coal.

* Consolidated companies

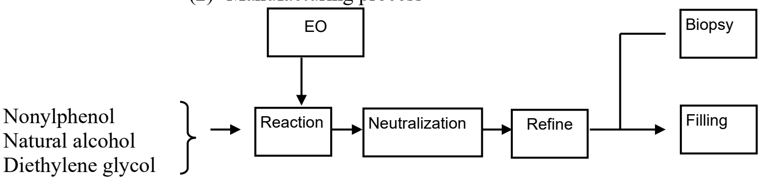
1. Pan Asia Chemical Corporation

(1) Intended use of the main products:

Main products	Polyethylene glycol alkylphenol ether, polyethylene glycol alkyl ether, castor oil EO addenda, polyethylene glycol propanamine, polyethylene glycol and fatty acid esters, polyethylene glycol, poly-propylene glycol and polyethylene glycol, trimethylolpropane, EO additive, spinning oil agent, lubricating oil esters, plastic slip agents, cosmetic esters, cleaning agent esters and bath softeners.

Main applications	Household cleaners	Detergent, penetrant, emulsifier, wetting agent, softener
	Personal toiletries	Detergent, penetrant, emulsifier, wetting agent, softener
	Fiber industry	Detergent, penetrant, dyeing auxiliary, emulsifier, bath softener
	Metal industry	Cleaning agent, emulsifier, additives for electroplating
	Pulp and paper industry	Degreaser, deinking agent, wetting agent
	Plastic industry	Emulsified polymeric emulsifier, internal and external lubricants for plastic
	Rubber industry	Additives, release agents
	Paint industry	Dispersant, emulsifier
	Cosmetic industry	Cleaning agent, emulsion, base material, wetting agent
	Electronics industry	Cleaning agent
	Polymer industry	Modifier, emulsifier, antistatic agent

(2) Manufacturing process



2. Taichung Commercial Bank: Not applicable.

(III) The supply of main raw materials

* The Company

1. The petrochemical plant in Kaohsiung obtains ethylene from CPC Corporation, a long-term supplier, to produce ethylene glycol.
2. The raw materials for nonylphenol are terpene and phenol. At this point, the supply of terpene comes from import from a variety of sources to diversify risk. As for phenol, the Formosa Chemicals & Fiber is a stable long-term supplier.
3. The main raw material for cogeneration is coal which is imported. The Company maintains long-term stable relationship with suppliers to ensure no interruption to supply.

* Consolidated companies

1. Pan Asia Chemical Corporation
   (1) Ethylene oxide: Supply contract with CMFC.
   (2) Nonylphenol: The source of supply is CMFC, and the current status of supply is good.
   (3) Natural alcohol: There is no domestic manufacturer so it is imported from various sources.
2. Taichung Commercial Bank: Not applicable.

(IV) The list of any companies accounting for 10 percent or more of the Company's total purchase (or sales) amount in the last two years

* The Company

	2019				2018			
Item	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer
1	Nan-Chung Petrochemical Corp.	3,361,822	27%	Investee valued under equity method	A	4,741,711	26%	N/A
2	A	2,656,770	21%	N/A	Nan-Chung Petrochemical Corp.	4,246,032	23%	Investee valued under equity method
3	B	2,343,515	19%	N/A	B	3,630,250	20%	N/A
4	Others	4,087,813	33%		Others	5,813,572	31%	
	Purchase - net	12,449,920	100%		Purchase - net	18,431,565	100%	

Description: 1. In 2019, petrochemical and polyester output volume and value decreased compared to 2018. Raw material procurement from Company A and B dropped accordingly.

2. Comparing to 2018, due to dropping ethylene glycol prices in 2019, purchase amounts from Nan Chung Petrochemical Corp. decreased accordingly.

Note: List the suppliers accounting for 10 percent or more of the Company's total purchase amount in the last two year and the purchase amount and the percentage of the total purchase. Replace the suppliers' names with codes if, due to contractual obligation, the names cannot be disclosed or the transaction counterparty is an uninterested individual.

The main customers for sales within the last two years

Unit: NTD thousand

	2019				2018			
Item	Name	Amount	Ratio to the annual net sales amount [%]	Affiliation with issuer	Name	Amount	Ratio to the annual net sales amount [%]	Affiliation with issuer
1	Others	13,591,338	100%		Others	20,064,863	100%	
	Sales - net	13,591,338	100%		Sales - net	20,064,863	100%	

Description: Customers with gross sales of less than 10% or more in the most recent two years.

Note: State the name of the customers with over 10% of the total sale amount within the last two years, and their sale amount and ratio. However, since the name of the customers may not be disclosed due to the contract signed or the counterparty of the transaction is an individual and is not a related party, it can be identified with a code number.

* Consolidated companies

1. Pan Asia Chemical Corporation

Main suppliers the most recent two years

Unit: NTD thousand

	2018				2019			
Item	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer
1	China Man-Made Fiber Corporation	927,287	61	The parent company	China Man-Made Fiber Corporation	792,320	61	The parent company
2	Others	596,955	39		Others	506,621	39	
	Purchase - net	1,524,242	100		Purchase - net	1,298,941	100	

Note: List the suppliers accounting for 10 percent or more of the Company's total purchase amount in the last two year and the purchase amount and the percentage of the total purchase. Replace the suppliers' names with codes if, due to contractual obligation, the names cannot be disclosed or the transaction counterparty is an uninterested individual.

The main customers for sales within the last two years

Unit: NTD thousand

	2018				2019			
Item	Name	Amount	Ratio to the annual net sales amount [%]	Affiliation with issuer	Name	Amount	Ratio to the annual net sales amount [%]	Affiliation with issuer
1	A	321,670	17	N/A	A	202,443	12	N/A
2	Others	1,534,841	83		Others	1,508,982	88	
	Sales - net	1,856,511	100		Sales - net	1,711,425	100	

Note: State the name of the customers with over 10% of the total sale amount within the last two years, and their sale amount and ratio. However, since the name of the customers may not be disclosed due to the contract signed or the counterparty of the transaction is an individual and is not a related party, it can be identified with a code number.

2. Taichung Commercial Bank: Not applicable.

(V) Manufacturing scale of products in the last two years

* The Company

Volume - Metric tons
Unit: NTD thousand

Year / Production volume and value / Main products	2019			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Ethylene glycol	264,000	145,907	3,326,267	264,000	211,801	5,552,609
Ethylene oxide	50,000	22,246	689,676	50,000	19,862	704,261
Nonylphenol	22,500	18,651	741,755	22,500	17,637	801,682
Partially oriented yarn (POY)	80,000	62,408	2,271,756	80,000	67,379	2,630,843
Spin draw yarn (SDY)	50,000	22,667	1,018,208	50,000	26,025	1,217,690
Polyester chips	99,000	7,199	216,079	99,000	5,592	191,192
Draw texturized yarn (DTY)	32,400	25,554	1,271,028	32,400	26,709	1,365,008
Total	597,900	304,632	9,534,769	597,900	375,005	12,463,285

* Consolidated companies

1. Pan Asia Chemical Corporation

Volume - Metric tons
Unit: NTD thousand

Year / Production volume and value / Main Products	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Nonionic surfactants	35,000	31,425	1,480,725	35,000	35,237	1,315,367
Others	6,300	5,513	285,975	6,300	5,350	267,108
Total	41,300	36,938	1,766,700	41,300	40,587	1,582,475

2. Taichung Commercial Bank: Not applicable.

(VI) Sales volume and value of main products the past two years

* The Company

Volume - Metric tons
Unit: NTD thousand

Year / Sales Volume/Value / Main products	2019				2018			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ethylene glycol	149,134	2,604,314	275,688	4,763,755	157,582	4,217,478	284,848	7,066,115
Ethylene oxide	22,133	625,782	0	0	19,858	759,791	0	0
Nonylphenol	3,708	149,441	16,972	734,924	4,319	198,635	13,159	660,274
Partially oriented yarn (POY)	35,699	1,233,054	263	11,782	39,608	1,560,497	389	17,541
Spin draw yarn (SDY)	21,041	979,345	2,371	100,414	22,036	1,030,044	3,096	155,422
Polyester chips	1,694	38,532	1,329	32,010	1,963	57,619	330	10,566
Draw texturized yarn (DTY)	24,662	1,168,714	209	11,060	25,590	1,290,962	643	34,155
Others	125,917	1,138,171	53	39	192,407	2,842,210	5,061	163,554
Total	383,988	7,937,353	296,885	5,653,984	463,363	11,957,236	307,526	8,107,627

* Consolidated companies

1. Pan Asia Chemical Corporation

Volume - Metric tons
Unit: NTD thousand

Year / Sales Volume/Value / Main Products	2018				2019			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Surfactants	13,815	695,833	16,574	857,485	15,555	664,035	17,315	770,649
Others	3,061	154,630	2,973	148,563	2,097	108,865	3,340	167,876
Total	16,876	850,463	19,547	1,006,048	17,652	772,900	20,655	938,525

2. Taichung Commercial Bank: Not applicable.

III. Employees

* The Company

(I) Employees' information

Year		2018	2019	Until February 29, 2020
Employee No.	Staff	203	197	196
	Workers	429	431	432
	Total	632	628	628
Average age		42.51	43.39	43.91
Average seniority		12.71	13.49	13.59
Education Proportion	Doctoral Degree	0%	0%	0%
	Master	1.90%	2.10%	2.40%
	College	61.87%	59.60%	62.20%
	Senior High School	35.92%	38.20%	35.20%
	Below Senior High School	0.31%	0.20%	0.20%

(II) With respect to personnel handling the transparency of financial information, the certification they obtained as specified by the authority:

Certificate and license name	Number of people in finance and accounting	Number of people in internal audit
Passed internal control and internal audit examinations organized by the Taiwan Academy of Banking and Finance.	0	1
Senior Professional and Technical Exams hosted by the Ministry of Examination - Accountant	1	0
Junior Professional and Technical Exams hosted by the Ministry of Examination - Bookkeeper	1	0

* Consolidated companies

(I) Pan Asia Chemical Corporation

Year		2018	2019	Until February 29, 2020
Employee No.	Staff	52	48	48
	Workers	66	65	64
	Total	118	113	112
Average age		41.783	42.363	42.652
Average seniority		13.010	13.525	13.796
Academic qualification	Doctoral Degree	0.00%	0.00%	0.00%
	Master	8.65%	8.00%	8.00%
	College	72.12%	74.00%	74.00%
	Senior High School	19.23%	18.00%	18.00%
	Below Senior High School	0.00%	0.00%	0.00%

(II) Taichung Commercial Bank:

Year		2018	2019	Until February 29, 2020
Employee No.	More than 50 years old	428	523	533
	More than 40 years old	759	685	665
	More than 30 years old	553	566	553
	More than 20 years old	627	828	800
	Less than 20 years old	8	8	7
	Total	2,375	2,610	2,558
Average age		38.9	38.1	38.3
Average seniority		10.7	10.0	10.1
Education Background	Master	12.08%	12.03%	12.0%
	Bachelor	64.84%	65.82%	65.4%
	College	17.60%	15.94%	16.1%
	Senior High School	5.43%	6.13%	6.4%

Year		2018	2019	Until February 29, 2020
	Junior High School	0.04%	0.08%	0.1%
Professional designation and licensing, and number of such employees	Securities sales traders	351	301	0
	Investment Insurance Products	1,113	1,154	17
	Securities investment trust/investment advice sales traders	164	189	12
	Initial credit extension personnel's professional ability	871	882	8
	Advanced credit extension personnel's professional ability	46	46	0
	Futures sales traders	114	163	3
	Life Insurance Agent	1,948	2,089	38
	Bond sales qualified in professional ability test	23	25	0
	Initial foreign exchange personnel's professional ability	810	926	10
	Wealth management and planning personnel	465	456	2
	Trust Operations Personnel	1,757	1,958	41
	Bank's internal control basic test	848	822	1
	Senior Securities sales traders	184	211	4
	Property Insurance Agent	1,731	1,882	41
	Notes and bills traders	39	41	0
	Marketable securities, financing and financial instruments sales traders	7	8	0
	Internal auditor	3	2	0
	Stock affairs personnel qualified in professional ability test	22	28	1
	Foreign exchange professional ability	14	13	0
	Financial personnel's professional ability in appraising collaterals for credit extension	11	11	0
	Proficiency test for debt collection personnel	118	144	1
	Test for anti-money laundering and counter-terrorism financing professionals	833	1,030	1
	Qualification test for derivatives sales personnel	838	1,384	68

IV. Environmental Protection Expenditure.

* The Company

(A) Losses caused by environmental pollution in the most recent fiscal year until February 29, 2020.

Time of occurrence	Date of ruling and document No.	Description of legal violations	Fine amount	Legal violation
2019.09.16	Official letter Kong-Chu-Zi No. 20108110001 issued by the Environmental Protection Bureau, Kaohsiung City on November 4, 2019	CEMS SO2 concentration exceeds permitted standard of 86 ppm Plant II	300 thousand	Article 24 of Air Pollution Control Act
2017.10 ~2018.3	Official letter Fei-Chu-Zi No. 40108090013 issued by the Environmental Protection Bureau, Kaohsiung City on September 12, 2019	M05 fly ash, bottom ash, and desulfurized ash cake waste reporting codes not consistent with relevant entries in the waste disposal plan	6 thousand	Article 31, Paragraph 1 of the Waste Disposal Act
2019.5.30	Official letter Kong-Chu-Zi No. 20108070002 issued by the Environmental Protection Bureau, Kaohsiung City on July 2, 2019	M09 Equipment component leak concentration greater than 2000ppm (2)	200 thousand	Paragraph 1 of Article 20 of Air Pollution Control Act
2019.04.07	Official letter Kong-Chu-Zi No. 20108050016 issued by the Environmental Protection Bureau, Kaohsiung City on May 20, 2019	CEMS NOx concentration exceeds permitted standard of 45ppm	100 thousand	Paragraph 2 of Article 24 of Air Pollution Control Act
2018.10.18	Official letter Du-Chu-Zi No. 34108020001 issued by the Environmental Protection Bureau, Kaohsiung City on February 23, 2019	Dedicated toxic substance specialist concurrently serves as work safety specialist	60 thousand	Article 18 of Toxic and Concerned Chemical Substances Control Act

(II) Future countermeasures:

In addition to the self-inspection conducted by the manufacturing personnel, companies certfified by the government are commissioned to conduct inspection and leak scanning with iinfrared instrument. If leaks are found, they are immediately tightened, and further inspection will be conducted. Prevention of recurrence of environmental violations

(III) ROHS information: No impact on the Company.

* Consolidated companies

(1) Pan Asia Chemical Corporation

1. Any loss (including claim) sustained as a result of pollution and the total amount of penalty in the most recent fiscal year and up to February 29, 2020:

Item	2019	Until February 29, 2020
Date of ruling and document No.	N/A	Official letter Fei-Guan-Zi No. 10844915100 issued by the Environmental Protection Bureau, Kaohsiung City on December 16, 2019
Violated provisions and relevant details	N/A	1. FIBC mixed with waste plastic stored in the open in the waste storage area without waste name labels (in Chinese) in conspicuous locations or equipment/facilities that prevent permeation or penetration by surface water or rainwater 2. Violation of provisions set forth in Article 36 of the Waste Disposal Act and Article 6 and 10 of the Equipment Standards
Claimant or the organization handling the penalty	N/A	Environmental Protection Bureau of Kaohsiung City Government
Description of penalties	N/A	The bureau imposed a fine of NT$ 6,000 pursuant to Article 52 of Waste Disposal Act and Fine Determination Criteria for Violations of Waste Disposal Act.
Improvement Measures	N/A	1. Setting up of signs on site 2. Placement of plastic pallets for propping up and separation from ground level 3. Reorganization and covering of non-FIBC wraps and other debris with canvas

2. Future countermeasures:
   (1) Implementation of revisions and amendments pursuant to relevant environmental laws and regulations and reinforcement of employee education and training to enhance their professional competence and immediate response capabilities in relevant operations and thereby achieve pre-incident prevention.
   (2) Strengthening of patrols and controls in plant areas and communication with all units to facilitate instant detection of non-conformities and immediate correction; regular inspections of other similar facilities and implementation of improvements to ensure pre-incident prevention.
3. ROHS information: No impact on the Company.

(II) Taichung Commercial Bank: Not applicable.

V. Employer and employee relationships

* The Company

(1) The implementation of employee welfare policy, continuing education and training, and retirement system, and labor-management coordination, and the protection of the rights of the employees:

1. Continuing education and training of employees: The Company has always spared no effort in the education and training of employees. Some employees engaged in specialized functions are assigned to attend external training sessions, and they are regularly monitored and retrained from time to time. The Company provides the education and training sessions for department or specified units as needed to reinforce the occupational competence of employees at all levels.

Details on the education and training (specialized and general) of employees in 2019:

Gender	Male	Female
Average number of employees	521	94
Training category	Training hours (hr)	
Training of specialized occupational competence (preliminary training and re-training for occupational and environmental safety and firefighting certification)	2899	45
Toxic and chemical hazards training (external drills and training)	55	0
Firefighting education and training (annual dumpster firefighting training)	333	66
General knowledge training (education and training sessions for new hires)	216	28
Occupational safety and health regulation training	2657	408
Continuing education courses for internal auditing personnel	270	42
Total hours of training (hr)	4314	265
Average number of hours (hr/number of people)	7.39	3.35

2019 training hours for accounting personnel

	Total	Male	Female
No. of Person	8	1	7
Class Hours	86	6	80

2. Employee behaviors or code of ethics: The Company has developed a "Work Rules" manual for employees and personnel management rules, so that employees can clearly understand their rights and the standards on behaviors to be observed.
3. Work environment and employees' personal safety protection measures:
   (1) Access control security: A strict access control and monitoring system is available at all time, and a security patrol company is contracted to maintain the security and safety at night and during the weekend.
   (2) Maintenance and inspection of equipment: In accordance with the Regulations for Inspecting and Reporting Public Safety of Buildings, professional firms are contracted to conduct public safety inspection every two or four years. In accordance with the Fire Services Act, firefighting equipment inspection is contracted out to be conducted every year. In accordance with the Occupational Safety and Health Act, the Company regularly conducts maintenance and inspection of air-conditioning, firefighting and various equipment.
   (3) Physiological / psychological health: The Company prohibits smoking at the job site, in line with the government's policies. Non-smoking signs are posted to remind employees not to smoke at work to maintain the quality of working environment. Regular and irregular health examinations for employees are arranged to maintain employees' health.
   (4) Insurance: Purchase labor insurance (including occupational disaster insurance), health insurance, group insurance according to law. In the event of any casualties, the personnel unit will assist in handling issues related to insurance.
   (5) Employee benefits: The Company established an employee welfare committee on December 15, 1976, which is responsible for the welfare of all employees. The measures include welfare assistance, education scholarships, cultural and recreational activities and other welfare subsidies. The budgeting, expenditures

and arrangement of welfare benefits every year are discussed and monitored by committee members of the employee welfare committee every three month in their meetings, providing positive stabilizing effect to employees' mental state. Currently, the committee provides 12 months of maternity subsidy, scholarships for employees' children based on their education levels every semester, confinement benefit payment for daily medical and hospitalization expenses and others. Based on the financial conditions of the committee, domestic group tours are held for employees to develop the bonding.

(6) Employee retirement: The Company has develop retirement, consolation and severance measures in accordance with the Labor Standards Act to offer employees with on-the-job and retirement benefits to appreciate their dedication in providing professional services. In terms of retirement measures for the existing employees who choose the old pension plan and the tenure payment of the old pension plan of the existing employees who choose the newer pension plan, the Company appropriates the proper amount of pension payment in accordance with the Labor Pension Act to the escrow account at Bank of Taiwan. Effective July 1, 2005, the Company has established a defined contribution pension plan under the Labor Pension Act, allocating 6% of monthly salaries and wages of new hires and the existing employee who selected the newer pension plan to the retirement fund personal account at Bureau of Labor Insurance. The application procedures for retirement is stipulated in the Labor Standards Act: Those who have reached the age of 55 and worked for more than 15 years, or those who have worked for more than 25 years, may apply for retirement. Pension benefits are based on the number of ears of service tenure, and two base units are accrued for each year of service. But for the rest of the service years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company also has formed a Supervisory Committee of Labor Retirement Reserve and allocated monthly an amount in accordance with the rules above to a retirement fund at the Bank of Taiwan. In terms of consolation measures, if an employee dies of occupational injury or disease, the Company pays funeral subsidy equal to five months of average wage and a lump sum survivors compensation equal to forty months of average wage to his/her survivors. Condolence payment is given to those who die not of occupational injury or disease. Various amounts of condolence payment are given according to the circumstances. In terms of severance packages, the issuance of severance is based on the service tenure. One month of average salary is given for every one year of service. For those who have not worked more than one year at the Company, the payment is at a prorated amount.

(II) Any labor disputes or loss sustained as a result of labor disputes in the most recent fiscal year and up to February 29, 2020: None.

* Consolidated companies

(I) Pan Asia Chemical Corporation

1. The implementation of employee welfare policy, continuing education and training, and retirement system, and labor-management coordination, and the protection of the rights of the employees:

(1) The Company established an employee welfare committee on July 17, 1991, which is responsible for the welfare of all employees. The measures include welfare assistance, education scholarships, cultural and recreational activities and other welfare subsidies. The budgeting, expenditures and arrangement of welfare benefits every year are discussed and monitored by committee members of the employee welfare committee every three month in their meetings, providing positive stabilizing effect to employees' mental state.

(2) To encourage employees to enrich their professional knowledge and skills and improve work quality and efficiency, the Company has developed training

management measures to support the Company's sustainable management and development. The education and training program includes internal and external training courses. The planning and implementation of education, training and continuing education programs are carried out in accordance with the different needs of units within the Company. There are internal group training sessions and participation in the external professional courses, and the details regarding the participation in the external professional training courses are described below:

Item	Total number of person	Total hours	Total cost
Training for new recruits	6	48	0
Professional competence training	117	1,044	89,600
Managerial skills training	88	627	46,180
General knowledge training	278	437	6,400
Total	489	2,156	142,180

The course expenses are supported by the Company, and there are a variety of external free professional courses of which employees are encouraged to attend.

(3) The Company has develop retirement, consolation and severance measures in accordance with the Labor Standards Act and the Labor Pension Act to offer employees with on-the-job and retirement benefits to appreciate their dedication in providing professional services.

(A) In terms of retirement measures:

a. For those who are eligible for the old pension plan, they may apply for retirement if they have reached the age of 55 and worked for more than 15 years, or have worked for more than 25 years or have reached the age of 60 and worked for more than 10 years. Pension benefits follow the Labor Standards Act and are based on the number of years of service tenure, and two base units are accrued for each year of service. But for the rest of the service years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company also has formed a Supervisory Committee of Labor Retirement Reserve and allocated an amount to the retirement reserve fund on a monthly basis.

b. For those who are eligible for the new pension plan, the Company allocated 6% of the salary based on the Scale Tables of Monthly Deposit for Labor Pension to the retirement reserve fund. Once the employees reach the age of 60, they may apply for withdrawal from the Bureau of Labor Insurance themselves.

(B) In terms of consolation measures:

If an employee dies of occupational injury or disease, the Company pays funeral subsidy equal to five months of average wage and a lump sum survivors compensation equal to forty months of average wage to his/her survivors. Condolence payment is given to those who die not of occupational injury or disease. Various amounts of condolence payment are given according to the circumstances.

(C) In terms of severance measures:

a. The issuance of severance is based on the service tenure. One month of average salary is given for every one year of service. For those who have not worked more than one year at the Company, the payment is at a prorated amount.

b. For those who select or are eligible for the new pension plan, the issuance of severance is based on the service tenure. Half month of average salary is given for every one year of service. For those who have not worked more than one year at the Company, the payment is at most limited to six months of average salary.

(4) Working environment and personal safety protection measures: For the purpose of ensuring the protection for working environment and employee safety, the Company has continuously implemented the following measures:

(A) Environmental protection work: The factory has a wastewater treatment equipment to discharge wastewater from the manufacturing processes to the treatment plant of the industrial park through an effluent.

(B) Employee personal safety and protection:

a. Establish procedures for safety and health self-inspection, machinery inspection and maintenance, education and training, health examination, emergency response and firefighting drills, workplace and work rules, work permit, contractor management, standard operations and others.

b. Conduct comprehensive safety check and testing once a year for high-risk machinery and equipment.

c. Set up rules for the use of occupational safety gears and equipment so employees can properly wear their personal protective equipment, ensuring their own safety.

d. Job site permit, fire permit, permit-required confined space, locking permit form for electrical work, work at heights permit and other types of safety permits to ensure workers' safety.

e. Establish standard operating safety procedures for workers to abide by.

f. Conduct on-site work audit for all workers at least once a day. Report immediately if deficiencies with the facilities, work or environment are found, and implement remedies and improvements.

g. Conduct training sessions for employees' professional skills and certification based on the annual education and training program and schedule.

h. Assign on-site operators to participate in on-the-job training for 3 to 6 hours in accordance with their job characteristics and conduct regular health examination.

(5) Regulation of employee conduct or formulation of ethical guidelines: The Company has formulated numerous employee management rules and regulations including work rules and Code of Ethical Conduct. All employees are required to sign a confidentiality agreement when reporting for duty. The Company strives to provide employees with a clear understanding of the rights and interests and relevant codes of conduct. 。

2. Any labor disputes or loss sustained as a result of labor disputes in the most recent fiscal year and up to February 29, 2020: None.

(II) Taichung Commercial Bank:

1. Employees' continuing education:

(1) The Company organizes training courses for various business operations (such as depository, credit issuance, wealth management and others). Qualified employees are selected to serve as lecturers to conduct internal training and education to help employees in their job planning and career development. In response to the ever-changing trends in the financial markets, employees are encouraged to learn the latest financial knowledge, product information, regulatory systems and markets to provide customer with quality and professional services. Employees are frequently assigned to participate in external training courses. In 2019, a total of 15,135 people were assigned to attend external courses.

(2) Conceived with the corporate philosophy of “We do our best for you”, the Bank has upgraded its belief to “Whole-hearted concern for a bright future” and makes service attitude and common courtesy an integral part of routine training. Through the professional code of conduct and legal education, the Bank makes

self-discipline and affection an integral part in customer reception so that each competent employee with integrity will be the foundation of the Bank in sustainable development.

2. Employee Code of Conduct and Ethical Corporate Management Best Practice Principles:

Announced on the Company's internal port for all employees to inquire.

(1) All employees shall be law abiding and perform their duties with utmost effort.

(2) The principles of honesty, integrity, caution, diligence shall be duly observed by all and there shall be no arrogance, greed, luxury, unrestrained, loitering and gambling at the expense of the reputation of the Bank. Be humble and courteous in treating the customers and efficient at work.

(3) All employees shall keep the information on the business of the Bank, the customers and their transactions, and any other secretive activities in strict confidence, and shall not disclose to any third party. This code shall be applicable to employees who resigned or discharged from the Bank.

(4) Employees shall not have transaction with current customers of the Bank in lending and borrowing, or shall not act as guarantor or the subject of guarantee.

(5) Employees shall not act as guarantor under their occupational title.

(6) Employees shall not undertake any part-time work beyond the duties of the Bank unless otherwise approved by the Bank.

(7) Employees shall not run business homogenous to the operation of the Bank, and shall not engage in any speculative works privately.

(8) Except in weekend and recognized holidays, employees shall report to duties in designated span of time, and shall be punctual and shall not leave their duties before the end of the working day. In addition, no employee may be absent from their duties without the approval of the supervisor.

3. Work environment and employees' personal safety protection measures:

Item	Contents
Entrance guard safety	1. A strict access control and monitoring system is available at all time. 2. Contract with the security company to maintain the safety of the office premises at nighttime and holidays. 3. Access to the police authority hotline for caution.
Maintenance and inspection of equipment	1. According to the Building Public Safety Inspection and Declaration Rules, the Bank will commission the profession service provider to conduct the public safety inspection and report per two or four years. 2. According to Fire Act, the Bank will outsource the fire inspection per year. 3. Proceed to the maintenance and inspection of company cars, high and low voltage electrical appliances, elevators, air-conditioners, water fountain machine, fire safety equipment and related equipment in accordance with applicable laws governing occupational safety and health.
Disaster prevention measures and response actions	The Bank has defined the instructions to rescue disasters and reporting procedure for occupational accidents, such as "Disaster Urgent Response Action Manual", "Guidelines for Dealing with Important Contingencies", "Instructions to Safety Protection and Organization of Relevant Business Units", "Labor Safety and Health Automatic Inspection Plan", and "Instructions to Maintenance of Facility Safety", expressly defining the job responsibilities to be taken by the Bank's staff before and after important events, such as force majeure and robbery, and also requiring the various business units to perform the robbery-proof drills and natural calamity.
Physical/mental health	1. The Bank provides the in-service staff with the health inspection service per two years. 2. Working environment sanition: Smoking is banned in the business premises. Develop grievance filing procedures and the related penalty measures in accordance with the Sexual Harassment Prevention Act and Preventive Plan for Violations During Performance of Tasks. 3. Set up the inter-bank forum as the opinion exchange platform.
Insurance	Be enrolled in the labor insurance and health insurance programs pursuant to laws. In the case of any casualty, it is necessary to designate the dedicated personnel to safeguard evidence, contact the insurance company, work with the

	accidental liability insurance investigation conducted by the employer, filing of the claims and report to the competent authority.

4. Labor-management dispute

Counter part	Descriptions	Status	Countermeasures and anticipated loss
Yang OO	1. Issuance of Involuntary Employment Termination Certificate 2. Pension for pacifying.	Mediation Not sustained	Since the non-sustained mediation case (June 21, 2019), labor has filed no further lawsuits and the Bank has not sustained any losses through compensation.

VI. Major contracts

* The Company

Major Agreements	Nature of agreement	Contract start and end dates	Term of Agreement	Limitation Article
Product Purc hase Agreement	Pan Asia Chemical Corporation	205.7.1～2020.6.30	Ethylene Oxide Sale Agreement	The buyer shall not resell products purchased from seller
Product Purc hase Agreement	Pan Asia Chemical Corporation	206.7.1～2020.6.30	Nonyl Phenol Sale Agreement	The buyer shall not resell products purchased from seller
Technical cooperation	Shell Research Limited (SHELL RESEARCH LTD.)	From 2003.12.4	Shell EO/EG Process Use License and Engineering Service Permit	Conferred rights shall not be transferred to third parties
Raw material supply	CPC Corporation, Taiwan	2019.1.1~2019.12.31	Ethylene & Methane Purchase Agreement	Limited to petrochemical industry
Technical cooperation	Shell Research Limited (SHELL RESEARCH LTD.)	From May 19, 2011	Shell EO/EG Process Use License and Engineering Service Permit	Conferred rights shall not be transferred to third parties
Product Purc hase Agreement	Air Liquide Far Eastern Ltd.	From July 29, 2011	Supply Contract for Oxygen and Nitrogen required for EG3 Plant	The buyer shall not resell products purchased from seller
Product Purc hase Agreement	ShinHsiung Natural Gas Co., Ltd.	2011.6.14~2011.6.13	Agreement for Installation of Natural Gas Pipeline and Purchase of Natural Gas	The buyer shall not resell products purchased from seller
Construction	EARTH POWER Co., Ltd.	From August 14, 2018	Sanchung Plant New Construction Project	Non-restriction clauses
Plant construction	Real Property Purchase Agreement	2019.12.19-2020.6.18	Purchase of real property of Well Time Steel Co., Ltd. in the Xiaogang District	Non-restriction clauses

* Consolidated companies

1. Pan Asia Chemical Corporation

Major Agreements	Nature of agreement	Contract start and end dates	Term of Agreement	Limitation Article
Distributor contract	Dong-Fang Trading Co., Ltd.	1.2020.1.1~ 2020.12.31 2. Both parties may agree to priority renewal upon the expiration of the contract 3. The contract became effective in 1984	1. Distribute products 2. Quantity of distribution 3. Price of distribution 4. Sales region	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Distributor contract	Chin Yee Chemical Industries Co., Ltd.	1.2020.1.1~ 2020.12.31 2. Both parties may agree to priority renewal upon the expiration of the contract 3. The contract became effective in 1984	1. Distribute products 2. Quantity of distribution 3. Price of distribution 4. Sales region	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Distributor contract	Yuan Jen Enterprises Co., Ltd.	1.2020.1.1~ 2020.12.31 2. Both parties may agree to priority renewal upon the expiration of the contract 3. The contract became effective in 1984	1. Distribute products 2. Quantity of distribution 3. Price of distribution 4. Sales region	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Distributor contract	Bun Hong Trading Co., Ltd.	1.2020.1.1~ 2020.12.31 2. Both parties may agree to priority renewal upon the expiration of the contract 3. The contract became effective in 1984	1. Distribute products 2. Quantity of distribution 3. Price of distribution 4. Sales region	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Purchase contract	China Man-Made Fiber Corporation	1.2015.7.1~2020.6.30 2. Automatic extension for one year if both parties do not negotiate to terminate the contract upon the expiration of the contract period.	Purchase EO materials	In-house use, not for resale
Purchase contract	China Man-Made Fiber Corporation	1.2016.7.1~2020.6.30 2. Automatic extension for one year if both parties do not negotiate to terminate the contract upon the expiration of the contract period.	Purchase NP materials	In-house use, not for resale

2. Taichung Commercial Bank

Major Agreements	Nature of agreement	Contracting Parties	Term of Agreement	Limitation Article
Labor service procurement contracts	Yu Hsiao-lan Architects Office	2016.1.05- Construction completed	Appointment of supervision and technical design services for the construction of the corporate headquarters new building	N/A
Engineering Pur chase Agreement	Da-Cin Construction Co., Ltd. EARTH POWER Co., Ltd.	2019.03.29~2024.03.29	The construction of the new building for the corporate headquarters	N/A
System purchase contract	ICE-Superderivativies	2017.03.31~2020.03.30	Evaluation system for derivatives	N/A
Consultation contract	Ares International Corporation	2020.02.01~2021.01.31	SWIFT consultation service	N/A
Lease contract	AT&T Taiwan	2018.07.13~2021.07.13	SWIFT network equipment and lines	N/A
Maintenance contract	Mercuries Data Systems	2018.01.01~2020.12.31	Maintenance fee for ATMs and automatic passbook printers	N/A
Maintenance contract	NEC Taiwan Ltd.	2019.01.01~2022.12.31	Maintenance of interbank interface software	N/A
Maintenance contract	NEC Taiwan Ltd.	2019.01.01~2021.12.31	Remote backup support for foreign exchange server	N/A
Maintenance contract	NEC Taiwan Ltd.	2020.01.01~2020.12.31	Foreign exchange mainframe system update maintenance	N/A
Maintenance contract	NEC Taiwan Ltd.	2018.03.21~2021.03.20	Internal cloud storage and equipment	N/A
Maintenance contract	NEC Taiwan Ltd.	2018.09.15~2021.09.14	Maintenance for NX7700i host system	N/A
Service agreement	G4S Taiwan (Security)	2019.09.01~2021.08.31	Security guards at corporate headquarters	N/A
Service agreement	G4S Taiwan (Security)	2019.09.01~2021.08.31	Security guards at the banking locations	N/A
Service agreement	Leebao Security Co., Ltd.	2019.06.01~2020.05.31	Outsourced fund delivery	N/A
Service agreement	Leebao Security Co., Ltd. Anfeng Enterprise Co., Ltd.	2019.03.04~2020.03.03	ATM cash loading and problem elimination service	N/A
Service agreement	Transnational Group of Companies	2018.07.01~2020.06.30	Outsourced financial instruments and documents courier service	N/A

Six. Financial summary

(I) Condensed balance sheets and statements of comprehensive income (consolidated information from different industries)

(1) Brief Balance Sheet

Unit: NTD thousand

Item \ Year		Financial information for the last five year				
		2015	2016	2017	2018	2019
Current assets		541,677,201	571,675,943	542,862,601	561,120,444	538,261,854
Property, plant and equipment (Note 1)		22,800,320	22,666,278	22,382,631	22,428,871	23,585,296
Intangible assets		280,844	207,861	190,332	192,246	181,823
Other assets (Note 1)		38,147,630	60,552,734	126,293,656	137,165,381	149,875,263
Total assets		602,905,995	655,102,816	691,729,220	720,906,942	711,904,236
Current liabilities	Before Distribution	531,473,038	582,502,077	611,282,167	641,141,266	631,868,016
	After Distribution (Note 2)	531,608,638	582,502,077	611,425,116	641,293,507	Note 2
Non-current liabilities		22,130,120	21,680,026	27,047,662	21,484,888	19,433,814
Total liabilities	Before Distribution	552,603,158	604,182,103	638,329,829	662,626,154	651,301,830
	After Distribution (Note 2)	552,738,758	604,182,103	638,472,778	662,778,395	Note 2
Attributable to the parent company Shareholders' equity		20,524,316	20,015,021	20,928,980	22,413,508	22,003,763
Capital stock		13,616,932	14,294,934	14,294,934	15,224,105	16,213,672
Capital surplus		1,558,345	1,681,992	1,677,818	1,694,875	1,710,808
Retained earnings	Before Distribution	6,712,932	5,621,967	6,394,939	6,906,131	5,012,171
	After Distribution (Note 2)	6,577,332	5,621,967	6,251,990	6,753,890	Note 2
Other equity		(301,276)	(310,286)	(210,802)	(183,694)	295,021
Treasury stock		(1,062,617)	(1,273,586)	(1,227,909)	(1,227,909)	(1,227,909)
Non-controlling interest		29,778,521	30,905,692	32,470,411	35,867,280	38,598,643
Total equity	Before Distribution	50,302,837	50,920,713	53,399,391	58,280,788	60,602,406
	After Distribution (Note 2)	50,167,237	50,920,713	53,256,442	58,128,547	Note 2

Note 1: For those who have revaluation of assets in the current year, specify the revaluation date and the value of appreciation.

Note 2: The after distribution figures are filled in according to the resolution of the shareholders' meeting of the next year.

(II) Condensed statements of comprehensive income (consolidated information from different industries)

Unit: NTD thousand

Year / Item	Financial information for the last five year				
	2015	2016	2017	2018	2019
Income	34,001,646	33,221,334	37,038,326	41,549,187	35,732,022
Expenses	29,992,168	30,205,523	32,831,382	36,404,425	32,615,940
Business units in continuing operation Net profit before taxation	4,009,478	3,015,811	4,206,944	5,144,762	3,116,082
Income tax expenses	(814,393)	(564,057)	(743,253)	(735,127)	(535,258)
Net income or loss for current period	3,195,085	2,451,754	3,463,691	4,409,635	2,580,824
Current period other comprehensive income (post-tax profit or loss)	(214,200)	(524,372)	204,282	4,211	592,861
Current period other comprehensive income (Gross)	2,980,885	1,927,382	3,667,973	4,413,846	3,173,685
Net profit attributable to parent company	540,583	(204,094)	793,987	1,372,035	(729,764)
Net profit attributable to non-controlling interest	2,654,502	2,655,848	2,669,704	3,037,600	3,310,588
Total comprehensive income attributable to owners of the parent company	380,174	(286,373)	872,456	1,365,286	(273,437)
Comprehensive income, gross, attributable to non-controlling interest	2,600,711	2,213,755	2,795,517	3,048,560	3,447,122
Earnings per share	0.45	(0.18)	0.66	1.06	(0.57)

1-1 Condensed balance sheet and income statement (individual)

(1) Brief Balance Sheet

Unit: NTD thousand

Item \ Year		Financial information for the last five year				
		2015	2016	2017	2018	2019
Current assets		6,903,294	8,113,462	8,488,418	9,994,209	6,994,181
Property, plant and equipment (Note 1)		11,804,592	11,490,124	11,357,316	11,286,138	10,917,846
Intangible assets		62,319	8,967	45	9	0
Other assets (Note 1)		15,835,441	15,477,341	16,331,738	17,604,254	19,670,814
Total assets		34,605,646	35,089,894	36,177,517	38,884,610	37,582,841
Current liabilities	Before Distribution	6,648,210	7,231,337	7,737,033	10,597,605	10,592,837
	After dividend distribution (Note 2)	6,783,810	7,231,337	7,879,982	10,749,846	Note 2
Non-current liabilities		7,433,120	7,843,536	7,511,504	5,873,497	4,986,241
Total liabilities	Before Distribution	14,081,330	15,074,873	15,248,537	16,471,102	15,579,078
	After dividend distribution (Note 2)	14,216,930	15,074,873	15,391,486	16,623,343	Note 2
Attributable to the parent company Shareholders' equity		20,524,316	20,015,021	20,928,980	22,413,508	22,003,763
Capital stock		13,616,932	14,294,934	14,294,934	15,224,105	16,213,672
Capital surplus		1,558,345	1,681,992	1,677,818	1,694,875	1,710,808
Retained earnings	Before Distribution	6,712,932	5,621,967	6,394,939	6,906,131	5,012,171
	After dividend distribution (Note 2)	6,577,332	5,621,967	6,251,990	6,753,890	Note 2
Other equity		(301,276)	(310,286)	(210,802)	(183,694)	295,021
Treasury stock		(1,062,617)	(1,273,586)	(1,227,909)	(1,227,909)	(1,227,909)
Total equity	Before Distribution	20,524,316	20,015,021	20,928,980	22,413,508	22,003,763
	After dividend distribution (Note 2)	20,388,716	20,015,021	20,786,031	22,261,267	Note 2

Note 1: For those who have revaluation of assets in the current year, specify the revaluation date and the value of appreciation.

Note 2: The “amount after distribution” in the preceding paragraph refers to the amount resolved in the shareholders’ meeting in the following year.

(II) Brief Income Statement

Unit: NT$ 1000 (except for the earnings per share)

Year / Item	Financial information for the last five year				
	2015	2016	2017	2018	2019
Operating revenue	15,426,893	13,511,058	16,904,870	20,064,863	13,591,338
Gross profit	633,234	(692,164)	695,946	810,696	(1,677,345)
Operating gains and losses	34,520	(1,242,131)	48,866	56,391	(2,380,187)
Non-operating revenues and expenses	651,884	968,377	759,023	1,293,085	1,276,084
Net profit before taxation	686,404	(273,754)	807,889	1,349,476	(1,104,103)
Current year profit of continuing business units	540,583	(204,094)	793,987	1,372,035	(729,764)
gain(loss) from discontinued operations	0	0	0	0	0
Net income or loss for current period	540,583	(204,094)	793,987	1,372,035	(729,764)
Current period other comprehensive income (post-tax profit or loss)	(160,409)	(82,279)	78,469	(6,749)	456,327
Current period other comprehensive income (Gross)	380,174	(286,373)	872,456	1,365,286	(273,437)
Earnings per share	0.45	(0.18)	0.66	1.06	(0.57)

(III) Names and opinions of auditors:

Year	CPA	Audit opinions
2015	Oscar Shih, Jin-Yen Wang	Modified unqualified opinions
2016	Oscar Shih, Jin-Yen Wang	Modified unqualified opinions
2017	Oscar Shih, Jin-Yen Wang	Unqualified opinion (Emphasis of matter or others)
2018	Oscar Shih, Wen-Ya Hsu	Unqualified opinion (Emphasis of matter or others)
2019	Wen-Ya Hsu, Oscar Shih	Unqualified opinion (Other information)

II. Financial analysis for the latest 5 years

(I) Consolidated information from different industries

Analytical items		Year: Financial Analysis for the most recent five years				
		2015	2016	2017	2018	2019
Financial structure	Debt to assets ratio (%)	91.66	92.23	92.28	91.92	91.49
	Long-term fund to property, plant and equipment ratio	Note	Note	Note	Note	Note
Solvency	Current ratio (%)	Note	Note	Note	Note	Note
	Liquid ratio (%)	Note	Note	Note	Note	Note
	Interest coverage ratio	Note	Note	Note	Note	Note
Operating ability	Account receivable turnover (times)	Note	Note	Note	Note	Note
	Days sales in account receivable	Note	Note	Note	Note	Note
	Inventory turnover (times)	Note	Note	Note	Note	Note
	Average days in sales	Note	Note	Note	Note	Note
	Property, plant, and equipment turnover (times)	0.46	0.38	0.46	0.54	0.39
	Total assets turnover (times)	0.03	0.03	0.03	0.03	0.03
Profitability	Return on assets (%)	1.17	0.91	1.02	1.17	0.95
	Return on equity (%)	6.56	4.84	6.64	7.9	4.34
	Pre-tax income to paid-in capital (%)	29.44	21.10	29.43	33.79	19.22
	Net profit rate (%)	16.87	14.07	16.75	18.21	14.39
	Earnings per share (NTD)	0.45	(0.18)	0.66	1.06	(0.57)
Cash flow ratio	Cash flow ratio (%)	Note	Note	Note	Note	Note
	Cash flow adequacy ratio (%)	Note	Note	Note	Note	Note
	Cash flow reinvestment ratio (%)	Note	Note	Note	Note	Note
Leverage	Operating leverage	Note	Note	Note	Note	Note
	Financial leverage	Note	Note	Note	Note	Note

Reasons for the changes in the financial ratios in the past two years (increased or decreased by more than 20%):
1. Property, plant, and equipment turnover rate: Mostly the office building of the merged company Taichung Bank
2. Reduced profitability compared to the previous period: This can mainly be attributed to price pressure experienced by the parent (China Man-Made Fiber) in the EG market as a result of large-scale construction and commissioning of new plants in China.

Note: The consolidated statements of the Company are from the consolidation of different industries, and the ratio is not applicable to the financial industry.

1. Financial structure
   (1) Liabilities to total assets =Total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant and equipment=(Total equities+noncurrent liabilities) /property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio=(current assets-inventories-prepaid expense) /current liabilities
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating ability
   (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance
   (2) Days sales in account receivable = 365 / Account receivable turnover (times)
   (3) Inventory turnover (times) = Cost of goods sold / average inventory amount
   (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance
   (5) Average days in sales = 365 / Inventory turnover (times)
   (6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment
   (7) Total assets turnover (times) = Net sales / Average total assets
4. Profitability
   (1) Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on shareholders' equity = after tax net profit/ total average equity.
   (3) Profit ratio=net income/net sales
   (4) Earnings per share=(profits or loss attributable to owners of the parent company-preferred stock dividend) /weighted average stock shares issued)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio=net cash flow from operating activities within five years/ (capital expenditure + inventory increase + cash dividend) within five years
   (3) Cash re-investment ratio=(net cash flow from operating activity-cash dividend) /(gross property , plant, and equipment+long-term investment+other noncurrent assets+working capital)
6. Leverage:
   (1) Operating leverage = (Net operating revenue-variable operating costs and expenses)/Operating profit
   (2) Financial leverage = Operating profit / (Operating profit - interest expense)

(II) Individual information

Analytical items		Year: Financial Analysis for the most recent five years				
		2015	2016	2017	2018	2019
Financial structure	Debt to assets ratio (%)	40.69	42.96	42.15	42.36	41.45
	Ratio of long-term capital to property, plant and equipment (%)	236.84	242.46	250.42	250.63	247.21
Solvency	Current ratio (%)	103.84	112.20	109.71	94.31	66.03
	Liquid ratio (%)	80.28	81.95	75.90	65.04	49.23
	Interest coverage ratio	4.85	(0.57)	5.83	9.09	(4.92)
Operating ability	Account receivable turnover (times)	7.41	7.15	8.38	8.20	6.00
	Days sales in account receivable	49.26	51.05	43.56	44.51	60.83
	Inventory turnover (times)	12.73	12.22	11.38	9.68	8.79
	Account payable turnover (times)	9.56	9.20	9.47	10.43	10.23
	Average days in sales	28.66	29.88	32.07	37.72	41.51
	Property, plant, and equipment turnover (times)	1.3	1.16	1.48	1.77	1.22
	Total assets turnover (times)	0.45	0.39	0.47	0.53	0.36
Profitability	Return on assets (%)	1.99	(0.17)	2.62	4.01	(1.52)
	Return on equity (%)	2.67	(1.01)	3.88	6.33	(3.29)
	Pre-tax profits to paid-up capital ratio (%)	5.04	(1.92)	5.65	8.86	(6.81)
	Net profit rate (%)	3.5	(1.51)	4.7	6.84	(5.37)
	Earnings per share (NTD)	0.45	(0.18)	0.66	1.06	(0.57)
Cash flow ratio	Cash flow ratio (%)	21.8	(9.4)	2.54	1.55	4.06
	Cash flow adequacy ratio (%)	45.58	45.83	54.23	40.81	65.22
	Cash flow reinvestment ratio (%)	6.48	(2.8)	0.64	0.08	1.41
Leverage	Operating leverage	32.53	0.1	24.04	20.12	Note
	Financial leverage	(0.24)	0.88	(0.41)	(0.51)	Note

Reasons for the changes in the financial ratios in the past two years (increased or decreased by more than 20%):

1. Decreased current ratio and quick ratio: This can mainly be attributed to a substantial decrease in cash, cash equivalents, and financial assets measured at fair value through profit or loss (FVTPL) – quick assets such as current, accounts receivable, and negotiable instruments.
2. Decreased accounts receivable turnover rate, property, plant, and equipment turnover rate, and total asset turnover rate: This can mainly be attributed to a substantial decrease in revenues.
3. Decreased Times Interest Earned (TIE), Return on Assets (ROA), Return on Equity (ROE), pre-tax income to capital, net profit margin, and earnings per share (EPS): This can mainly be attributed to a decline in profitability caused by price pressure in the EG market as a result of large-scale construction and commissioning of new plants in China.
4. Decreased cash flow ratio, cash re-investment ratio, and cash flow adequacy ratio compared to the previous period: This can mainly be attributed to a decrease in inventories and accounts receivable compared to the previous period, which in turn resulted in increased cash inflow through business activities compared to the previous period.

Note: Operating profits were negative in this period

The financial analysis formulas are as follows:

1. Financial structure
   (1) Liabilities to total assets =Total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant and equipment=(Total equities+noncurrent liabilities) /property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio=(current assets-inventories-prepaid expense) /current liabilities
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating ability
   (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance
   (2) Days sales in account receivable = 365 / Account receivable turnover (times)
   (3) Inventory turnover (times) = Cost of goods sold / average inventory amount
   (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance
   (5) Average days in sales = 365 / Inventory turnover (times)
   (6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment
   (7) Total assets turnover (times) = Net sales / Average total assets
4. Profitability
   (1) Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on shareholders' equity = after tax net profit/ total average equity.
   (3) Profit ratio=net income/net sales
   (4) Earnings per share=(profits or loss attributable to owners of the parent company-preferred stock dividend) /weighted average stock shares issued)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio=net cash flow from operating activities within five years/ (capital expenditure + inventory increase + cash dividend) within five years
   (3) Cash re-investment ratio=(net cash flow from operating activity-cash dividend) /(gross property , plant, and equipment+long-term investment+other noncurrent assets+working capital)
6. Leverage:
   (1) Operating leverage = (Net operating revenue-variable operating costs and expenses)/Operating profit
   (2) Financial leverage = Operating profit / (Operating profit - interest expense)

III. Audit Committee' Review Report

Audit Committee' Review Report

The board of directors has submitted the Company's 2019 business and financial reports (including the consolidated financial reports) and profit distribution table. Among them, the financial reports (including the consolidated financial reports) have been audited and validated by the certified public accounts, Wen-Ya Hsu and Oscar Shih, of Deloitte Taiwan. The reports are to be presented in accordance with Article 14-4 of the Securities and Exchange Act.

To:

The 2020 Annual General Shareholders' Meeting

Audit Committee

Convener: Te-Wei Li

March 16, 2020

IV. Auditor's report, consolidated financial report and summary of notes for the most recent fiscal year

Independent Auditor's Audit Report

To CHINA MAN-MADE FIBER CORPORATION:

Audit opinions

We have audited the accompanying consolidated balance sheet of China Man-Made Fiber Co., Ltd. and subsidiary as of December 31, 2019 and 2018, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion based on our audit results and the audit reports offered by other accountants (please refer to other sections), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Man-Made Fiber and subsidiaries as of December 31, 2019 and 2018, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission with the effective dates.

The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of Chinese Gamer International Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of China Man-Made Fiber Co., Ltd. and its subsidiaries in 2019. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit issues for the consolidated financial statements of China Man-Made Fiber and its subsidiaries for the year ended December 31, 2019 are stated as follows:

<u>Authenticity of specific sales revenue</u>

Notes to key audit matters

In 2018, the sales revenue of specific products of the Chemical Fibers of China Man-Made Fiber and its subsidiaries is NT$2,261,053 thousand, revenue of the Chemical Department to specific customers is NT$1,807,228 thousand, accounting for 11.39% of the total revenue. The gross profit of the specific products and customers is relatively high. Therefore, the authenticity of sales revenue of specific products from the Chemical Fibers and Chemical Departments of the Company and the subsidiaries is one of the key audit items.

Please refer to Note 4 (18) of the consolidated financial statements for the accounting policies on sales revenue recognition.

Audit response

1. Understand and test the design and operating effectiveness of the internal control system of specified departments and sales revenue to customers of the Company and its subsidiaries.
2. Sampling inspection of the abovementioned sales revenue of specified departments and customers, including the shipping, custom and collection documents, in order to test the authenticity of sales.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

<u>Assessment of the expected credit loss from discounting and advances.</u>

Notes to key consolidated audit matters

As stated in Note 15 of the consolidated financial statements, the amounts of net value of discounting and advances of the Company in 2019 and its subsidiaries and the expected credit loss recognized in 2019 are NT$435,398,3342 thousand and NT$509,127 thousand, respectively, accounting for 61% of the total assets and 1.42% of the total revenue, respectively, which is significant to the consolidated financial statements. In addition, as stated in Note 5 of the Consolidated Financial Statement, China Man-Made Fiber Corporation and its subsidiaries consider major estimates and judgments of the management level including probability of default and loss given default when determining expected credit losses pursuant to decrees and ordinances of the competent authority. For these reasons, expected credit loss of discounts and loans to the customers are determined as key audit matters.

The disclosures of the accounting policies, accounting estimates, and uncertainty of assumption related to the estimation of discount and loans to customers' expected credit loss are specified in Note 4 (16) and Note 5 and Note 15.

Audit response

1. Understand and test the internal control system adopted by the Company and its subsidiaries for assessing the expected credit loss from discounting and advances.
2. Sampling inspection of each individual recognition of major expected credit loss from discounting and advances of the Company and its subsidiaries, in order to evaluate the reasonableness of collateral value used for expected credit loss.
3. For the comprehensive evaluation of the expected credit loss adopted by the Company and its subsidiaries, understand and test key parameters used in the impairment model (probability of default and loss given default) in order to evaluate the reasonableness of the expected credit loss meeting the current experience and economic situation.
4. Review of conformity of appropriated amounts with relevant decrees and ordinances of the competent authority

Other information

The financial statements of investees included in the consolidated financial statements of the Company and its subsidiaries adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the consolidated statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2019 and 2018 are NT$1,170,017 thousand and NT$1,228,959 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2019 and 2018 are NT$17,337 thousand and NT$88,436 thousand, respectively. The information on investees in Note 47 of the consolidated financial statements is disclosed based on the reports from other accounting auditors.

China Man-Made Fiber Corporation has already prepared the 2019 and 2018 individual financial statements. The CPA has issued audit reports with expressed unqualified opinion with other matter paragraph and unqualified opinion with emphasis of matter paragraph and other matter paragraph for further reference.

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

The 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, Regulations Governing the Preparation of Financial Reports by Public Banks, and applicable IFRS, IAS,SIC, and IFRIC as recognized by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. and its subsidiaries as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Man-Made Fiber Co., Ltd. and its subsidiaries or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd. and its subsidiaries.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in China Man-Made Fiber Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its subsidiaries and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with China Man-Made Fiber Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd. and its subsidiaries.

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries of 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche

Accountant: Oscar Shih	CPA: Hsu Wen-Ya
ecurities and Futures Commission Approval No. Tai-Cai-Zheng (6) No. 0930128050	Securities and Futures Commission Approval No. Tai-Tsai-Cheng (VI) No. 0920123784

March 16, 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

China Man-Made Fiber Corporation and subsidiary
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: NTD thousand

Code	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4, 6 and 36)	$ 14,544,223	2	$ 18,846,662	3
1110	Due from Central Bank and lend to Banks (Note 7 and 37)	33,876,974	5	31,768,897	4
1120	Financial assets through profit and/or loss with measuring for the faire values-current (Note 4 and 8)	25,105,212	4	27,408,915	4
1180	Bonds and securities sold under repurchase agreements (Note 4 and 9)	10,256,716	2	9,294,168	1
1201	Notes receivable (Note 4, 10 and 37)	4,431,796	1	3,808,900	1
1202	Accounts receivable (Note 4 and 10)	8,417,137	1	8,714,558	1
1203	Other receivable (Note 4 and 10)	2,384,377	-	3,570,369	1
1260	Current income tax asset (Note 4 and 34)	14,469	-	5,293	-
1270	Inventory (Note 4 and 11)	1,541,484	-	2,689,034	-
1280	Prepaid (Note 12)	958,391	-	1,031,737	-
1290	Non-current Assets Held for Sale - net (Note 4, 13 and 37)	769,610	-	769,610	-
1320	Other current assets (Note 14 and 37)	563,131	-	617,749	-
1330	Notes discounted and loans – net (Note 4, 15 and 36)	435,398,334	61	452,594,552	63
11XX	Total current assets	538,261,854	76	561,120,444	78
	Non-Current assets				
1415	Financial assets at fair value through other comprehensive income- non-current (Note 4, 16 and 37)	34,696,587	5	31,014,090	5
1435	Financial assets on the basis of cost after amortization- non-current (Note 4, 17 and 37)	108,124,373	15	100,462,761	14
1470	Investment by equity method (Note 4, 19 and 37)	1,180,884	-	1,241,811	-
1500	Real estates, plant and equipment - net (Notes 4, 20 and 37)	23,585,296	4	22,428,871	3
1595	Right-of-use assets (Note 3, 4 and 21)	1,128,396	-	-	-
1600	Real estate investments - net (Note 4, 22 and 37)	1,464,708	-	1,435,382	-
1700	Intangible assets – net (Note 4 and 23)	181,823	-	192,246	-
1800	Deferred income tax assets – net (Note 4 and 34)	1,469,409	-	1,073,938	-
1900	Other assets (Note 3, 24 and 37)	1,810,906	-	1,937,399	-
14XX	Total non-current assets	173,642,382	24	159,786,498	22
1XXX	Total assets	$ 711,904,236	100	$ 720,906,942	100
Code	**Liabilities and equity**				
	Current liabilities				
2110	Short-term loans (Note 25 and 37)	$ 14,115,769	2	$ 14,567,189	2
2120	Short-term bills payable (Note 25)	3,041,803	-	2,357,704	-
2130	Bills and bonds sold under repurchase agreements (Note 4 and 26)	10,369,025	2	9,904,467	1
2140	Financial liabilities through profit and/or loss with measuring for the faire values-current (Note 4 and 8)	233,803	-	165,360	-
2190	Due to Central Bank and other banks (Note 27)	6,527,060	1	3,378,752	1
2201	Payable notes	25,343	-	44,392	-
2202	Accounts payable (Note 36)	1,363,938	-	2,163,033	-
2204	Other accounts payable (Note 28)	6,757,265	1	12,768,486	2
2310	Current income tax liability (Notes 4 and 34)	398,167	-	386,857	-
2330	Long-term liability due in one year or one business cycle (Note 25, 30 and 37)	5,342,955	1	7,245,188	1
2335	Lease liabilities – current (Note 3, 4 and 21)	241,038	-	-	-
2350	Other current liabilities	416,595	-	438,932	-
2360	Customer deposits and remittances (Note 29 and 36)	583,035,255	82	587,720,906	82
21XX	Total of current liabilities	631,868,016	89	641,141,266	89
	Non-current liabilities				
2540	Bonds payable (Note 30 and 36)	9,990,000	1	12,490,000	2
2550	Long-term loans (Note 25 and 37)	5,450,168	1	5,713,623	1
2600	Liability reserve (Note 4 and 31)	1,610,808	-	1,667,347	-
2620	Deposits received	600,998	-	585,515	-
2625	Lease liabilities – non-current (Note 3, 4 and 21)	754,957	-	-	-
2630	Deferred tax liabilities (Note 4 and 34)	1,021,567	-	1,021,567	-
2660	Other liabilities	5,316	-	6,836	-
25XX	Total non-current liability	19,433,814	2	21,484,888	3
2XXX	Total liabilities	651,301,830	91	662,626,154	92
	Equity of the parent company (Note 32)				
3110	Common stock capital	16,213,672	2	15,224,105	2
3210	Capital surplus	1,710,808	-	1,694,875	-
	Retained earnings				
3310	Legal reserve	855,476	-	718,272	-
3320	Special reserve	1,936,126	-	1,956,409	-
3330	Undistributed earnings	2,220,569	1	4,231,450	1
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	(86,995)	-	(54,591)	-
3425	Unrealized gain (loss) on financial assets at fair value through other comprehensive profit or loss	382,016	-	(129,103)	-
3500	Treasury stock (Note 4)	(1,227,909)	-	(1,227,909)	-
31XX	Total equity of the parent company	22,003,763	3	22,413,508	3
32XX	Non-controlling interest (Note 32)	38,598,643	6	35,867,280	5
3XXX	Total equity	60,602,406	9	58,280,788	8
4XXX	Total Liabilities and Equity	$ 711,904,236	100	$ 720,906,942	100

The notes attached shall constitute an integral part of this consolidated financial statement.
(Refer to Auditor's Report presented by Deloitte & Touche dated March 16, 2020)

Chairman: Kuei-Hsien Wang Manager: Ming-Shang Chuang Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary

Consolidated Income Statement

January 1 to December 31, 2019 and 2018

Unit: NTD Thousand, except for earnings (losses) per share in NTD

Code		2019 Amount	2019 $	2018 Amount	2018 $
	Revenue (Note 4)				
4010	Interest revenues (Note 33 and 36)	$ 13,455,005	38	$ 13,082,832	31
4050	Income from handling fees (Note 33)	3,152,070	9	3,276,220	8
4060	Shareholding in the affiliated companies and joint ventures under the equity method (Note 19)	13,998	-	87,046	-
4090	Gain (loss) on financial assets and liabilities at fair value through profit and loss (Note 33)	717,379	2	209,626	1
4105	Realized gain on financial assets at fair value through other comprehensive profit or loss	7,606	-	26,752	-
4160	Net sales revenue (Note 36)	17,936,719	50	24,213,521	58
4210	Gain in disposal of real estate, plant buildings, equipment & facilities	447	-	-	-
4230	Investment property gains	-	-	14,025	-
4255	Expected credit reversal benefit (Note 10, 16, 17 and 33)	10,863	-	-	-
4260	Exchange gain	200,438	-	387,106	1
4270	Other income (Note 33)	237,497	1	252,059	1
4XXX	Total revenue	35,732,022	100	41,549,187	100
	Expenses				
5010	Financial cost (Note 33 and 36)	5,284,900	15	4,797,670	12
5060	Service charges (Note 33)	238,755	-	430,046	1
5090	Bad debt expense and guaranty reserve (Note 10, 15 and 31)	615,474	2	472,772	1
5190	Cost of goods sold (Note 11 and 36)	18,600,578	52	22,612,538	54
5230	Operating expenses (Note 31 and 33)	7,851,471	22	8,033,384	19
5280	Impairment (Note 20 and 33)	-	-	325	-
5285	Anticipated credit impairment loss (Note 16, 17 and 33)	-	-	16,188	-
5320	Other expenses	24,762	-	41,502	-
5XXX	Total expenses	32,615,940	91	36,404,425	87
6100	Net profit before taxation	3,116,082	9	5,144,762	13
6200	Income tax expenses (Note 4 and 34)	535,258	2	735,127	2
6500	Net income	2,580,824	7	4,409,635	11
	Other comprehensive profit or loss				
	The items that are not re-classified as profit or loss				
6611	Determined Benefit Plan Reevaluation (Note 4 and 31)	(155,059)	-	(99,372)	-
6617	Evaluation of the capital gain from equity instrument at fair value through comprehensive income statement as other comprehensive income	794,494	2	83,359	-
6649	Income tax related to titles without reclassification (Notes 4 and 34)	11,773	-	37,634	-
6610		651,208	2	21,621	-
	Items that may be re-classified subsequently under profit or loss				
6651	Exchange differences from the translation of financial statements of foreign operations	(105,314)	-	(3,462)	-
6659	Capital gain (loss) of debts instrument at fair value through comprehensive income statement as other comprehensive income	$ 50,117	-	($ 13,948)	-
6689	Income tax related to items possibly be reclassified	(3,150)	-	-	-
6650		(58,347)	-	(17,410)	-
6600	Other comprehensive income (post-tax profit or loss)	592,861	2	4,211	-
6700	Total amount of comprehensive income of the current year	$ 3,173,685	9	$ 4,413,846	11
	Profit (loss) attributable to:				
6810	Owners of parent	($ 729,764)	(2)	$ 1,372,035	3
6820	Non-controlling interest	3,310,588	9	3,037,600	8
6800		$ 2,580,824	7	$ 4,409,635	11
	The total comprehensive income belongs to				
6910	Owners of parent	($ 273,437)	(1)	$ 1,365,286	3
6920	Non-controlling interest	3,447,122	10	3,048,560	8
6900		$ 3,173,685	9	$ 4,413,846	11
	Earnings (losses) per share (Note 35)				
7000	Basic earnings per share (losses)	($ 0.57)		$ 1.06	
7100	Diluted earnings per share (losses)	($ 0.57)		$ 1.06	

The notes attached shall constitute an integral part of this consolidated financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 16, 2020)

Chairman: Kuei-Hsien Wang Manager: Ming-Shang Chuang Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary

Consolidated Statements of Changes in Shareholders' Equity

January 1 to December 31, 2019 and 2018

Unit: NTD thousand

		Equity of the company											
		Capital stock		Retained earnings			Other equity						
Code		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Total	Non-controlling interest	Total equity
A1	Balance as of January 1, 2018	$ 14,294,934	$ 1,677,818	$ 638,873	$ 2,481,347	$ 3,274,719	($ 41,611)	$ -	($ 169,191)	($ 1,227,909)	$ 20,928,980	$ 32,470,411	$ 53,399,391
A3	Effect of retroactive applicability and recompilation	-	-	-	-	286,131	-	(203,678)	169,191	-	251,644	297,263	548,907
A5	Balance on January, 1 2018 after adjustment	14,294,934	1,677,818	638,873	2,481,347	3,560,850	(41,611)	(203,678)	-	(1,227,909)	21,180,624	32,767,674	53,948,298
	The 2017 appropriation and distribution of earnings												
B1	Legal reserve appropriated	-	-	79,399	-	(79,399)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(142,949)	-	-	-	-	(142,949)	-	(142,949)
B9	Stock dividends	929,171	-	-	-	(929,171)	-	-	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	(524,938)	524,938	-	-	-	-	-	-	-
C7	Changes of the associates and joint ventures recognized under the Equity Method	-	5,532	-	-	(6,483)	-	(226)	-	-	(1,177)	-	(1,177)
D1	2018 Profit	-	-	-	-	1,372,035	-	-	-	-	1,372,035	3,037,600	4,409,635
D3	Other comprehensive net income in 2018 (after tax)	-	-	-	-	(25,235)	(12,980)	31,466	-	-	(6,749)	10,960	4,211
D5	Total amount of comprehensive income of 2018	-	-	-	-	1,346,800	(12,980)	31,466	-	-	1,365,286	3,048,560	4,413,846
O1	Increase/ decrease in Non-controlling interest (Note 32)	-	-	-	-	-	-	-	-	-	-	36,818	36,818
M1	Dividends distributed to the subsidiaries adjusted to the additional paid-in capital	-	14,954	-	-	-	-	-	-	-	14,954	14,228	29,182
M7	Changes in the ownership equity on a subsidiary	-	(3,429)	-	-	199	-	-	-	-	(3,230)	-	(3,230)
Q1	Equity instrument at fair value through other comprehensive income statement	-	-	-	-	(43,335)	-	43,335	-	-	-	-	-
Z1	Balance at December 31, 2018	15,224,105	1,694,875	718,272	1,956,409	4,231,450	(54,591)	(129,103)	-	(1,227,909)	22,413,508	35,867,280	58,280,788
	The 2018 appropriation and distribution of earnings												
B1	Legal reserve appropriated	-	-	137,204	-	(137,204)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(152,241)	-	-	-	-	(152,241)	-	(152,241)
B9	Stock dividends	989,567	-	-	-	(989,567)	-	-	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	(20,283)	20,283	-	-	-	-	-	-	-
D1	Net income (loss) in 2019	-	-	-	-	(729,764)	-	-	-	-	(729,764)	3,310,588	2,580,824
D3	Other comprehensive net income in 2019	-	-	-	-	(33,250)	(32,404)	521,981	-	-	456,327	136,534	592,861
D5	Total amount of comprehensive income of 2019	-	-	-	-	(763,014)	(32,404)	521,981	-	-	(273,437)	3,447,122	3,173,685
M1	Dividends distributed to the subsidiaries adjusted to the additional paid-in capital	-	15,933	-	-	-	-	-	-	-	15,933	15,146	31,079
Q1	Equity instrument at fair value through other comprehensive income statement	-	-	-	-	10,862	-	(10,862)	-	-	-	-	-
O1	Increase/ decrease in Non-controlling interest (Note 32)	-	-	-	-	-	-	-	-	-	-	(730,905))	(730,905)
Z1	Balance as of December 31, 2019	$ 16,213,672	$ 1,710,808	$ 855,476	$ 1,936,126	$ 2,220,569	($ 86,995)	$ 382,016	$ -	($ 1,227,909)	$ 22,003,763	$ 38,598,643	$ 60,602,406

The notes attached shall constitute an integral part of this consolidated financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 16, 2020)

Chairman: Kuei-Hsien Wang Manager: Ming-Shang Chuang Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary

Consolidated Statements of Cash Flow

January 1 to December 31, 2019 and 2018

Unit: NTD thousand

Code		2019	2018
	Cash flow from operating activities		
A00010	Income before tax from continuing operations	$ 3,116,082	$ 5,144,762
	Profits and loss		
A20100	Depreciation expenses	1,237,905	849,721
A20200	Amortization expenses	52,488	54,854
A20300	Expected credit impairment loss	604,611	488,960
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	(717,379)	(209,626)
A20900	Interest expenses	5,284,900	4,797,670
A21200	Interest revenue	(13,455,005)	(13,082,832)
A21300	Dividend income	(133,539)	(116,117)
A21800	Net change in other provisions for liabilities	(12,000)	(2,437)
A22300	Loss of affiliated companies and joint ventures under the equity method	(13,998)	(87,046)
A22500	Loss (gain) on disposal and scrapping of property, plant and equipment	(447)	9,768
A22700	Capital gain from disposition of investment property	-	(14,025)
A23100	Gain on disposal of investments	(7,606)	(26,752)
A23700	Loss in impairment of non-financial assets	-	325
A24100	Unrealized foreign currency exchange loss (gain)	524,497	(438,123)
A29900	Termination of lease profits	(1,130)	-
A29900	Release of prepaid lease payments.	-	3,736
	Net change in operating assets and liabilities		
A91110	Due from Central Bank and lend to Banks	132,740	(746,918)
A91120	Financial assets at fair value through profit and loss	3,868,985	6,728,283
A91190	Accounts receivable	683,555	486,630
A91250	Inventory	1,147,550	(632,492)
A91260	Prepayments	72,736	108,174
A91280	Other current assets	(7,804)	24,563
A91290	Discounts and loans	16,703,241	(22,250,976)
A91320	Other financial assets	837	38,030
A92110	Bills and bonds sold under repurchase agreements	464,558	5,596,657
A92120	Financial liabilities at fair value through profit and loss	(779,460)	(889,768)
A92150	Due to Central Bank and other banks	3,148,308	(6,140,120)
A92160	Payables	(6,740,475)	(990,471)
A92280	Other current liabilities	(21,730)	36,773
A92290	Customer deposits and remittances	(4,685,651)	21,866,677
A92330	Other financial liabilities	(2,127)	(41,307)
A92310	Employee benefit liabilities reserve	(154,206)	(11,625)
A33000	Cash inflow from operating activities	10,310,436	554,948
A33100	Interest received	13,813,182	13,143,072
A33200	Dividends received	212,971	191,884
A33300	Interest payment	(5,373,790)	(4,683,191)
A33500	Income tax payment	(949,472)	(748,891)
AAAA	Net cash inflow from operating activities	18,013,327	8,457,822
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	(7,773,132)	(553,576)
B00020	Disposal of financial assets at fair value through other comprehensive profit or loss	4,856,999	4,301,998
B00040	Financial assets acquired on the basis of cost after amortization	(753,231,971)	(761,952,805)
B00050	Financial assets on the basis of cost after amortization	-	45,650
B00060	Held-to-maturity financial assets based on cost after amortization	744,915,247	746,586,250
B01800	Acquisition of investment under the equity method	(1,386)	(9,843)
B02700	Acquisition of property, plant and equipment	(2,170,807)	(903,176)
B02800	Disposal of property, plant and equipment	32,572	5,789
B03700	Increase in refundable deposits	(26,854)	-
B03800	Decrease in Refundable deposits	-	100,716
B04500	Acquisition of Intangible assets	(41,520)	(56,595)
B05400	Acquisition of investment property	(136,785)	(144,447)
B05500	Disposition of investment property	-	14,025
B06800	Decrease in other assets	15,788	25,228
B09900	Decrease (increase) in restricted assets	62,422	(209,359)
BBBB	Net cash outflow from investing activities	(13,499,427)	(12,750,145)
	Cash flow from financing activities		
C00100	Increase (decrease) in short-term loans	(451,420)	2,837,741
C00500	Increase in short-term notes payable	684,099	324,630

(Continued on next page)

(Continued from previous page)

Code		2019	2018
C01400	Issuance of financial bonds	$ -	$ 2,130,000
C01500	Repayment of financial bonds	(6,000,000)	-
C01600	Proceeds from long-term loan	6,390,000	3,716,000
C01700	Re-payments of long-term borrowings	(5,055,688)	(5,455,250)
C03000	Increase in deposits received	15,483	164,707
C04020	Payment of principal element of lease liabilities	(238,099)	-
C04500	Cash dividend released	(121,162)	(113,767)
C05800	Change in non-controlling interest	(730,905)	32,637
CCCC	Net cash inflow (outflow) from financing activities	(5,507,692)	3,636,698
DDDD	Impact of changes in exchange rate on cash and cash equivalents	(105,282)	(3,462)
EEEE	Current cash and cash equivalents decrease	(1,099,074)	(659,087)
E00100	Balance of cash and cash equivalents, beginning of period	42,625,095	43,284,182
E00200	Balance of cash and cash equivalent, end of period	$ 41,526,021	$ 42,625,095

Ending cash and cash equivalents adjustment

Code		December 31, 2019	December 31, 2018
E00210	Cash and cash equivalents on the balance sheet	$ 14,544,223	$ 18,846,662
E00220	The "Due from Central Bank and Banks" in compliance with the definition of cash and cash equivalents under IAS 7	16,725,082	14,484,265
E00230	The "bonds and securities sold under repurchase agreements" that meet the definitions of cash and cash equivalents under IAS 7	10,256,716	9,294,168
E00200	Balance of cash and cash equivalent, end of period	$ 41,526,021	$ 42,625,095

The notes attached shall constitute an integral part of this consolidated financial statement.
(Refer to Auditor's Report presented by Deloitte & Touche dated March 16, 2020)

Chairman: Kuei-Hsien Wang Manager: Ming-Shang Chuang Accounting Supervisor: Kuo Hua Lin

Notes to consolidated financial statement

January 1 to December 31, 2019 and 2018

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

1. Company Profile
   (1) China Man-made Fiber Corporation (hereinafter referred to as the Company or CMFC) was founded on May 11, 1955 in accordance with the Company Act and other related regulations. The Company was approved to be traded on the TWSE on December 2, 1963. Over the years after several rounds of increase and decrease in cash capital, the paid-in capital as of December 31, 2019 is NT$16,213,672 thousand.
   (2) CMFC's main businesses are:
      1. Manufacturing, processing and buying and selling of man-made fiber, cellophane, polyamine fiber, polyester fiber, chemicals and the raw materials.
      2. Development, manufacturing and buying and selling of machinery used for the above products.
      3. Manufacturing and buying and selling of ethylene glycol, ethylene oxide, nonylphenol, ethylene, liquefied petroleum gas and the related petrochemical industry products.
      4. Lease and sale of national housing and commercial buildings constructed by commissioned contractors;
      5. Distribution, sorting and storage of various products.
      6. Management of supermarkets, trading of fresh foods, vegetables, fish, dried merchandise and various seasonings;
      7. Manufacturing and sales of steam and industrial and commercial electricity by cogeneration (electricity shall not be sold to energy users).
      8. Agency, distribution and contract bidding for installation of cogeneration and pollution control equipment.
      9. Manufacturing and sales of oxygen, liquid oxygen, nitrogen, liquid nitrogen, air argon, liquid argon, carbon dioxide and compressed air.
      10. Gas station.
   (3) The consolidated financial statements are presented in the Company's functional currency – New Taiwan Dollar.
2. Financial reporting date and procedures

   The Board of Directors approved the consolidated financial statements for publication on March 16, 2020.
3. Application of new and revised standards and interpretation
   (1) The Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRS, IAS, IFRIC and SIC (referred to as IFRSs) recognized by and declared effective by the Financial Supervisory Commission (FSC) applicable to the Company.

   Except the following description, major changes that will not impact the accounting policies of the consolidated company after the adoption of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRSs recognized by and declared effective by the FSC:

   IFRS 16 "Leases"

   The standards that IFRS 16 set out for accounting treatments for lease contracts identification of lessees and lessors will supersede IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and other interpretations. Refer to Note 4 for further information on accounting principles.

   Definition of lease

   The consolidated company only assesses the contracts signed (or changed) beyond January 1, 2019, to determine if they are (or included) lease on the basis of IFR S16, and does not reassess contracts determined as lease under IAS 17 and IFRIC 4, and treated these contracts in accordance with the transitional requirement of IFRS 16.

   The consolidated company is the lessee

All leases were recognized as tenancy right assets and leasehold liability except low value target of leases and short-term leases of which the expenses incurred were recognized under the straight-line method. The consolidated comprehensive income statement shall present the interest expenses incurred from the depreciations of the utilization of equity assets and leasehold liability under effective interest method. In the consolidated cash flow statement, the principal amount of the lease liability payment is classified as a financing activity and the interest payment is classified as an operating activity. Contracts classified as operation lease before the application of IFRS 16 was based on the straight-line method for recognition of expenses. Cash flows from operation lease were presented as operating activities in the consolidated statement of cash flows. Contracts classified as financing lease were recognized as leasehold assets and payable lease payment in the consolidated balance sheet.

The merged company has selected to retroactively apply the cumulative effects of IFRS 16 adjusted as of January 1, 2018 without reediting of comparative information.

As for the operating lease agreement handled pursuant to IAS 17, lease liabilities as of January 1, 2019 were measured based on residual lease payments discounted at the Lessee's incremental borrowing rate of interest on said date. The whole right-of-use asset was measured based on the lease liability amount on said date. The recognized right-of-use assets shall be subject to impairment assessment of IAS 36.

The following expedients shall also apply:

1. Apply a single discount rate for the measurement of specific leasehold combinations with reasonable similarity.
2. Lease to expire on or before December 31, 2019 will be treated as short-term lease.
3. The initial cost will not be included in the measurement of tenancy right assets on January 1, 2019.
4. Measuring leasehold liability, such as the determination of the term of leases, will be treated from hindsight.

Leases previously categorized as finance leases pursuant to IAS 17 were listed as right-of-use assets and lease liabilities in the carrying amounts for January 1, 2019 based on the lease asset and lease liability carrying amounts on December 31, 2018.

An incremental borrowing rate collar of 1.01%–5.96% applies to lease liabilities recognized on January 1, 2019 by the merged company. The difference between said lease liability amounts and future minimum lease payment amounts of non-cancellable operating leases as of December 31, 2018 are explained as follows:

Future minimum lease payment amounts of non-cancellable operating leases as of December 31, 2018	$ 523,578
Less: Applicable short-term lease exemption	(40,446)
Less: Low-value asset leases applying to exemption	(7,930)
Non-discounted total value on January 1, 2019	$ 475,202
Based on the present value upon discounting at incremental borrowing rate of interest on January 1, 2019	$ 446,048
Addition: Adjustment due to differences in handling of the lease extension and lease termination options	716,882
Lease liability balance on January 1, 2019	$ 1,162,930

The consolidated company is the lessor

In the transitional period, no adjustment of the lease of the Lessors while under IFRS 16 will be applicable from January 1, 2019.

Upon first-time adoption of IFRS 16, the adjustments to assets, liabilities and equities on January 1, 2019 are listed below:

	Balance on January, 1 2019 before adjustment	Adjustments arising from initial application	Balance on January, 1 2019 after adjustment
Other assets – prepaid lease payments – land use rights	$ 157,406	($ 157,406)	$ -
Right-of-use assets	-	1,320,336	1,320,336
	$ 157,406	$ 1,162,930	$ 1,320,336
Lease liabilities – current	$ -	$ 199,895	$ 199,895
Lease liabilities – noncurrent	-	963,035	963,035
	$ -	$ 1,162,930	$ 1,162,930

(2) The Applicable IFRS endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC") in 109

The new / amended / revised standards or interpretation	Effective Date per IASB
Amendment to "Definition of a business" in IFRS 3	01.01.20 (Note 1)
Interest Rate Benchmark Reform amendments in IFRS9, IAS39, and IFRS7	01.01.20 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	01.01.20 (Note 3)

Note 1: The amendment should be applied to the acquisition day in the reporting period for corporate mergers after January 1, 2020 and the acquisition of assets beyond that date.

Note 2: The amendments are applied, retrospectively, from January 1, 2020.

Note 3: This amendment is with prospective application for the annual reporting period starting after January 1, 2020.

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

No key definitions were revised in the context of these amendments which only provide more comprehensible explanations. Additional explanations provided for key definitions could possibly lead to the blurring of material information by material information. In addition, the materiality threshold "could influence users" in IAS1 has been changed to "could reasonably be expected to influence users" in the amended provisions.

Further to the aforementioned influence, the companies in the consolidated financial statements will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the companies in the consolidated financial statements to the date this parent company only financial statement approved and released, and will make appropriate disclosure after the evaluation.

(3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates".	Undefined
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	01.01.22

Note 1: Unless otherwise stated, the aforementioned new / revised / amended standards or interpretations become effective in the year after the respective date stated.

Further to the above effects, as of the release date of the consolidated financial report, the consolidated company continues to evaluate the impact on the financial position and performance from the abovementioned standards and interpretations, and the relevant impacts will be disclosed when the evaluation is completed.

4. Summary of important accounting policies

(1) Statement of Compliance

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs recognized by and declared effective by the FSC.

(2) Basis of Preparation

Except for the financial instruments on the basis of fair value and the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, this consolidated financial statement was compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

(3) Current and non-current assets and liabilities

Current assets including:

1. Assets held mainly for trading purpose;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. The liabilities to be liquidated upon due within 12 months after the balance sheet date (those with long-term refinancing or payment term rearrangement completed from the balance sheet date to the financial reports approved and published date are also classified as current liabilities), and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date. Where the liabilities might be paid off at the discretion of the other party through the tools of the issuance equity, the classification would remain unaffected.

However, CMFC is engaged in construction projects through Taichung Commercial Bank and Taichung Bank Leasing, and the business cycle is longer than one year. Therefore, the assets and liabilities related to the business adopt the business cycle as the standard to be classified as current or non-current.

(4) Basis of consolidation

This consolidated financial statement contains the information of the financial statements of the Company and its controlled entities (subsidiaries).

The consolidated income statement includes the results of a subsidiary up to the date of disposal.

The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the consolidated company.

The transactions, account balances, income, expenses and losses among subsidiaries are written-off at the time of consolidation.

The non-controlling interests of the subsidiaries are expressed separately from the interests of the owners of the Company.

The comprehensive income was proportioned to the non-controlling interest.

The total comprehensive incomes of the subsidiaries were non-controlling interest attributed to the Company's owners and the non-controlling interest, to become the balance of loss even as the non-controlling interest.

Changes in the ownership equity on a subsidiary

When the changes of interest of the subsidiaries' ownership by the Consolidated Company do not lead to the loss of control, it is disposed of as interest transactions. The book value of the Consolidated Company and non-controlling interest has been adjusted to reflect the changes of the relative interest of subsidiaries. The differential between the adjustment amount of non-controlling interest and the fair value of consideration received is directly recognized as interest and belongs to the owner of the Company.

When the consolidated company loses its control of the subsidiary, the profit or loss from the disposal is the difference between the following two items: (1) The fair value of the consideration received and the total remaining investment at fair value of the former subsidiary at the date of control loss, and (2) The assets (including goodwill) and liabilities and the total carrying amount of the non-controlling interest at the date of control loss of the former subsidiary. With respect to all amounts related to the subsidiary recognized by the consolidated company in other comprehensive profit loss, the accounting treatment is the same basis on which the consolidated company directly disposes of assets or liabilities.

The fair value of the remaining investment to a former subsidiary at the date of control loss is the amount of investment in an associate company and joint venture on initial recognition.

Please refer to Note 18 for the details, shareholding ratio, and business operation of the subsidiaries.

(5) Foreign currencies

When preparing the financial statements of each business entity of the consolidated company, the transactions in currencies other than the functional currency (the currency of the primary economic environment in which the entity operates) of the respective business entity (foreign currency) should be translated into the functional currency in accordance with the exchange rate on the transaction day.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. Non-monetary items carried at fair value should be reported at the rate that existed when the fair values were determined. The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Exchange differences arising when monetary items are settled or when monetary items are translated at different rates are reported in profit or loss in the period, with the following exceptions.

With respect to the monetary items receivable or payable of foreign operations, the settlement is currently neither planned for foreseeable in the future (thus forming part of the reporting entity's net investment in a foreign operation). The exchange differences originally are recognized as other comprehensive income, and the disposal of net investment is re-classified from equity to income.

The exchange difference arising from the non-monetary assets or liabilities (such as, equity instruments) in foreign currency measured at fair value that are translated in accordance with the spot exchange rate at the balance sheet date is booked as a profit or loss. However, the exchange difference arising from the changes in fair value recognized as other comprehensive profit or loss should be booked in the "Other comprehensive profit or loss."

When preparing the consolidated financial statements, the assets and liabilities of the consolidated company's foreign operations should be translated into New Taiwan dollars in accordance with the exchange rate on the balance sheet date. Except for the translations at the exchange rate on the transaction date during a period which has sharp fluctuations, the other income and loss are translated at the the average exchange rate for the current period. The resulting exchange differences are recognized as other comprehensive income and are attributed to the owner of the Company and non-controlling interest.

(6) Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

For underwritten bonds and securities that are sold under RP and RS agreements, recognize interest expense and interest income on the accrual basis between the purchase and sale dates and agreed RP and RS date; also, recognize RP (Debt) and bonds and securities sold under resell agreements between the sale and purchase dates.

(7) Inventories

Inventories include raw materials, supplies, work-in-progress, products contracted to be processed, finished goods and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. Inventory cost is determined by the weighted-average method.

The construction inventories were stated at the cost invested actually. The cost for available-for-sale housing and land was amortized based on weighted-average building coverage method, and stated at the lower of cost or net realizable value at the end of period.

(8) Investments in the affiliated company

The term "associate" as set forth herein denotes an enterprise, which has significant effect upon the Consolidated Company, but is not a subsidiary or a joint venture.

The Consolidated Company' adopts equity method for investment in associates. Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss by the consolidated company. Additionally, the change in the interests the Consolidated Company' holds in the associates was recognized *pro rata* to the shareholding percentages.

When associates issue new shares, if the Consolidated Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates under the equity method and investment under equity method. If the Consolidated Company' did not subscribe to the new shares *pro rata* to the shareholding percentages and led to a decrease of the shareholding percentages subscribed to or obtained from the associate, nevertheless, the amount of other comprehensive income so recognized was reclassified *pro rata* to the decrease ratio in the associate. The accounting management was on the grounds same as the grounds the associate must comply with if it directly disposed assets or liabilities. If the aforementioned adjustment must be debited into capital reserve where the balance of capital reserve yielded by the investment in equity method, the difference was debited as retained earnings.

In the event that the Consolidated Company''s shares of loss in the associates equal to or exceed its equity in the associates (including the book value of investment in the associates in equity method and other long-term interest of the Consolidated Company' in the investment composition of the associates), the Consolidated Company' discontinued recognition of the further losses. The Consolidated Company' recognized extra losses and liabilities only in the event of occurrence of legal obligations, presumed obligations or within the scope that the Consolidated Company' had made payment on behalf of the associate.

When assessing impairment, the consolidated company has the overall book value (including goodwill) of the investment deemed as a single asset when comparing the recoverable amount and the book amount in order to conduct impairment testing. The recognized impairment loss is an integral part of the book amount of the investment. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

Besides, all relevant amounts relevant to the associates recognized in other comprehensive income were managed on the accounting grounds same as the grounds which it should comply with if the associates directly disposed the relevant assets or liabilities.

The profit or loss resulting from the countercurrent, downstream and side-stream transactions between the consolidated company and the affiliated company is recognized in the consolidated financial statement within the range that is irrelevant to the consolidated company's interest in the affiliated company.

(9) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment losses afterwards.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Cost includes professional service fees and loan costs that qualify for capitalization. When such assets are

completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.
Proprietary land is not depreciated.
The depreciation of each material part of real estate, plants, and equipment should be appropriated independently in accordance with the useful year and a straight-line method. The Consolidated Company shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.
In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(10) Investment property

Investment property is the real property held for purpose of earning of rental income or appreciation or both. Investment property includes lands held at present without determination of future use.

Investment property is measured on the basis of initial cost (including transaction cost) and subsequent measurement shall be based on the subtraction of accumulated depreciations and accumulated impairment from cost.

The Consolidated Company has depreciation appropriated in accordance with the straight-line method

In removing investment property, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(11) Goodwill

Goodwill from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each cash-generating unit that benefits from the synergy of a business combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with allocated goodwill arisen from company combination in the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU, and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period. Subsequent reversal of impairment loss is not allowed.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss on disposal.

(12) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. de-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(13) Impairment of tangible and intangible assets (except for goodwill).

The consolidated company at each balance sheet date is to assess whether there is any indication of the impairment occurring to the tangible and intangible assets (except for goodwill). If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated company is to estimate the recoverable amount of the respective cash-generating unit. The common asset is amortized to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(14) Available-for-sale noncurrent assets

Noncurrent assets are classified as noncurrent assets held-for-sale if their carrying amount is mainly recovered through a sale rather than through usage. The non-current assets complying with the classification must be available for immediate sale in the current state and the probability of the sale must be highly likely. When the appropriate level of the management commits to sell the plan asset and the sale is expected to be completed within one year from the date of classification, the probability of the sale is highly likely.

The classified held-for-sale non-current asset is measured at book amount or fair value net of the selling cost whichever is lower and stop the appropriate depreciation for such assets.

(15) Financial instruments

When the consolidated company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial Assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting. A customary transaction refers to the purchase or sale of financial assets and the delivery period is within the period prescribed by the regulations or customary market practice.

(1) Classification of measurement

The financial assets held by the consolidated company are financial assets at fair value through income statements, financial assets on the basis of cost after amortization, investment of debt instruments at fair value through other comprehensive income statements, and equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profits or losses are financial assets that are mandatorily measured at fair value through profits or losses. Financial instruments designated at fair value through income statements included the investment of equity instruments not designated at fair value through other comprehensive income and those not conforming to the standard of debt instruments on the basis of cost after amortization or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss (FVTPL) are evaluated at fair value. Dividends or interest generated through remeasurement of gains or losses are recognized as other revenue. Profits or losses generated by remeasurement are recognized as other gains and losses. Please refer to Note 40 for the determination of fair value.

B. Financial assets on the basis of cost after amortization

If the financial assets of the consolidated company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents and accounts receivable on the basis of cost after amortization) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest income will be the product of effective interest rate and total book value of financial assets except under the following two conditions:

a. The interest income of financial assets procured or initiated under credit impairment will be the product of the effective interest rate after credit adjustment and the cost of financial assets after amortization.
b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

C. Debt instrument investments measured at fair value through other comprehensive income

if the investment of debt instruments by the consolidated company met both the two conditions below, classify as financial instruments at fair value through comprehensive income:

a. Financial assets held under the particular mode of operation and the purpose of holding being for collection of cash flow from contracts; and
b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Other investment of debt instruments at fair value through comprehensive income should be measured at fair value. Changes in the book value shall be recognized as income under the calculation of interest income under the effective interest rate method, and exchange gain and loss and impairment or reversal benefits shall be recognized as income. Other changes shall be recognized as other comprehensive income and reclassified as income at the disposition of investment.

D. Equity instrument investments measured at fair value through other comprehensive income

The consolidated company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the consolidated company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

(2) Impairment of financial assets

The consolidated company shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of anticipated credit loss (including accounts receivable), the investment of debt instruments at fair value through other comprehensive income, and loss from receivable rents and impairment of contract assets.

Discounts and loans, accounts receivable and receivable rents shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

Further to the aforementioned evaluation, refer to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" for information on loan assets, and consider the financial position of the borrowers and any overdue accounts in principal or interest payments. In addition, evaluate the collaterals pledged for the security of the debts and the possibility of recovery of loan assets. As per the aforementioned requirements, non-performing assets shall be classified as loss, doubtful, substandard, special mentioned and normal by the status of the collaterals and the duration of delinquency. Appropriation of 100%, 50%, 10%, 2% and 1 % of the balances of the aforementioned loans as provision for loss shall be necessary. The aforementioned provision for loss shall be recognized in accordance with Letter Jin-Guan-Yin-Fa-Zi. No. 10010006830, which accounted for approximately 1% of the total loans. The appropriation for provision of property for loss shall be made at a ratio not falling below 1.5% as stated in Letter Jin-Guan-Yin-Guo-Zi. No. 10300329440, and appropriated at the higher amount of the aforementioned evaluation result and the ratio.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

(3) The de-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

When financial assets measured at amortized cost are derecognized, the carrying amounts and collected considerations plus the difference between the sums of any cumulative gains or losses already recognized as other comprehensive income will be recognized as profit or loss. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

2. Equity instruments

The debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial Liabilities

(1) Subsequent measurement

All financial assets shall be measured under the effective interest rate method on the cost after amortization except under the following circumstances:

A. Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss includes held-for-sale.

Financial liabilities measured at fair value through profit or loss (FVTPL) are evaluated at fair value. Generated interest is recognized as financial costs. Other profits or losses generated by remeasurement are recognized as other gains and losses. Please refer to Note 40 for the determination of fair value.

B. Financial guarantee contract

The consolidated company issued financial guarantee contracts not at fair value through income statement with initial recognition to reflect provision for loss for anticipated credit impairment and the amount after amortization, whichever is higher.

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

4. Derivatives

The derivative instruments signed by the consolidated company include forward foreign exchange contracts, currency swap contracts, and convertible bond asset swap contracts that are used to manage the interest rate and exchange rate risk of the consolidated company.

Upon signing the contracts, derivatives are recognized at fair value initially and then subsequently measured at fair value on the balance sheet date. The profit or loss resulting from the subsequent measurement is directly booked under the profit or loss. Then, the timing of recognizing the designated and effective hedging derivatives depends on the nature of the hedging relationship. When the fair value of the derivatives is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

Derivatives embedded in the master contract of the assets within the scope of IFRS 9 shall be classified on the basis of the overall contracts of the financial assets. If the derivatives are not embedded in the master contract of the assets within the scope of IFRS 9 (such as embedded in financial liabilities master contracts), and the embedded derivatives meet the definition of derivatives and the risks and characteristics of which are not closely associated with the risks and characteristics of the master contract and the omnibus contracts are not measured at fair value through income statement, such derivatives shall be construed as a unitary derivative.

(16) Provision for liabilities

The recognized liability reserve amount is with the risk and uncertainty of the obligation considered, and it is the optimum estimate of the expenditure required to settle the obligations on the balance sheet date. Provision for liabilities shall be measured based on the discount value of the estimated cash flow for the settlement of obligation.

(17) Treasury stock

Treasury stock was stated at cost and shown as a deduction in shareholders¡¦ equity when the Company repurchased the stock, while it was stated at fair value if it was donation accepted by the Company.

The gains resulting from disposal of the treasury stock, if any, were higher than the book value, the difference thereof was stated under "capital surplus - treasury stock". If gains were lower than the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, should be debited to retained earnings.

When the Company retired treasury stock, the treasury stock was written off, and against the "capital surplus – stock premium" and "capital stock" on a pro rata basis. When the book value of the treasury stock exceeded the total of the "capital stock" and "capital surplus-capital stock premium", the difference was charged to capital surplus generated from the same class of treasury stock transactions and to retained earnings for any remaining amount. When the book value was lower than the total, the difference was credited to capital surplus arising from the same class of treasury stock transactions.

(18) Recognition of revenue

The consolidated company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

1. Sales of products

The revenue from product sales is recognized as revenue and accounts receivable by the consolidated company at the time when the customer have set the prices and the right-of-use and are responsible for the resales and bear the risks of obsolete products.

When the material is supplied for processing, the ownership of the processed product is not transferred; therefore, the income is not recognized when the material is supplied.

2. Interest revenue

The interest income generated from financial assets is recognized when the economic benefit is likely to flow to the consolidated company and the amount of income can be reliably measured. Dividend revenues are recognized by the outstanding capital by the passage of time and the applicable effective interest rate on a accrual basis.

For a single or a group of similar financial asset that is reduced due to impairment losses, the subsequently recognized interest income is calculated in accordance with the interest rate that is used for the discounting of future cash flow when measuring the impairment loss.

3. Labor service provided

Labor service income is recognized at the time the service is provided.

Revenues yielded by the labor services rendered in accordance with the contract were recognized based on the progress degrees set forth under the contract.

4. Service fees and commission income

With respect to fee income and expense on the provision of loans or other services, the consolidated company allocates the transaction price to each contract obligation when customers contracts recognize the obligation and then recognizes the income upon fulfilling each performance obligation. Contracts of which the time interval between the services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

5. Dividend income

Dividend income from investments is recognized when the shareholders' right to receive payment is established; however, it is under the preconditions that the economic benefits associated with the transaction system are likely to flow into the consolidated company and the amount of revenues can be measured reliably.

(19) Leasing

2019

The Consolidated Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

1. The consolidated company is the lessor

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

Lease payments associated with finance leases include fixed payments, in-substance fixed lease payments, and variable lease payments determined by indices or rates, guaranteed residual value, exercise price of purchase options exercised with reasonable assurance, lease termination penalties reflected in the lease period, deducted payable lease incentives. Net investment in a lease is measured based on the sum of the present values of receivable lease payments and unguaranteed residual value plus initial direct costs and shall be expressed as finance lease receivables. Financial revenue is amortized into each accounting period to reflect the consolidated company's fixed rate of return available for each respective period from the outstanding net lease investment.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods. Initial direct costs generated in the acquisition of operating leases are added to the underlying asset carrying amount and recognized as expenses on a straight-line basis in lease periods.

2. The consolidated company is the lessee

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liability. Right-of-use assets are separately presented on the Consolidated Balance Sheet.

The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

Lease liabilities are measured initially based on the present value of lease payments (incl. fixed payments, in-substance fixed lease payments, and variable lease payments determined by indices or rates). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortised cost using effective interest method and the interest expenses are amortized over the lease term. If changes in indices or rates utilized to determine lease payments lead to changes in future lease payments, the merged company should remeasure lease liabilities and adjust right-of-use assets correspondingly. However, if right-of-use asset carrying amounts have already dropped to zero, remaining remeasurement amounts are recognized as profit or loss. Lease liabilities are separately presented on the Consolidated Balance Sheet.

Changes in rent as stipulated in lease agreements not determined by indices or rates are recognized as expenses in the current period.

2018

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

1. The consolidated company is the lessor

Under a financial lease, the amount to be collected from the lessee is recognized as lease receivables in accordance with the net lease investment of the consolidated company. Financial revenue is amortized into each accounting period to reflect the consolidated company's fixed rate of return available for each respective period from the outstanding net lease investment.

The rental interest in the operational leasehold was recognized as profit within the duration of the relevant leasehold on the straight-line basis.

2. The consolidated company is the lessee

The financing leasehold was entered into account at the total amount of the current values of the lowest rental payments of various leasehold terms or fair value of the leasehold assets upon the starting date of leasehold, whichever is the lower. The rental liabilities payable were recognized simultaneously.

The implicit interest of the lease payment in each period is recognized as a financial expense for the current period. It can be capitalized if it can be directly classified into an asset that satisfies certain criteria.

Operating leases payments are recognized as expenses on the linear basis during the lease term.

(20) Borrowing cost

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(21) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

The retirement benefit for the retirement plan is determined by the amount of the pension that should be paid during the period in which the employee provides the service, and is recognized as expenses for that period.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interest arising from the cost of services (including current service costs and net defined benefit liabilities) is recognized as an employee benefits expense when incurred. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

3. Employees preferential deposit benefit

The companies of the consolidated financial statements provide preferred deposit for the employees, including the offering of fixed amount preferred deposit at special rate for the employees currently in employment and for the payment to the retired employees and current employees at their retirement. The difference between the interest rate for the aforementioned preferred deposits and market rate shall fall within the scope of employee welfare.

According to the “Regulations Governing the Preparation of Financial Reports by Public Banks”, the interest from the preferred deposit for employees prearranged after retirement in excess of the interest under regular market rate shall be subject to actuarial calculation at the time of the retirement of the employees pursuant to IAS 19, “Employee Benefits” as recognized by FSC. However, the parameters for the assumptions in the actuarial calculation may be regulated by the competent authority, comply accordingly, if applicable.

4. Other long-term employee benefits

The accounting of long-term employee benefit and benefit after retirement is the same but related value under reevaluation shall be recognized as income.

(22) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of deductable temporary differences and tax loss carryforwards.

The taxable temporary differences related to the investment in the equities of the subsidiaries, affiliates, and joint ventures are recognized as deferred income tax liabilities, except for those that the Consolidated Company can control the timing of reversing the temporary difference and the temporary difference is unlikely reversible in the foreseeable future. The deferred income tax asset arising from deductible temporary differences associated with such investment and equity is recognized as deferred income tax assets within the range of earnings that are with sufficient taxable income to realize temporary differences and are expected to be reversed in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current & deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity. If the current income tax or deferred income tax is resulting from a business consolidation, the income tax effect is included in the accounting process for consolidated company.

5. <u>Major sources leading to major accounting judgments and uncertainties in estimate</u>

When the accounting policies stated in Note IV adopted by the consolidated company, for the information that is hard to collect from other sources, the management should have the relevant judgments, estimates, and assumptions made in accordance with the historical experience and other relevant factors. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If the correction of estimates affects only the current period, it is recognized upon amendment. If the amended estimate affects both current and future periods, it is recognized in the current and future periods.

Significant accounting judgments

Business model judgment for financial asset classification

The consolidated company assessed the mode of operation of the financial assets on the basis of the common management platform of a group of financial assets in order to achieve the designated business objective. All relevant evidence shall be considered in the evaluation, including the method for the measurement of asset performance, the risks affecting performance, and the method for determining remuneration to related managers, with the use of sound judgment. The consolidated company shall continue to evaluate whether the judgment of the mode of operation is appropriate, and based on this it shall keep track of financial assets on the basis of cost after amortization before maturity for removal and the investment of debt instruments at fair value through other comprehensive income so as to understand whether the evaluation of the disposition of assets is congruent with the business objective. If the operation was found to be in deviation from the course to the objective, the consolidated company shall postpone the classification of the acquisition of assets after adjustment.

Estimates and assumptions with regard to the main source of uncertainty

(1) Estimated impairment of financial assets

Estimated impairment of loans, discounts, bills purchased, receivables, debt instrument investments, and financial guarantee contracts is based on assumptions by the merged company with regard to default rate and expected loss ratio. Taking into account the consolidated company’s past experience, current market situation and future prediction, the consolidated company shall prepare a pro forma report and select appropriate inputs for impairment. For adopted key assumptions and entered values please refer to Note 40 and 41. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

(2) Real estate, plant and equipment, and investment-based real estate's residual cycle

As stated in Note 4 (10) and (11), the consolidated company reviews the estimated useful life of the property, plant and equipment and investment property on each balance sheet date. Please refer to Note 20 and 22 for the useful lives of the property, plant and equipment and investment property.

6. Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 4,556,792	$ 4,333,984
Bank deposits	3,181,118	2,968,670
Notes and checks for clearing	1,007,649	5,715,928
Due to Central Bank and other banks	5,798,664	5,828,080
	$ 14,544,223	$ 18,846,662

(1) With regard to the aforementioned cash and cash equivalent balances, it has been determined based on past experience and foresight that no loss allowances are appropriated for expected credit losses over 12 months as of December 31, 2018 and 2019.

(2) For cash and cash equivalent balances on the Consolidated Statement of Cash Flows and relevant items on the consolidated balance sheet as of 2019 and December 31, 2018, please refer to the Consolidated Statement of Cash Flows.

(3) The amounts of certificate of deposit at other banks from the consolidated company used as the operation bond of Taichung Commercial Bank Securities Brokerage as of December 31, 2019 and 2018 are both NT$200,000 thousand, and they are trasnferred to the refundable deposit, as described in Note 24.

7. Due from Central Bank and lend to Banks

	December 31, 2019	December 31, 2018
Reserve for deposits		
Reserve for deposits – checking account	$ 14,879,013	$ 12,624,827
Reserve for deposits – demand account	16,997,138	17,001,032
Financial Information Service Co., Ltd. – liquidated account	1,512,809	1,798,018
Reserve for deposits in foreign currency	60,000	61,420
Call loans to banks	368,014	223,600
Reserve for trust funds compensation	60,000	60,000
	$ 33,876,974	$ 31,768,897

(1) With regard to the aforementioned Due from the Central Bank & Call Loans to Banks, it has been determined based on past experience and foresight that no loss allowances are appropriated for expected credit losses over 12 months as of 2019 and December 31, 2018.

(2) The deposit reserve is the average balance of various deposits that are required to be deposited as reserve by Taichung Commercial Bank on a monthly basis, and it is deposited to the reserve account at the Central Bank in accordance with the required deposit reserve ratio. The demand account reserve can be used only for the monthly adjustment of the deposit reserve.

(3) The Reserve for trust funds compensation by Government bonds on the basis of cost after amortization on December 31, 2019 is stated at the par value of NTD 60,000 thousand. Please refer to Note 37 for details.

8. Financial instrument at fair value through profit and loss

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit and loss		
Commercial papers	$ 20,074,138	$ 22,044,240
Shares traded on the Taiwan Stock Exchange or OTC exchange	914,420	1,629,612
Shares traded on foreign exchange or OTC exchange	98,199	65,560
PEM Group Insurance policy assets	1,029,839	998,147
Beneficiary certificate	801,720	524,766
Corporate bond	89,816	57,899
Assets swap agreement	1,812,530	1,911,673
Foreign exchange contracts	71,394	29,105
Forward contract	82,809	49,726
FX options contracts	$ 125,545	$ 98,176
NDF	4,802	-
Interest rate derivatives	-	11
	$ 25,105,212	$ 27,408,915
Financial liabilities at fair value through profit and loss		
Foreign exchange contracts	$ 88,092	$ 55,386
Forward contract	27,168	30,977
FX options contracts	113,590	78,986
NDF	4,953	-
Interest rate derivatives	-	11
	$ 233,803	$ 165,360

(1) The consolidated company financial derivative contract related to a foreign exchange rate is a non-trading operation performed for the purpose of providing customers with a hedging tool for the foreign exchange position generated from import/export and foreign exchange and hedging the risk from business and meeting the need for foreign exchange funds.

(2) The foreign exchange contracts which have not yet matured before December 31, 2019 and 2018 are specified as follows:

December 31, 2019			December 31, 2018		
Contract Amount (NT$ thousand)		Date of maturity	Contract Amount (NT$ thousand)		Date of maturity
Sold	CNY310,034	2020/01/13-2020/09/18	Sold	CNY 121,693	2019/01/11-2019/11/13
	HKD223,175	2020/05/26-2020/06/12		HKD 162,378	2019/01/22-2019/03/05
	USD 20,152	2020/01/03-2020/12/10		EUR 3,000	2019/01/09
	GBP 4,500	2020/01/06		USD 42,219	2019/01/07-2019/12/04
	EUR 4,600	2020/01/06		JPY 3,671,053	2019/01/04-2019/01/07
	NZD 3,000	2020/01/03	Bought	CNY 28,799	2019/01/28-2019/12/04
	ZAR206,055	2020/01/10-2020/03/10		NZD 7,000	2019/01/11
	TWD335,433	2020/03/06-2020/09/11		ZAR 316,333	2019/01/11-2019/01/22
Bought	CNY 30,388	2020/02/11-2020/12/10		AUD 15,000	2019/01/07-2019/01/22
	NZD 7,500	2020/01/03		GBP 13,500	2019/01/04-2019/01/07
	ZAR174,963	2020/01/03-2020/03/10		USD 58,134	2019/01/04-2019/11/13
	AUD 8,445	2020/01/06			
	CAD 3,376	2020/01/06-2020/05/26			
	USD 96,741	2020/01/03-2020/09/18			
	JPY 486,180	2020/01/06			

(3) The foreign exchange contracts which have not yet matured before December 31, 2019 and 2018 are specified as follows:

	Currency	Date of maturity	Contract Amount (NT$ thousand)
December 31, 2019			
Forward exchange sold	USD translated into NTD	2020/01/02-2020/12/09	USD52,017/NTD1,587,474
Forward exchange sold	EUR translated into NTD	2020/01/03-2020/03/27	EUR1,840/NTD62,316
Forward exchange sold	RMB translated into NTD	2020/02/10-2020/12/24	CNY5,370/NTD23,208
Forward exchange sold	JPY translated into NTD	2020/01/09-2020/11/19	JPY198,000/NTD55,703
Forward exchange sold	AUD translated into NTD	2020/04/23-2020/09/30	AUD1,550/NTD32,371
Forward exchange sold	HKD translated into NTD	2020/02/14-2020/04/01	HKD2,731/NTD10,603
Forward contract bought	NTD translated into USD	2020/01/17-2020/06/11	NTD422,335/USD14,000
Forward contract bought	JPY to GBP	2020/01/15-2020/02/27	JPY829,400/GBP6,000
Forward contract bought	USD translated into RMB	2020/01/10-2020/04/14	USD29,850/CNY208,618
Forward contract bought	USD translated into EUR	2020/01/16-2020/07/02	USD13,386/ EUR12,000
Forward contract bought	USD translated into GBP	2020/02/18-2020/07/02	USD11,786/GBP9,200
Forward contract bought	USD translated into NZD	2020/03/06	USD1,302/NZD2,000
Forward contract bought	RMB translated into USD	2020/01/10-2020/12/10	CNY55,696/USD7,904
Forward contract bought	EUR translated into USD	2020/01/17	EUR1,000/USD1,145
Forward contract bought	GBP translated into USD	2020/01/13-2020/03/27	GBP7,500/USD9,902
Forward contract bought	JPY translated into USD	2020/01/07-2020/04/17	JPY2,277,230/USD21,000
Forward contract bought	EUR translated into JPY	2020/03/09	EUR600/JPY72,444
Forward contract bought	USD translated into ZAR	2020/02/14-2020/03/19	USD9,000/ZAR133,478
Forward contract bought	USD translated into AUD	2020/03/30-2020/06/12	USD3,474/AUD5,000
December 31, 2018			
Forward exchange sold	USD translated into NTD	2019/01/02-2019/11/08	USD53,603/NTD1,620,267
Forward exchange sold	EUR translated into NTD	2019/02/12-2019/10/30	EUR3,215/NTD113,526
Forward exchange sold	RMB translated into NTD	2019/01/24	CNY1,000/NTD4,428
Forward exchange sold	JPY translated into NTD	2019/03/05-2019/12/04	JPY211,000/NTD57,484
Forward contract bought	NTD translated into USD	2019/02/15	NTD57,030/USD2,000
Forward contract bought	EUR translated into USD	2019/01/12-2019/06/21	EUR17,700/USD20,771
Forward contract bought	GBP translated into USD	2019/01/15-2019/05/17	GBP11,700 /USD15,167
Forward contract bought	JPY translated into USD	2019/01/23-2019/01/28	JPY441,740/USD4,000
Forward contract bought	RMB translated into USD	2019/01/09-2019/12/25	CNY88,843/USD12,982
Forward contract bought	USD translated into EUR	2019/02/21-2019/06/24	USD22,660/EUR19,600
Forward contract bought	USD translated into GBP	2019/03/12-2019/05/07	USD2,413/GBP1,900
Forward contract bought	Pound Sterling to Japanese Yen	2019/02/15-2019/03/22	GBP7,600/JPY1,097,730
Forward contract bought	USD translated into JPY	2019/03/20-2019/06/28	USD17,000 /JPY1,880,498
Forward contract bought	EUR translated into JPY	2019/06/25	EUR1,000/JPY125,910

(4) By 2019 and December 31, 2018, outstanding asset swap contract amounts of the merged company equaled NT$ 1,811,600 thousand and NT$ 1,911,400 thousand, respectively with an interest rate collar of 0.90%–1.35%

(5) By 2019 and December 31, 2018, outstanding foreign exchange option contract amounts equaled NT$ 12,375,872 thousand (US$ 412,529 thousand) and NT$ 6,617,168 thousand (US$ 215,473 thousand).

(6) By December 31, 2018, the outstanding interest-rate linked structured product contract amount equaled NT$ 14,889 thousand with an interest rate collar of 6.50%. By December 31, 2019, all interest-rate linked structured product contracts undertaken by the merged company had reached maturity.

9. Bonds and securities sold under repurchase agreements

As of December 31, 2019 and 2018, the consolidated company's repurchase of coupons and bonds amounted NT$10,256,716 thousand and NT$9,294,168 thousand, with the interest rate range of 0.54% to 0.56% and 0.35% to 0.65%, and the re-sell amounts after the contract were NT$10,258,145 thousand and NT$9,295,812 thousand, respectively.

10. Notes receivable, accounts receivable and other receivables

	December 31, 2019	December 31, 2018
Notes receivable		
Notes receivable - Taichung Commercial Bank	$ 4,586,001	$ 3,801,182
Notes receivable	100,471	218,167
Less: Unrealized gain on interest	(198,902)	(172,847)
Less: Loss allowance - Taichung Commercial Bank	(55,774)	(37,602)
	$ 4,431,796	$ 3,808,900

Please refer to Note 37 for the status on notes receivable as short-term loan guarantee.

	December 31, 2019	December 31, 2018
Accounts receivable		
Accounts receivable	$ 2,453,033	$ 3,269,068
Accounts receivable - Taichung Commercial Bank	785,636	748,384
Rent receivables	3,358,947	2,645,781
Interest receivable - Banking industry	1,216,731	1,317,322
Receivable transfers	756,458	1,286,128
Receivable factoring	649,997	133,277
Less: Unrealized gain on interest	(459,883)	(333,290)
Less: Loss allowance	(234,602)	(239,423)
Less: Loss allowance - Taichung Commercial Bank	(109,180)	(112,689)
	$ 8,417,137	$ 8,714,558
Other receivables		
Receivable spot exchange settlement payment	$ 870,200	$ 1,909,476
Acceptances receivable	505,650	836,196
Receivable proceeds for delivery of securities	686,758	475,828

	December 31, 2019	December 31, 2018
Other receivables		
Receivable proceeds for sale of securities	$ -	$ 119,576
Others	453,044	378,779
	2,515,652	3,719,855
Less: Loss allowance	(1,932)	(1,932)
Less: Loss allowance - Taichung Commercial Bank	(129,343)	(147,554)
	$ 2,384,377	$ 3,570,369

(1) Accounts receivable

The average credit period for the consolidated company's sales of goods is 30 to 90 days, and the accounts receivable are not interest-bearing. The unpaid balance 30 days over the credit period will incur an interest at 3% annual interest rate. The consolidated company only conducts transactions with the parties which have passed the internal credit check, and if necessary, shipment may be stopped and guarantee notes may be needed to mitigate the potential risk of financial losses caused by default. The consolidated company will use other publicly available financial information and historical transaction records to rate major customers. The consolidated company continuously monitors the credit risk exposure and the credit rating of the counterparty, and the total transaction amount is distributed to various customers with qualifying credit ratings. Every year, the management reviews and approves, based on their level of authorization, the credit limit of counterparties to manage the credit risk exposure.

In order to mitigate credit risk, the management of the consolidated company assigns dedicated personnel responsible for the decision on credit line, credit approval and other monitoring procedures to ensure that the overdue receivables are recovered and appropriate actions are taken. In addition, the consolidated company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the consolidated company's credit risk is significantly reduced.

Except for Taichung Commercial Bank and its subsidiary, the consolidated company adopts the simplified approach of the IFRS 9 to recognize the loss allowance of receivables based on the expected credit loss of the duration. The full-lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. Due to the historical experience of credit losses of the consolidated companies, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of receivables.

If there is evidence that the counterparty is facing serious financial difficulties and the consolidated company cannot reasonably expect the recoverable amount back, the consolidated company will directly write off the relevant accounts receivable, but will continue its recourses, and the amount recovered will be recognized in profit or loss.

The consolidated company (excluding Taichung Commercial Bank and its subsidiary) measures the notes receivable and the loss allowance of accounts in accordance with the provision matrix:

December 31, 2019

	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue 61 to 120 days	Overdue over 120 days	Total
Expected credit loss rate	0%~5%	13%~17%	50%~75%	75%~100%	100%	-
Total Book Value	$ 1,926,882	$ 476,222	$ 139,877	$ -	$ 10,523	$ 2,553,504
Allowance for loss (expected credit loss of the given duration)	(73,931)	(78,245)	(71,903)	-	(10,523)	(234,602)
Cost after amortization	$ 1,852,951	$ 397,977	$ 67,974	$ -	$ -	$ 2,318,902

December 31, 2018

	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue 61 to 120 days	Overdue over 120 days	Total
Expected credit loss rate	0%~5%	13%~17%	65%~75%	75%~100%	100%	-
Total Book Value	$2,589,952	$ 804,132	$ 82,066	$ 154	$ 10,931	$3,487,235
Allowance for loss (expected credit loss of the given duration)	(71,475)	(103,445)	(53,418)	(154)	(10,931)	(239,423)
Cost after amortization	$2,518,477	$ 700,687	$ 28,648	$ -	$ -	$3,247,812

Loss allowance of receivables as follows:

	2019	2018
Balance - beginning	$ 546,536	$ 612,978
Add: Recover the bad debts that have been written off	16,492	15,872
Add: Impairment loss appropriated in current period	121,546	32,890
Less: Actual write-off amount in the current period	(196,126)	(43,353)
Less: Reversal of impairment lossin current period	(4,412)	-
Reclassification	56,624	-
Foreign currency translation differences	(4,465)	(71,851)
Balance - ending	$ 536,195	$ 546,536

The loss allowance of the above-mentioned receivables include notes receivable, accounts receivable, other receivables and the loss allowance from non-loans transferred to collection.

(2) Changes in carrying amount of accounts receivable of Taichung Commercial Bank and its subsidiary:
2019

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Total
Balance as of January 1, 2019	$ 59,094,832	$ 226,460	$ 314,656	$ 59,635,948
Converted as anticipated credit loss within the perpetuity of the financial assets	(477,280)	483,005	(5,725)	-
Converted as financial assets with credit impairment	(73,185)	(35,874)	109,059	-
Converted as anticipated credit loss in 12 months	22,944	(9,661)	(13,283)	-
Initiated or procured receivables	11,259,104	6,425	133,797	11,399,326
Write-off bad debts	-	(20,242)	(175,884)	(196,126)
de-recognition	(6,473,610)	(95,016)	(71,408)	(6,640,033)
Foreign exchange settlement and other changes	(448,640)	2,220	23,859	(422,561)
Balance - ending	$ 62,904,165	$ 557,317	$ 315,071	$ 63,776,553

2018

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Total
Balance as of January 1, 2019	$ 59,913,373	$ 429,594	$ 302,897	$ 60,645,864
Converted as anticipated credit loss within the perpetuity of the financial assets	(68,200)	68,250	(50)	-
Converted as financial assets with credit impairment	(92,358)	(22,337)	114,695	-
Converted as anticipated credit loss in 12 months	30,898	(30,556)	(342)	-
Initiated or procured receivables	7,277,784	12,086	74,539	7,364,409
Write-off bad debts	(2,866)	-	(112,012)	(114,878)
de-recognition	(8,817,972)	(235,487)	(102,244)	(9,155,703)
Other changes	854,173	4,910	37,173	896,256
Balance - ending	$ 59,094,832	$ 226,460	$ 314,656	$ 59,635,948

The above-mentioned receivables include interbank deposits, the Central Bank deposits and interbank lending, bills and bonds purchased under resale agreements, notes receivable, credit card receivables, factoring, interest receivable, acceptance receivable, lease receivable, receivable from securities sold, receivable from securities delivered, other receivables, non-loans transferred to collection and refundable deposit.

(3) Statement of Changes in Loss Allowance for Accounts Receivable of Taichung Bank and its subsidiaries:

2019

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 87,567	$ 5,695	$ 151,315	$ 244,577	$ 57,500	$302,077
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	($ 6,905)	$ 7,332	($ 427)	$ -	$ -	$ -
Converted as financial assets with credit impairment	(641)	(819)	1,460	-	-	-
Converted as anticipated credit loss in 12 months	6,542	(1,335)	(5,207)	-	-	-
Financial assets removed in current period	(71,437)	(2,039)	2,892	(70,584)	-	(70,584)
Procured or initiated new financial assets	84,315	776	80,009	165,100	-	165,100
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	8,507	8,507
Write-off bad debts	-	(20,242)	(117,213)	(137,455)	(58,671)	(196,126)
Recovered amount after write-off bad debts	-	-	-	-	16,492	16,492
Foreign exchange settlement and other changes	(3,561)	22,257	52,395	71,091	-	71,091
Balance - ending	$ 95,880	$ 11,625	$ 165,224	$ 272,729	$ 23,828	$296,557

2018

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 106,947	$ 51,093	$ 162,048	$ 320,088	$ 46,904	$366,992
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	(966)	985	(19)	-	-	-
Converted as financial assets with credit impairment	(1,001)	(1,356)	2,357	-	-	-
Converted as anticipated credit loss in 12 months	3,508	(3,228)	(280)		-	-
Financial assets removed in current period	(85,315)	(45,073)	(5,558)	(135,946)	-	(135,946)
Procured or initiated new financial assets	70,292	1,416	5,662	77,370	-	77,370
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	55,612	55,612
Write-off bad debts	(2,866)	-	(49,769)	(52,635)	(62,243)	(114,878)
Recovered amount after write-off bad debts	-	-	-	-	17,227	17,227
Foreign exchange settlement and other changes	(3,032)	1,858	36,874	35,700	-	35,700
Balance - ending	$ 87,567	$ 5,695	$ 151,315	$ 244,577	$ 57,500	$302,077

Allowance loss for above-mentioned receivables includes allowance for bad debts for delinquent loans other than loans transferred from loans. Please refer to Note 24 for details.

11. Inventory

	December 31, 2019	December 31, 2018
Merchandise	$ 416,548	$ 1,143,707
Finished goods	742,021	838,475
Work in process	92,277	148,893
Raw materials	214,869	483,756
Supplies	75,769	74,203
	$ 1,541,484	$ 2,689,034

(1) The inventories of finished goods included the finished goods, by-products, supplies in transit and commissioned processed goods produced by the Consolidated Company, primarily the finished goods produced by Kaohsiung petrifaction plant, ethylene glycol, and the finished goods of the polyester plant, polyester silk, et al.

(2) The consolidated company's cost of goods sold related to inventory in 2019 and 2018 were NT$18,600,578 thousand and NT$22,612,538 thousand, respectively. Cost of goods sold include inventory losses (revaluation gains) of NT$(104,091) thousand and NT$4,520 thousand, respectively, and the loss from work stoppage were NT$660,388 thousand and NT$382,898 thousand, respectively.

(3) By 2019 and December 31, 2018, allowance to reduce inventory to market amounted to NT$ 360,125 thousand and 486,647 thousand, respectively.

12. Prepayments

	December 31, 2019	December 31, 2018
Pre-paid expenses	$ 760,261	$ 729,629
Pre-paid material purchases	87,029	95,534
Tax credit	111,101	206,574
	$ 958,391	$ 1,031,737

13. Available-for-sale noncurrent assets

	December 31, 2019	December 31, 2018
Land for sale	$ 769,610	$ 769,610

(1) China Man-Made Fiber Corporation has approved a land sale plan as per board resolution in 2018 and is currently actively searching for buyers. The land in question has therefore been reclassified as a non-current asset held for sale. When China Man-Made Fiber Corporation committed to the land sale plan, it already reasonably anticipated that actions by other parties regarding added transfer conditions and response to said conditions can only be initiated upon acquisition of a firm purchase commitment. However, it is likely that such a firm purchase commitment can be acquired within the upcoming year. Said land is therefore still classified as a non-current asset held for sale.

(2) Upon remeasurement of the carrying amount and fair value less costs to sell of the disposal group held for sale, it has been determined that no impairment loss is present.

(3) For the available-for-sale noncurrent assets furnished as the security for mortgage, please see Note 37.

14. Other current assets

	December 31, 2019	December 31, 2018
Restricted assets – bank deposits	$ 543,795	$ 606,217
Others	19,336	11,532
	$ 563,131	$ 617,749

Restricted current assets are earmarked for Customs Office clearance procedures and pledged collateral for short-term loans – please refer to Note 37.

15. Discounting and advances - Net

	December 31, 2019	December 31, 2018
Bills negotiated and discounts	$ 393,291	$ 475,822
Overdraft	1,404	1,061
Secured overdraft	38,166	10,031
Accounts receivable financing	51,595	80,862
Securities receivable financing	929,368	866,372
Short-term loan	39,586,875	43,046,052
Short-term secured loans	100,653,393	103,198,900
Mid-term loans	49,151,361	49,659,266
Mid-term secured loans	103,127,599	109,958,945
Long-term loans	5,210,470	4,499,987
Long-term secured loans	141,838,997	145,623,202
Delinquent Accounts	963,045	1,662,082
	441,945,564	459,082,582
Add: Adjustment of premium/discount	26,487	44,071
Less: allowance for bad debt	(6,573,717)	(6,532,101)
	$ 435,398,334	$ 452,594,552

(1) As of December 31, 2019 and 2018, the balance of loans and other credits with frozen interest rates at Taichung Commercial Bank were NT$949,601 thousand and NT$1,640,185 thousand, respectively. The interest receivables not recorded were NT$22,534 thousand and NT$34,228 thousand, respectively.

(2) In 2019 and 2018, Taichung Commercial Bank did not have the cases of translation of creditor's rights without prosecution.

(3) The changes in the total book value of discounting and advances of Taichung Commercial Bank and its subsidiary are shown as follows:

2019

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Total
Balance as of January 1, 2019	$435,868,501	$ 15,341,731	$ 7,916,421	$459,126,653
Converted as anticipated credit loss within the perpetuity of the financial assets	(7,768,850)	7,849,116	(80,266)	-
Converted as financial assets with credit impairment	(3,018,334)	(1,694,994)	4,713,328	-
Converted as anticipated credit loss in 12 months	2,487,600	(2,417,603)	(69,997)	-
Initiated or procured discount and loans	217,508,394	2,752,410	593,167	220,853,971
Write-off bad debts	(41,246)	(366,663)	(927,477)	(1,335,386)
de-recognition	(210,078,061)	(4,281,192)	(2,954,801)	(217,314,054)
Foreign exchange settlement and other changes	(19,414,260)	(308,940)	364,067	(19,359,133)
Balance - ending	$415,543,744	$ 16,873,865	$ 9,554,442	$441,972,051

2018

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Total
Balance as of January 1, 2019	$402,804,819	$ 32,188,249	$ 2,209,702	$437,202,770
Converted as anticipated credit loss within the perpetuity of the financial assets	(7,160,622)	7,163,352	(2,730)	-
Converted as financial assets with credit impairment	(1,835,301)	(4,787,508)	6,622,809	-
Converted as anticipated credit loss in 12 months	7,142,086	(7,141,465)	(621)	-
Initiated or procured discount and loans	251,247,141	3,555,867	1,327,498	256,130,506
Write-off bad debts	(20,366)	(306,169)	(707,249)	(1,033,784)
de-recognition	(195,580,567)	(14,245,972)	(875,437)	(210,701,976)
Other changes	(20,728,689)	(1,084,623)	(657,551)	(22,470,863)
Balance - ending	$435,868,501	$ 15,341,731	$ 7,916,421	$459,126,653

(4) Changes in allowance loss of 2018 discounting and advances of Taichung Commercial Bank and its subsidiary:

2019

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 1,768,334	$ 661,840	$ 2,035,208	$ 4,465,382	$ 2,066,719	$ 6,532,101
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	(20,881)	31,563	(10,682)	-	-	-
Converted as financial assets with credit impairment	(8,619)	(99,038)	107,657	-	-	-
Converted as anticipated credit loss in 12 months	133,519	(128,814)	(4,705)	-	-	-
Financial assets removed in current period	(1,053,833)	(155,288)	(632,674)	(1,841,795)	-	(1,841,795)
Procured or initiated new financial assets	1,127,791	112,374	192,290	1,432,455	-	1,432,455
Impairment difference recognized in accordance with the "Regulations	$ -	$ -	$ -	$ -	($ 559,801)	($ 559,801)

Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”						
Write-off bad debts	(118)	(50,704)	(370,099)	(420,921)	(914,465)	(1,335,386)
Recovered amount after write-off bad debts	-	-	-	-	884,025	884,025
Foreign exchange settlement and other changes	(169,565)	480,421	1,151,262	1,462,118	-	1,462,118
Balance - ending	$ 1,776,628	$ 852,354	$ 2,468,257	$ 5,097,239	$ 1,476,478	$ 6,573,717

2018

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance as of January 1, 2019	$ 1,644,957	$ 2,624,516	$ 490,440	$ 4,759,913	$ 1,584,897	$ 6,344,810
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	(15,810)	16,855	(1,045)	-	-	-
Converted as financial assets with credit impairment	(6,279)	(442,489)	448,768	-	-	-
Converted as anticipated credit loss in 12 months	376,160	(376,096)	(64)	-	-	-
Financial assets removed in current period	(1,035,356)	(1,590,753)	(172,658)	(2,798,767)	-	(2,798,767)
Procured or initiated new financial assets	1,277,528	200,940	421,442	1,899,910	-	1,899,910
Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	550,859	550,859
Write-off bad debts	(3)	(15,876)	(242,177)	(258,056)	(775,728)	(1,033,784)
Recovered amount after write-off bad debts	-	-	-	-	706,691	706,691
Foreign exchange settlement and other changes	(472,863)	244,743	1,090,502	862,382	-	862,382
Balance - ending	$ 1,768,334	$ 661,840	$ 2,035,208	$ 4,465,382	$ 2,066,719	$ 6,532,101

16. Financial assets at fair value through other comprehensive profit or loss

	December 31, 2019	December 31, 2018
Equity instrument investments measured at fair value through other comprehensive income		
Equity investment	$ 4,696,243	$ 3,521,896
Debt instrument	30,000,344	27,492,194
	$ 34,696,587	$ 31,014,090

(1) Equity instrument investments measured at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Domestic publicly listed, OTC and Emerging Stock Board companies	$ 3,319,533	$ 2,412,780
Non listed (OTC) domestic stock	1,085,654	905,465
Overseas listed, OTC and non-listed companies	291,056	203,651
	$ 4,696,243	$ 3,521,896

1. The consolidated company invested in the aforementioned common shares of companies in line with its long-term investment strategic objective with the anticipation of return from long-term investment. The management of the consolidated company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.
2. For circumstances of equity instruments posting for mortgaging guarantee under other general loss or gain measured by fair value, please refer to Note 37.

(2) Debt instrument investments measured at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Corporate bond	$ 21,503,613	$ 20,730,435
Government bonds	5,997,423	5,976,359
Overseas bond	799,314	785,400
Financial bonds	1,699,994	-
	$ 30,000,344	$ 27,492,194

1. The consolidated company assessed the expected credit loss of debt instruments measured at fair value through other comprehensive income in 2019 and 2018 and recognized a reversal of asset impairment at NT$ 113 thousand and NT$3,820 thousand.
2. With respect to the credit risk management of debt instruments measured at fair value through comprehensive income and the assessment of impairment, please refer to Note 41.

17. Investment of debt instruments on the basis of cost after amortization

	December 31, 2019	December 31, 2018
Overseas bond	$ 23,806,064	$ 21,361,293
Government bonds	14,246,649	13,123,603
Negotiable certificate of deposits issued by Central Bank	59,535,000	55,500,000
Corporate bond	11,413,931	11,418,843
Debt instruments	9,291	9,511
	109,010,935	101,412,891
Less: Allowance for losses	($ 41,662)	($ 105,129)
Less: Deduction of provision for trust compensation reserve and refundable security deposits.	(844,900)	(845,000)
	$ 108,124,373	$ 100,462,761

(1) Overseas bonds denominated in foreign currencies:

	December 31, 2019	December 31, 2018
USD	$ 638,859	$ 571,613
RMB	550,000	510,000
AUD	61,000	61,000
ZAR	450,000	70,000

(2) The face value of government bonds/foreign bonds measured at amortized cost provided by the merged company as repurchase agreement terms amounted to NT$ 2 billion and 8.85 billion (US$ 295 million), and NT$ 1.2 billion and 9,642,940,000 (US$ 314 million), in 2019 and December 31, 2018, respectively. For more information on carrying amounts, please refer to Note 42.

(3) Upon assessment of expected credit losses of debt instruments measured at amortized cost in 2019 and 2018, gain on reversal of asset impairment of NT$ 6,338,000 and asset impairment loss of NT$ 21,308,000 were recognized by the merged company.

(4) With respect to the credit risk management of debt instruments carried at cost after amortization and the assessment of impairment, please refer to Note 41.

18. Subsidiaries

(1) Subsidiaries included in the consolidated financial statements

The business entities of the consolidated financial statements are as follows:

Investor	Name of Subsidiary	Nature of the operation	Percentage of shareholdings December 31, 2019	Percentage of shareholdings December 31, 2018
CHINA MAN-MADE FIBER CORPORATION	Deh Hsing Investment Co., Ltd.	General investment business	100%	100%
	Chou Chin Industrial Co., Ltd.	Manufacturing and trading	50%	50%
	Pan Asia Chemical Corporation	Petrochemical business	49%	49%

(Continued on next page)

(Continued from previous page)

Investor	Name of Subsidiary	Nature of the operation	December 31, 2019	December 31, 2018
	Taichung Securities Investment Trust Co., Ltd. (Original name: Reliance Securities Investment Trust Co., Ltd.)	Securities investment trust business	50%	50%
	Taichung Commercial Bank Co.	Banking business	29%	29%
	EUREKA INVESTMENT COMPANY LIMITED	General investment business	100%	100%
	Melasse	Cosmetics and cleaning appliances manufacturing	100%	100%
Deh Hsing Investment Co., Ltd.	Xiang-Feng Development	General investment business	100%	100%
	IOLITE COMPANY LIMITED	General investment business	100%	100%
IOLITE COMPANY LIMITED	Hammock (Hong Kong) Company Limited	General investment business	100%	100%
	Precious Wealth International Limited	General investment business	100%	100%
Hammock (Hong Kong) Company Limited	Hebei Hanoshi Contact Lens Co., Ltd.	Manufacturing and trading	100%	100%
Xiang-Feng Development	Tou-Ming Industry	Real estate development and leasing industry	99%	99%
Tou-Ming Industry	Jin-Bang-Ge Industry	Real estate development and leasing industry	99%	99%
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Food manufacturing, and distribution and warehousing of beverages	96%	96%
	Chou Chang Corporation	Distribution and warehousing of beverages	64%	63%
	Pan-Feng Industry	Restaurant industry	100%	100%
	Bomy Enterprise	General investment business	62%	62%
	Yuju Universal Corporation	General investment business	90%	90%
Yuju Universal Corporation	Noble House Glory	Short-term accommodation service	100%	100%
Bomy Enterprise	Bomy Shanghai	Manufacturing and trading	99%	99%
Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	Taichung Commercial Bank Co., Ltd.	100%	100%
	Taichung Commercial Bank Lease Enterprise	Leasing	100%	100%
	Taichung Commercial Bank Securities Co., Ltd.	Securities Brokerage	100%	100%

Investor	Name of Subsidiary	Nature of the operation	December 31, 2019	December 31, 2018
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	General investment business	100%	100%
TCCBL Co., Ltd.	Taichung Bank Leasing (Suzhou)	Financing Leasing and investments	100%	100%

1. The shareholding percentages of the above are based on the combined shareholding percentages.
2. The consolidated company has substantial control over Taichung Commercial Bank, so the Bank and its subsidiaries are included in the consolidated financial statements.
3. The consolidated company invested US$375 thousand in Precious Wealth International Limited in April 2018.
4. The consolidated company participated in the cash capital increase of Taichung Commercial Bank in November 2018 and added 32,246 shares thousand at the cost of NT$328,914 thousand. As the subscription did not follow the original shareholding percentage, there were changes to the shareholding percentage. The additional paid-in capital was decreased, resulting in a change of NT$3,429 thousand in the net value of equity of the affiliate company by equity method.
5. In the context of the subscription by the merged company to common stock issued for cash by Technic Investment (International) Ltd. in March and May 2019 and 2018, a total of 10 million, 10 million, and 20 million new shares were acquired at a cost of NT$ 100 million, 100 million, and 200 million, respectively.
6. The consolidated company increased its investment in Taichung Securities in 2018 by 1,140 thousand shares at the cost of NT$10,262 thousand. As there were changes to the shareholding percentage of the consolidated company in Taichung Securities, the additional paid-in capital was changed, resulting in an increase of NT$5,532 thousand in the net value of equity of the affiliate company by equity method.
7. The consolidated company participated in the cash capital increase of Rui-Jia Investment in 2018, adding 1,250 thousand shares at the cost of NT$12,500 thousand.
8. The consolidated company participated in the cash capital increase of transparent company in 2018, adding 5,000 thousand shares at the cost of NT$50,000 thousand.
9. In the context of the subscription by the merged company to common stock issued for cash by Jinbangge Construction Co., Ltd. in September 2019, a total of 2 million new shares were acquired at a cost of NT$ 20 million.
10. In July and September 2019, the merged company acquired 23,000 new shares from Bomy at a cost of NT$ 115,000.
11. In July and August 2019, the merged company acquired 88,000 new shares from JeouChang Co., Ltd. at a cost of NT$ 819,000.
12. In 2019 and 2018, the merged company increased its investment in Iolite Company Ltd. by NT$ 93,171,000 (US$ 3 million) and 92,475,000 (US$ 3 million), respectively.
13. In 2018, the merged company increased its investment in Hammock (Hong Kong) Co., Ltd. by NT$ 92,145,000 (US$ 3 million) and 92,475,000 (US$ 3 million).
14. In 2018, the merged company increased its investment in Hammock (Hebei) Contact Lenses by NT$ 92,145,000 (US$ 3 million) and 92,475,000 (US$ 3 million).

(2) Information of the significant but non-controlling equity in subsidiaries

Name of Subsidiary	Main places of business operations	Non-controlling equity shareholding and voting right ratio	
		December 31, 2019	December 31, 2018
Taichung Commercial Bank Co.	Taichung City	71%	71%

Name of Subsidiary	Profit and loss distributed to the non-controlling equity 2019	2018	Non-controlling interest 2019 years December 31	2018 years December 31
Taichung Commercial Bank Co.	$ 3,225,225	$ 2,992,649	$ 36,511,631	$ 34,031,312
Others	85,363	44,951	2,087,012	1,835,968
Total	$ 3,310,588	$ 3,037,600	$ 38,598,643	$ 35,867,280

The following summary of financial information of subsidiaries with significant non-controlling interests is prepared based on the amount before the inter-company cancelled transaction:

Taichung Commercial Bank and its subsidiaries

	December 31, 2019	December 31, 2018
Assets	$ 682,688,922	$ 690,832,103
Liabilities	631,379,716	643,008,450
Equity	$ 51,309,206	$ 47,823,653
Equity attributable to:		
Owners of the Company	$ 14,797,575	$ 13,792,341
Non-controlling interests of Taichung Commercial Bank	36,511,631	34,031,312
	$ 51,309,206	$ 47,823,653

	2019	2018
Net revenue	$ 12,095,628	$ 11,689,424
Net income	$ 4,319,883	$ 4,008,369
Other comprehensive profit or loss	152,812	33,153
Total comprehensive income	$ 4,472,695	$ 4,041,522
Profit attributable to:		
Owners of the Company	$ 1,094,658	$ 1,015,720
Non-controlling interests of Taichung Commercial Bank	3,225,225	2,992,649
	$ 4,319,883	$ 4,008,369
The total comprehensive income belongs to:		
Owners of the Company	$ 1,131,592	$ 1,024,121
Non-controlling interests of Taichung Commercial Bank	3,341,103	3,017,401
	$ 4,472,695	$ 4,041,522
Cash flows		
Operating activities	$ 17,392,955	$ 8,293,638
Investing activities	(12,246,988)	(11,582,261)
finance activities	(6,399,696)	3,073,444
Impact of changes in exchange rate on cash and cash equivalents	(57,989)	180
Net cash inflow (outflow)	($ 1,311,718)	($ 214,999)

19. Investment under the equity method

	December 31, 2019	December 31, 2018
Investments in the affiliated company	$ 1,180,884	$ 1,241,811

Investments in the affiliated company

(1) The balance of the consolidated company's investments in associate companies:

	December 31, 2019	December 31, 2018
A major affiliated company		
Nan Chung Petrochemical Corp.	$ 1,170,017	$ 1,228,959
Individual non-dominant associates		
Wei-Kang International	3,710	3,298
Storm Model Management	6,616	7,746
BONWELL	541	1,808
	$ 1,180,884	$ 1,241,811

(2) A major affiliated company

Company name	Nature of the operation	Main places of business operations	Shareholding and voting right ratio December 31, 2019	Shareholding and voting right ratio December 31, 2018
Nan Chung Petrochemical Corp.	Petrochemical business	Yunlin County	50%	50%

Summary financial information of Nan-Chung Petrochemical:

	December 31, 2019	December 31, 2018
Total assets	$ 3,045,138	$ 3,263,392
Total Liabilities	705,103	805,473
Equity	2,340,035	2,457,919
The consolidated company's shareholding ratio	50%	50%
Book value of investment	$ 1,170,017	$ 1,228,959

	2019	2018
Operating income - current	$ 6,757,302	$ 8,510,067
Net income	$ 34,675	$ 176,872
Current period other comprehensive income	$ 6,306	$ -

(3) Summarized information of individually immaterial associates.

	2019	2018
Share of the Consolidated Company		
Net income (loss) for the year	($ 3,339)	($ 1,390)
Current period other comprehensive income	-	-
Total comprehensive income	($ 3,339)	($ 1,390)

With respect to investments adopting the equity method and the consolidated company's share of profit or loss and the other comprehensive income, Wei-Kang International, Storm Model Management and Bonwell did not have audited financial reports, while the rest did offer audited financial reports. The management of the consolidated company believed that the un-audited companies should not have significant impact to the overall financial report.

(4) Please see Note 37 for the status on investments adopting the equity method provided as pledge collaterals.

20. Property, plant and equipment

	December 31, 2019	December 31, 2018
The book amount of each category		
Proprietary land	$ 11,263,642	$ 11,027,579
House and Building	2,543,621	2,402,440
Machine and Equipment	7,251,448	4,881,688
Transportation Equipment	54,023	49,466
Machinery and equipment	174,437	71,025
Other equipment	377,018	426,411
Construction in process and prepayment for machinery purchase	1,921,107	3,570,262
	$ 23,585,296	$ 22,428,871

	2019							
	Land	House and Building	Machine and Equipment	Transportation and communication equipment	Machinery and equipment	Miscellaneous equipment	Uncompleted construction and equipment pending inspection	Total
Cost								
Balance - beginning	$11,112,292	$ 4,844,813	$11,153,083	$150,566	$396,697	$ 1,403,857	$ 3,570,262	$32,631,570
Increase in current period	216	43,989	201,995	20,871	7,346	321,083	1,575,307	2,170,807
Decrease in current period	-	(28,850)	(13,553)	(11,753)	(37,690)	(23,739)		(115,585)
Reclassification	236,109	265,756	2,859,863	-	112,658	(243,262)	(3,213,656)	17,468
Foreign exchange impact amount	(262)	(6,002)	(17,515)	(76)	-	(3,327)	(10,806)	(37,988)
Subsidiaries sold this period	-	-	-	-	-	-	-	-
Balance - ending	11,348,355	5,119,706	14,183,873	159,608	479,011	1,454,612	1,921,107	34,666,272
Accumulated depreciation								
Balance - beginning	-	2,259,341	6,054,515	100,082	325,002	947,974	-	9,686,914
Increase in current period	-	131,507	689,636	15,158	15,042	126,001	-	977,344
Decrease in current period	-	-	(13,324)	(10,632)	(36,140)	(23,326)	-	(83,422)
Reclassification	-	6,603	-	-	-	-	-	6,603
Foreign exchange impact amount	-	(4,022)	(14,621)	(18)	-	(2,478)	-	(21,139)
Subsidiaries sold this period	-	-	-	-	-	-	-	-
Balance - ending	-	2,393,429	6,716,206	104,590	303,904	1,048,171	-	10,566,300
Accumulated impairment								
Balance - beginning	84,713	183,032	216,880	1,018	670	29,472	-	515,785
Increase in current period	-	-	-	-	-	-	-	-
Decrease in current period	-	-	(15)	(23)	-	-	-	(38)
Reclassification	-	-	-	-	-	-	-	-
Foreign exchange impact amount	-	(376)	(646)	-	-	(49)	-	(1,071)
Balance - ending	84,713	182,656	216,219	995	670	29,423	-	514,676

Net - ending	$11,263,642	$ 2,543,621	$ 7,251,448	$ 54,023	$174,437	$ 377,018	$ 1,921,107	$23,585,296

	2018							
	Land	House and Building	Machine and Equipment	Transportation and communication equipment	Machinery and equipment	Miscellaneous equipment	Uncompleted construction and equipment pending inspection	Total
Cost								
Balance - beginning	$11,110,668	$ 4,847,156	$12,661,265	$133,874	$416,958	$1,289,474	$3,026,506	$33,485,901
Increase in current period	1,624	416	104,412	20,953	5,558	133,226	636,987	903,176
Decrease in current period	-	(1,267)	(1,694,511)	(5,490)	(27,123)	(15,025)	(8,894)	(1,752,310)
Reclassification	-	1,850	91,652	1,229	1,304	(2,280)	(84,337)	9,418
Foreign exchange impact amount	-	(3,342)	(9,735)	-	-	(1,538)	-	(14,615)
Balance - ending	11,112,292	4,844,813	11,153,083	150,566	396,697	1,403,857	3,570,262	32,631,570
Accumulated depreciation								
Balance - beginning	$ -	$ 2,136,068	$ 6,956,334	$ 91,104	$338,841	$837,635	$ -	$10,359,982
Increase in current period	-	125,681	570,906	13,168	12,657	125,526	-	847,938
Decrease in current period	-	(248)	(1,464,589)	(4,185)	(26,496)	(14,002)	-	(1,509,520)
Reclassification	-	-	-	-	-	-	-	-
Foreign exchange impact amount	-	(2160)	(8,136)	(5)	-	(1,185)	-	(11,486)
Balance - ending	-	2,259,341	6,054,515	100,082	325,002	947,974	-	9,686,914
Accumulated impairment								
Balance - beginning	84,713	183,284	442,785	1,095	1,912	29,499	-	743,288
Increase in current period	-	-	325	-	-	-	-	325
Decrease in current period	-	(43)	(225,871)	(77)	(1,242)	-	-	(227,233)
Reclassification	-	-	-	-	-	-	-	-
Foreign exchange impact amount	-	(209)	(359)	-	-	(27)	-	(595)
Balance - ending	84,713	183,032	216,880	1,018	670	29,472	-	515,785
Net - ending	$11,027,579	$ 2,402,440	$ 4,881,688	$ 49,466	$ 71,025	$426,411	$3,570,262	$22,428,871

(1) Property and equipment of the consolidated company are appreciated in accordance with the straight line method over the useful years as follows:

House and Building	
Buildings	20 to 60 years
Renovation engineering	8 to 29 years
Machine and Equipment	2 to 47 years
Transportation and communication equipment	2 to 15 years
Miscellaneous equipment	2 to 30 years
Machinery and equipment	5 years

(2) Uncompleted projects and prepayments for business facilities by the merged company as of December 31, 2019 are mainly related to the office building of the merged company which is currently under construction.

(3) The consolidated company's 2019and 2018 capitalized finance cost at NT$5,287,172 thousand and NT$4,815,335 thousand respectively, and tis real estate, plant and equipment's capitalized financial cost amounts are at NT$2,272 thousand and NT$17,665 thousand respectively, with the yearly capitalization interest rates at 1.85%.

(4) Buildings leased out by the merged company as operating leases for a period of 1–2 years. The lessee has no preferential purchase option with regard to the asset when the lease period ends. Total receivable lease payments for operating leases are as follows:

	December 31, 2019	December 31, 2018
First year	$ 860	$ 178
Second year	133	-
	$ 993	$ 178

(5) For the state of real estate, plant and equipment pledged as collateral guarantee, please refer to Note 37.

21. Lease contract

(1) Right-of-use assets-2019

	December 31, 2019
Carrying amount of the right-of-use asset	
Land and house	$ 959,169
Transportation Equipment	111,637
Machine and Equipment	57,590
	$ 1,128,396

	2019
Addition of right-of-use assets	$ 340,629
Depreciation expense of the right-of-use asset	
Land and house	$ 155,331
Transportation Equipment	93,611
Machine and Equipment	9,918
	$ 258,860

(2) Lease liabilities-2018

	December 31, 2019
Carrying amount of the lease liabilities	
Current	$ 241,038
Non-current	$ 754,957

The range of discount rates for lease liabilities is as follows:

	December 31, 2019
Land	1.01%~4.14%
Buildings	1.01%~5.95%
Transportation Equipment	1.01%~5.96%
Machine and Equipment	1.82%

(3) Main lease activities and provisions

The merged company has leased several machines and transportation equipment for production and operations for a period of 1–8 years. The lease agreement does not stipulate renewal of the lease or purchase options at the time of expiry of the lease.

The merged company has also leased several plots of land and buildings as factory buildings, offices, branches, and ATM sites for a period of 1–7 years. Lease payments have been adjusted in accordance with market lease rates. The merged company has no preferential purchase option with regard to the leased land and buildings at the time of expiry of the lease.

(4) Other lease-related information

For more details on operating lease agreements for self-owned buildings and investment property of the merged company, please refer to Note 20 and 22.

2019

	2019
Short-term lease expense	$ 82,422
Low-value asset lease expense	$ 11,441
Total cash of leases outflow	($ 372,627)

The merged company chooses to apply recognition exemption as applicable to office and transportation equipment leased for short periods and computer and office equipment that meets low-value asset criteria. Right-of-use assets and lease liabilities for said equipment is not recognized.

2018

The total future minimum lease payments of the non-cancelable operating leases are as follows:

	December 31, 2018
Less than 1 year	$ 248,988
1 to 5 years	274,050
More than 5 year	540

22. Investment property

	2019			
	Land	Buildings	Investment property in construction	Total
Cost				
Balance - beginning	$ 1,295,282	$ 99,047	$ 86,290	$ 1,480,619
Increase in current period	-	121,785	15,000	136,785
Reclassification of finance leases	-	-	(101,290)	(101,290)
Reclassification	(4,468)	(6,603)	-	(11,071)
Balance - ending	1,290,814	214,229	-	1,505,043
Accumulated depreciation				
Balance - beginning	-	26,143	-	26,143
Increase in current period	-	1,701	-	1,701
Reclassification	-	(6,603)	-	(6,603)
Balance - ending	-	21,241	-	21,241

	2019			
	Land	Buildings	Investment property in construction	Total
Accumulated impairment				
Balance - beginning	$ 18,094	$ 1,000	$ -	$ 19,094
Increase in current period	-	-	-	-
Reclassification	-	-	-	-
Balance - ending	18,094	1,000	-	19,094
Net - ending	$ 1,272,720	$ 191,988	$ -	$ 1,464,708

2018

	Land	Buildings	Investment property in construction	Total
Cost				
Balance - beginning	$ 2,058,474	$ 54,985	$ 22,500	$ 2,135,959
Increase in current period	26,697	53,960	63,790	144,447
Decrease in current period	(20,279)	-	-	(20,279)
Reclassification	(769,610)	(9,898)	-	(779,508)
Balance - ending	1,295,282	99,047	86,290	1,480,619
Accumulated depreciation				
Balance - beginning	-	25,794	-	25,794
Increase in current period	-	1,783	-	1,783
Decrease in current period	-	-	-	-
Reclassification	-	(1,434)	-	(1,434)
Balance - ending	-	26,143	-	26,143
Accumulated impairment				
Balance - beginning	38,373	1,000	-	39,373
Increase in current period	-	-	-	-
Decrease in current period	(20,279)	-	-	(20,279)
Reclassification	-	-	-	-
Balance - ending	18,094	1,000	-	19,094
Net - ending	$ 1,277,188	$ 71,904	$ 86,290	$ 1,435,382

Investment property is leased out for a period of 2-5 years. Upon closure of the leasehold duration, the lessee was not entitled to preferential leasehold power over the real estate.

As of December 31, 2019, total receivable lease payments for operating leases of investment property are as follows:

	December 31, 2019
First year	$ 600
Second year	482
	$ 1,082

As of December 31, 2018, total receivables for non-cancellable operating leases are as follows:

	December 31, 2018
Less than 1 year	$ 1,631
1 to 5 years	1,305
More than 5 year	-
	$ 2,936

The merged company has adopted general risk management policies to reduce residual asset risks of leased out investment property at the time of lease expiry.

Investment property of the appreciated in accordance with the straight line method over the useful years as follows:

House and Building	
Buildings	30 to 60 years
Renovation engineering	2 to 29 years

(1) In March 2018, the board of Chou Chin Industrial resolved to sell part of its investment property. The selling price was NT$14,025 thousand, with a gain of NT$14,025 thousand on the disposal of investment property.

(2) The assessed fair value of the investment property as of December 31, 2019 and 2018 was NT$ 1,733,829,000 and 1,518,260,000, respectively (NT$ 177,214,000 and 149,412,000 were not valuated by independent appraisers; the remaining value was classified by an independent appraisal company as Level 3 inputs on December 31, 2019 and 2018, respectively; valuations were carried out with reference to market evidence of similar real property transaction prices). Key assumptions and valuated fair values are as follows:

	December 31, 2019	December 31, 2018
Asset earning power	15%~19%	18%
The overall capital interest rate during development	1.91%	2.09%

(3) All investment in real estate owned by the Consolidated Company' was in its own interests. Please see Note 37 for the status on investment property provided as pledge collaterals.

23. Intangible assets

	December 31, 2019	December 31, 2018
Goodwill	$ 426,381	$ 426,381
Business right	28,000	28,000
Computer software	125,551	135,974
Shell Royalty	159,052	159,052
	738,984	749,407
Less: accumulated impairment	(557,161)	(557,161)
	$ 181,823	$ 192,246

(1) With respect to the consolidated company acquiring the shareholding of its subsidiaries, goodwill is considered when the acquisition cost is higher than the net asset value. As of December 31, 2019, the accumulated impairment loss was NT$398,109 thousand.

(2) The intangible assets of the consolidated company is the assigned right of operation from Feng Sing Securities. The right of operation is intangible assets that the life span cannot be determined and no amortization is made. As of December 31, 2019, no impairment of such right of operation has been declared in the evaluation.

(3) Changes in the costs of computer software and Shell's royalty:

	2019		
	Royalties	Computer software	Total
Cost			
Balance - beginning	$ 159,052	$ 135,974	$ 295,026
Increase in current period	-	41,520	41,520
Amortization in the current period	-	(52,488)	(52,488)
Reclassification	-	610	610
Net exchange differences	-	(65)	(65)
Balance - ending	159,052	125,551	284,603

Accumulated impairment			
Balance - beginning	159,052	-	159,052
Provided in the current period	-	-	-
Balance - ending	159,052	-	159,052
Net - ending	$ -	$ 125,551	$ 125,551

	2018		
	Royalties	Computer software	Total
Cost			
Balance - beginning	$ 159,052	$ 134,060	$ 293,112
Increase in current period	-	56,595	56,595
Amortization in the current period	-	(54,854)	(54,854)
Reclassification	-	190	190
Net exchange differences	-	(17)	(17)
Balance - ending	159,052	135,974	295,026
Accumulated impairment			
Balance - beginning	159,052	-	159,052
Provided in the current period	-	-	-
Balance - ending	159,052	-	159,052
Net - ending	$ -	$ 135,974	$ 135,974

In order to obtaining patent technologies required for the operations of ethylene glycol plant, CMFC signed an EO/EG patent agreement with Shell Research Limited. The authorized use of the patent lasts 5 years, starting the effective date of the agreement. However, due to the environmental concern of the construction site, the progress was seriously delayed. The follow-up negotiation with Shell Research enabled the continued use of patent, but royalty in full was recognized as impairment after assessment. CMFA later on updated the design and then constructed a new ethylene glycol plant following a revised cash capital increase. The Company signed a Shell EO/EG manufacturing process patent agreement (different from the manufacturing technologies originally signed as mentioned above) with Shell, and the total of the technical service fees of royalty according to the terms of contract was US$5,323 thousand.

24. Other assets

	December 31, 2019	December 31, 2018
Refundable deposit	$ 1,804,910	$ 1,778,156
Non-delinquent loans restated from loans-net	2,246	1,111
Collected payment of shares underwritten and pending payments to be delivered	4	726
Prepaid lease payments - Land use rights	-	157,406
Others	3,746	-
	$ 1,810,906	$ 1,937,399

(1) The time deposits and government bonds held to maturity deposited by the consolidated company as the security bond for provisional seizure at court and for business guarantee on December 31, 2019 and 2018 were NT$ 984,900 thousand and NT$ 985,000 thousand, which are stated as refundable deposits.

(2) Non-loans transferred to collection - Breakdown of net:

	December 31, 2019	December 31, 2018
Non-delinquent loans restated from loans	$ 4,506	$ 5,343
Less: Allowance for bad debts - Taichung Commercial Bank (Note 10)	(2,260)	(4,232)
	$ 2,246	$ 1,111

(3) Details of delinquent accounts, net are summarized as follows:

	December 31, 2019	December 31, 2018
Delinquent Accounts	$ 3,104	$ 3,104
Less: Allowance for bad debts - Collection (Note 10)	(3,104)	(3,104)
	$ -	$ -

25. Borrowing

(1) Shot-term borrowings

	December 31, 2019	December 31, 2018
Secured loans		
-Secured loan	$ 7,469,532	$ 5,710,634
Unsecured loans		
- Credit loan	4,397,507	4,149,886
- Material procurement loan	2,248,730	4,706,669
	6,646,237	8,856,555
	$ 14,115,769	$ 14,567,189

1. The interest rates of bank borrowings as of December 31, 2018 and 2018 were 1.00% to 5.44% and 1.20% to 5.70%, respectively.
2. For the foresaid loan collateral information, please refer to Note 37.

(2) Short-term notes payable

	December 31, 2019	December 31, 2018
Short-term notes payable	$ 3,045,000	$ 2,360,000
Less: Discount of short-term notes and bills payable	(3,197)	(2,296)
	$ 3,041,803	$ 2,357,704

(3) Long-term borrowings

	December 31, 2019	December 31, 2018
Secured loans		
- Bank loans	$ 8,293,123	$ 6,958,811
Less: Amount due in one year	(2,842,955)	(1,245,188)
Long-term borrowings	$ 5,450,168	$ 5,713,623

1. As of December 31, 2019 and 2018, CMFC had long-term syndicate loans led by Taiwan Cooperative Bank at NT$1,694,100 thousand and NT$2,699,500 thousand, with the borrowing rate currently at 1.85%. In March 2019, the early repayment of principal was NT$100,000 thousand. CMFC will repay the borrowings periodically based on the loan agreement and a

total of NT$1,694,100 thousand will be due in the next year. The land and buildings of Kaohsiung plant are used as the collateral for the borrowing.

2. As of December 31, 2019 and 2018, CMFC had intermediate- and long-term borrowings from Taiwan Business Bank at NT$232,800 thousand and NT$250,000 thousand, for both year, with the borrowing rate currently at 1.7%. Starting March 2019, CMFC will repay the borrowings periodically based on the loan agreement and a total of $17,200 thousand will be due in the next year. The land and buildings are used as the collateral for the borrowing.
3. The company's long-term borrowing with Mizuho Bank as of DDecember 31, 2019 and 2018 is both at $300,000 thousand, with loan interest rate currently at 1.30%, with onetime repayment initially due in December 2020, and later extended to a onetime repayment in December 2021.
4. As of December 31, 2019 and 2018, CMFC had long-term borrowings from Land Bank of Taiwan at NT$60,923 thousand and NT$74,461 thousand, respectively, with the borrowing rate currently at 1.50%. CMFC has repaid the borrowings periodically based on the loan agreement and a total of $13,538 thousand will be due in the next year. The land and buildings are used as the collateral for the borrowing.
5. As of 2019 and December 31, 2018, China Man-Made Fiber Corporation's long-term loans with Union Bank of Taiwan amounted to NT$ 650 million and 349.9 million, respectively, with a borrowing rate of interest of 1.58%–1.61%. The original loan payment start date of May 2019 was extended to November 2020. Loan payments will be made in a timely manner as prescribed in the loan agreements. In the upcoming year, a loan of NT$ 50 million will reach maturity. Said loans serve as collateral for 106 million shares of Taichung Bank.
6. As of December 31, 2019 and 2018, CMFC had long-term borrowings from Bank of Panhsin at NT$500,000 thousand, for both year, with the borrowing rate currently at 1.55%. CMFC originally planned to make repayments in one payment in May 2020, and now it has postponed the one-time payment to June 2022. The job site and buildings in Sanchong District of New Taipei City are used as the collateral for the borrowing.
7. As of December 31, 2019 and 2018, CMFC had long-term borrowings from Sunny Bank at NT$600,000 thousand, for both year, with the borrowing rate currently at 1.50%. CMFC originally planned to make repayments in one payment in August 2020, and now it has postponed the one-time payment to August 2022. 95,000 thousand shares of Taichung Commercial Bank's stocks are used as the collateral for the borrowing.
8. As of 2019 and December 31, 2018, China Man-Made Fiber Corporation's long-term loans with Jih Sun International Bank amounted to NT$ 1.03 billion and 340 million, respectively, with a borrowing rate of interest of 1.50%. The deadline for bullet repayment which was originally due in October 2019 has been extended to June 2021. Said loans serve as collateral for 130 million shares of Taichung Bank and 15 million shares of Taiwan Tea Corporation.
9. As of December 31, 2019 and 2018, CMFC had long-term borrowings from Taiwan Cooperative Bank at NT$650,000 thousand, with the borrowing rate currently between 1.50%. CMFC will repay the borrowings periodically, starting February 2020, based on the loan agreement and a total of $216,667 thousand will be due in the next year. The land and buildings in Yunlin are used as the collateral for the borrowing.
10. As of December 31, 2019 and 2018, CMFC had taken a loan from Bank of Kaohsiung at NT$100,000 thousand, with the borrowing rate currently at 1.50%. A total of $100,000 thousand will be due in the next year, which will be repaid in one payment in December 2020.
11. As of December 31, 2019, China Man-Made Fiber Corporation's loan with Shanghai Commercial Bank amounted to NT$ 200 million, with a borrowing rate of interest of 1.50. Starting in January 2021, loan payments will be made in a timely manner. Said loan serves as collateral for 33.4 million shares of Taichung Bank acquired by China Man-Made Fiber Corporation.
12. As of December 31, 2018 and 2017, PACC had intermediate-term borrowings from Taiwan Cooperative Bank at NT$604,000 thousand and NT$212,000 thousand, respectively, with the borrowing rate currently at 1.70%. PACC has repaid the borrowings periodically based on the loan agreement and a total of $24,000 thousand will be due in the next year. Said loan serves as collateral for land and buildings of the Kaohsiung Plant of Pan Asia Chemical Corporation.

13. As of 2019 and December 31, 2018, Pan Asia's long-term loans with Union Bank of Taiwan amounted to NT$ 175 million and 100 million, respectively, with a borrowing rate of interest of 1.64%. Loan payments are made in a timely manner as prescribed in the loan agreements. Said loans serve as collateral for China Man-Made Fiber Corporation stocks held by Pan Asia Chemical Corporation.
14. As of December 31, 2019 and 2018, PACC had intermediate-term borrowings from Bank of Panhsin at NT$60,000 thousand and NT$90,000 thousand, respectively, with the borrowing rate currently at 1.64%. PACC has repaid the borrowings periodically based on the loan agreement and a total of $10,000 thousand will be due in the next year.
15. As of 2019 and December 31, 2018, Pan Asia's long-term loans with Jih Sun International Bank amounted to NT$ 100 million and 150 million, respectively, with a borrowing rate of interest of 1.53%. The deadline for bullet repayment which was originally due in October 2020 has been extended to October 2022. Said loans serve as collateral for China Man-Made Fiber Corporation stocks held by Pan Asia Chemical Corporation.
16. As of December 31, 2019, Pan Asia's long-term loan with Taiwan Business Bank amounted to NT$ 595 million, with a borrowing rate of interest of 1.50%. Loan payments are made in a timely manner as prescribed in the loan agreements. In the upcoming year, the loan of NT$ 595 million will reach maturity.
17. As of 2019 and December 31, 2018, Jinbangge Construction Co., Ltd.'s long-term loans with Taiwan Business Bank amounted to NT$ 49 million and 57 million, respectively, with a borrowing rate of interest of 2.37%. Payment was originally due in May 2019. Pursuant to the new contract provisions, Jinbangge must repay the principal of 8 million by December 2020. The remainder must be paid in a bullet repayment when maturity is reached upon extension in May 2021. Said loans serve as collateral for the plot of land in the Zhixing Section of Wanhua District.
18. As of December 31, 2018, Chou Chin Industrial Co., Ltd.'s long-term loan with Taiwan Business Bank amounted to NT$ 60 million, with a borrowing rate of interest of 1.99%. The remainder of the loan was repaid in full in October 2019. Said loan serves as collateral for the factory buildings in Changhua, Dajia, and Fugong.
19. As of December 31, 2019 and 2018, Chou Chin Industrial had long-term borrowings from Union Bank of Taiwan at NT$110,400 thousand and NT$127,000 thousand, respectively, with the borrowing rate currently between 1.70% ~ 1.89%. Chou Chin Industrial has repaid the borrowings periodically based on the loan agreement and a total of $59,400 thousand will be due in the next year. The bonds of Taichung Commercial Bank and shares of Hua Nan Financial Holdings are used as the collateral for the borrowing.
20. As of December 31, 2019, Chou Chin Industrial Co., Ltd.'s total long-term loans with Jih Sun International Bank amounted to NT$ 120 million, with a borrowing rate of interest of 1.70%. Loan payments are made in a timely manner as prescribed in the loan agreements. In the upcoming year, a loan amount of NT$ 32 million will reach maturity. Said loans serve as collateral for Hua Nan Financial Holdings stocks held by Chou Chin Industrial Co., Ltd.
21. As of December 31, 2019, Chou Chin Industrial Co., Ltd.'s long-term loans with First Commercial Bank amounted to NT$ 170 million, with a borrowing rate of interest of 1.60%. Loan payments are made in a timely manner as prescribed in the loan agreements. In the upcoming year, a loan amount of NT$ 10 million will reach maturity. Said loans serve as collateral for the factory buildings in Changhua.
22. As of 2019 and December 31, 2018, Chou Chang Co., Ltd.'s long-term loans with Sunny Bank amounted to NT$ 165 million and 168 million, respectively, with a borrowing rate of interest of 2.03%. In the upcoming year, a loan of NT$ 9 million will reach maturity. Said loans serve as collateral for financial bonds of Taichung Bank.
23. As of 2019 and December 31, 2018, Chou Chang Co., Ltd.'s long-term loans with Far Eastern International Bank amounted to NT$ 126.9 million and 130.95 million, respectively, with a borrowing rate of interest of 2.02%. In the upcoming year, a loan of NT$ 4.05 million will reach maturity. Said loans serve as collateral for financial bonds of Taichung Bank.
24. Please refer to Note 37 for the collateral of the long-term borrowings:

26. Bills and bonds sold under repurchase agreements

	December 31, 2019	December 31, 2018
Government bonds	$ 2,002,755	$ 1,200,036
Overseas bond	8,366,270	8,704,431
	$ 10,369,025	$ 9,904,467

Post-period re-purchase amount and interest rate are as follows:

	December 31, 2019	December 31, 2018
Government bonds	$ 2,003,566	$ 1,200,797
Overseas bond	8,415,535	8,768,302
	$ 10,419,101	$ 9,969,099

Government bonds	0.50%～0.54%	0.42%～0.52%
Overseas bond	2.18%～2.45%	2.69%～2.90%

Foreign bonds are valued in foreign currencies as follows:

	December 31, 2019	December 31, 2018
USD	$ 278,876	$ 283,440

27. Due to Central Bank and other banks

	December 31, 2019	December 31, 2018
Call loans to banks	$ 6,200,860	$ 2,874,850
Due to Chunghwa Post Co., Ltd.	326,187	503,276
Deposits of other banks	13	626
	$ 6,527,060	$ 3,378,752

28. Other payables

	December 31, 2019	December 31, 2018
Payable expenses	$ 2,397,682	$ 2,167,311
Notes and checks in clearing	1,007,649	5,715,927
Payable spot exchange settlement payment	870,282	1,912,669
Receivable accounts for settlement	716,756	476,395
Acceptances payable	514,383	845,279
Payable interest	472,580	561,466
Account payable for underwriting	49,615	33,552
Securities purchase payable	-	438,763
Others	728,318	617,124
	$ 6,757,265	$ 12,768,486

29. Deposits and remittances

	December 31, 2019	December 31, 2018
Check deposits	$ 8,067,416	$ 9,765,880
Demand deposits	137,883,306	128,942,094
Current saving deposits	134,211,159	126,189,743
Time deposits	143,685,998	164,939,938
Time saving deposits	159,025,088	157,855,126
Remittances	162,288	28,125
	$ 583,035,255	$ 587,720,906

30. Bonds payable

	December 31, 2019	December 31, 2018
Subordinate financial bonds	$ 14,000,000	$ 20,000,000
Less: Part owned by the consolidated company	(1,510,000)	(1,510,000)
Bills with less than one year to maturity	(2,500,000)	(6,000,000)
	$ 9,990,000	$ 12,490,000

(1) As approved by FSC's Letter under Jin-Guan-Yin-Piao-Zi No. 10100305900 dated September 24, 2012, the Taichung Bank issued 1st term subordinate financial bonds November 13, 2012 upon the following terms and conditions:
  1. Approved: NTD3,000,000 thousand.
  2. Issued: NTD3,000,000 thousand.
  3. Denomination: NTD1,000 thousand, issued at par value.
  4. Duration: 7 years, matured on November 13, 2019.
  5. Coupon rate: Fixed annual interest rate 2.1%.
  6. Repayment Methods: repayment in lump sum upon maturity.
  7. Payment of interest: interest paid per six months as of the date of issuance.

(2) As approved by FSC's Letter under Jin-Guan-Yin-Piao-Zi No. 10200089330 dated April 8, 2013, the Taichung Bank issued 1st term and 2nd term subordinate financial bonds June 25 and December 16, 2013 upon the following terms and conditions:
  1. Approved: NTD6,000,000 thousand.
  2. Issued:
     (1) 1st term 2013: 2,500,000 thousand.
     (2) 2nd term 2013: 3,000,000 thousand.
  3. Denomination:
     (1) 1st term 2013: NTD 500 thousand, issued at par value.
     (2) 2nd term 2013: NTD 500 thousand, issued at par value.
  4. Duration:
     (1) 1st term 2013: 7 years, matured on June 26, 2020.
     (2) 2nd term 2013: 6 years, matured on December 16, 2019.
  5. Coupon rate:
     (1) 1st term 2013: the fixed annual rate of 2.1%.
     (2) 2nd term 2013: the fixed annual rate of 2.1%.
  6. Repayment Methods: repayment in lump sum upon maturity.
  7. Payment of interest: interest paid per six months as of the date of issuance.

(3) The company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10400200460 dated August 26, 2015 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term for 2015 on December 28 2015. The terms and conditions for issuance are shown below:
  1. Approved: NTD1,500,000 thousand.
  2. Issued: NTD1,500,000 thousand.
  3. Denomination: NTD10,000 thousand, issued at par value.
  4. Duration: no maturity date.
  5. Coupon rate: is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
  6. Repayment Methods: executed in accordance with the regulations of issuance.
  7. Payment of interest: interest paid per yeae as of the date of issuance.

(4) The Taichung Bank has been approved by Financial Supervisory Commission under Letter Jin-Kuan-Yin-Piao-Zi No. 10500210950 dated September 2, 2016 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term and 2nd term and 3rd term for 2017 and 1st term for 2016 on March 28, May 18, August 28, 2017 and December 28, 2016. The terms and conditions for issuance are shown below:

1. Approved: NTD3,500,000 thousand.
2. Issued:
   (1) 1st term 2016: 1,500,000 thousand.
   (2) 1st term 2017: 1,000,000 thousand.
   (3) 2nd term 2017: 500,000 thousand.
   (4) 3th term 2017: 500,000 thousand.
3. Denomination:
   (1) 1st term 2016: NTD 10,000 thousand, issued at par value.
   (2) 2017 Q1: NT$10,000 thousand, issued at face value.
   (3) 2nd term 2017: NTD 10,000 thousand, issued at par value.
   (4) 3rd term 2017: NTD 10,000 thousand, issued at par value.
4. Duration: no maturity date.
5. Coupon rate: is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Repayment Methods: executed in accordance with the regulations of issuance.
7. Payment of interest: interest paid per yeae as of the date of issuance.

(5) The company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10600229120 dated September 22, 2017 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term for 2018 and 4th, 5th term for 2017 on April 25, 2018 and December 5, December 27, 2017. The terms and conditions for issuance are shown below:
1. Approved: NTD5,000,000 thousand.
2. Issued:
   (1) 4th term 2017: 1,350,000 thousand.
   (2) 5th term 2017: 2,650,000 thousand.
   (3) 2018 Q1: NT$1,000,000 thousand.
3. Denomination:
   (1) 4th term 2017: NTD 10,000 thousand, issued at par value.
   (2) 5th term 2017: NTD 10,000 thousand, issued at par value.
   (3) 1st term 2018: NTD 10,000 thousand, issued at par value.
4. Duration: no maturity date.
5. Coupon rate: is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Repayment Methods: executed in accordance with the regulations of issuance.
7. Payment of interest: interest paid per yeae as of the date of issuance.

(6) The company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10702156550 dated August 23, 2018 for the issuance of no maturity non-cumulative subordinated financial debentures 2nd term for 2018 on December 18, 2018. The terms and conditions for issuance are shown below:
1. Approved: NTD1,500,000 thousand.
2. Issued: NTD1,500,000 thousand.
3. Denomination: NTD10,000 thousand, issued at par value.
4. Duration: no maturity date.
5. Coupon rate: is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Repayment Methods: executed in accordance with the regulations of issuance.
7. Payment of interest: interest paid per yeae as of the date of issuance.

31. Provision for liabilities

	December 31, 2019	December 31, 2018
Employee benefit liabilities reserve	$ 1,361,110	$ 1,389,757
Reserve for guarantee liability	174,463	189,848
Provision for commitment of financing	63,357	63,809
Allowance for contingency	11,878	23,933
	$ 1,610,808	$ 1,667,347

(1) Employee benefit liabilities reserve is detailed as follows:

	December 31, 2019	December 31, 2018
Defined benefit liabilities	$ 1,200,158	$ 1,246,000
Employees preferential deposit plan	131,433	120,769
Other long-term employee benefit liabilities	29,519	22,988
	$ 1,361,110	$ 1,389,757

1. Defined contribution plan

The pension system of the "Labor Pension Act" that is applicable to the Company and its subsidiaries of the consolidated company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

2. Defined benefit plan

The consolidated company's pension system under the "Labor Standards Act" of the R.O.C. is a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The consolidated company has contributed to the employee pension fund monthly based on the total salaries to Labor Pension Reserve Supervisory Committee for deposit at the special account in the Bank of Taiwan bearing the title of the committee. If the balance of the special account before the end of the fiscal year is insufficient to settle the payment for employees qualified for retirement in the next fiscal year, the company shall make up the difference in lump sum by the end of March of the next fiscal year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The company contained in the consolidated financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the consolidated balance sheet is shown below:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ 2,295,198	$ 2,222,641
The fair value of plan assets	(1,095,040)	(976,641)
Appropriation shortage	1,200,158	1,246,000
Net determined benefit liability	$ 1,200,158	$ 1,246,000

Change in net determined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2018	$ 2,160,082	($ 936,330)	$ 1,223,752
Service cost			
Current service cost	22,487	-	22,487
Interest expenses (revenues)	26,507	(11,569)	14,938
Recognized in the profit or loss	48,994	(11,569)	37,425
Reevaluation			
Planned ROE (except the amount of net interest)	2,160,082	(27,208)	(27,208)
Actuarial loss – change in the assumption of the census	752	-	752
Actuarial loss – change in financial assumptions	31,299	-	31,299
Actuarial loss – adjustment through experience	68,280	-	68,280
Recognized in the other comprehensive profit of loss	100,331	(27,208)	73,123
Employer appropriation	-	(78,265)	(78,265)
Planned asset payment	(76,731)	76,731	-
Company account payment	(10,035)	-	(10,035)
December 31, 2018	2,222,641	(976,641)	1,246,000
Service cost			
Current service cost	17,586	-	17,586
Interest expenses (revenues)	24,545	(13,057)	11,488
Recognized in the profit or loss	42,131	(13,057)	29,074
Reevaluation			
Planned ROE (except the amount of net interest)	-	(30,630)	(30,630)
Actuarial loss – change in the assumption of the census	1,742	-	1,742
Actuarial loss – change in financial assumptions	$ 87,656	$ -	$ 87,656
Actuarial loss – adjustment through experience	68,344	-	68,344
Recognized in the other comprehensive profit of loss	157,742	(30,630)	127,112
Employer appropriation	-	(183,288)	(183,288)
Planned asset payment	(108,576)	108,576	-
Company account payment	(18,740)	-	(18,740)
December 31, 2019	$ 2,295,198	($ 1,095,040)	$ 1,200,158

The pension fund system of the company contained in the consolidated financial statements is exposed to the following risks due to the "Labor Standards Act":

(1) Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the consolidated company shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.

(2) Interest risk: the decline of the interest rate for government/corporate bonds will cause an increase in the present value of determined benefit obligation. However, the ROI of the debt of the planned assets will also increase accordingly. The effect of the two on net determined benefit liability is mutually offsetting.

(3) Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the consolidated financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	2019	2018
Discount rate	0.68%～0.80%	0.97%～1.13%
The expected rate of increase in salaries	1.50%～2.75%	1.50%～2.75%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	December 31, 2019	December 31, 2018
Discount rate		
Increase by 0.25%	($ 60,535)	($ 60,202)
Decrease by 0.25%	$ 62,757	$ 62,490
The expected rate of increase in salaries		
Increase by 0.25%	$ 61,080	$ 61,005
Decrease by 0.25%	($ 59,225)	($ 59,068)

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	December 31, 2019	December 31, 2018
Prepaid amount for 1 year	$ 147,951	$ 42,258
Average maturity of determined benefit obligation	9 to 16 years	9 to 17 years

3. Employees preferential deposit plan

With effect on December 21, 2014, Taichung Bank in the financial statements adjusted the interest rate for the deposit of the banking staff. According to Order Jin-Guan-Yin-Fa-Zi No. 10110000850 and the Regulations Governing the Preparation of Financial Reports by Public Banks, the employee preferred deposit plan liabilities shall be subject to the actuarial calculation of a qualified actuary professional.

Contingent liabilities included in the consolidated balance sheet due to employees' preferential deposit plan at Taichung Commercial Bank are shown as follows:

	December 31, 2019	December 31, 2018
Present value of preferred deposit plan	$ 131,433	$ 120,769
The fair value of plan assets	-	-
Appropriation shortage	131,433	120,769
Provision for liability – preferred deposit plan	$ 131,433	$ 120,769

Change in employee preferred deposit plan liability is shown below:

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2018	$ 108,779	$ -	$ 108,779
Service cost			
Service costs from previous period	9,112	-	9,112
Interest expenses	3,855	-	3,855
Recognized in the profit or loss	12,967	-	12,967
Reevaluation			
Actuarial loss – change in the assumption of the census	6,076	-	6,076
Actuarial loss – adjustment through experience	20,173	-	20,173
Recognized in the other comprehensive profit of loss	26,249	-	26,249
Company account payment	(27,226)	-	(27,226)
December 31, 2018	120,769	-	120,769
Service cost			
Service costs from previous period	6,700	-	6,700
Interest expenses	4,286	-	4,286
Recognized in the profit or loss	10,986	-	10,986
Reevaluation			
Actuarial loss – change in the assumption of the census	6,770	-	6,770
Actuarial loss – adjustment through experience	21,177	-	21,177
Recognized in the other comprehensive profit of loss	27,947	-	27,947
Company account payment	(28,269)	-	(28,269)
December 31, 2019	$ 131,433	$ -	$ 131,433

The amount of employee preferred deposit plan recognized as profit and loss by function is summarized below:

	2019	2018
Operating expenses	$ 10,986	$ 12,967

The employee preferred deposit obligation of the Taichung Commercial Bank is based on the actuarial calculation of professional actuary and the major assumption as of the evaluation day is shown below:

	December 31, 2019	December 31, 2018
Discount rate	4.00%	4.00%
Return on deposited fund	2.00%	2.00%
Excessive interest rate	2.00%	2.00%
The withdrawal rate of preferred deposits	3.50%	4.00%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of employee preferred deposit obligation will be:

	December 31, 2019	December 31, 2018
Discount rate		
Increase by 0.25%	($ 3,202)	($ 2,858)
Decrease by 0.25%	$ 3,343	$ 2,982
The withdrawal rate of preferred deposits		
Increase by 0.25%	$ 3,454	$ 3,099
Decrease by 0.25%	($ 3,599)	($ 3,227)

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of employee preferred deposit obligation.

	December 31, 2019	December 31, 2018
Prepaid amount for 1 year	$ -	$ -
The average maturity of employee preferred deposit obligation	10.4 years	10.1 years

4. Other long-term employee benefits

The other long-term employee benefits of the Taichung Commercial Bank meant for the long-term disability benefits. The Company will issue pensions to the employees who die of sickness or accidents at work for reasons other than occupational hazards.

Taichung Commercial Bank recognized long-term employee benefits in the consolidated comprehensive income statement for an amount of NTD 6,531thousand and NTD 4,542 thousand in 2019 and 2018, respectively. The other long-term employee benefit liabilities reserve amounted to NT$ 29,519 thousand and NT$ 22,988 thousand as of December 31, 2019 and 2018, respectively.

(2) Taichung Bank Statement of Changes in Reserves for Guarantees

2019

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 121,061	$ 1,751	$ 55,221	$ 178,033	$ 11,815	$ 189,848
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	(3)	3	-	-	-	-
Converted as financial assets with credit impairment	(434)	-	434	-	-	-
Converted as anticipated credit loss in 12 months	11,027	(292)	(10,735)	-	-	-
Financial assets removed in current period	(86,834)	(1,458)	(7,647)	(95,939)	-	(95,939)
Procured or initiated new financial assets	80,868	1,720	4,221	86,809	-	86,809
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(7,471)	(7,471)
Write-off bad debts	-	-	-	-	-	-
Recovered amount after write-off bad debts	-	-	-	-	-	-
Foreign exchange settlement and other changes	(15,965)	54	17,127	1,216	-	1,216
Balance - ending	$ 109,720	$ 1,778	$ 58,621	$ 170,119	$ 4,344	$ 174,463

2018

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 161,287	$ 78,453	$ 112	$ 239,852	$ 3,785	$ 243,637
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	(82)	82	-	-	-	-
Converted as financial assets with credit impairment	(1,071)	(10)	1,081	-	-	-
Converted as anticipated credit loss in 12 months	2,682	(2,682)	-	-	-	-
Financial assets removed in current period	(127,962)	(75,721)	(6)	(203,689)	-	(203,689)
Procured or initiated new financial assets	91,123	592	8,075	99,790	-	99,790
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	8,030	8,030
Write-off bad debts	-	-	-	-	-	-
Recovered amount after write-off bad debts	-	-	-	-	-	-
Foreign exchange settlement and other changes	(4,916)	1,037	45,959	42,080	-	42,080
Balance - ending	$ 121,061	$ 1,751	$ 55,221	$ 178,033	$ 11,815	$ 189,848

Bad debt expense, commitment and guarantee liability provisions recognized in 2019 and 2018.

(3) Taichung Bank Statement of Changes in Contingency Reserves

2019

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 12,108	$ -	$ -	$ 12,108	$ 11,825	$ 23,933
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	-	-	-	-	-	-
Converted as financial assets with credit impairment	-	-	-	-	-	-
Converted as anticipated credit loss in 12 months	-	-	-	-	-	-
Financial assets removed in current period	(12,073)	-	-	(12,073)	-	(12,073)
Procured or initiated new financial assets	9,628	-	7	9,635	-	9,635
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(9,592)	(9,592)
Write-off bad debts	-	-	-	-	-	-
Recovered amount after write-off bad debts	-	-	-	-	-	-
Foreign exchange settlement and other changes	(25)	-	-	(25)	-	(25)
Balance - ending	$ 9,638	$ -	$ 7	$ 9,645	$ 2,233	$ 11,878

2018

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 11,240	$ 8,802	$ 3,086	$ 23,128	$ 3,172	$ 26,300
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	-	-	-	-	-	-
Converted as financial assets with credit impairment	-	-	-	-	-	-
Converted as anticipated credit loss in 12 months	-	-	-	-	-	-
Financial assets removed in current period	(11,240)	(8,802)	(3,086)	(23,128)	-	(23,128)
Procured or initiated new financial assets	12,108	-	-	12,108	-	12,108
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	8,653	8,653
Write-off bad debts	-	-	-	-	-	-
Recovered amount after write-off bad debts	-	-	-	-	-	-
Foreign exchange settlement and other changes	-	-	-	-	-	-
Balance - ending	$ 12,108	$ -	$ -	$ 12,108	$ 11,825	$ 23,933

Other revenue except for interest income recognized in 2019 and 2018.

(4) Taichung Bank Statement of Changes in Reserves for Financial Commitments

2019

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 61,769	$ 2,040	$ -	$ 63,809	$ -	$ 63,809
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	(4)	4	-	-	-	-
Converted as financial assets with credit impairment	(4)	(4,032)	4,036	-	-	-
Converted as anticipated credit loss in 12 months	1,177	(1,177)	-	-	-	-
Financial assets removed in current period	(9,439)	(791)	-	(10,230)	-	(10,230)
Procured or initiated new financial assets	21,880	1,041	-	22,921	-	22,921
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-
Write-off bad debts	-	-	-	-	-	-
Recovered amount after write-off bad debts	-	-	-	-	-	-
Foreign exchange settlement and other changes	(17,895)	4,763	(11)	(13,143)	-	(13,143)
Balance - ending	$ 57,484	$ 1,848	$ 4,025	$ 63,357	$ -	$ 63,357

2018

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance as of January 1, 2019	$ 45,440	$ 9,183	$ 2,150	$ 56,773	$ -	$ 56,773
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	1,703	(1,703)	-	-	-	-
Converted as financial assets with credit impairment	(6)	(20)	26	-	-	-
Converted as anticipated credit loss in 12 months	2,532	(2,532)	-	-	-	-
Financial assets removed in current period	(20,131)	(4,757)	(2,150)	(27,038)	-	(27,038)
Procured or initiated new financial assets	21,975	1,655	-	23,630	-	23,630
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-
Write-off bad debts	-	-	-	-	-	-
Recovered amount after write-off bad debts	-	-	-	-	-	-
Foreign exchange settlement and other changes	10,256	214	(26)	10,444	-	10,444
Balance - ending	$ 61,769	$ 2,040	$ -	$ 63,809	$ -	$ 63,809

As of 2019 and December 31, 2018, bad debt expense allowances and commitment/guarantee reserve allowances.

32. Equity

(1) Paid-in capital

	December 31, 2019	December 31, 2018
Authorized number of shares (thousand shares)	1,680,000	1,680,000
Authorized capital	$ 16,800,000	$ 16,800,000
Number of shares issued with fully paid-in capital (thousand shares)	1,621,367	1,522,410
Outstanding capital	16,213,672	$ 15,224,105

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

On June 12, 2018, the shareholder meeting resolved to recapitalize the undistributed earnings of NT$929,171 thousand to 92,017 shares (both in thousand), at a par value of NT$10 per share, all of which were common stocks. As of December 31, 2018, the paid-in capital of CMFC has increased to NT$15,224,105 thousand, consisting of 1,522,410 thousand shares of common stock at a par value of NT$10 per share.

On June 5, 2019, the shareholder meeting resolved to recapitalize the undistributed earnings of NT$989,567 thousand to 989,567 shares (both in thousand), at a par value of NT$10 per share, all of which were common stocks. As of December 31, 2019, the paid-in capital of CMFC has increased to NT$16,213,672 thousand, consisting of 1,621,367 thousand shares of common stock at a par value of NT$10 per share.

(2) Capital surplus

	December 31, 2019	December 31, 2018
For covering loss carried forward, payment in cash or capitalization as equity shares (Note)		
Shares issued in excess of par value	$ 590,001	$ 590,001
The differences between carrying amount and market price of actual acquisition or disposal of shares in subsidiaries.	6,270	6,270
Assets received	2,129	2,129
Treasury stock transactions	772,194	772,194
For covering loss carried forward only.		
Changes in the ownership equity on a subsidiary	184,238	184,238

	December 31, 2019	December 31, 2018
Transaction of treasury stock (cash dividends paid to subsidiaries)	$ 153,376	$ 137,443
May not be used for any purpose.		
Employees' stock options	2,600	2,600
	$ 1,710,808	$ 1,694,875

Note: Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(3) Retained earnings and Dividend Policy

According to the Articles of Incorporation of China Man-Made Fiber Corporation, the policy for the distribution of earnings stated that if there is a surplus after account settlement of the fiscal year, the company shall pay applicable taxes and cover loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, and appropriate for special reserve or reverse special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividend under a proposal prepared by the Board subject to the final approval of the General Meeting of Shareholders. For information on the policy of remuneration to employees, Directors, and Shareholders to the Articles of Incorporation, refer to Note 33 (8) remunerations for employees, directors and supervisors.

The Company's dividend policy shall be drafted subject to the Company's future investment environment and long-term financial planning, and also takes the shareholders' equity into consideration. The dividends shall be allocated in the form of cash dividend as the first priority per year, and may be allocated in the form of stock dividend, provided that the ratio of allocation of stock dividend shall be no more than 95% of the total dividends.

China Man-Made Fiber Corporation has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, FSC.Certificate.Issue.Tzi No. 1010047490 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)." If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed.

The legal reserve should be contributed until its balance reaches the Company's total paid-in capital. The legal reserve may be applied to make up loss. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

China Man-Made Fiber Corporation held General Shareholders Meetings on June 5, 2019 and June 12, 2018, which adopted resolutions with regard to the 2018 and 2017 surplus distribution proposals as follows:

	Earnings Distribution Proposal		Dividend Per Share (NTD)	
	2018	2017	2018	2017
Legal reserve	$ 137,204	$ 79,399	$ -	$ -
Special reserve	(20,283)	(524,938)	-	-
Cash dividends	152,241	142,949	0.10	0.10
Stock dividends	989,567	929,171	0.65	0.65

China Man-Made Fiber Corporation recorded an after-tax loss in 2019. The board of directors therefore proposed on March 16, 2020 not to distribute dividends and set aside a special reserve of NT$ 4,696,000 pursuant to the Securities and Exchange Act.

The proposal for the distribution of earnings in 2019 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 2020.

For more information on the proposal approved by the board of directors of China Man-Made Fiber Corporation and the surplus distribution proposal adopted by resolution of the General Shareholders Meeting, please refer to the TWSE Market Observation Post System.

(4) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	2019	2018
Balance - beginning	($ 54,591)	($ 41,611)
The exchange differences yielded by net assets of overseas operating institutions	(32,404)	(12,980)
Balance - ending	($ 86,995)	($ 54,591)

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	2019	*2018*
Balance - beginning	($ 129,103)	($ 203,678)
Accrued in current year		
Unrealized gain or loss		
Debt instruments	12,476	-
Equity instruments	509,505	31,466
The shares of profit and/or loss at equity method over the associates	-	(226)
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings.	(10,862)	43,335
Balance - ending	$ 382,016	($ 129,103)

(5) Treasury stock

The details and changes of the treasury stocks of CMFC in 2019 and 2018 are shown as follows:

Cause	Shares of parent company held by subsidiaries (in thousand shares)	Total (thousand shares)
Number of shares on January 1, 2019	310,784	310,784
Increase in current period	20,201	20,201
Number of shares as of December 31, 2019	330,985	330,985
Number of shares on January 1, 2018	291,815	298,504
Increase in current period	18,969	18,969
Number of shares on December 31, 2018	310,784	310,784

1. In 2019 and 2018, stocks of the parent held by subsidiaries increased by 20,201,000 and 18,969,000, respectively. This can be attributed to stock dividend distributions by the parent.

2. As of December 31, 2019 and 2018, CMFC shares held by the subsidiaries are as follows:

Name of Subsidiary	Number of shares held (thousand shares)	Book Value	Market Value
December 31, 2019			
Pan Asia Chemical Corporation	251,443	$ 971,926	$ 1,023,453
Deh Hsing Investment Co., Ltd.	11,172	25,787	92,733
Chou Chin Industrial Co., Ltd.	59,123	195,060	229,558
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	9,247	35,136	28,960
		$ 1,227,909	$ 1,374,704
December 31, 2018			
Pan Asia Chemical Corporation	236,096	$ 971,926	$ 1,180,972
Deh Hsing Investment Co., Ltd.	10,491	25,787	107,005
Chou Chin Industrial Co., Ltd.	55,514	195,060	264,890
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	8,683	35,136	33,656
		$ 1,227,909	$ 1,586,523

3. According to the Securities and Exchange Act, the treasury stocks held by CMFC shall not be pledged, nor shall they be entitled to dividends distribution and voting rights. Shares of CMFC held by its subsidiaries shall be considered as treasury stocks, and except for the provisions of Article 167 and 179 of the Company Act, the rest share the same rights as the general shareholders.

(6) Non-controlling interest

	2019	*2018*
Balance - beginning	$ 35,867,280	$ 32,767,674
Adjusted non-controlling interest of dividends distributed to subsidiaries	15,146	14,228
The number of shares attributed to non-controlling interests		
Net income	3,310,588	3,037,600
Reevaluation of determined benefit plan	(92,309)	(25,672)
Financial assets at fair value through other comprehensive profit or loss	301,753	27,114
Exchange differences from the translation of financial statements of foreign operations	(72,910)	9,518
Cash dividends paid by subsidiaries	(730,905)	(1,066,594)
Change in non-controlling interest	-	1,103,412
Balance - ending	$ 38,598,643	$ 35,867,280

33. Business units in continuing operation income

Income from continuing operations department includes the following items

(1) Interest income and expense

	2019	2018
Interest revenue		
Discount and loan interest income	$ 11,046,706	$ 10,785,290
Due from bank and interbank offered interest income	158,560	141,778
Security investment interest income	1,592,043	1,517,886
Others	657,696	637,878
	$ 13,455,005	$ 13,082,832
Interest expenses		
Deposits Interest expenses	$ 3,895,512	$ 3,570,151
Central Bank and interbank interest expense	207,985	257,130
Bond issuance interest expense	643,380	581,800
Interest expense on borrowings	257,879	178,097
Lease liability interest expenses	40,665	-
Other Interest expenses	241,751	228,157
	5,287,172	4,815,335
Less: Recognized cost of property, plant and equipment (Note 20)	(2,272)	(17,665)
	$ 5,284,900	$ 4,797,670

(2) Fee income and expense

	2019	2018
Income from handling fees		
Brokerage fee revenue	$ 1,292,348	$ 1,487,633
Trust business income	901,283	809,086
Loan service fee income	466,542	461,478
Commission income for bank guarantee	152,298	159,332
Other service fee revenue	339,599	358,691
	$ 3,152,070	$ 3,276,220
Service charges		
Commission expense	$ 93,237	$ 283,735
Inter-bank service fee	35,904	35,082
Other service fee expenses	109,614	111,229
	$ 238,755	$ 430,046

The consolidated company provides custody, trust, investment management and advisory services to third parties; therefore, the consolidated company engages in the planning, management and trading decision of financial instruments. For a trust fund or investment portfolio that is commissioned for management and utilization, a separate bookkeeping is arranged and financial statements are prepared for internal management purposes, excluding the financial statements of the consolidated company.

(3) Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2019	2018
The realized gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Commercial papers	$ 132,342	$ 146,516
Stock	345,149	(8,762)
Beneficiary certificate	(2,310)	(77,018)
Bonds	(2,580)	(27)
Derivatives	9,206	18,344
	481,807	79,053
The valuation gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Commercial papers	(1,507)	3,046
Stock	23,679	190,069
Beneficiary certificate	102,011	(48,167)
PEM Group Insurance policy assets	51,349	14,456
Bonds	-	(15)

	2019	2018
Open-end funds and money market instruments	($ 109)	$ 230
Derivatives	60,149	(29,046)
	235,572	130,573
	$ 717,379	$ 209,626

(4) Impairment reversal gain (loss)

	2019	2018
Impairment loss		
Impairment loss of property, plant and equipment	$ -	($ 325)
Expected credit reversal benefit (loss)		
Capital gain/loss on reversal of debts instrument at fair value through comprehensive income statement as other comprehensive income	$ 113	$ 3,820
Debt of instruments measured on the basis of cost after amortization impairment loss reversal gain (loss)	6,338	(21,308)
Accounts receivable	4,412	1,300
	$ 10,863	($ 16,188)

(5) Bad debt expense, commitment and guaranty reserve

	2019	2018
Lodgment of the expenses of doubtful account receivables	$ 121,547	$ 32,835
Lodgment of the expenses of doubtful accounts for discount and loans	509,127	487,333
Guarantee reserve reversed	(15,226)	(54,000)
Provision for commitment of financing	26	6,604
	$ 615,474	$ 472,772

(6) Other income

	2019	2018
Dividend income	$ 133,539	$ 116,117
Management fee income	35,997	32,824
Rental revenue	32,704	37,204
Others	35,257	65,914
	$ 237,947	$ 252,059

(7) Depreciation and amortization

	2019	2018
Property, plant, and equipment expenses	$ 977,344	$ 847,938
Depreciations of Investment Property	1,701	1,783
Intangible assets amortization expenses	52,488	54,854
Right-of-use assets	258,860	-
Total	$ 1,290,393	$ 904,575
Consolidation of depreciation expenses based on functions		
Operating cost	$ 765,407	$ 611,281
Operating expenses	472,498	238,440
	$ 1,237,905	$ 849,721
Consolidation of amortization expenses based on functions		
Operating cost	$ 55	$ 731
Operating expenses	52,433	54,123
	$ 52,488	$ 54,854

(8) Employee benefits expenses

2019

	Operating cost	Operating expenses	Total
Salary & wage	$ 619,636	$ 3,567,662	$ 4,187,298
Labor insurance and national health insurance	62,323	233,353	295,676
	681,959	3,801,015	4,482,974
Pension expenses			
Defined contribution pension plan	27,479	110,851	138,330
Defined benefit plan (Note 31)	4,309	24,765	29,074
	31,788	135,616	167,404
Other employee benefits expenses	36,804	257,890	294,694
Total employee benefits expenses	$ 750,551	$ 4,194,521	$ 4,945,072

2018

	Operating cost	Operating expenses	Total
Salary & wage	$ 588,310	$ 3,501,679	$ 4,089,989
Labor insurance and national health insurance	57,035	215,918	272,953
	645,345	3,717,597	4,362,942
Pension expenses			
Defined contribution pension plan	$ 23,293	$ 99,625	$ 122,918
Defined benefit plan (Note 31)	4,615	32,810	37,425
	27,908	132,435	160,343
Other employee benefits expenses	39,151	244,296	283,447
Total employee benefits expenses	$ 712,404	$ 4,094,328	$ 4,806,732

(9) Remuneration to employees, Directors and Supervisors

The Company appropriated 1% to 5% and no more than 0.3% of the earnings before taxation before the deduction of remuneration to the employees, Directors and Supervisors of the same year. Since the Company recorded an after-tax loss in 2019, no employee and director/supervisor compensations were allocated. Estimated employee and director/supervisor compensations in 2018 are as follows:

Estimate on ratio

	2019	2018
Remuneration to employees	-	1.0%
Remuneration to directors/supervisors	-	0.3%

Amount

	2019	2018
Remuneration to employees	$ -	$ 13,673
Remuneration to directors/supervisors	$ -	$ 4,102

If there are still changes in the amount specified in the consolidated financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

China Man-Made Fiber Corporation held board meetings on March 18, 2019 and March 23, 2018, which adopted resolutions to approve the 2018 and 2017 employee and director/supervisor compensations as follows:

Amount

	2018		2017	
	Remuneration to employees	Remuneration to directors/supervisors	Remuneration to employees	Remuneration to directors/supervisors
Amount resolved by the Board of Directors for release	$ 13,673	$ 4,102	$ 8,185	$ 2,456
Amount recognized in financial statements of respective years	$ 13,673	$ 4,102	$ 8,185	$ 2,456

The actual amount for remuneration to employees, Directors and Supervisors in 2018 and 2017 did not vary from the amount recognized in the consolidated financial statements of 2018 and 2017.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Board of China Man-Made Fiber Corporation in 2020 and 2019, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

34. Continuing department income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	2019	2018
Income tax expenses in the current period		
Accrued in current year	$ 916,556	$ 807,023
Additional levy on undistributed earnings	6,382	20,662
Prior year adjustment	(832)	8,367
Land revaluation increment tax	-	292
Deferred tax		
Accrued in current year	(386,848)	35,255
Change in tax rate	-	(136,472)
Income tax expense recognized in the profit or loss	$ 535,258	$ 735,127

The adjustments of 2019 and 2018 accounting income and the income tax expense of the year:

	2019	2018
Income before tax from continuing operations	$ 3,116,082	$ 5,144,762
Income tax expense of net income before tax at the statutory tax rate	$ 623,216	$ 1,028,952
Non-deductible expenses and losses for tax purposes	7,433	21,458
Non-taxable income	(63,074)	(177,990)
Additional levy on undistributed earnings	6,382	20,662
Land revaluation increment tax	-	292
Income tax expense of prior years adjusted in the current year	(832)	8,367
Unrecognized loss carryforward	127	(12,389)
Unrecognized deductible temporary differences	(41,691)	(18,488)
Change in tax rate	-	(136,472)
Effect of variation in taxation rates on the consolidation of the group and individual entities.	3,697	735
Income tax expense recognized in the profit or loss	$ 535,258	$ 735,127

In 2018, Taiwan amended the R.O.C. Income Tax Act, increasing its corporate income tax rate from 17% to 20%. Said amendment also prescribes a decrease of the applicable tax rate for undistributed surpluses in 2018 from 10% to 5%.

(2) Income tax recognized in the other comprehensive profit or loss

	2019	2018
Deferred tax		
Accrued in current year		
- Re-evaluation of determined benefit plan	$ 29,500	$ 48,464
Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	(20,877)	(10,830)
Income tax benefits recognized in the other comprehensive profit or loss	$ 8,623	$ 37,634

(3) Current income tax asset and liability

	December 31, 2019	December 31, 2018
Current income tax asset		
Tax refund receivable	$ 14,469	$ 5,293
Current Tax Liability		
Payable income tax	$ 398,167	$ 386,857

(4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2019

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance, end of year
Deferred income tax assets				
Temporary difference				
Property, plant and equipment	$ 34,789	($ 12,827)	$ -	$ 21,962
Inventory	11,158	11,976	-	23,134
Defined benefit pension plans	309,329	(5,333)	29,500	333,496
Loss allowance	372,522	50,538	-	423,060
Unrealized loss from structured note indemnity	223,761	(10,270)	-	213,491
Others	23,276	(20,285)	(20,877)	(17,886)
	974,835	13,799	8,623	997,257
Loss credit	99,103	373,049	-	472,152
	$ 1,073,938	$ 386,848	$ 8,623	$ 1,469,409
Deferred tax liabilities				
Temporary difference				
Allowance for land increment value tax	$ 1,021,567	$ -	$ -	$ 1,021,567

2018

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance, end of year
Deferred income tax assets				
Temporary difference				
Property, plant and equipment	$ 37,238	($ 2,449)	$ -	$ 34,789
Inventory	9,484	1,674	-	11,158
Defined benefit pension plans	241,109	19,756	48,464	309,329
Loss allowance	330,787	41,735	-	372,522
Unrealized loss from structured note indemnity	192,655	31,106	-	223,761
Others	(3,683)	37,789	(10,830)	23,276
	807,590	129,611	37,634	974,835
Loss credit	126,952	(27,849)	-	99,103
	$ 934,542	$ 101,762	$ 37,634	$ 1,073,938
Deferred tax liabilities				
Temporary difference				
Allowance for land increment value tax	$ 1,021,022	$ 545	$ -	$ 1,021,567

(5) Deductible temporary differences and unused deduction of loss for deferred income tax assets are not recognized in the balance sheet.

	December 31, 2019	December 31, 2018
Deductible temporary differences		
Allowance to reduce inventory to market	$ 114,314	$ 282,592
Defined benefit pension plans	7,550	-
Loss credit	98,010	-
	$ 219,874	$ 282,592

(6) Unused losses credit related information

Loss deduction as at December 31, 2019:

Uncredited balance	Last year of credit
$ 70,159	2020
5,221	2022
505,260	2026
1,876,127	2029
$ 2,456,767	

(7) Income tax audit

1. Approved by the Company up to 2016.
2. The Taichung Commercial Bank was audited up to the year 2017.
3. The Taichung Commercial Bank Insurance Broker Co., Ltd. was audited up to the year of 2017.
4. The Taichung Commercial Bank Lease Enterprise was audited up to the year of 2017.
5. TCB Securities was approved until 2017.
6. The Pan Asia Chemical Corporation was audited up to the year 2016.
7. Approved by De-Hsin Investment up to 2017.
8. Approved by Taichung Securities Investment Trust up to 2017.
9. Approved by Chou Chin Industrial up to 2017.
10. Approved by Ge Ling up to 2017.
11. Approved by Jeou Chang up to 2017.
12. Approved by Rui-Jia Investment up to 2017.
13. Approved by Xiang-Feng Development up to 2017.
14. Approved by Mélasse up to 2017.
15. Approved by Pan-Feng Industry up to 2017.
16. Approved by Tou-Ming Industry up to 2017.
17. Approved by Jin-Bang-Ge Industry up to 2017.

35. Earnings (losses) per share

	2019	2018
Basic earnings per share (losses)	($ 0.57)	$ 1.06
Diluted earnings per share (losses)	($ 0.57)	$ 1.06

When calculating earnings per share, the impact of the stock dividend had been retroactively adjusted. The payment date of bonus shares is on August 12, 2019. Due to retrospective adjustment, the 2018 basic and diluted earnings per share changes are as follows:

Unit: NTD per share

	Cum-dividend	Ex-dividend
Basic earnings per share	$ 1.13	$ 1.06
Diluted earnings per share	$ 1.13	$ 1.06

The net income (loss) and weighted average common stock shares used for calculating earnings (deficit) per share are as follows:

Net income (loss) for current period

	2019	2018
Net profit (loss) attributable to the company	($ 729,764)	$ 1,372,035

Quantity

Unit: Thousand Shares

	2019	2018
Weighted average common stock shares used to calculate basic earnings per share	1,290,382	1,290,382
Effect of dilutive potential common stock:		
Remuneration to employees	-	1,537
Weighted average common stock shares used to calculate diluted earnings per share	1,290,382	1,291,919

If the consolidated company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings (deficit) per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When the Company estimated diluted earnings (losses) per share prior to the adoption of a resolution regarding the number of shares issued as employee compensations by the shareholders meeting in the following year, it also considered potential common share dilution effects.

36. Related Party Transactions

(1) Name and affilation of related parties

Name	Affiliation
Chung Chien Investment Co., Ltd.	Investors with control
Pan Asia Investment Co., Ltd.	Investors with control
Nan Chung Petrochemical Corp.	Affiliated enterprises
Wei-Kang International	Affiliated enterprises
BONWELL PRADISE Co., Ltd	Affiliated enterprises
Storm Model Management	Affiliated enterprises
Qian Teng PR Planning (Shanghai), Co., Ltd.	Affiliated enterprises
Shanghai Nianjia Cultural Diffusion Co., Ltd.	Affiliated enterprises
Hua Nan Financial Holding	Substantial related party
Hua Nan Bank	Substantial related party
Hua Nan Insurance	Substantial related party
TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	Substantial related party
Hsu Tian Investment Co., Ltd	Substantial related party
TA YI DEVELOPMENT CO., LTD.	Substantial related party
Midea	Substantial related party
Formosa Imperial Wineseller Corp.	Substantial related party
Formosawine Vintners Corporation	Substantial related party

Name	Affiliation
Da Fa Investment Company	Substantial related party
Sheng Jen Knitted Textiles Co., Ltd.	Substantial related party
Tai Yi Investment	Substantial related party
Reliance Consolidated Securities Co., Ltd.	Substantial related party
Wang Wan Chin Education Foundation	Substantial related party
Sheng Yuan Cher Investment Company	Substantial related party
Chao-Qing Investment	Substantial related party
Peng Hsu Investment Company	Substantial related party
General Pride Enterprise Co., Ltd.	Substantial related party
Shield Bright Investment Limited	Substantial related party
Taichung Commercial Bank Cultural and Educational Foundation, Taichung Commercial Bank Workers' Welfare Commission	Substantial related party
Ho Yang Management Consultant Co., Ltd.	Legal director of Taichung Commercial Bank
Others (Note 1, 2)	Key management personnel of the merged company and their spouses and relatives within the second degree of kinship

Note 1: Chairman Chin-Yuan Lai of Taichung Bank resigned on June 26, 2018. The standing committee of the Board elected Ming-Hsiung Huang as the new Chairman of Taichung Bank on June 27, 2018. Chairman Ming-Hsiung Huang later resigned for health reasons on July 12, 2018. The standing committee of the Board elected Kuei-Fong Wang as the new Chairman on the same day.

Note 2: Note 2: Representative Huang Ching-Tai of Hsu Tian Investment Co., Ltd., an Institutional Director of Taichung Bank, resigned on April 20, 2018. Hsu Tian Investment appointed Lai-Hsiang Tsai as the Representative on April 27, 2018. Representative Chin-Yuan Lai of Hsu Tian Investment Co., Ltd., an Institutional Director of Taichung Bank, resigned on June 26, 2018. Hsu Tian Investment appointed Yeh Shu Hui as the Representative on May 28, 2018.

(2) Important transactions between the Company and related parties:

1. Sales revenue

Name	2019	2018
Substantial related party	$ 42	$ -

There are no significant differences between sales prices and collection terms for related parties of the merged company and regular customers.

2. Purchases

Name	2019	2018
Nan Chung Petrochemical Corp.	$ 3,361,822	$ 4,246,032

The terms and conditions of the Consolidated Company's purchase from said related parties are as same as that to the general suppliers. The general suppliers apply the A/R settlement 1 month~2 months.

3. Bank deposits and interest revenue

	2019		2018	
Name	Balance - ending	Interest revenue	Balance - ending	Interest revenue
Hua Nan Bank	$ 132,779	$ 115	$ 111,807	$ 181

4. Payable accounts from related parties

Name	December 31, 2019	December 31, 2018
Payable accounts and notes		
Nan Chung Petrochemical Corp.	$ 307,149	$ 342,359
Substantial related party	-	3,986
	$ 307,149	$ 346,345

5. Other income

Name	2019	2018
Hua Nan Bank	$ 8,197	$ 6,799
TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	96	96
	$ 8,293	$ 6,895

The company's 2019 and 2018 other income from Hua Nan Commercial Bank Company pertains to the company serving as Hua Nan Commercial Bank Co.'s institutional director has received of director/auditor remuneration and director/auditor attendance travel expense income.

6. Disposal of financial assets

January 1 to December 31, 2019

Name	Account titles in book	Number of traded shares	Transaction object	Disposal price
Pan Asia Investment Co., Ltd.	The financial assets measured for the fair values through other comprehensive income- non-current	1,000 thousand shares	Taiwan Tea Corp. common shares	$ 16,576

The merged company sold 1 million common shares of Taiwan Tea Corporation at a transaction price of NT$ 16.65 to the related party Pan Asia in accordance with the method for trading after hours on the Open Market Stock Exchange on September 23, 2019. The proceeds minus a processing fee of NT$ 24,000 and transaction tax of NT$ 50,000 amounted to NT$ 16,576,000 (gain/loss from disposal of (548,000). Equity carried over to retained surpluses.

7. Loan

2019

Unit: NTD thousand

Type	Number of accounts or name of stakeholder	Maximum Balance in Current Period	Balance - ending	Performance: Normal loans	Performance: No-performing loans	Interest revenue	Collateral Contents	Difference in trading conditions and terms with non-stakeholders
Customer loans to employees	11 accounts	$ 4,772	$ 3,223	$ 3,223	$ -	$ 67	Credit loans	N/A
Residential mortgage loans	37 accounts	187,417	115,535	115,535	-	1,585	Real estate	"
Other loans	Lee OO	2,685	2,552	2,552	-	41	"	"
	Chen OO	4,000	-	-	-	17	"	"
	Liu OO	2,044	1,911	1,911	-	29	"	"
	Yang OO	846	-	-	-	4	"	"
	Chung OO	12,230	-	-	-	154	"	"
	Fan OO	4,432	1,916	1,916	-	34	"	"
	Lin OO	38,000	18,800	18,800	-	354	"	"
	Liang OO	1,002	886	886	-	14	"	"
	Yeh OO	33,000	11,000	11,000	-	166	"	"
	Huang OO	1,701	1,570	1,570	-	27	"	"
	Chiu OO	3,534	3,238	3,238	-	49	"	"
	Tsai OO	1,529	-	-	-	29	"	"
	Chen OO	1,600	-	-	-	5	"	"

2018

Unit: NTD thousand

Type	Number of accounts or name of stakeholder	Maximum Balance in Current Period	Balance - ending	Performance: Normal loans	Performance: No-performing loans	Interest revenue	Collateral Contents	Difference in trading conditions and terms with non-stakeholders
Customer loans to employees	9 accounts	$ 4,317	$ 2,911	$ 2,911	$ -	$ 44	Credit loans	N/A
Residential mortgage loans	27 accounts	109,451	83,660	83,660	-	1,032	Real estate	〃
Other loans	Lee OO	2,817	2,685	2,685	-	43	〃	〃
	Ni OO	1,500	-	-	-	8	〃	〃
	Chu OO	4,500	-	-	-	31	〃	〃
	You OO	4,300	-	-	-	15	〃	〃
	Chen OO	7,000	4,000	4,000	-	54	〃	〃
	Liu OO	2,176	2,044	2,044	-	31	Real estate	N/A
	Yang OO	1,298	846	846	-	16	〃	〃
	Chung OO	14,387	12,230	12,230	-	206	〃	〃
	Lin OO	38,000	19,000	19,000	-	337	〃	〃
	Liang OO	3,053	1,002	1,002	-	23	〃	〃
	Chen OO	4,000	-	-	-	54	〃	〃
	Huang OO	1,830	1,701	1,701	-	30	〃	〃
	Chuang OO	1,487	-	-	-	24	〃	〃
	Chuang OO	1,769	1,620	1,620	-	22	〃	〃
	Chiu OO	3,826	3,534	3,534	-	53	〃	〃
	Tsai OO	3,642	1,529	1,529	-	43	〃	〃
	Huang OO	2,500	-	-	-	26	〃	〃
	Lee OO	3,600	-	-	-	17	〃	〃
	Lin OO	1,500	-	-	-	2	〃	〃

According to Articles 32 and 33 of the Banking Act of the Republic of China, no non-secured credit loans shall be granted to any party interested with the Bank’s staff, unless they are consumer loans and loans extended to the Government Apparatus; secured credit loans shall be granted under sufficient collateral and the terms of such credit extension shall not be more favorable than those offered to other customers in the same category.

8. Deposit

	2019			2018		
	Balance - ending	Interest Rate Collars %	Interest Expenses	Balance - ending	Interest Rate Collars %	Interest Expenses
Taichung Commercial Bank Workers' Welfare Commission	$139,771	0.01～5.09	$ 7,258	$141,566	0.01～5.09	$ 7,367
Taichung Commercial Bank Cultural and Educational Foundation	8,223	0.01～1.09	88	8,232	0.01～1.09	88
Formosa Imperial Wineseller Corp.	206	0.08	1	2,393	0.08	-
Yu Hwei Technology Co., LTD.	4	0.01	-	4	0.01	-
Hsu Tian Investment Co., Ltd	46,712	0.01～0.48	13	11,888	0.01~0.43	86
Reliance Consolidated Securities Co., Ltd.	13,652	0.08～0.80	104	-	-	-
Peng Hsu Investment Company	3	0.01	-	-	-	-
Pan Asia Investment Co., Ltd.	6	0.01	-	-	-	-
Ho Yang Management Consultant Co., Ltd.	-	-	-	34,828	0.01	1
Others	321,852	0.00~5.09	4,180	242,116	0.00~5.09	3,847
	$530,429		$11,644	$441,027		$11,389

With the exception of the interest rate for bank clerks' deposits on December 31, 2019 and 2018 were 5.09% respectively, the other interest rates are not materially different from those offered to general customers.

9. Financial bonds payable

Taichung Bank commissioned Masterlink Securities Corp., Yuanta Securities, SinoPac Securities Corp., Concord Securities, and KGI Securities as financial advisors for bond issuance and offering of the second tranche of subordinated financial bonds in 2013 and non-cumulative perpetual subordinated financial bonds (first tranche in 2015, first tranche in 2016, first, second, third, fourth, and fifth tranche in 2017, and first and second tranche in 2018).

As of December 31, 2019, the financial bonds of Taichung Bank Company subscribed by the related parties through the underwriters are as follows:

Trading Counterpart	Subscription amount	Session
Hsu Tian Investment Co., Ltd.	$ 4,000,000	1st term in 2015, 1st term in 2016, 1st and 5th term in 2017, 1st term and 2nd term in 2018 of perpetual non-accumulative subordinated debentures
Other related parties	2,241,000	Second tranche of subordinated financial bonds in 2013 and non-cumulative perpetual subordinated financial bonds (first tranche in 2015, first tranche in 2016, first, second, third, fourth, and fifth tranche in 2017, and first and second tranche in 2018).

As of December 31, 2019 and 2018, Taichung Bank should pay bond interest from bank debentures to the aforementioned related parties amounting to NT$40,882 thousand, and NT$ 40,883 thousand, respectively. The interest expenses as of December 31, 2019 and 2018 amounted to NT$ 258,358 thousand and NT$ 204,210 thousand, respectively.

(3) Rewards to management

The 2019 and 2018 total remuneration to directors and the other management are as follows:

	2019	*2018*
Short-term employee benefits	$ 255,613	$ 250,985
Retirement benefits	2,116	2,950
Other long-term employee benefits	13	25
	$ 257,742	$ 253,960

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

37. Pledged assets

The consolidated company provides assets as operation bonds, collaterals for bank borrowings, guarantee for repurchase agreement, guarantee for overdraft limit, margin for financial derivatives, guarantee for import duty and guarantee for hiring foreign workers (list them based on the book value):

	December 31, 2019	December 31, 2018
Notes receivable	$ 2,889,030	$ 2,277,240
Due from bank- time deposits	200,000	200,000
Restricted assets - Bank borrowings (list other current assets)	543,795	606,217
Financial assets at fair value through other comprehensive profit or loss	893,516	186,865
Investment of debt instrument on the basis of cost after amortization – government bonds	844,900	845,000
Investment under the equity method	117,002	122,896
Available-for-sale noncurrent assets	769,610	769,610
Investment property	1,086,856	1,090,166
Property, plant and equipment		
Land	3,411,627	3,179,986
House and Building	485,983	530,813

38. Significant undertakings or contingencies

In addition to the undertaking for financial products specified in Notes 8, 9 and 26, the consolidated company have had the following undertakings or contingent liabilities until December 31, 2019 and 2018:

(1) Guarantee notes issued by CMFC:

	December 31, 2019	December 31, 2018
Banking facility	$ 18,027,828	$ 14,676,846
Advance payment and performance bond	320,000	320,000
	$ 18,347,828	$ 14,996,846

(2) As of December 31, 2019 and 2018, the consolidated company had opened unused credit line of letter of credit at NT$2,424,494 thousand and NT$1,976,370 thousand, respectively.

(3) CMFC and Air Liquide Far Eastern signed a gas purchase agreement, which specified the minimum purchase volume of oxygen and nitrogen. The monthly purchase is about NT$13,800 thousand, with adjustments made every April in accordance with the customer price index. The purchase volume of oxygen and nitrogen is based on the contract price. The purchase agreement has a term of 240 months. The agreement will be automatically renewed for 36 months upon expiration if neither party has objection. A 24-month notice is required for the termination of the agreement. Both parties agreed on July 1, 2014 as the effective date of the agreement.

(4) Taichung Commercial Bank has other commitments:

	December 31, 2019	December 31, 2018
Undisbursed credit committee (exclusive of credit cards)	$ 139,176,198	$ 152,638,816

Credit card committee	11,743,903	10,507,270
Receivable guarantees	16,485,312	18,335,961
Trust liabilities	67,330,687	65,770,665
The balance of opened but unused letter of credit	3,318,935	4,140,679
Not yet initiated finance lease contractual commitments during lease periods	1,240,804	1,803,183

(5) The balance sheet and trust property catalogue of the trust account is disclosed pursuant to Article 17 of the "Enforcement Rules of Trust Enterprise Act" as follows:

Balance Sheet of Trust Accounts
December 31, 2019

Trust assets	Amount	Trust liabilities	Amount
Bank deposits	$ 3,588,759	Payable securities in custody	$ 5,884,557
Short-term investment	54,341,837	Trust capital	61,446,130
Structured product investment	2,041,602	Net income	2,047,880
Real estate		Deferred carry-over	(2,047,880)
Land	1,350,853		
House and Building	123,079		
Securities in custody	5,884,557		
Total trust assets	$ 67,330,687	Total trust liabilities	$ 67,330,687

Property Catalogue of Trust Accounts
December 31, 2019

Investment	Amount
Bank deposits	$ 3,588,759
Short-term investment	54,341,837
Structured product investment	2,041,602
Real estate	
Land	1,350,853
House and Building	123,079
Securities in custody	5,884,557
	$ 67,330,687

Income Statement of Trust Accounts
2019

	Amount
Amount	
Interest revenue	$ 2,921,019
Dividend income	27,138
Trust expenses	
Administration expenses	(900,164)
Taxation	(113)
Income before taxation	2,047,880
Income tax expenses	-
Income after taxation	$ 2,047,880

Balance Sheet of Trust Accounts
December 31, 2018

Trust assets	Amount	Trust liabilities	Amount
Bank deposits	$ 1,945,793	Payable securities in custody	$ 7,021,865
Short-term investment	52,565,072	Trust capital	58,748,800
Structured product investment	2,369,583	Net income	2,001,849
Real estate		Deferred carry-over	(2,001,849)
Land	1,745,119		
House and Building	123,233		
Securities in custody	7,021,865		
Total trust assets	$ 65,770,665	Total trust liabilities	$ 65,770,665

Property Catalogue of Trust Accounts
December 31, 2018

Investment	Amount
Bank deposits	$ 1,945,793
Short-term investment	52,565,072
Structured product investment	2,369,583
Real estate	
Land	1,745,119
House and Building	123,233
Securities in custody	7,021,865
	$ 65,770,665

Income Statement of Trust Accounts
2018

	Amount
Amount	
Interest revenue	$ 2,777,593
Dividend income	33,056
Trust expenses	
Administration expenses	(808,648)
Taxation	(152)
Income before taxation	2,001,849
Income tax expenses	-
Income after taxation	$ 2,001,849

(6) Leasing contracts and capital expenditure commitments maturity analysis

The consolidated company’s leasing contract commitments include operating leases and financing leases.

The operating lease commitment meant for the minimum lease payment of the consolidated company as a lessee or lessor under the irrevocable operating lease. For operating lease contractual commitments please refer to Note 21 (4).

The term “finance lease commitments” refers to the present value of total lease investments and minimum receivable lease payments with the merged company as lessor in accordance with the finance lease terms.

Capital expenditure commitment refers to the contract signed for the capital expenditures paid to receive architecture and equipment.

In consideration of the gradually expanding scope of operations and manpower, Taichung Bank publicly invited tenders online for the new Taichung Commercial Bank Head Office construction project on February 11, 2019. On March 29, 2019, the tender was jointly awarded to Dacin Construction Co., Ltd. and Earthpower. The contract has a total value of NT$ 11.16 billion.

Initiation of the project was reported on April 27, 2019. Fees charged by YSL Architects & Associates for design planning and technical supervision services amounted to NT$ 480,492,000.

Maturity analysis for finance lease contractual commitments and capital expenditure commitments with the merged company as lessor is provided below:

December 31, 2019

	Less than 1 year	1 ~5 years	More than 5 year	Total
Lease contract commitments				
Total finance lease revenue	$ 2,836,102	$ 522,845	$ -	$ 3,358,947
Present value of finance lease revenue	$ 2,551,965	$ 373,579	$ -	$ 2,925,544
Capital expenditure commitments	$ 823,970	$ 9,396,811	$ -	$10,220,781

December 31, 2018

	Less than 1 year	1 ~5 years	More than 5 year	Total
Lease contract commitments				
Total finance lease revenue	$ 1,543,678	$ 1,102,103	$ -	$ 2,645,781
Present value of finance lease revenue	$ 1,362,538	$ 1,006,172	$ -	$ 2,368,710
Capital expenditure commitments	$ 117,104	$ 104,725	$ -	$ 221,829

(7) On November 1, 2019, the Ministry of Justice Investigation Bureau requested access to relevant information from China Man-Made Fiber Corporation (hereinafter referred to as "CMFC") in connection with the New Site Industries, Inc. loan fraud case. A CMFC employee was detained and held incommunicado as per order of Taipei District Court. In addition, O-Bank filed a lawsuit against CMFC in February 2020 for the alleged role of some of its employees as contact persons in the receipt of claim transfer notifications and handling of other notifications in complicity with New Site Industries, Inc. The bank claimed that this resulted in serious blunders on the part of its employees who were misled into believing that CMFC had engaged in transactions with Highlite Industries, Inc. The bank therefore continued to grant loans and drawdowns. It claims that CMFC and its employees should bear joint and several liability. CMFC has commissioned a defense attorney to represent the Company in this lawsuit. The attorney argues that this case does not objectively involve performance of duties by CMFC employees and that CMFC should therefore bear no joint and several liability with regard to this case. However, the court believes after hearing the case that the bank is entitled to request compensation from CMFC, but it should also consider negligence on the part of the bank, which could result in the reduction or exemption of the liability to compensation thereby affecting the compensation amount payable by CMFC. It is therefore currently impossible to estimate the potential scope of liability and compensation.

39. Other matters

The distributors for PACC provided certificates of deposits valued at NT$2,000 thousand to PACC and also provided performance bond from bank valued at NT$2,000 thousand.

40. Financial instruments

(1) Fair value information- Financial instruments that are not measured at fair value

With the exception of the following, the book value of financial instruments not at fair value through income statement approximated its fair value or the fair value of which could not be measured with reliability. The fair value is not disclosed.

1. Fair value bracket

December 31, 2019

	Book Value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial Assets					
Investment of debt instruments on the basis of cost after amortization	$108,969,273	$ 85,512,551	$ 24,092,164	$ -	$109,604,715
Financial Liabilities					
Financial liabilities on the basis of cost after amortization:					
-Financial bonds payable	14,000,000	-	14,014,140	-	14,014,140

December 31, 2018

	Book Value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial Assets					
Investment of debt instruments on the basis of cost after amortization	$101,307,761	$ 80,185,438	$ 21,028,688	$ -	$101,214,126
Financial Liabilities					
Financial liabilities based on cost after amortization:					
-Financial bonds payable	20,000,000	-	20,098,746	-	20,098,746

2. Evaluation techniques and an input value of Level 2 fair value measurement

Categories of financial instruments	Evaluation techniques and input values
Non-derivatives	The bid price in active markets is not taken as fair value.

(2) Information on fair value – financial instruments at fair value on repetition.

1. Fair value bracket

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Derivatives	$ -	$2,097,080	$ -	$2,097,080
Commercial papers	20,074,138	-	-	20,074,138
Listed stocks – domestic and emerging stock	878,084	36,336	-	914,420
Foreign TSEC/GTSM listed shares	98,199	-	-	98,199
Beneficiary certificates of funds	801,720	-	-	801,720
Domestic corporate bonds	89,816	-	-	89,816
Others	-	1,029,839	-	1,029,839
Financial assets at fair value through other comprehensive profit or loss				
Equity investment				
- Listed stocks – domestic and emerging stock	3,319,533	-	-	3,319,533
- Foreign TSEC/GTSM listed shares	282,672	-	-	282,672
- Non listed (OTC) domestic stock	-	-	1,085,654	1,085,654
- Non-listed (OTC) overseas stock	-	-	8,384	8,384
Debt instrument				
- Domestic corporate bonds	21,503,613	-	-	21,503,613
- Domestic government bonds	5,997,423	-	-	5,997,423
- Overseas bond	-	799,314	-	799,314
- Financial bonds	1,699,994	-	-	1,699,994
Financial liabilities at fair value through profit and loss				
Derivatives	-	233,803	-	233,803

Reconciliation of financial instruments at Level 3 fair value:

	Financial assets at fair value through other comprehensive profit or loss		
Financial Assets	Equity instruments	Debt instruments	Total
Balance - beginning	$ 914,338	$ -	$ 914,338
Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss)	178,880	-	178,8800
- Purchase	820	-	820
Balance - ending	$ 1,094,038	$ -	$ 1,094,038

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Derivatives	$ -	$2,088,691	$ -	$2,088,691
Commercial papers	22,044,240	-	-	22,044,240
Listed stocks – domestic and emerging stock	1,601,719	27,893	-	1,629,612
Foreign TSEC/GTSM listed shares	65,560	-	-	65,560
Beneficiary certificates of funds	524,766	-	-	524,766
Domestic corporate bonds	57,899	-	-	57,899
Others	-	998,147	-	998,147
Financial assets at fair value through other comprehensive profit or loss				
Equity investment				
- Listed stocks – domestic and emerging stock	2,412,780	-	-	2,412,780
- Foreign TSEC/GTSM listed shares	194,778	-	-	194,778
- Domestic non-listed (OTC) stocks	-	-	905,465	905,465
- Foreign TSEC/GTSM unlisted shares	-	-	8,873	8,873
Debt instrument				
- Domestic corporate bonds	20,730,435	-	-	20,730,435
- Domestic government bonds	5,976,359	-	-	5,976,359
- Overseas bond	-	785,400	-	785,400
Financial liabilities at fair value through profit and loss				
Derivatives	-	165,360	-	165,360

Reconciliation of financial instruments at Level 3 fair value:

	Financial assets at fair value through other comprehensive profit or loss		
Financial Assets	Equity instruments	Debt instruments	Total
Balance - beginning	$ 978,480	$ -	$ 978,480
Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss)	(62,457)	-	(62,457)
- Purchase	1,237	-	1,237
- Capital reduction and return of share capital	(2,922)	-	(2,922)
Balance - ending	$ 914,338	$ -	$ 914,338

In 2019 and 2018, there was no transfer of fair values measures in Level I and Level II.

2. Evaluation techniques and an input value of Level 2 fair value measurement

Categories of financial instruments	Evaluation techniques and input values
Non-derivatives	The bid price in active markets is not taken as fair value.
Derivatives	
Options Contracts	Model Evaluation Method: The prices of execution of all contracts, market fluctuation and maturity, interest rate, and exchange rate were taken as parameters for evaluation, and were subject to evaluation using the close-box model.
FX swap contracts, and forwards contracts	Cash flow discount method: Estimate the future cash flow on the basis of observable forwards rate and the forwards contracts entered into, and subject to discount on the basis that could reflect the risk discount rate for respective counterparties.
Assets swap agreement	The calculation of the closing price of convertible bonds on the day of net bond value: net bond value shall be discounted through the adjustment of risk discount on the basis of the TAIBIR on short-term Taiwan bills compiled at TDCC on the basis of the future cash flow of convertible bonds.
Structured products	
Interest rate derivatives	Quotation of counterparties.

3. Techniques and input value for measurement of Level 3 fair value

Categories of financial instruments	Evaluation techniques and input values
Unlisted/OTC	Market multiple method: The fair value of the subject matter may be evaluated by comparison with the bid price of the stocks in the industry in the active market with liquidity discount ratio taken into account and the corresponding net value of multiples.

4. The measurement of Level 3 fair value is the sensitivity analysis of the reasonable substituted assumption of fair value

The significant unobservable input value under the market multiple method adopted by the consolidated company is the liquidity discount ratio. When the ratio increases, the fair value of the investment decreases. Sensitivity analysis is compiled as follows:

Risk factors	Changes	Effects
Liquidity Discount Ratio	10%	($ 34,870)

(3) Categories of financial instruments

	December 31, 2019	December 31, 2018
Financial Assets		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	$ 25,105,212	$ 27,408,915
Financial assets on the basis of cost after amortization (Note 1)	619,782,635	631,445,240
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	4,696,243	3,521,896
Debt instrument	30,000,344	27,492,194
Financial Liabilities		
Measured at fair values through profit and/or loss	233,803	165,360
Based on cost after amortization (Note 2)	646,619,579	658,939,255

Note 1: The balance include cash and cash equivalent, the Central Bank deposits and interbank lending, bills and bonds purchased under resale agreements, notes receivables and accounts, other receivables, net discounts and lending, financial assets at amortized cost - Non-current, restricted assets, refundable deposits and other financial assets at amortized cost.

Note 2: The balance include short-term loans, short-term notes payable, repurchase coupons andbonds liabilities, the Central Bank and interbank deposits, bills payable and accounts, other payables (excluding dividend payable), deposits and remittances, bills payable (including those with one-year to maturity), long-term borrowings (including those with one-year to maturity), refundable deposits and other financial liabilities measured at amortized cost.

41. Purpose and policy of financial risk management

The China Man-Made Fiber Co., Ltd.'s financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic and international financial markets, and to monitor and manage the consolidated company's operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. The risks include market risk, credit risk and liquidity risk. The financial risks associated with the consolidated company mainly come from the key subsidiary, Taichung Commercial Bank.

The consolidated company's financial risk management objective is to achieve business objectives, the overall risk tolerance and legal restrictions in order to reach the balance of risks and returns. The main operating risks faced by the consolidated company include the credit risk on and off the financial statements, market risks (including interest rates, foreign exchange rates, equity securities and instrument price risks) and liquidity risks.

The consolidated company have the related risk management policies defined and approved by the Board of Directors in order to effectively identify, measure, monitor, and control credit risk, market risk and liquidity risk.

The Board of Directors is the highest decision-making unit of the consolidated company and assumes the ultimate responsibility for risk management. The consolidated company has established a Risk Management Commission and Risk Management Department responsible for granting risk authority and the relevant authorities to the relevant departments to ensure the successful operation of risk management. The Committee's functions are specified as follows:

(1) Review of risk management projects.
(2) The review and discussion on risk limit.
(3) Review of motions for institutionalization of risk management.
(4) Periodical report to the Board of Directors

The commissioners of the Risk Management Committee shall set the various risk management indicators by nature of business and functions of departments and Risk Management Dept. report them to the Risk Management Committee for high-ranking supervisors' reference in decision making.

1. Market risk

(1) Source and definition of market risk

Market risk refers to the unfavorable changes in market price causing possible losses on and off the consolidated balance sheet. The so-called market price refers to interest rates, exchange rates, equity security prices and instrument prices.

(2) Market risk management policy

The consolidated company's market risk management objective is to develop a sound and effective market risk management mechanism that is compatible with the Company's business scale, nature and complexity in order to ensure that the Company's risks can be properly managed and effectively identify, measure, monitor, control market risks; also, establish a balance between the tolerable risk level and the expected rate of return.

(3) Market risk management process

A. Identification and Measurement

Before the promotion and operation of new products, business activities, processes and systems, the relevant market risk should be assessed through appropriate procedures and determine whether the risk exposure is within the range of risk tolerance included for consideration. The consolidated company's responsible business units shall use business analysis or product analysis to verify the source of market risk and define market risk factors for each financial instrument as appropriate specifications.

Market risk measurement can be processed with a variety of effective measurement methods in order to properly measure risk, including but not limited to the following methods: statistical basis measurement method, sensitivity analysis, and scenario analysis. The Risk Management Department should measure the risk position daily and regularly; also, conduct stress tests regularly to measure the possible extraordinary loss amount of current positions under the simulated extreme situations or historically extreme situations.

B. Monitoring and reporting

The Risk Management Department should regularly report and make suggestions to the Risk Management Committee and the Board of Directors on the Bank's overall market risk management, including the Bank's market risk positions, risk level, profit and loss, using excess of limit and market risk management related compliance. The Business Department has defined the relevant rules governing excess of limit, stop-loss mechanism and operating procedure for excess of limit in order to effectively control the market risk. The excess of limit or exception occurring shall be reported immediately in order to exercise responsive measures.

(4) Exchange rate risk

A. Definition of exchange rate risk

Exchange rate risk refers to the gains and losses resulting from the conversion of two different currencies at different times. The consolidated company's exchange rate risk mainly arises from the spot and forward foreign exchange business. Since the consolidated company's engages in foreign exchange trading mostly to meet the need for customer's position daily; therefore, the exchange rate risk is relatively low.

B. Measurement methods and management procedures

The consolidated company manages its exchange risk by limit control whereby the limits of respective currencies during daytime trade and nighttime trade were set with the upper limit of the maximum exposure in foreign exchange authorized to personnel of different ranks for control. The upper limit for particular counterparty has also been set. The result of the monitoring and control was reported to the Risk Management Committee and the Board for discussion.

C. Sensitivity analysis

Assuming that the other variables remain constant, if the USD/NTD, CNY/NTD, and AUD/NTD exchange rate was relatively valued/devalued by 3%, the Company and its subsidiaries' net income before tax as of December 31, 2019 and 2018 decreased/increased by NT$ 63,682 thousand and NT$ 14,150 thousand; the equity increased/decreased by NT$ 48,665 thousand and NT$ 47,853 thousand, respectively.

(5) Interest rate risk

A. Definition of interest rate risk

Interest rate risk refers to the changes in interest rates that cause changes in the fair value of the consolidated company's interest rate or losses. The main sources of risk include deposit and loan and interest-rate related marketable securities.

B. Measurement methods and management procedures

Entities in CMFC borrow funds at floating interest rates, thus the exposure to interest rate risk. Taichung Commercial Bank adopts a gap management approach to the interest rate risk, setting indicators for monitoring and regularly reports the results to the asset and liability management committee, risk management commission and the board, and makes necessary adjustments according to the overall operating conditions of the Company.

C. Sensitivity analysis

Assuming that the other variables remain constant, if the yield curve goes up/down by 100 points, the consolidated company's net income before tax as of December 31, 2019 and 2018 increased/decreased by NT$ 608,460 thousand and NT$ 600,706 thousand; the other equity decreased/increased by NT$ 2,039,615 thousand and NT$ 2,280,815 thousand, respectively.

(6) Equity security price risks

A. Definition of equity securities price risk

The market risk of the consolidated company's equity securities includes individual risks arising from changes in equity securities market prices and general market risks arising from changes in the overall market prices. The main sources of risk includes listed/OTC stocks and beneficiary certificates.

B. Measurement methods and management procedures

CMFC is exposed to equity price risk due to the investments in publicly traded and OTC securities. The equity investments (except for financial assets at fair value through profit or loss) are not held for trading and are considered strategic. CMFC has not actively traded such investments. The equity price risk of CMFC is mainly on the petrochemical industry equity instruments in Taiwan's exchange. Taichung Commercial Bank adopts a limit management approach to the equity price risk, ensuring that personnel at all levels conduct their transactions within an authorized amount. Stop-loss measures are also implemented, and the monitoring results are regularly presented to the risk management committee and the board for discussion.

C. Sensitivity analysis

Assuming that the other variables remain constant, if the equity securities price up/down by 15%, the Company and its subsidiaries' net income before tax as of December 31, 2019 and 2018 increased/decreased by NT$ 297,399 thousand and NT$ 316,943 thousand; the equity decreased/increased by NT$ 700,680 thousand and NT$ 664,655 thousand, respectively.

(7) Sensitivity analysis is compiled as follows:

December 31, 2019			
The main risk	Magnitude changes	Affected amount	
		Other equity	Profit and loss
Exchange rate risk	USD/NTD, CNY/NTD, and AUD/NTD valued by 3%, respectively.	$ 48,665	$ 63,682
	USD/NTD, CNY/NTD, and AUD/NTD decreased by 3%, respectively.	(48,665)	(63,682)
Interest rate risk	Interest rate curve rises 100BPS	(2,039,615)	608,460
	Interest rate curve drops 100BPS	2,039,615	(608,460)
Equity securities price risk	Equity securities price increased by 15%.	700,680	297,399
	Equity securities price decreased by 15%.	(700,680)	(297,399)

December 31, 2018			
The main risk	Magnitude changes	Affected amount	
		Other equity	Profit and loss
Exchange rate risk	USD/NTD, CNY/NTD, and AUD/NTD valued by 3%, respectively.	$ 47,853	$ 14,150
	USD/NTD, CNY/NTD, and AUD/NTD decreased by 3%, respectively.	(47,853)	(14,150)
Interest rate risk	Interest rate curve rises 100BPS	(2,280,815)	600,706
	Interest rate curve drops 100BPS	2,280,815	(600,706)
Equity securities price risk	Equity securities price increased by 15%.	664,655	316,943
	Equity securities price decreased by 15%.	(664,655)	(316,943)

2. Credit risk

(1) Source and definition of credit risk

Credit risk refers to the financial loss inflicted on the consolidated company due to the nonperformance of contractual obligations by the customers or the counterparties. The sources of credit risk covered on and off balance sheet items. On the sheet risk, exposure to the consolidated company mainly comes from discount, loans, credit cards, due from and call loans to banks, acceptance, debt instruments, and derivatives. Off the sheet items are financial guarantee, L/C and undertaking of loans that also exposed the consolidated company to credit risk.

(2) Credit risk management policies

In order to mitigate credit risk, the management of the consolidated company assigns dedicated personnel responsible for the decision on credit line, credit approval and other monitoring procedures to ensure that the overdue receivables are recovered and appropriate actions are taken. In addition, the consolidated company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the consolidated company's management believes that the consolidated company's credit risk is significantly reduced.

The consolidated company continues to assess the financial condition of the customers of accounts receivable.

Except for the major customer Company A of the consolidated company, the consolidated company does not have a significant credit exposure to any single counterparty or any group counterparty with similar characteristics. When the counterparty is an affiliated company, the consolidated company has it defined as a counterparty with similar characteristics. The concentration of credit risk of Company A in 2019 and 2018 accounted for 0.2% and 0.1%, respectively, of the total monetary assets.

In addition, financial products held or issued by the merged company may lead to losses due to failure of transaction counterparties or third parties to perform contract obligations. The consolidated company will evaluate credit carefully to grant loans and guarantees. The loans secured by collateral accounted for about 79% of the total loans on December 31, 2019. The proportion of financing guarantee and collateral held by commercial L/C was approximately 39%, because the collateral required by loans, loaning commitments or guarantees usually referred to cash, inventory, marketable securities or other property. In the event of the trading counterpart's or the other party's default, the consolidated company was entitled to perform compulsory execution against the collateral or other guarantees to effectively reduce the credit risk, provided that the fair value of collateral would not be taken into consideration when the maximum credit exposure was disclosed.

(3) Credit risk management procedures

Notes to the credit risk management procedures and methods of assessment of the consolidated company by businesses:

A. Loans (including commitments of financing and guarantees)

a. Judgment of significant increase of credit risk after initial recognition

The consolidated company evaluated the change in the default risk inherent to its loan assets within the perpetuity of these assets on each reporting day to determine if the credit risk increased significantly after initial recognition. For evaluation, the consolidated company considers the information (including prospective information) for justifying the significant increase of credit risk after the initial recognition. The major indicators for consideration are:

<u>Quantified indicators</u>

(a) Changes in external TCRI credit rating

TCRI ratings of companies listed at TWSE or TPEx corresponding to external ratings for downgrading the level to non-investment grade, which determined that the credit risk increased significantly after initial recognition.

(b) Information on delinquency

If the contracts turned delinquent for more than 1 month, it could be determined that the credit risk inherent to the financial assets has increased significantly.

<u>Quality indicators</u>

(a) Unfavorable change at present or as forecast to the operation, financial position or economic condition that significantly affected the debtors in performing their obligations in retirement of loans.

(b) The actual or forecasted significant change in operational results of the debtors.

(c) The credit risk of other financial instruments of particular debtor increased significantly.

b. Definition of default and financial assets with credit impairment

The consolidated company defined the agreement on financial assets as identical with the determination of credit impairment of financial assets. If any of the following are applicable, it could be determined that the financial asset has turned default with credit impairment:

Quantified indicators

(a) Changes in external TCRI credit rating

The TCRI ratings of companies listed at TWSE or TPEx rated as DEFAULT implied that credit impairment occurred after initial recognition.

(b) Information on delinquency

If the proceeds from contracts turned delinquent for more than 3 months, it could be determined that credit impairment occurred to the financial assets after initial recognition.

Quality indicators

If there is evidence implying that the borrower is unable to pay the contract amount, or indicating severe financial hardship of the borrower, such as:

(a) The debtor has gone bankrupt or had declared bankruptcy or financial restructuring.

(b) Other financial instrument contracts of the debtors have turned default.

(c) Due to the economic or contractual reasons related to the financial hardship of the debtors, the creditors gave the debtor a leeway which would otherwise not be considered for the borrowers and declared as non-performing loans.

The aforementioned default and credit impairment will be defined as applying to all financial assets held by the combined companies, and such definition is congruent with the financial assets relevant to the internal purpose of credit risk management and applied to the model for the evaluation of related impairments.

c. Measurement of anticipated credit loss

The consolidated company classified loan assets into the following combinations by the purpose of the loan, the nature of the industry, type of collaterals, and the mode of financing for the purpose of assessing anticipated credit loss:

Product portfolio	
Corporate Finance Operation	Corporate Finance-secured
	Corporate Finance-non-secured
Consumer banking business	House loan
	Personal, other, secured

Product portfolio	
Consumer banking business	Personal, other, unsecured
	Credit loans
	Cash card
	Credit card

The consolidated company measured the provision for loss of financial assets that have no significant increase in credit risk after initial recognition on the basis of anticipated credit loss over a period of 12 months. The provision for loss of financial assets that have significant increases in credit risk after initial recognition shall be measured on the basis of anticipated credit loss within the perpetuity of the financial assets.

For the measurement of anticipated credit loss, the consolidated company considers the probability of default (PD) of the debtors in 12 months ahead and the perpetuity of the loans, and includes into the Loss Given Default (LGD), then multiplies by Exposure at Default (EAD). The effect of the time value of currency is also considered in this calculation.

The probability of default is the ratio of loss in case the particular debtor acted in default. The PD and LGD adopted by Taichung Bank in the assessment of loans is based on the internal historical information of the product portfolios (such as the experience in credit loss), and also the observable information at present and the prospective macroeconomic performance in grouping the products for separate evaluation.

The consolidated company assessed the EAD by a direct evaluation method for different groups of products. In assessing the commitment of financing in 12 months and the anticipated credit loss within the perpetuity of the assets, Taichung Bank adopted the direct assessment method for different groups and considered the portion of drawdown within 12 months after the reporting day of the commitment of financing and the anticipated renewal period to determine the EAD of anticipated credit loss.

Consideration of prospective information

In assessing anticipated credit loss, the consolidated company adopted the economic factors affecting credit risks and that were relevant to anticipated credit loss, and takes prospective information into account. Prospective information is the "Economic Signal" released by the National Development Council of the ROC that served as the standard for the overall economic performance of Taiwan and relevant signals as the indicators. The signal system is classified as the expansion phase, contraction phase, and level phase. The consolidated company will based on the judgment of economic performance to adjust the probability of default and incorporate this information into the assessment of overall anticipated credit risk.

B. Debt instrument

The consolidated company will consider the historical record on the rate of default at different levels from external rating institutions, and the financial position of the debtors at present, to assess the anticipated credit loss of the investment of debt instruments for 12 months in the future or the anticipated credit loss within the perpetuity of the instruments.

The securities held by the consolidated company shall be recognized for anticipated credit loss for a period of 12 months or within the perpetuities of the securities. The consolidated company shall determine the quality of securities as follows:

a. Judgment of significant increase of credit risk after initial recognition

The consolidated company shall assess the changes in the default risk of the investment of debt instruments within the perpetuity of the instruments on each reporting day to determine if there is any significant increase of credit risk after initial recognition. For evaluation purpose, the information for justifying the significant increase of credit risk after initial recognition in consideration shall include the following indicators:

Quantified indicators

(a) At the time of initial recognition, the credit rating of the issuers is at investment grade and higher. However, on the financial reporting day, the credit rating of the issuers fell to non-investment grade.
(b) The credit rating of the issuers of the debt instruments for investment was non-investment grade on the initial day of recognition and such status remained unchanged.
(c) If the credit rating of the issuers is at non-investment grade and further decline on the reporting day to certain extent.

Quality indicators

(a) The credit rating of the issuers indicated that credit risk has increased significantly.
(b) The fair value of the investment of debt instrument underwent unfavorable significant change on the reporting day.

b. Definition of default and financial assets with credit impairment

If any of more of the following are applicable to the investment of debt instrument, it could be determined that the financial assets were default with credit impairment.

Quantified indicators

(a) The debt instruments were bonds with credit impairment at the time of investment.
(b) The credit rating of the issuers or the debt instruments for investment fell to the default level on the reporting day.

Quality indicators

(a) The issuers revised the conditions for the issuance of the debt instruments or failed to pay principal or interest as the conditions of issuance due to financial hardship.

(b) Discontinuation of operation, petition for restructuring, bankruptcy, dissolution, the disposition of major assets of the company that significant affected continued operation of the issuers or the guarantors.

<u>Measurement of anticipated credit loss</u>

(a) For the measurement of anticipated credit loss, the consolidated company considers the probability of default (PD) of the debtors for 12 months in the future and the perpetuity of the loans, and includes into the Loss Given Default (LGD), then multiplies by Exposure at Default (EAD). The effect of the time value of currency is also considered in this calculation.

(b) Compare the default risk of debt instruments on the reporting day and the default risk of debt instruments at the time of initial recognition, and consider the information for justifying the significant increase of default risk after initial recognition to determine if the credit risk of the financial instruments has significantly increased after initial recognition.

i. For “normal credit risk” category, estimate the anticipated amount of loss on the basis of PD in one year.

ii. For “significant increase of credit risk” category, consider the perpetuity of the assets and calculated the PD in respective perpetuity of the assets to evaluate the cash flow from contracts in relevant periods (which is the EAD). Adopt the cash flow method to evaluation the anticipate amount of credit loss. If it is impossible to assess the cash flow in relevant periods, use the EAD of the current period for the calculation.

iii. For “abnormal credit risk,” the PD is 100% thereby the PD for the perpetuity of respective assets will not be necessary, but just consider the amount that could be recovered and asses the amount of overall credit loss.

iv. The PD of debt instrument has adopted the numerical value released by credit rating institutions at regular intervals, which insinuates the possibility of market fluctuation in the future.

(4) Credit risk hedge or mitigation policy

A. Collateral

Among the policies and procedures taken by the consolidated company addressing to loan operation for the reduction of credit risk, the request for collaterals from the borrowers is most common mean. The consolidated company has established the procedures for the scope of collaterals, the appraisal of the collaterals, the management and disposition of the collaterals for the protection of right of debts.

Main loan collateral categories of the Bank include the following:

a. Real estate

b. Movable property and pledge of rights

c. Assurance by external certification bodies

With a view to enhancing transaction risk protection, contracts for derivative transactions between the bank and customers stipulate that customers provide the following guarantees in accordance with the nature of the transaction:

a. Bonds for investment quotas: Bonds of different ratios are requested based on the customer credit rating

b. Bonds for high-risk transactions: Requested if customer undertakes transactions of products with implicit put options.

c. Performance bonds (trading position losses): Bonds requested for trading position losses exceeding mark-to-market upper limits determined by the Bank.

The consolidated company paid close attention to the value of the collaterals for the financial instruments, and considered the financial assets necessary for recognition of credit impairment. Information on financial assets with credit impairment and collaterals with slight potential loss is shown below:

	December 31, 2019			
	Total Book Value	Provision for impairment	Exposure measure (Cost after amortization)	Fair value of collaterals
Impaired financial assets:				
Discounts and loans	$ 9,554,442	($ 2,468,257)	$ 7,086,185	$ 7,086,185
Accounts receivable	315,071	(165,224)	149,847	76,067
Guarantee and L/C	182,882	(58,628)	124,254	88,672
Debt instruments	17,477	(17,477)	-	-
Others	11,000	(4,025)	6,975	6,975
Total financial assets with impairment	$ 10,080,872	($ 2,713,611)	$ 7,367,261	$ 7,257,899

	December 31, 2018			
	Total Book Value	Provision for impairment	Exposure measure (Cost after amortization)	Fair value of collaterals
Impaired financial assets:				
Discounts and loans	$ 7,916,421	($ 2,035,208)	$ 5,881,213	$ 5,881,213
Accounts receivable	314,656	(151,315)	163,341	105,184
Guarantee and L/C	418,070	(55,221)	362,849	301,416
Debt instruments	74,444	(74,444)	-	-
Total financial assets with impairment	$ 8,723,591	($ 2,316,188)	$ 6,407,403	$ 6,287,813

B. Control of credit risk limit and credit risk concentration.

For avoiding the over-concentration of risk, the consolidated company has set the credit limit of transactions with particular counterparty and particular group in its policy and procedure for lending. In the policies and procedures for investment and equity investment risk control, limit has also been set for particular party (enterprise) or particular affiliate (group) enterprises in investment. For the control of the concentration of risk of all assets, the consolidated company has set the credit limit by industry, group enterprise, country, pledge of stocks as collaterals to monitor the concentration of risk of the assets. In addition, monitoring and control of particular counterparty, group enterprise, affiliate, industry, nationality, and the country of final risk through system integration for the control of concentration of relevant risks.

C. The reinforcement of other credit

The set-off clause has been explicitly stated in the loan agreements whereby all deposits of the borrowers at the consolidated company shall be set off for covering the liabilities in the event of credit problem to reduce credit risk.

(5) Maximum exposure of credit risk for the consolidated company

The maximum credit risk exposure of the assets stated in the consolidated balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The amount of maximum credit risk exposure related to the items off the consolidated balance sheet (without the consideration of collaterals or other reinforced credit instruments and the maximum risk amount is irrevocable) is shown below:

	December 31, 2019	December 31, 2018
Irrevocable undertaking of loan	$ 7,152,089	$ 5,810,795
The available credit limit after the activation of revolving credit of credit card	11,743,903	273,680
Receivable guarantees	16,485,312	18,335,961
The balance of opened but unused letter of credit	3,318,935	4,140,679

The management of the consolidated company holds that the credit risk exposure of off balance sheet items could be controlled and minimized in continuation under evaluation because the consolidated company has adopted a strict evaluation process with routine evaluation after approval.

(6) Credit risk concentration of the consolidated company

Where financial instrument transactions are apparently concentrated on one person, or most of the multiple trading counterparts of financial instruments are engaged in similar business activities and possess similar economic characteristics and thereby the effects of economic or other conditions to their ability to perform the contracts are similar, the concentration of credit risk arises accordingly. The characteristics of credit risk concentration include the nature of business activities conducted by debtors. The consolidated company did not concentrate any transactions on one single customer or trading counterpart, other than similar counterparts, industrial type, and regions. The amount of contract based on concentrated credit risk:

Counterpart	December 31, 2019	December 31, 2018
Private enterprise	$ 248,612,635	$ 261,140,346
Natural person	217,305,317	223,436,581
Others	2,626,646	1,931,734
	$ 468,544,598	$ 486,508,661

Industrial type	December 31, 2019	December 31, 2018
Natural person	$ 217,305,317	$ 223,436,581
Manufacturer	84,278,234	91,638,350
Commerce	54,445,987	60,759,475
Real estate	60,316,865	53,991,855
Construction industry	14,458,438	18,082,362
Commercial and industrial service business	11,490,230	13,378,876
Financial and insurance business	10,820,858	11,905,926
Warehousing and information	8,000,869	8,000,887
Others	7,427,800	5,314,349
	$ 468,544,598	$ 486,508,661

Region	December 31, 2019	December 31, 2018
Domestic	$ 434,606,494	$ 454,099,851
Territory of Asia	18,224,815	15,694,693
Territory of America	11,519,422	11,766,992
Others	4,193,867	4,947,125
	$ 468,544,598	$ 486,508,661

Collateral	December 31, 2019	December 31, 2018
Non-secured	$ 73,956,256	$ 78,629,858
Secured		
Secured by property	352,931,718	363,656,359
Secured by Letter of Guarantee	15,598,868	17,201,082
Secured by Chattel	5,755,471	6,148,543
Secured by bonds	12,696,708	12,411,927
Notes receivable	1,582,648	1,851,735
Secured by stocks	2,872,996	3,585,658
Others	3,149,933	3,023,499
	$ 468,544,598	$ 486,508,661

(7) Writing-off policies

Any non-performing loans or non-accrual loans shall be written off as bad debt after subtracting the estimated recoverable portion if one of the following conditions exists:

a. The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
b. The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect [from the debtor(s)] where there is no financial benefit in execution.
c. The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank's taking possession of such collateral.
d. More than two (2) years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.
e. If the monthly minimum payment for credit cards is delayed by more than six (6) months from the specified payment deadline, all advances made thereto shall be written off within three (3) months thereafter.

(8) Information on credit risk quality

The consolidated company concludes that certain financial assets held by the consolidated company, such as cash and cash equivalents, due from the Central Bank and other banks, financial assets measured at fair value through profit or loss, bonds and securities sold under repurchase agreements, refundable deposits, operating bond, and settlement and clearing funds, because the counterparties are with good credit rating, are with low credit risks. In addition to the aforementioned, the credit quality of the other financial assets is analyzed as follows:

A. Discounts and loans and receivables credit quality analysis

December 31, 2019

	Discounts and loans				
	Stage 1	Stage 2	Stage 3		
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Products by category					
Corporate banking	$ 216,003,227	$ 3,305,915	$ 6,117,319	$ -	$ 225,426,461
Consumer banking	199,516,196	13,565,815	3,437,092	-	216,519,103
Others	24,321	2,135	31	-	26,487
Total Book Value	415,543,744	16,873,865	9,554,442	-	441,972,051
Provision for impairment	(1,776,628)	(852,354)	(2,468,257)	-	(5,097,239)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(1,476,478)	(1,476,478)
Total	$ 413,767,116	$ 16,021,511	$ 7,086,185	($ 1,476,478)	$ 435,398,334

	Accounts receivable				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	$ 10,696,826	$ 526,388	$ 230,201	$ -	$ 11,453,415
Consumer banking	873,412	30,693	33,988	-	938,093
Others	51,333,927	236	50,882	-	51,385,045
Total Book Value	62,904,165	557,317	315,071	-	63,776,553
Provision for impairment	(95,880)	(11,625)	(165,224)	-	(272,729)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(23,828)	(23,828)
Total	$ 62,808,285	$ 545,692	$ 149,847	($ 23,828)	$ 63,479,996

	Irrevocable undertaking of loan				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	$ 7,015,489	$ -	$ 11,000	$ -	$ 7,026,489
Consumer banking	125,600	-	-	-	125,600
Total Book Value	7,141,089	-	11,000	-	7,152,089
Provision for impairment	(49,950)	-	(4,025)	-	(53,975)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-
Total	$ 7,091,139	$ -	$ 6,975	$ -	$ 7,098,114

	Credit card committee				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		Total
Products by category					
Consumer banking	$ 11,670,034	$ 73,869	$ -	$ -	$11,743,903
Total Book Value	11,670,034	73,869	-	-	11,743,903
Provision for impairment	(7,534)	(1,848)	-	-	(9,382)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-
Total	$ 11,662,500	$ 72,021	$ -	$ -	$11,734,521

	Receivable guarantees				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		Total
Products by category					
Corporate banking	$ 16,287,614	$ 14,864	$182,834	$ -	$ 16,485,312
Total Book Value	16,287,614	14,864	182,834	-	16,485,312
Provision for impairment	(109,720)	(1,778)	(58,621)	-	(170,119)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(4,344)	(4,344)
Total	$ 16,177,894	$ 13,086	$124,213	($ 4,344)	$ 16,310,849

	The payment of opened but unused letter of credit				
	Stage 1	Stage 2	Stage 3		
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Products by category					
Corporate banking	$ 3,318,887	$ -	$ 48	$ -	$ 3,318,935
Total Book Value	3,318,887	-	48	-	3,318,935
Provision for impairment	(9,638)	-	(7)	-	(9,645)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(2,233)	(2,233)
Total	$ 3,309,249	$ -	$ 41	($ 2,233)	$ 3,307,057

December 31, 2018

	Discounts and loans				
	Stage 1	Stage 2	Stage 3		
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Products by category					
Corporate banking	$ 227,802,577	$ 3,019,498	$ 5,573,360	$ -	$ 236,395,435
Consumer banking	208,024,931	12,318,911	2,343,305	-	222,687,147
Others	40,993	3,322	(244)	-	44,071
Total Book Value	435,868,501	15,341,731	7,916,421	-	459,126,653
Provision for impairment	(1,768,334)	(661,840)	(2,035,208)	-	(4,465,382)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(2,066,719)	(2,066,719)
Total	$ 434,100,167	$ 14,679,891	$ 5,881,213	($ 2,066,719)	$ 452,594,552

	Accounts receivable				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	$ 9,583,734	$ 194,095	$ 221,337	$ -	$ 9,999,166
Consumer banking	1,355,009	32,364	37,536	-	1,424,909
Others	48,156,089	1	55,783	-	48,211,873
Total Book Value	59,094,832	226,460	314,656	-	59,635,948
Provision for impairment	(87,567)	(5,695)	(151,315)	-	(244,577)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans"	-	-	-	(57,500)	(57,500)
Total	$ 59,007,265	$ 220,765	$ 163,341	($ 57,500)	$ 59,333,871

	Irrevocable undertaking of loan				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	$ 5,545,278	$ 17,067	$ -	$ -	$ 5,562,345
Consumer banking	248,450	-	-	-	248,450
Total Book Value	5,793,728	17,067	-	-	5,810,795
Provision for impairment	(53,686)	(741)	-	-	(54,427)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-
Total	$ 5,740,042	$ 16,326	$ -	$ -	$ 5,756,368

	Credit card committee				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Consumer banking	$ 10,458,065	$ 49,205	$ -	$ -	$ 10,507,270
Total Book Value	10,458,065	49,205	-	-	10,507,270
Provision for impairment	(8,083)	(1,299)	-	-	(9,382)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-
Total	$ 10,449,982	$ 47,906	$ -	$ -	$ 10,497,888

	Receivable guarantees				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	$ 17,878,645	$ 39,246	$ 418,070	$ -	$ 18,335,961
Total Book Value	17,878,645	39,246	418,070	-	18,335,961
Provision for impairment	(121,061)	(1,751)	(55,221)	-	(178,033)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(11,815)	(11,815)
Total	$ 17,757,584	$ 37,495	$ 362,849	($ 11,815)	$ 18,146,113

	The payment of opened but unused letter of credit				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	$ 4,140,679	$ -	$ -	$ -	$ 4,140,679
Total Book Value	4,140,679	-	-	-	4,140,679
Provision for impairment	(12,108)	-	-	-	(12,108)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(11,825)	(11,825)
Total	$ 4,128,571	$ -	$ -	($ 11,825)	$ 4,116,746

B. Credit quality analysis on investment of debt instruments

December 31, 2019

	Financial assets at fair value through other comprehensive profit or loss			
	Stage 1	Stage 2	Stage 3	
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	Total
Product category (Note)				
Investment grade bonds	$ 30,015,749	$ -	$ -	$ 30,015,749
Non-investment grade bonds	-		-	-
Total Book Value	30,015,749	-	-	30,015,749
Provision for impairment	(15,405)	-	-	(15,405)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-
Total	$ 30,000,344	$ -	$ -	$ 30,000,344

	Financial assets on the basis of cost after amortization			
	Stage 1	Stage 2	Stage 3	
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	Total
Product category (Note)				
Investment grade bonds	$ 49,458,458	$ -	$ -	$ 49,458,458
Non-investment grade bonds	-	-	17,477	17,477
Other (Central Bank NCD)	59,535,000	-	-	59,535,000
Total Book Value	108,993,458	-	17,477	109,010,935
Provision for impairment	(24,185)	-	(17,477)	(41,662)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-
Total	$ 108,967,273	$ -	$ -	$ 108,969,273

Note: Bond rating is based on Moody's, Fitch, S&P and Taiwan Ratings, in order to obtain the current credit ratings.

The consolidated company's debt instruments are financial assets at fair value through other comprehensive income and financial assets measured at amortized cost:

	Measured at fair values through other comprehensive income	Measured on the basis of cost after amortization
Total Book Value	$ 29,857,621	$ 109,010,935
Loss allowance	(15,405)	(41,662)
Cost after amortization	29,842,216	108,969,273
Fair value adjustment	158,128	-
	$ 30,000,344	$ 108,969,273

The current credit risk evaluation approach of the Consolidated Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

				Total book value of December 31, 2019	
Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	Measured at fair values through other comprehensive income	Measured on the basis of cost after amortization
Normal (Stage 1)	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0.00%~0.45%	$ 29,857,621	$108,993,458
Abnormal (Stage 2)	Significant increase of credit risk after initial recognition	Lifetime expected credit loss (no credit impairment)		-	-
Default (Stage 3)	Evidence of credit impairment	Lifetime expected credit loss (with credit impairment)	100%	-	17,477
Write-off	There is evidence that the debtor is facing serious financial difficulties and the consolidated company cannot reasonably expect recovery.	Direct write-off		-	-

With respect to the consolidated company's debt instrument investments at fair value through other comprehensive income and measured at amortized cost, the information regarding the changes in loss allowance based on credit risk ratings are summarized as follows:

	Credit rating		
	Normal (Anticipated credit loss in 12 months)	Abnormal (Lifetime expected credit loss no credit impairment)	Default (Lifetime expected credit loss credit impairment)
Financial assets at fair value through other comprehensive profit or loss			
Balance as of January 1, 2019	$ 15,525	$ -	$ -
Changes to credit ratings of debt instruments recognized at the beginning of the year			
- Normal turns into Abnormal	-	-	-
- Abnormal turns into Default	-	-	-
- Default turns into Write-off	-	-	-
Purchase new debt instruments	2,910	-	-
de-recognition	(2,142)	-	-
Changes in model/risk parameters	-	-	-
Foreign exchange settlement and other changes	(888)	-	-
Loss allowance as of December 31, 2019	$ 15,405	$ -	$ -
Financial assets on the basis of cost after amortization			
Balance as of January 1, 2019	$ 30,685	$ -	$ 74,444
Changes to credit ratings of debt instruments recognized at the beginning of the year			
- Normal turns into Abnormal	-	-	-
- Abnormal turns into Default	-	-	-
- Default turns into Write-off	-	-	-
Purchase new debt instruments	2,017	-	-
de-recognition	(800)	-	(56,967)
Changes in model/risk parameters		-	-
Foreign exchange settlement and other changes	(7,717)	-	-
Loss allowance as of December 31, 2019	$ 24,185	$ -	$ 17,477

December 31, 2018

	Financial assets at fair value through other comprehensive profit or loss			
	Stage 1	Stage 2	Stage 3	
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	Total
Product category (Note)				
Investment grade bonds	$ 27,507,719	$ -	$ -	$ 27,507,719
Non-investment grade bonds	-	-	-	-
Total Book Value	27,507,719	-	-	27,507,719
Provision for impairment	(15,525)	-	-	(15,525)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-
Total	$ 27,492,194	$ -	$ -	$ 27,492,194

	Financial assets on the basis of cost after amortization			
	Stage 1	Stage 2	Stage 3	
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	Total
Product category (Note)				
Investment grade bonds	$ 45,838,446	$ -	$ -	$ 45,838,446
Non-investment grade bonds		-	74,444	74,444
Other (Central Bank NCD)	55,500,000	-	-	55,500,000
Total Book Value	101,338,446	-	74,444	101,412,890
Provision for impairment	(30,685)	-	(74,444)	(105,129)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-
Total	$ 101,307,761	$ -	$ -	$ 101,307,761

Note Bond rating is based on Moody's, Fitch, S&P and Taiwan Ratings, in order to obtain the current credit ratings. The consolidated company's debt instruments are financial assets at fair value through other comprehensive income and financial assets measured at amortized cost:

	Measured at fair values through other comprehensive income	Measured on the basis of cost after amortization
Total Book Value	$ 27,399,829	$ 101,412,890
Loss allowance	(15,525)	(105,129)
Cost after amortization	27,384,304	101,307,761
Fair value adjustment	107,890	-
	$ 27,492,194	$ 101,307,761

The current credit risk evaluation approach of the Consolidated Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2018 — Measured at fair values through other comprehensive income	Total book value of December 31, 2018 — Measured on the basis of cost after amortization
Normal (Stage 1)	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0.00%~2.09%	$ 27,399,827	$ 101,338,446
Abnormal (Stage 2)	Significant increase of credit risk after initial recognition	Lifetime expected credit loss (no credit impairment)		-	-
Default (Stage 3)	Evidence of credit impairment	Lifetime expected credit loss (with credit impairment)	100%	-	74,444
Write-off	There is evidence that the debtor is facing serious financial difficulties and the consolidated company cannot reasonably expect recovery.	Direct write-off		-	-

With respect to the consolidated company's debt instrument investments at fair value through other comprehensive income and measured at amortized cost, the information regarding the changes in loss allowance based on credit risk ratings are summarized as follows:

	Credit rating — Normal (Anticipated credit loss in 12 months)	Credit rating — Abnormal (Lifetime expected credit loss no credit impairment)	Credit rating — Default (Lifetime expected credit loss credit impairment)
Financial assets at fair value through other comprehensive profit or loss			
Balance as of January 1, 2018 (IAS 39)	$ -	$ -	$ -
Effect of retroactive applicability IFRS 9	19,336	-	-
Balance as of January 1, 2018 (IFRS 9)	19,336	-	-
Financial assets at fair value through other comprehensive profit or loss			
Changes to credit ratings of debt instruments recognized at the beginning of the year			
- Normal turns into Abnormal	-	-	-
- Abnormal turns into Default	-	-	-
- Default turns into Write-off	-	-	-
Purchase new debt instruments	-	-	-
de-recognition	(2,799)	-	-
Changes in model/risk parameters	-	-	-
Foreign exchange settlement and other changes	(1,012)	-	-
Loss allowance as of December 31, 2018	$ 15,525	$ -	$ -
Financial assets on the basis of cost after amortization			
Balance as of January 1, 2018 (IAS 39)	$ -	$ -	$ -
Effect of retroactive applicability IFRS 9	9,177	-	74,444
Balance as of January 1, 2018 (IFRS 9)	9,177	-	74,444
Changes to credit ratings of debt instruments recognized at the beginning of the year			
- Normal turns into Abnormal	-	-	-
- Abnormal turns into Default	-	-	-
- Default turns into Write-off	-	-	-
Purchase new debt instruments	22,732	-	-
de-recognition	(994)	-	-
Changes in model/risk parameters	-	-	-
Foreign exchange settlement and other changes	(230)	-	-
Loss allowance as of December 31, 2018	$ 30,685	$ -	$ 74,444

3. Liquidity risk

(1) Sources and definitions of liquidity risk

The consolidated company's current liability exceeds its current assets of NT$93,415,897 thousand. The consolidated company currently has unused borrowing limit sufficient to meet all contractual obligations, so there is no liquidity risk with being unable to raise funds to perform contractual obligations.

Liquidity risks of the merged company mainly stem from Taichung Bank. The term “liquidity risks” refers to potential losses generated by the inability of Taichung Bank to acquire capital to fund increases in assets or repay liabilities as they come due (e.g., withdrawals by depositors, credit drawdowns, other interest or expenses, or cash outflows associated with off-balance sheet transactions); measures to replenish capital and increase liquidity include sufficient cash-on-hand, immediately realizable securities, spread deployment, absorbed deposits, or financing loan channels.

(2) Taichung Bank liquidity risk management policies may be described as follows:

Taichung Bank develops capital movement strategies by adopting a conservative approach. It effectively spreads funding sources and deadlines, participates in the capital call market, maintains close contact with fund providers, and keeps fund-raising channels open to ensure a stable and reliable source of capital.

Taichung Bank has formulated relevant norms and regulations governing operating procedures for risk identification, measurement, monitoring, and reporting. The bank has established a limit monitoring mechanism and has set management indicators for liquidity ratios and cash flow gaps. It maintains a firm grasp of potential warning signals and conducts regular stress tests. Analysis of crisis scenarios with assumed impacts on capital flows serves as a reference for the assessment of liquidity buffer levels. Response measures are adopted in a timely manner.

The Asset and Liability Management Committee (hereinafter referred to as “This Committee”) is the dedicated management unit of Taichung Bank for liquidity risks. The Committee must adopt monitoring procedures as required based on liquidity risk management policies to ensure adequate liquidity and sufficient capital under normal conditions and specific stress scenarios and thereby guarantee fulfillment of the bank’s payment obligations. The Committee must report regularly to the board of directors to ensure effective management of liquidity risks.

Non-derivative financial liabilities maturity analysis

The analysis on the cash outflow of the consolidated company’s non-derivative liabilities is based on the remaining period from the consolidated balance sheet date to the contract maturity date as follows: The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet.

December 31, 2019	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Due to Central Bank and other banks	$4,760,161	$1,599,224	$ 730	$ 166,945	$ -	$6,527,060
Bills and bonds sold under repurchase agreements	6,870,766	3,548,335	-	-	-	10,419,101
Shot-term borrowings	2,263,275	4,609,648	2,564,105	4,555,960	122,781	14,115,769
Short-term notes payable	2,395,000	400,000	250,000	-	-	3,045,000
Long-term borrowings	20,400	388,368	264,060	2,162,128	5,458,168	8,293,123
Payables	5,872,132	902,102	514,835	515,999	341,478	8,146,546
Customer deposits and remittances	44,914,960	65,567,852	74,710,831	150,260,795	247,580,817	583,035,255
Financial bonds payable	-	-	2,501,005	68,701	11,500,000	14,069,706
Lease liabilities	21,558	51,996	64,496	103,859	879,936	1,121,845
Other matured capital outflow items	145,015	27,790	74,584	114,448	400,737	762,574

December 31, 2018	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Due to Central Bank and other banks	$2,934,764	$ 99,224	$ 730	$ 344,034	$ -	$3,378,752
Bills and bonds sold under repurchase agreements	4,752,462	5,216,637	-	-	-	9,969,099
Shot-term borrowings	2,553,828	4,003,128	5,628,549	2,267,684	114,000	14,567,189
Short-term notes payable	950,000	1,010,000	400,000	-	-	2,360,000
Long-term borrowings	-	234,035	341,060	670,093	5,173,623	6,958,811
Payables	12,378,337	1,135,185	351,632	572,278	360,947	14,975,911
Customer deposits and remittances	52,195,290	74,868,276	80,769,714	145,026,424	234,834,202	587,720,906
Financial bonds payable	-	-	12,202	6,068,723	14,000,000	20,080,925
Other matured capital outflow items	210,565	52,875	44,341	73,008	363,807	744,596

Derivative financial liabilities maturity analysis

(1) Derivative instruments cleared and settled at net value

The consolidated company’s derivatives that are settled and cleared at net value include:

FX derivatives: FX forwards and options

It is concluded that the contractual maturity is the essential element to understand all derivative financial instruments listed on the consolidated balance sheet. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet. Financial liabilities cleared and settled at net amount maturity analysis:

December 31, 2019	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Derivative financial liabilities at fair value through profit and loss Foreign exchange derivatives	$ 8,052	$ 26,392	$ 25,784	$ 26,322	$ -	$ 86,550
Total	$ 8,052	$ 26,392	$ 25,784	$ 26,322	$ -	$ 86,550

December 31, 2018	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Derivative financial liabilities at fair value through profit and loss Foreign exchange derivatives	$ 4,976	$ 19,442	$ 19,717	$ 11,987	$ -	$ 56,122
Total	$ 4,976	$ 19,442	$ 19,717	$ 11,987	$ -	$ 56,122

(2) Derivatives cleared and settled at total value

The consolidated company’s derivatives that are settled at total value include:

Foreign exchange derivatives: Forward foreign exchange and foreign exchange swaps.

Illustrate the consolidated company’s derivatives that are settled at total value in accordance with the remaining period from the consolidated balance sheet date to the contract maturity date. It is concluded that the contractual maturity is the essential element to understand all derivative financial instruments listed on the consolidated balance sheet. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet. Financial liabilities cleared and settled at total value maturity analysis:

December 31, 2019	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Derivative financial liabilities at fair value through profit and loss						
Foreign exchange derivatives						
- Cash outflow	$1,104,025	$1,907,146	$2,013,035	$ 929,481	$ -	$5,953,687
- Cash inflow	1,087,564	1,876,039	1,974,123	904,147	-	5,841,873
Subtotal of cash outflow	1,104,025	1,907,146	2,013,035	929,481	-	5,953,687
Subtotal of cash inflow	1,087,564	1,876,039	1,974,123	904,147	-	5,841,873
Net cash flow	($ 16,461)	($ 31,107)	($ 38,912)	($ 25,334)	$ -	($ 111,814)

December 31, 2018	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Derivative financial liabilities at fair value through profit and loss						
Foreign exchange derivatives						
- Cash outflow	$3,489,472	$1,284,922	$ 672,246	$ 373,458	$ -	$5,820,098
- Cash inflow	3,441,202	1,267,212	662,755	365,797	-	5,736,966
Subtotal of cash outflow	3,489,472	1,284,922	672,246	373,458	-	5,820,098
Subtotal of cash inflow	3,441,202	1,267,212	662,755	365,797	-	5,736,966
Net cash flow	($ 48,270)	($ 17,710)	($ 9,491)	($ 7,661)	$ -	($ 83,132)

4. The maturity analysis of items not on the statement

The analysis on the maturity date of the items not on the consolidated company's balance sheet in accordance with the remaining period from the consolidated balance sheet date to the contract maturity date. For financial guarantee contracts issued, the earliest time period that maximum amounts of the guarantee may be requested for guarantee performance. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet.

December 31, 2019	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Uundisbursed credit committee	$ 10,197,687	$ 17,979,600	$ 27,233,146	$ 64,306,327	$ 31,203,341	$150,920,101
The balance of opened but unused letter of credit	985,636	1,955,514	276,456	101,329	-	3,318,935
Receivable guarantees	2,095,901	5,829,509	1,215,728	1,878,103	5,466,071	16,485,312
Lease contract commitments	963,551	252,675	7,727	16,851	-	1,240,804
Total	$ 14,242,775	$ 26,017,298	$ 28,733,057	$ 66,302,610	$ 36,669,412	$171,965,152

December 31, 2018	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Uundisbursed credit committee	$ 12,176,189	$ 24,525,708	$ 30,931,999	$ 65,838,590	$ 29,673,600	$163,146,086
The balance of opened but unused letter of credit	1,557,248	2,428,724	143,161	11,546	-	4,140,679
Receivable guarantees	6,264,671	3,749,910	858,950	1,659,683	5,802,747	18,335,961
Lease contract commitments	1,803,183	-	-	-	-	1,803,183
Total	$ 21,801,291	$ 30,704,342	$ 31,934,110	$ 67,509,819	$ 35,476,347	$187,425,909

5. Cash flow risk estimated under interest rate changes

The future cash flow of assets and liabilities estimated based on mobile interest rate held and borne by the Consolidated Company might fluctuate and even generate risk due to the market interest rate changes. However, upon evaluation, the Consolidated Company, in practice, tends to control the net liquidity gap to reduce the cash flow risk resulting from the interest rate changes.

42. Information on transfer of financial assets

Transferred financial assets not being removed in all

In the routine transaction of the consolidated company, financial assets did not qualified under all the conditions have been transferred. Most are debt securities with R/P agreement or equity securities lent under the securities lending agreement. The cash flows from the contract of the aforementioned transactions received by the consolidated company have been transferred to a third party and reflected related liabilities of the consolidated company in the responsibility of repurchasing the financial assets already transferred at fixed price in the future. For this type of transactions, the consolidated company cannot use, sell or pledge the financial assets already transferred within the effective period of the trade, but the consolidated company shall still assume interest risk and credit risk and is not being removed in whole. The table below shows the financial assets not qualified under all conditions and related financial liabilities:

December 31, 2019					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets on the basis of cost after amortization R/P agreement	$11,011,466	$ 10,369,025	$11,123,977	$10,369,025	$ 754,952

December 31, 2018					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets on the basis of cost after amortization R/P agreement	$ 10,895,694	$9,904,467	$ 10,708,019	$ 9,904,467	$ 803,552

43. Offsetting of financial assets and liabilities

The consolidated company does not have transactions of offsetting financial instruments specified by IAS 32.42 as recognized by the FSC. The financial assets and liabilities related to such type of transactions are expressed in net on the balance sheet. The consolidated company has transactions that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party breaches the contract, the counterparty can choose to use net settlement. By 2019 and December 31, 2018, the merged company did not have any record of offsetting or net settlement of the aforementioned financial assets and liabilities.

December 31, 2019

Financial Assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net
				Financial instruments	Cash collateral received	
Reverse repurchase and securities borrowing agreement	$10,256,716	$ -	$10,256,716	$10,256,716	$ -	$ -

Financial Liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net
				Financial instruments	Cash collateral pledged	
Repurchase and securities lending agreement	$10,369,025	$ -	$10,369,025	$10,369,025	$ -	$ -

December 31, 2018

Financial Assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net
				Financial instruments	Cash collateral received	
Reverse repurchase and securities borrowing agreement	$ 9,294,168	$ -	$ 9,294,168	$ 9,294,168	$ -	$ -

Financial Liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net
				Financial instruments	Cash collateral pledged	
Repurchase and securities lending agreement	$ 9,904,467	$ -	$ 9,904,467	$ 9,904,467	$ -	$ -

44. Information to be disclosed pursuant to Article 16 of the "Regulations Governing the Preparation of Financial Reports by Public Banks"

(1) Asset quality

Type			December 31, 2019 NPL amount (Note 1)	December 31, 2019 Total amount	December 31, 2019 NPL rate (Note 2)	December 31, 2019 Allowance for bad debt	December 31, 2019 Allowance for bad debt coverage rate (Note 3)	December 31, 2018 NPL amount (Note 1)	December 31, 2018 Total amount	December 31, 2018 NPL rate (Note 2)	December 31, 2018 Allowance for bad debt	December 31, 2018 Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured		596,122	146,760,794	0.41%	1,560,901	261.84%	980,023	152,938,946	0.64%	1,471,243	150.12%
	Non-secured		156,327	78,622,829	0.20%	3,005,494	1,922.57%	350,210	83,415,828	0.42%	3,126,240	892.68%
Consumer banking	Residential mortgage loans (Note 4)		164,457	55,404,669	0.30%	863,083	524.81%	277,102	57,027,677	0.49%	915,184	330.27%
	Cash card		-	30	-	3	-	-	40	-	5	-
	Small credit loans (Note 5)		2,676	840,780	0.32%	86,721	3,240.70%	5,417	872,621	0.62%	90,357	1,668.03%
	Others (Note 6)	Secured	428,694	144,347,108	0.30%	692,342	161.50%	395,286	150,125,230	0.26%	577,436	146.08%
		Non-secured	34,021	15,039,986	0.23%	364,775	1,072.21%	46,306	13,835,868	0.33%	351,238	758.52%
Total amount			1,382,297	441,016,196	0.31%	6,573,319	475.54%	2,054,344	458,216,210	0.45%	6,531,703	317.95%

Type	December 31, 2019 NPL amount	December 31, 2019 Balance of receivable accounts	December 31, 2019 NPL rate	December 31, 2019 Allowance for bad debt	December 31, 2019 Allowance for bad debt coverage rate	December 31, 2018 NPL amount	December 31, 2018 Balance of receivable accounts	December 31, 2018 NPL rate	December 31, 2018 Allowance for bad debt	December 31, 2018 Allowance for bad debt coverage rate
Credit card	2,568	786,214	0.33%	22,982	894.94%	4,710	749,434	0.63%	27,453	582.87%
Non-recourse factoring (Note 7)	-	694,997	-	10,538	-	-	133,277	-	12,165	-

NPL or non-performing receivable accounts exempted from report

	December 31, 2019 Total NPL exempted from report	December 31, 2019 Total non-performing receivable accounts exempted from report	December 31, 2018 Total NPL exempted from report	December 31, 2018 Total non-performing receivable accounts exempted from report
Amount exempted from report upon debt negotiation and performance (Note 8)	2,114	1,100	2,896	1,376
Performance of debt clearance program and rehabilitation program (Note 9)	9,635	17,396	9,103	17,680
Total	11,749	18,496	11,999	19,056

Note 1: The NPL amount is recognized according to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The credit card NPL is recognized based on that provided under the Letter Jin-Guan-Yin (4) Zi No. 0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio = Non-performing loan/total loan amount. Non-performing credit card ratio = Non-performing amount/accounts receivable balance

Note 3: NPL Coverage Ratio = Allowance for bad debt appropriated for loans/Non-performing amount. Non-performing credit card receivables coverage ratio = Allowance for bad debt appropriated for credit card receivables/non-performing amount.

Note 4: Borrowers apply for residential mortgage loans for the purpose of purchasing or building residences or decorating houses. The loans shall be secured by the residence purchased (owned) by the borrower himself/herself, or his/her spouse or minor children in full, and the mortgage shall be pledged to the financial institution.

Note 5: Small credit loans mean those provided in the Letter under Jin-Guan-Yin (4) Zi No. 09440010950 dated December 19, 2005 and those other than small loans by credit cards/cash cards.

Note 6: The “Other” consumer finance refers to the secured or unsecured consumer finance loans other than the “residential mortgage loans”, “cash cards”, and “small credit loans”, excluding credit cards.

Note 7: According to the Letter under Jin-Guan-Yin (5) Zi No. 094000494 dated July 19, 2005, factoring without recourse shall be recognized as NPL within three months after the factoring Consignee or insurance company confirms that no compensation should be granted.

Note 8: Total NPL exempted from report upon debt negotiation and performance and the balance of total non-performing receivable accounts exempted from report upon debt negotiation and performance were disclosed pursuant to the Letter under Jin-Guan-Yin (1) Zi No. 09510001270 dated April 25, 2006.

Note 9: The balance of total NPL exempted from report upon performance of debt clearance program and rehabilitation program and balance of total non-performing receivable accounts exempted from report upon performance of debt clearance program and rehabilitation program were disclosed pursuant to the Letter under Jin-Guan-Yin (1) Zi No. 09700318940 dated September 15, 2008.

(2) Status of credit risk concentration

December 31, 2019 Unit: NTD thousand

Rank (Note 1)	Business type of company or group (Note 2)	Total amount of outstanding loans (Note 3)	% of the total equity as of December 31, 2019
1	Group A 010892 Noodle products manufacturing	$ 2,665,813	5.20%
2	Group B 016700 Real estate development	2,525,418	4.92%
3	Group C 016700 Real estate development	2,503,343	4.88%
4	Group D 016700 Real estate development	2,390,690	4.66%
5	Group E 016811 Real estate lease and sale	2,375,429	4.63%
6	Group F 012411 Iron and steel manufacturing	2,283,081	4.45%
7	Group G 016700 Real estate development	2,115,000	4.12%
8	Group H 015500 Accommodation service	2,085,229	4.06%
9	Group I 012699 other electronic parts and components manufacturing without classification	1,799,897	3.51%
10	Group I 014612 Wholesale of brick and tiles, gravels, cement, and their products.	1,550,001	3.02%

December 31, 2018 Unit: NTD thousand

Rank (Note 1)	Business type of company or group (Note 2)	Total amount of outstanding loans (Note 3)	Percentage of net value as of December 31, 2018
1	Group A 016811 Real estate lease and sale	$ 2,460,000	5.14%
2	Group B 010892 Noodle products manufacturing	2,321,274	4.85%
3	Group C 016700 Real estate development	2,286,478	4.78%
4	Group D 015500 Accommodation service	2,151,855	4.50%
5	Group E 012411 Iron and steel manufacturing	1,937,578	4.05%
6	Group F 016700 Real estate development	1,333,917	2.79%
7	Group G 014612 Wholesale of bricks, tiles, sand, rocks, cement and other products	1,258,337	2.63%
8	Group H 016700 Real estate development	1,099,800	2.30%
9	Group I 016700 Real estate development	1,095,680	2.29%
10	Group J 012203 plastic shell and components manufacturing	1,073,192	2.24%

Note 1: The top ten enterprises other than public or state enterprises were identified according to rank of the total balance of loans to these enterprises. If the account refers to a group, the loan to the group should be identified and summed up, and disclosed in the form of "code" and "business type". In the case of group, the business type of the group with the maximum exposure should be disclosed. The business type shall be specified in "detailed item" according to the business classification defined by Directorate General of Budget, Accounting and Statistics (e.g. Company (Group) A, real estate development).

Note 2: The enterprises mean those defined in Article 6 of "Supplementary Rules of TSEC's Criteria for Reviewing Listing of Marketable Securities".

Note 3: The balance of total credit extension means the total balance of the various loans (including import negotiation, export negotiation, discount, overdraft, short-term loans, short-term secured loans, receivable securities financing, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, Delinquent loans), inward remittances, factoring without recourse, Acceptances receivable and guarantee payments.

(3) Interest rate sensitivity information

Interest rate sensitivity assets and liabilities analysis data (NTD)
December 31, 2019

Unit: NTD thousand, %

Item	1 to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	463,217,920	7,445,473	9,154,304	86,858,937	566,676,634
Interest rate sensitivity liabilities	145,583,754	290,922,949	99,916,922	5,351,959	541,775,584
Interest rate sensitivity gap	317,634,166	(283,477,476)	(90,762,618)	81,506,978	24,901,050
Net value					51,309,206
Interest rate sensitivity assets and liabilities rate					104.60%
Interest rate sensitivity gap and net worth rate					48.53%

December 31, 2018

Unit: NTD thousand, %

Item	1 to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	473,227,441	6,893,149	11,984,930	83,634,023	575,739,543
Interest rate sensitivity liabilities	160,487,053	284,562,819	97,600,888	7,323,668	549,974,428
Interest rate sensitivity gap	312,740,388	(277,669,670)	(85,615,958)	76,310,355	25,765,115
Net value					47,823,653
Interest rate sensitivity assets and liabilities rate					104.68%
Interest rate sensitivity gap and net worth rate					53.87%

Note: 1. The table specifies the amount in NTD (exclusive of foreign currencies) of Taichung Bank Head Office and local branches.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in NT$)

Interest rate sensitivity assets and liabilities analysis data (USD)

December 31, 2019

Unit:USD thousand; %

Item	1 to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	1,210,594	231,333	26,028	436,459	1,904,414
Interest rate sensitivity liabilities	781,756	909,543	216,067	-	1,907,366
Interest rate sensitivity gap	428,838	(678,210)	(190,039)	436,459	(2,952)
Net value					1,710,307
Interest rate sensitivity assets and liabilities rate					99.85%
Interest rate sensitivity gap and net worth rate					(0.17%)

December 31, 2018

Unit:USD thousand; %

Item	1 to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	1,063,068	256,810	20,502	457,260	1,797,640
Interest rate sensitivity liabilities	831,067	738,109	192,424	-	1,761,600
Interest rate sensitivity gap	232,001	(481,299)	(171,922)	457,260	36,040
Net value					1,557,266
Interest rate sensitivity assets and liabilities rate					102.05%
Interest rate sensitivity gap and net worth rate					2.31%

Note: 1. This table reports the total amount, in US$, held by the headquarters and domestic branches of Taichung Commercial Bank, its international financial business branches and overseas branches, excluding contingent assets and contingent liabilities.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in US$)

(4) Profitability:

Unit: %

Item		December 31, 2019	December 31, 2018
Return on assets	Before Income Tax	0.75	0.69
	After Income Tax	0.64	0.60
ROE	Before Income Tax	10.22	10.17
	After Income Tax	8.72	8.79
Net profit rate		38.88	37.55

Note: 1. ROA = Income before (after) taxation/Average total assets
2. ROE=Income before (after) taxation / Average net worth
3. Profit (loss) rate = Income after taxation/income-net
4. Income before (after) taxation means the income accumulated from January of the current year until the current quarter

(5) Analysis on maturity of assets and liabilities

Analysis of maturity structure of NTD

December 31, 2019

Unit: NTD thousand

	Total	Remaining balance to maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	609,292,349	85,555,035	43,772,344	29,767,509	51,719,298	97,885,687	300,592,476
Main capital outflow upon maturity	726,163,310	24,967,880	30,412,825	72,406,095	98,591,847	192,988,476	306,796,187
Gap	(116,870,961)	60,587,155	13,359,519	(42,638,586)	(46,872,549)	(95,102,789)	(6,203,711)

December 31, 2018

Unit: NTD thousand

	Total	Remaining balance to maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	619,398,838	97,398,772	34,941,879	31,135,311	55,245,416	98,133,621	302,543,839
Main capital outflow upon maturity	742,326,833	29,605,923	35,688,786	81,243,268	105,947,813	196,715,151	293,125,892
Gap	(122,927,995)	67,792,849	(746,907)	(50,107,957)	(50,702,397)	(98,581,530)	9,417,947

Note: The table only specifies the amount in NTD (exclusive of foreign currencies) of Taichung Bank Head Office and local branches.

Analysis of maturity structure of USD
December 31, 2019

Unit: USD thousand

	Total	Remaining balance to maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	2,159,517	287,818	258,938	239,853	141,120	1,231,788
Main capital outflow upon maturity	2,795,533	559,115	765,666	551,532	752,039	167,181
Gap	(636,016)	(271,297)	(506,728)	(311,679)	(610,919)	1,064,607

December 31, 2018

Unit: USD thousand

	Total	Remaining balance to maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	2,035,175	272,430	298,059	257,196	77,992	1,129,498
Main capital outflow upon maturity	2,857,122	602,245	811,276	484,962	812,641	145,998
Gap	(821,947)	(329,815)	(513,217)	(227,766)	(734,649)	983,500

Note: 1. The table specifies the total amount in USD of Taichung Bank Head Office, local branches and International Banking Branch. Unless otherwise provided, it shall be stated at the Book Value, and it is not necessary to include any accounts that are not stated in the table (e.g. negotiable certificates of deposit, bonds or stocks scheduled to be issued).
2. Where offshore assets account for more than 10% of the Bank's total assets, it is necessary to provide supplementary disclosure.

45. Capital risk management

The consolidated company manages capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation.

The capital structure of the consolidated company consists of the net debt (borrowings less cash and cash equivalents) and the interests (equity, capital reserve, retained earnings and other equity items) of the Company's owners.

The consolidated company is not required to comply with other external capital requirements.

The management of the consolidated company re-examines the Group's capital structure on a quarterly basis, including considering various capital costs and the related risks. The consolidated company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

The management of the consolidated company re-examines the Group's capital structure on a quarterly basis, including considering various capital costs and the related risks. The consolidated company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

46. Information about foreign exchange of foreign currency financial assets and liabilities

The information about foreign currency financial assets and liabilities rendering material effect on the Consolidated Company:

	December 31, 2019						
	USD	RMB	JPY	AUD	EURO	Other foreign currencies	Total
Foreign currency financial assets							
Cash and cash equivalents	$ 3,314,754	$ 1,181,883	$ 1,035,072	$ 369,682	$ 150,899	$ 389,872	$ 6,442,162
Due from Central Bank and lend to Banks	60,000	94,754	-	273,260	-	-	428,014
Financial assets at fair value through profit and loss	1,249,165	14,669	-	210	-	-	1,264,044
Financial assets at fair value through other comprehensive profit or loss	1,081,986	-	-	-	-	-	1,081,986
Discounts and loans	34,318,741	877,054	369,279	78,956	414,949	848,924	36,907,903
Accounts receivable	2,870,828	3,283,338	161,925	39,577	109,455	70,775	6,535,898
Assets measured on the basis of cost after amortization	19,180,305	2,368,093	-	1,282,208	-	959,972	23,790,578
Other assets	196,186	86,140	-	-	-	-	282,326
Foreign currency financial liabilities							
Due to Central Bank and banks	1,490,060	-	-	-	100,860	9,940	1,600,860
Funds borrowed from Central Bank and other banks	114,000	2,502,533	-	-	-	-	2,616,533
Customer deposits and remittances	47,488,086	5,630,709	678,269	2,278,560	539,523	1,838,341	58,453,488
Financial liabilities at fair value through profit and loss	104,773	-	-	300	65	-	105,138
Payables	864,310	213,257	111,876	8,857	126,869	116,283	1,441,452
Lease liabilities	-	48,951	-	-	-	7,726	56,677
Bills and bonds sold under repurchase agreements	8,366,270	-	-	-	-	-	8,366,270
Liability reserve	28,552	-	-	-	-	-	28,552
Other liabilities	73,580	9,505	1,803	-	3,343	-	88,231
Taiwan Dollar exchange rates	29.98	4.31	0.28	21.01	33.59		

	December 31, 2018						
	USD	RMB	JPY	AUD	Euro	Other foreign currencies	Total
Foreign currency financial assets							
Cash and cash equivalents	$ 3,068,439	$ 1,078,324	$ 514,590	$ 465,958	$ 1,310,534	$ 807,162	$ 7,245,007
Due from Central Bank and lend to Banks	61,420	223,600	-	-	-	-	285,020
Financial assets at fair value through profit and loss	1,144,719	-	-	-	-	11	1,144,730
Financial assets at fair value through other comprehensive profit or loss	980,178	-	-	-	-	-	980,178
Discounts and loans	34,421,321	1,266,246	351,738	216,969	470,514	655,638	37,382,426
Accounts receivable	4,731,102	2,460,502	251,121	11,470	150,493	85,759	7,690,447
Held-to-maturity financial assets	17,538,248	2,280,163	-	1,322,022	-	148,932	21,289,365
Other assets	140,863	3,202	-	-	-	-	144,065
Foreign currency financial liabilities							
Due to Central Bank and banks	1,074,850	-	-	-	-	-	1,074,850
Shot-term borrowings	377,733	2,039,436	-	-	-	-	2,417,169
Customer deposits and remittances	44,331,207	3,556,606	664,068	2,336,307	506,670	1,610,067	53,004,925
Financial liabilities at fair value through profit and loss	71,504	-	-	-	-	10	71,514
Payables	1,288,299	232,846	92,118	6,612	1,208,131	116,473	2,944,479
Bills and bonds sold under repurchase agreements	8,704,431	-	-	-	-	-	8,704,431
Liability reserve	29,944	-	-	-	-	-	29,944
Other liabilities	205,768	11,418	-	-	1,360	2,127	220,673
Taiwan Dollar exchange rates	30.72	4.47	0.28	21.67	35.20		

The consolidated company's gain on foreign currency exchange (realized and unrealized) in 2019 and 2018 were NT$200,438 thousand and NT$387,106 thousand, respectively. Due to the wide variety of foreign currency transactions, it is difficullt to disclose all exchange gains or losses based impact significance.

47.Disclosures

1. Loans to others: Unit: NTD thousand, unless otherwise noted

Item No. (Note 1)	Lender	Borrower	Transaction title (Note 2)	Are they related parties	Maximum balance – current period (Note 3)	Balance - ending (Note 8)	The actual amounts disbursed	Interest Rate Collars	Nature of Loan (Note 4)	Amount of Business Transaction (Note 5)	Reasons necessary for offering short-term loan (Note 6)	Amount of allowance for bad debt	Collateral		Limit of loan to particular borrower (Note 7)	Total limit of financing (Note 7)	Remark
													Name	Value			
1	Taichung Commercial Bank Lease Enterprise	Chang Hong International Development Co., Ltd.	Other receivables	No	$ 21,989	$ -	$ -	4%-10%	Necessary for offering short-term loan	$ -	Working capital	$ -	Real estate	$ 29,079	$ 190,460	$ 761,841	Note 9
1	Taichung Commercial Bank Lease Enterprise	Yan Xin Construction Co., Ltd.	〃	〃	64,170	-	-	4%-10%	〃	-	〃	-	Real estate	58,613	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	General Energy Solutions	〃	〃	23,476	-	-	4%-10%	〃	-	〃	-	Refundable deposits	5,000	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	Yi Lei Construction Co., Ltd.	〃	〃	63,050	-	-	4%-10%	〃	-	〃	-	Real estate	65,161	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	Huang Chao Golden Hall Inc.	〃	〃	16,696	-	-	4%-10%	〃	-	〃	-	Refundable deposits	6,000	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	Yuanli Engineering Co., Ltd.	〃	〃	35,678	16,298	16,298	4%-10%	〃	-	〃	163	N/A	-	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	Kuang Ming Shipping	〃	〃	100,000	42,150	42,150	4%-10%	〃	-	〃	222	Refundable deposits	20,000	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	Baomei Construction Co., Ltd.	〃	〃	104,000	-	-	4%-10%	〃	-	〃	-	Real estate	88,813	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	Wisdom Marine International Inc.	〃	〃	100,000	75,177	75,177	3.5%-10%	〃	-	〃	752	N/A	-	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	Baohong Construction Co., Ltd.	〃	〃	116,000	114,260	114,260	4%-10%	〃	-	〃	1,143	Real estate	100,194	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	New Rich Material Co., Ltd.	〃	〃	58,520	58,520	-	4%-10%	〃	-	〃	-	Real estate	59,632	190,460	761,841	〃
1	Taichung Commercial Bank Lease Enterprise	Megaful Co., Ltd.	〃	〃	120,000	115,070	55,070	4%-10%	〃	-	〃	551	Real estate	70,984	190,460	761,841	〃
2	TCCBL Co., Ltd. (B.V.I.)	EVER MERIT TRADING LIMITED	〃	〃	18,960	-	-	5.25%	〃	-	〃	-	Stock	60,480	78,651	314,603	Note 10
2	TCCBL Co., Ltd. (B.V.I.)	LEAGUE INTERNATIONAL LIMITED	〃	〃	7,900	-	-	4%-10%	〃	-	〃	-	Refundable deposits	3,000	78,651	314,603	〃
2	TCCBL Co., Ltd. (B.V.I.)	CROSS BORDER PROFITS LIMITED	〃	〃	29,230	23,070	23,070	4%-10%	〃	-	〃	201	Refundable deposits	3,000	78,651	314,603	〃
2	TCCBL Co., Ltd. (B.V.I.)	TCT CAPITAL CO., LTD	〃	〃	50,560	-	-	4%-10%	〃	-	〃	-	Refundable deposits	4,800	78,651	314,603	〃
3	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Zhangjiajie Zhongjun Real Estate	Loan by mandate	〃	27,600	14,213	14,213	9.6%	〃	-	Capital Expenditures	213	Real estate	232,190	290,419	290,419	Note 11
4	Chou Chin Industrial Co., Ltd.	Noble House Glory	Related party receivables	Yes	35,000	35,000	35,000	2%	〃	-	Working capital	-	N/A	-	289,209	578,419	Note 12

Note 1: The column for numbering is elaborated below:
(1)Fill in 0 for the issuer.
(2)The investees are sequentially numbered from 1 and so forth.

Note 2: The receivables-affiliates, receivables-related parties, shareholders accounts, prepayments, temporary payments and others as stated in book shall be filled in here if they are classified as financing.

Note 3: Maximum balance of financing a third party in current period.

Note 4: Specify if the nature of financing is for business transactions or short-term financing is necessary.

Note 5: If the nature of financing is for business transactions, specify the amount of business transactions. The amount of business transactions shall be the amount of business conducted between the lender and the beneficiary of financing.

Note 6: If it is necessary for short-term financing, specify the reasons and the beneficiary of financing and the use of the fund, such as: retirement of loans, procurement of equipment, and working capital.

Note 7: Specify the Procedure for Financing Third Parties and the upper limit of financing in favor of particular beneficiary and the total limit of financing, and also the method for the calculation of the upper limit of financing in favor of particular beneficiary and the total limit of financing in the space provided in this field.

Note 8: For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the amount approved by the Board but not yet being drawn shall still be included in the amount for announcement for the disclosure of risk being assumed. If the loans are being retired in the future, disclose the outstanding balance to reflect the adjustment of risk. For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” whereby the Board resolved to authorize the Chairman to effect the drawdown or in revolving credit in tranches within specific limit and in the year, the amount and the limit approved by the Board shall still be announced as the outstanding balance. In subsequent retirement of loans, repeated drawdown shall still be considered and the amount and the limit approved by the Board shall still be announced as the outstanding balance.

Note 9: The loaning of TCB Leasing Co., Ltd. to a particular enterprise shall be up to 10% of the net worth of the Company. The total amount of loaning of funds shall not exceed 40% of the net worth of TCB Leasing Co., Ltd.

Note 10: The loaning of TCCBL Co., Ltd. (B.V.I.) to a particular enterprise shall not exceed 10% of the net worth of TCCBL Co., Ltd. (B.V.I.) The total amount of loaning of funds shall not exceed 40% of the net worth of TCCBL Co., Ltd. (B.V.I.).

Note 11: The loaning of TC Bank Financing and Leasing (Suzhou) Co., Ltd. to a particular enterprise shall be up to 40% of the net worth of the Company. The total amount of loaning of funds shall not exceed 40% of the net worth of Taichung Commercial Bank Finance Lease (Suzhou) Co., Ltd.

Note 12: The total amount of funds lent by Chou Chin Industrial Co., Ltd. to a single enterprise must not exceed 20% of the net worth of Chou Chin. Total loan amounts must not exceed 40% of the net worth of Chou Chin.

2. Endorsements/guarantees to others:

Unit: NTD thousand, unless otherwise noted

Item No.	Name of Endorser/Guarantor	Endorsed/Guaranteed		Limit of endorsement/guarantee to a single enterprise (Note 1)	Maximum balance in current period (Note 3)	Balance-ending	The actual amounts disbursed	Endorsement/guarantee with collateral	Accumulated amount of endorsement/guarantee in proportion to the net worth stated in the financial statements of the most recent period	Upper limit of endorsement/guarantee (Note 2)	Guarantee and endorsement of parent company to subsidiary (Note 4)	Guarantee and endorsement by subsidiary to parent company (Note 4)	Guarantee and endorsement in Mainland China (Note 4)
		Company name	Affiliation										
1	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Subsidiary of Chou Chin Industrial Co., Ltd.	$ 723,024	$ 15,000	$ 15,000	$ -	$ -	1.04	$ 1,446,047	—	—	—
2	Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd. (B.V.I.)	100% and directly owned subsidiary	11,427,612	1,221,512	942,289	114,000	-	49.48	19,046,020	—	—	—
2	Taichung Commercial Bank Lease Enterprise	Taichung Commercial Bank Leasing (Suzhou) Ltd.	100% and indirectly owned subsidiary	11,427,612	2,083,830	1,841,251	1,663,922	-	96.68	19,046,020	—	—	Y

Note 1: Chou Chin Industrial stipulated in its Operating Procedures for Endorsement Guarantee that its endorsement guarantee for an enterprise shall not exceed 50% of the net value of the latest financial statements. If the guarantee is for business transaction relationships, the amount shall not exceed the total transaction in the most recent year. Taichung Bank Leasing stipulated in its Operating Procedures for Endorsement Guarantee that its endorsement guarantee for an enterprise shall not exceed six times the net value of the latest financial statements.

Note 2: Chou Chin Industrial stipulated in its Operating Procedures for Endorsement Guarantee that its total endorsement guarantee shall not exceed the net value of the latest financial statements. Taichung Bank Leasing stipulated in its Operating Procedures for Endorsement Guarantee that its total endorsement guarantee shall not exceed ten times the net value of the latest financial statements.

Note 3: The highest balance of endorsements and/or guarantees in the current year.

Note 4: For guarantee and endorsement from parent company to subsidiaries, from subsidiaries to parent company, and to Mainland China, as in the case of TWSE/GTSW-listed companies, fill in Y.

3. Marketable securities held – end of year

Unit: thousand shares/ NTD thousand

Holder of Securities	Type and Name of Securities	Affiliation with Securities Issuer	Account Title	Ending				Remark
				Quantity	Book Value	Shareholding %	Market Value	
CHINA MAN-MADE FIBER CORPORATION	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	Taiwan Business Bank	N/A	Financial assets mandatorily measured at fair value through profit or loss- current	10,874	$ 137,009	-	$ 137,009	
	First Financial Holding	〃	〃	1,872	44,362	-	44,362	
	Apex Biotechnology Corporation	〃	〃	300	8,505	-	8,505	
	Hua Nan Financial Holding	CHINA MAN-MADE FIBER CORPORATION is its corporate supervisor.	Equity instrument investments measured at fair value through other comprehensive income- non-current	64,632	1,421,905	1	1,421,905	1,148 thousand shares pledged
	Maxigen Biotech Inc.	N/A	〃	569	14,373	1	14,373	
	Taiwan Tea Corporation	N/A	〃	16,175	266,079	2	266,079	15,000 thousand shares pledged
	Domestic Emerging Stock Board							
	JiMicron Technology	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	270	4,918	-	4,918	
	Shares traded on foreign exchange or OTC exchange							
	Citigroup Inc.	N/A	Financial assets mandatorily measured at fair value through profit or loss- current	41	98,199	-	98,199	
	Non listed (OTC) domestic stock							
	EVERSOL CORP.	N/A	Financial assets mandatorily measured at fair value through profit or loss- current	35	-	1	-	
	Non listed (OTC) domestic stock							
	Sunny Bank	N/A	Equity instrument measured at fair value through other comprehensive income- non-current	2,506	24,533	-	24,533	
	Formosa Imperial Wineseller Corp.	Affiliate	〃	1,900	-	10	-	
	TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	CHINA MAN-MADE FIBER CORPORATION is its corporate director.	〃	11,542	31,394	20	31,394	
	WK Technology Fund	N/A	〃	598	11,283	3	11,283	
	Pu Shih Joint Venture(??)	〃	〃	682	6,253	2	6,253	
	Minchali Metal Industrial Co., Ltd.	〃	〃	7,193	87,968	3	87,968	
	TWSE	〃	〃	1,294	97,247	-	97,247	
	Everterminal Co., Ltd.	〃	〃	298	3,530	-	3,530	
	China Trade & Development Corp.	〃	〃	756	-	1	-	
	Chia Hsin Food and Synthetic Fiber Co., Ltd.	〃	〃	103	-	-	-	
	Taitung Business Bank	〃	〃	4,027	-	1	-	

(Continued on next page)

(Continued from previous page)

Holder of Securities	Type and Name of Securities	Affiliation with Securities Issuer	Account Title	Ending				Remark
				Quantity	Book Value	Shareholding %	Market Value	
CHINA MAN-MADE FIBER CORPORATION	Non-listed (OTC) overseas stock							
	UNFON CONSTRUCTION CO., LTD (Hong Kong)	Affiliate	Equity instrument investments measured at fair value through other comprehensive income- non-current	3,250	$ 8,384	18	$ 8,384	
	Beneficiary certificate							
	Reliance Chinese Selected Growth Equity Fund	Fund managed by Taichung Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	9,653	127,609	-	127,609	
	The RSIT First Digital Fund	〃	〃	1,842	66,608	-	66,608	
	Reliance Da-Fa Fund	〃	〃	1,505	50,745	-	50,745	
	Reliance Taiwan Main Stream Small & Medium Cap Fund	〃	〃	3,042	67,688	-	67,688	
	Domestic corporate bonds							
	Taichung Commercial Bank financial bonds	A subsidiary of CHINA MAN-MADE FIBER CORPORATION	Debt instrument investments measured at fair value through other comprehensive income- non-current	110,000	110,000	-	110,000	
Deh Hsing Investment Co., Ltd.	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	CHINA MAN-MADE FIBER CORPORATION	Parent company of Deh Hsing Investment Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	11,173	92,733	-	92,733	
	Taiwan Tea Corporation	N/A	〃	3,000	49,350	-	49,350	
	Non listed (OTC) domestic stock							
	Formosa Imperial Wineseller Corp.	Affiliate	Equity instrument investments measured at fair value through other comprehensive income- current	2,000	-	10	-	
	Wan Tai Lease Co., Ltd.	N/A	〃	628	-	3	-	
	Beneficiary certificate							
	Reliance Chinese Selected Growth Equity Fund	Fund managed by Taichung Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	2,163	28,600	-	28,600	
	The RSIT First Digital Fund	〃	〃	67	2,427	-	2,427	
Pan Asia Chemical Corporation	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	CHINA MAN-MADE FIBER CORPORATION	Parent company of Pan Asia Chemical Corporation	Equity instrument investments measured at fair value through other comprehensive income- non-current	251,443	2,086,976	16	2,086,976	77,954 thousand shares pledged
	Yuan Ji Solar Technology	N/A	〃	1,529	11,623	1	11,623	

(Continued on next page)

(Continued from previous page)

Holder of Securities	Type and Name of Securities	Affiliation with Securities Issuer	Account Title	Ending				Remark
				Quantity	Book Value	Shareholding %	Market Value	
Pan Asia Chemical Corporation	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	Taiwan Tea Corporation	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	11,800	$ 194,110	1	$ 194,110	
	Domestic Emerging Stock Board							
	JiMicron Technology	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	440	8,030	1	8,030	
	Non listed (OTC) domestic stock							
	TWSE	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	267	20,112	-	20,112	
	Chung Chien Investment Co., Ltd.	Affiliate	〃	12,000	19,680	18	19,680	
	Chung Shing Textile Co., Ltd.	N/A	〃	120	-	-	-	
	Domestic corporate bonds							
	Taichung Commercial Bank financial bonds	A subsidiary of CHINA MAN-MADE FIBER CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- non-current	200,000	200,000	-	200,000	
	Beneficiary certificate							
	Reliance Taiwan Main Stream Small & Medium Cap Fund	Fund managed by Taichung Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	743	16,535	-	16,535	
Pan Asia Chemical Corporation	Beneficiary certificate							
	Reliance TAROBO Robotics Quantitative Chinese Fund	Fund managed by Taichung Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	1,319	15,855	-	15,855	
	The RSIT First Digital Fund	〃	〃	420	15,198	-	15,198	
Taichung Securities Investment Trust Co., Ltd.	Non listed (OTC) domestic stock							
	Taiwan Futures Exchange	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	1,239	105,739	-	105,739	
	Beneficiary certificate							
	THE RSIT ENHANCED MONEY MARKET FUND	Fund managed by Taichung Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	1,483	17,810	-	17,810	

(Continued on next page)

(Continued from previous page)

Holder of Securities	Type and Name of Securities	Affiliation with Securities Issuer	Account Title	Ending				Remark
				Quantity	Book Value	Shareholding %	Market Value	
	Reliance Da-Fa Fund	〃	〃	36	$ 1,217	-	$ 1,217	
	The RSIT First Digital Fund	〃	〃	39	1,422	-	1,422	
	Reliance Chinese Selected Growth Equity Fund	〃	〃	360	4,762	-	4,762	
	Reliance Taiwan Main Stream Small & Medium Cap Fund	〃	〃	69	1,541	-	1,541	
	S&P 1xInverse	N/A	〃	25	275	-	275	
	Taiwan 50 1xInverse	〃	〃	210	2,098	-	2,098	
Chou Chin Industrial Co., Ltd.	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	Taiwan Business Bank	N/A	Equity instrument investments measured at fair value through other comprehensive income- current	1,014	12,774	-	12,774	
	Taichung Commercial Bank Co.	A subsidiary of CHINA MAN-MADE FIBER CORPORATION	〃	6,358	76,300	-	76,300	
Chou Chin Industrial Co., Ltd.	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	CHINA MAN-MADE FIBER CORPORATION	Ultimate parent of Chou Chin Industrial Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	59,123	490,719	4	490,719	45,000 thousand shares pledged
	Hua Nan Financial Holding	CHINA MAN-MADE FIBER CORPORATION is its corporate supervisor.	〃	19,698	433,361	-	433,361	18,530 thousand shares pledged
	Taiwan Tea Corporation	N/A	〃	15,298	251,652	-	251,652	13,000 thousand shares pledged
	Non listed (OTC) domestic stock							
	Sunny Bank	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	1,253	12,267	-	12,267	
	Beneficiary certificate							
	Reliance Chinese Selected Growth Equity Fund	Fund managed by Taichung Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss-current	813	10,743	-	10,743	
	Reliance Taiwan Main Stream Small & Medium Cap Fund	〃	〃	111	2,468	-	2,468	
	Reliance TAROBO Robotics Quantitative Chinese Fund	〃	〃	500	6,009	-	6,009	
	Capital Securities Global Strategy	N/A	〃	200	1,992	-	1,992	
	Domestic corporate bonds							
	Taichung Commercial Bank financial bonds	A subsidiary of CHINA MAN-MADE FIBER CORPORATION	Debt instrument investments measured at fair value through other comprehensive income- current	850,000	850,000	-	850,000	NT$850,000 thousand pledge

(Continued on next page)

(Continued from previous page)

Holder of Securities	Type and Name of Securities	Affiliation with Securities Issuer	Account Title	Ending				Remark
				Quantity	Book Value	Shareholding %	Market Value	
Chou Chang Corporation	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	Taichung Commercial Bank Co.	A subsidiary of CHINA MAN-MADE FIBER CORPORATION	Equity instrument investments measured at fair value through other comprehensive income-non-current	12,701	$ 152,406	-	$ 152,406	10,000 thousand shares pledged
	CHINA MAN-MADE FIBER CORPORATION	Ultimate parent of Chou Chin Industrial Co., Ltd.	〃	9,248	76,756	1	76,756	4,000 thousand shares pledged
	Non listed (OTC) domestic stock							
	Hsin Tung Yang	N/A	Equity instrument investments measured at fair value through other comprehensive income-non-current	64	691	-	691	
	Chou Chin Industrial Co., Ltd.	The investor evaluating Chou Chang Corporation under equity method	〃	453	2,603	1	2,603	
	Domestic corporate bonds							
	Taichung Commercial Bank financial bonds	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION	Debt instrument investments measured at fair value through other comprehensive income-current	350,000	350,000	-	350,000	NT$ 350 million pledge

Note: Taichung Commercial Bank and its subsidiaries are exempt from disclosure due to that they are in the financial, insurance and securities businesses.

4. Cumulative amount of the same marketable securities purchased or sold reaching NT$300 million or more than 20% of the Paid-in sharescapital.

Unit: NTD thousand\ thousand shares

Buyer/Seller	Type and Name of Securities	Account Title	Trading Counterpart	Affiliation	Beginning		Bought		Sold				End of period (Note 1)	
					Shares (in Thousand shares)	Amount	Shares (in Thousand shares)	Amount	Shares (in Thousand shares)	Amount	Cost	Gain (loss) from disposal	Shares (in Thousand shares)	Amount
CHINA MAN-MADE FIBER CORPORATION	Taiwan Business Bank common stock	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	57,390	$593,987	718 (Note 1)	$ -	47,234	$583,698	$288,282	$295,416	10,874	$137,009 (Note 2)

Note 1: Distributed stock dividends. Note 2: Amount at end of period includes valuation amount at end of period.

5. Acquisition amount of real estate reaching NT$300 million or more than 20% of the Paid-in sharescapital (None)
6. Amount on disposal of real estate reaching NT$300 million or more than 20% of the Paid-in sharescapital (None)

7. Amount on purchase from and sale to related parties reaching NT$100 million or more than 20% of the Paid-in sharescapital Unit: NTD thousand

Purchaser/Seller	Trading Counterpart	Affiliation	Status				Distinctive terms and conditions of trade and the reasons		Receivable (payable) accounts/notes		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount %	Duration	Unit Price	Duration	Balance	Percentage in total receivable (payable) accounts/notes %	
CHINA MAN-MADE FIBER CORPORATION	Nan Chung Petrochemical Corp.	THE COMPANY'S INVESTEE UNDER EQUITY METHOD	Purchase	$ 3,361,822	27%	30~60 days	Not distinctive	30~90 days for the general transactions	($ 307,149)	29%	
CHINA MAN-MADE FIBER CORPORATION	Pan Asia Chemical Corporation	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION	Sale	(836,909)	(6%)	30~60 days	〃	〃	170,057	9%	
Pan Asia Chemical Corporation	CHINA MAN-MADE FIBER CORPORATION	Parent company of Pan Asia Chemical Corporation	Purchase	836,909	54%	30~60 days	〃	〃	(170,057)	(76%)	
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Subsidiary of Chou Chin Industrial Co., Ltd.	Sale	(1,190,175)	(47%)	A/C 120 days	-	-	204,863	67%	
GREENWORLD FOOD CO., LTD.	Chou Chin Industrial Co., Ltd.	Parent company of GREENWORLD FOOD CO., LTD.	Purchase	1,190,175	74%	A/C 120 days	-	-	(204,863)	(86%)	

8. Accounts receivable-related party reaching NT$100 million or more than 20% of the Paid-in sharescapital. Unit: NTD thousand

Company of receivables on book	Trading Counterpart	Affiliation	Balance of receivables with related party	Turnover Rate	Overdue receivables with related party		Receivables with related party after period collection	Amount of allowance for bad debt
					Amount	Mode of Processing		
CHINA MAN-MADE FIBER CORPORATION	Pan Asia Chemical Corporation	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION	$ 170,057	6.00	$ -	—	$ 68,630	$ -
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	A subsidiary of Chou Chin Industrial Co., Ltd.	204,863	6.31	-	—	204,584	-

9. Transactions in engaging in derivative financial instruments. (Note 8)

10. Other: Business relationship and main dealings between the parent and its subsidiaries Unit: NTD thousand

Item No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	Transactions			
				Title	Amount (Note 3)	Terms and conditions	Percentage in consolidated total revenue or total assets (Note 4)
	2019						
0	CHINA MAN-MADE FIBER CORPORATION	Pan Asia Chemical Corporation	1	Sales revenue	$ 836,909	No significant difference from the general customer	2%
0	CHINA MAN-MADE FIBER CORPORATION	Pan Asia Chemical Corporation	1	Accounts receivable	170,057	No significant difference from the general customer	-
0	CHINA MAN-MADE FIBER CORPORATION	Taichung Commercial Bank Co.	1	Cash and cash equivalents	67,328	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Pan Asia Chemical Corporation	3	Customer deposits and remittances	38,487	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Taichung Securities Investment Trust Co., Ltd.	3	Customer deposits and remittances	176,452	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Chou Chin Industrial Co., Ltd.	3	Interest Expenses	35,190	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	3	Customer deposits and remittances	1,452,291	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	3	Income from handling fees	250,000	No significant difference from the general customer	1%
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Lease Enterprise	3	Customer deposits and remittances	68,474	No significant difference from the general customer	-
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Sales revenue	1,190,175	No significant difference from the general customer	3%
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Accounts receivable	204,863	No significant difference from the general customer	-
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Other receivables	34,900	No significant difference from the general customer	-
2	Chou Chin Industrial Co., Ltd.	Noble House Glory	3	Other receivables	35,000	No significant difference from the general customer	-
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Other income	109,188	No significant difference from the general customer	-

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

1. 0 is for the Parent Company.
2. Subsidiaries are numbered from number 1.

Note 2: The relationship with the trade party is classified into three categories as follows:

1. Parent Company to subsidiaries.
2. Subsidiaries to Parent Company.
3. Subsidiaries to subsidiaries.

Note 3: Written-off upon consolidation.

Note 4: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 5: Major transactions refer to transactions with amount of NTD30,000 thousand and shall be subject to disclosure.

11. Information about the investee's name, location….. Unit: NTD thousand

Investor	Investor	Location	Major Business Lines	Initial Investment Amount		Equity Ownership by the Company			Current period net gain (loss) of the investee	Investment gain (loss) recognized in current period	Remark
				Current period-ending	Previous period-ending	Quantity	Percentage %	Book Value			
CHINA MAN-MADE FIBER CORPORATION	Taichung Commercial Bank	Taichung City	Banking business	$ 6,355,643	$ 6,355,643	826,726	22	$ 11,465,093	$ 4,319,883	$ 962,909	364,400 thousand shares pledged
	Pan Asia Chemical Corporation	Taipei City	Petrochemical business	968,472	968,472	127,242	44	1,088,318	290,294	117,365	
	Nan Chung Petrochemical Corp.	Yunlin County	Petrochemical business	1,000,002	1,000,002	100,000	50	1,170,017	34,675	17,337	10,000 thousand shares pledged
	Deh Hsing Investment Co., Ltd.	Taipei City	General investment business	1,550,000	1,350,000	155,000	100	1,495,098	27,642	26,593	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	6,295	6,295	922	3	12,025	(7,804)	(230)	
	Chou Chin Industrial Co., Ltd.	New Taipei City	Manufacturing and trading	176,430	176,430	31,071	46	404,039	117,452	51,660	
	EUREKA INVESTMENT COMPANY LIMITED	Taipei City	General investment business	37,500	37,500	3,750	100	35,265	(145)	(145)	
	Melasse	Taipei City	Cosmetics and cleaning appliances manufacturing	14,500	14,500	1,450	50	13,217	(2,466)	(1,233)	
Pan Asia Chemical Corporation	Taichung Commercial Bank	Taichung City	Banking business	1,347,834	1,347,834	212,466	6	2,940,018	4,319,883	247,529	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	15,738	15,738	979	3	12,800	(7,804)	(245)	
	Melasse	Taipei City	Cosmetics and cleaning appliances manufacturing	14,500	14,500	1,450	50	13,217	(2,466)	(1,233)	
Taichung Commercial Bank	Taichung Commercial Bank Lease Enterprise	Taichung City	Leasing industry	1,800,000	1,800,000	189,729	100	1,904,602	74,928	74,928	
	Taichung Bank Insurance Agency Co., Ltd.	Taichung City	Insurance agency	6,000	6,000	128,600	100	2,204,588	471,300	471,300	
	Taichung Commercial Bank Securities Co., Ltd.	Taichung City	Securities business	1,500,000	1,500,000	150,000	100	1,404,823	20,671	20,671	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	120,000	120,000	12,000	38	156,788	(7,804)	(3,002)	
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	British Virgin Islands	Financing, leasing and investments.	893,373	893,373	30,000	100	786,508	33,564	33,564	
TCCBL Co., Ltd.	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Suzhou	Financing Leasing and investments	893,373	893,373	-	100	726,048	25,808	25,808	
Deh Hsing Investment Co., Ltd.	Taichung Commercial Bank	Taichung City	Banking business	86,017	86,017	11,348	-	163,549	4,319,883	13,352	4,500 thousand shares pledged
	Pan Asia Chemical Corporation	Taipei City	Petrochemical business	150,612	150,612	13,437	5	214,298	293,686	13,774	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	20,162	20,162	1,716	6	22,421	(7,804)	(429)	
	Chou Chang Corporation	Taipei City	Distribution and warehousing of beverages	44,000	44,000	4,000	15	41,782	14,003	2,029	
	Chou Chin Industrial Co., Ltd.	New Taipei City	Manufacturing and trading	10,243	10,243	1,482	3	36,151	117,452	2,937	
	Xiang-Feng Development	Taipei City	General investment business	283,000	283,000	28,300	100	264,655	(1,725)	(1,725)	
	Wei-Kang International	Taipei City	Retail	5,000	5,000	300	30	3,710	1,373	412	
	IOLITE COMPANY Ltd.	Samoa	General investment business	595,750	502,579	19,005	100	519,836	(6,295)	(6,295)	
	Storm Model Management	Taipei City	General Advertising Services	8,000	8,000	200	40	6,616	(2,823)	(1,129)	
IOLITE COMPANY Ltd.	Hammock (Hong Kong) Company Limited	Hong Kong	General investment business	470,685	470,685	15,000	100	400,138	(6,301)	(6,301)	
	Precious Wealth International Limited	Samoa	General investment business	10,969	10,969	USD 375	100	10,988	(232)	(232)	
Hammock (Hong Kong) Company Limited	Hebei Hanoshi Contact Lens Co., Ltd.	Hebei Province	Manufacturing and trading	470,685	470,685	15,000	100	400,790	(5,952)	(5,952)	
Xiang-Feng Development	Tou-Ming Industry	Taipei City	Real estate trading and leasing industry	221,900	221,900	22,190	99	204,253	(1,643)	(1,643)	
Tou-Ming Industry	Jin-Bang-Ge Industry	Taipei City	Real estate trading and leasing industry	172,000	152,000	17,200	99	157,035	(1,673)	(1,663)	
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Taichung City	Food manufacturing, and distribution and warehousing of beverages	233,463	233,348	17,531	90	79,324	57,039	52,210	
	Chou Chang Corporation	Taichung City	Distribution and warehousing of beverages	308,796	307,977	13,142	49	137,293	14,003	6,847	
	Pan-Feng Industry	Taipei City	Restaurant industry	14,897	14,897	1,500	100	1,040	(809)	(809)	

(Continued on next page)

(Continued from previous page)

Investor	Investor	Location	Major Business Lines	Initial Investment Amount: Current period-ending	Initial Investment Amount: Previous period-ending	Equity Ownership by the Company: Quantity	Equity Ownership by the Company: Percentage %	Equity Ownership by the Company: Book Value	Current period net gain (loss) of the investee	Investment gain (loss) recognized in current period	Remark
Chou Chin Industrial Co., Ltd.	Bomy Enterprise	British Virgin Islands	General investment business	$ 223,248	$ 223,248	10,000	49	$ 134,596	$ 11,471	$ 5,459	
	Yuju Universal Corporation	Samoa	General investment business	24,573	24,573	810	90	20,154	(2,790)	(2,490)	
	BONWELL PARISE Co., Ltd.	Samoa	International trade	3,218	1,832	104	40	541	(6,555)	(2,622)	
Yuju Universal Corporation	Noble House Glory	Japan	Short-term accommodation service	24,345	24,345	1,800	100	19,954	(2,490)	(2,490)	
GREENWORLD FOOD CO., LTD.	Chou Chang Corporation	Taichung City	Distribution and warehousing of beverages	1,470	1,470	51	-	328	14,003	-	
	Bomy Enterprise	British Virgin Islands	General investment business	52,306	52,306	2,650	13	35,681	11,471	1,477	
Bomy Enterprise	Bomy Shanghai	Shanghai City	OEM, production and marketing of canned vegetable and fruit juice, and beverages	638,972	638,972	1,985	99	277,691	11,535	11,449	
Chou Chang Corporation	GREENWORLD FOOD CO., LTD.	Taichung City	Food manufacturing, and distribution and warehousing of beverages	11,224	11,224	1,133	6	9,435	57,039	3,239	

(3) Information about investment in Mainland China:

1. Name of the investee company in the Mainland Area, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area. Unit: NTD thousand and foreign currency thousand

Investee	Major Business Lines	Paid-in capital	Mode of investment	Amount remitted from Taiwan in accumulation at beginning of the present term	Investment Remittance or Regain during the current period: Remittance	Investment Remittance or Regain during the current period: Regain	Amount remitted from Taiwan in accumulation at ending of the present term	Investee Net income	The Company's Direct or Indirect Investment Holding Ratio %	Investment gain (loss) recognized in current period (Note 3)	Investment at end of year Book Value	Accumulated amount remitted back to Taiwan Investment income
Bomy Shanghai	OEM, production and marketing of canned vegetable and fruit juice, and beverages	$ 645,000 (USD 20,000)	Invested through the third area	$ 638,972 (USD 19,850)	$ -	$ -	$ 638,972 (USD 19,850)	$ 11,535 (USD 373)	62% (Note 1)	$ 7,101 (USD 230) (2)C	$ 170,947 (USD 5,702)	$ -
Chou Chin Shanghai	Manufacturing, processing and sale of modem, PC, computer shell and related metal stamping, interface, main frame and fiber optical system appliances	30,746 (USD 1,001)	〃	14,486 (USD 450)	-	-	14,486 (USD 450)	-	49% (Note 2)	-	-	-
Hebei Hanoshi Contact Lens Co., Ltd.	Manufacturing and trading	470,685 (USD 15,000)	〃	470,685 (USD 15,000)	-	-	470,685 (USD 15,000)	(5,952) (RMB 1,331)	100%	(5,952) (RMB 1,331) (2)B	400,790 (RMB 93,099)	-
Qian Teng PR Planning (Shanghai), Co., Ltd.	Exhibition design, corporate marketing consultation, and advertising copy planning	7,416 (USD 250)	〃	-	3,147 (USD 100)	-	3,147 (USD 100)	(6,299) (RMB 1,409)	40% (Note 3)	(2,520) (RMB 564) (3)	1,285 (RMB 299)	-
Taichung Bank Leasing (Suzhou)	Finance lease business	893,373 (RMB 186,329)	〃	893,373 (RMB 186,329)	-	-	893,373 (RMB 186,329)	25,808 (RMB 5,774)	29% (Note 4)	7,484 (RMB 1,675) (2)B	210,554 (RMB 48,886)	-
Shanghai Nianjia Cultural Diffusion Co., Ltd.	Culture and art exchanges and PR activity planning	431 (USD 100)	Investment in the Chinese company was made with Qian Teng PR Planning (Shanghai)'s own funds	-	-	-	-	(192) (RMB 43)	40%	(77) (RMB 17) (3)	98 (RMB 23)	-

Amount accumulated, remitted from Taiwan for investment in Mainland China at the end of the current term	Investment Amount Approved by Investment Commission of MOEA	Mainland China Investment Ceiling As Regulated by Investment Commission of MOEA (Note 4)
$ 2,020,663 (US$ 35,400 and RMB$ 186,329)	$ 2,204,953 (US$ 41,400 and RMB$ 186,329)	$ 2,942,516

Note 1: The consolidated shareholding calculated based on the reinvestment by Chou Chin Industrial Co., Ltd. and GREENWORLD FOOD CO., LTD. through Bomy Enterprise.

Note 2: The consolidated shareholding calculated based on the reinvestment by Chou Chin Industrial Co., Ltd. and Chou Chang Corporation through a third area.

Note 3: Percentage of comprehensive cross holding of Chou Chin Industrial Co., Ltd. through investment in companies in the third region.

Note 4: Percentage of comprehensive cross holding of Taichung Bank Leasing through investment in companies in the third region.

Note 5: Recognized as gains or losses on investment in current period:

(1) Please note if the investee is still under preparation and there was no investment gain or loss.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out:

A. Financial statements audited and audited and attested by an international accounting firm that has a cooperative relationship with a certified public accounting firm registered in the Republic of China.

B. Financial statements audited and attested by the independent accounts of the parent company.

C. Others: Shanghai Bomy Food conducts analytical procedures based on the provisions of the Standards on Auditing No. 20 regarding the determination of key composition.

(3) Not audited by a CPA

Note 6: The ceiling calculated by the applicant, Chou Chin Industrial Co., Ltd., Taichung Commercial Bank Lease Enterprise and Deh Hsing Investment Co., Ltd. according to the “Regulations Governing the Review of Investment or Technical Cooperation in Mainland China" of Investment Commission, MOEA.

Note 7: The foreign currency, if any, has been translated into NTD (USD1=NT$29.98, USD1=NT$30.91, CNY1=NT$4.31, CNY1=$4.47) at the foreign exchange rate-ending and average foreign exchange rate prevailing on the date of the financial statement.

2. With Mainland China, major transactions, and other prices, payment conditions, unrealized gains and losses that happened directly or indirectly through the third region by the investment company.

(1) Input amounts, percentages, balance, & percentages of relevant payable at end of the term. (None)

(2) Sales amounts, percentages, balance, & percentages of relevant receivables at end of the term. (None)

(3) Amount of property transaction and amount of the profit and/or loss so incurred. (None)

(4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term. (See page 192 for details)

(5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term. (None)

(6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g., provision or acceptance of services. (None)

48. Segment information

(1) Revenues and operating results of segments

Revenues and operating results of the consolidated company’s continuing units are analyzed in accordance with segments to be reported, which are summarized as follows:

	Department income		Gain (loss) from operation	
	2019	2018	2019	2018
Chemical Industry Dept.	$ 10,593,744	$ 14,765,426	($ 1,601,215)	$ 348,099
Chemical Fiber Department	4,554,248	7,023,347	(440,643)	(157,303)
Bank departments	17,178,875	16,315,947	5,206,985	4,759,883
Other Depts.	3,405,155	3,444,467	(49,045)	194,083
Total	$ 35,732,022	$ 41,549,187	$ 3,116,082	$ 5,144,762

Revenues reported above are generated from transactions with external customers. There were no inter-departmental sales generated on 2019 and 2018.

The term department profits refers to profits earned by each department, which does not include income tax expenses. The measured figures are provided for main decision makers to allocate resources to segments and evaluate the performance of each segment.

(2) Departmental total assets

	December 31, 2019	December 31, 2018
Segment assets		
Chemical Industry Dept.	$ 4,461,127	$ 4,843,231
Chemical Fiber Department	1,413,270	1,507,185
Construction Dept.	1,112,465	990,778
Bank departments	682,688,922	690,832,103
Others	22,228,452	22,733,645
Total segment assets	$ 711,904,236	$ 720,906,942

V. Individual financial statements and summary of notes for the most recent fiscal year audited and validated by a certified public accountant

Independent Auditor's Audit Report

To CHINA MAN-MADE FIBER CORPORATION:

Audit opinions

We have audited the accompanying individual balance sheet of China Man-Made Fiber Co., Ltd. and subsidiary as of December 31, 2019 and 2018, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and Note of the individual financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to, on the basis of my audit findings and the audit reports compiled by other certified public accountants, present fairly, in all material aspects, the financial position of China Man-Made Fiber Co., Ltd. as of December 31, 2019 and 2018, and the results of its operation and cash flows for the year then ended in conformity to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. We are independent of Chinese Gamer International Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual financial statements of China Man-Made Fiber Co., Ltd. in 2019. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the individual financial statements of China Man-Made Fiber Co., Ltd. in 2019 included:

<u>Authenticity of specific sales revenue</u>

Notes to key audit matters

In 2019, the sales revenue of specific products of the Chemical Fibers of China Man-Made Fiber is NT$2,261,053 thousand, revenue of the Chemical Department to specific customers is NT$1,807,228 thousand, accounting for 30% of the standalone net sales. The gross profit of the specific products and customers is relatively high. Therefore, the authenticity of sales revenue of specific products from the Chemical Fibers and Chemical Departments is one of the key audit items.

Please refer to Note 4 (15) of the financial statements for the accounting policies on sales revenue recognition.

Audit response

1. Understand and test the design and operating effectiveness of the internal control system of specified departments and sales revenue to customers.
2. Sampling inspection of the abovementioned sales revenue of specified departments and customers, including the shipping, custom and collection documents, in order to test the authenticity of sales.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

<u>Adopt the equity method to assess the impairment of discounting and advances.</u>

Notes to key audit matters

As stated in Note 14 of the standalone financial statements, the amount of investment in Taichung Commercial Bank by China Man-Made Fiber adopting the equity method was NT$11,465,093 thousand, accounting for 31% of the total assets as of December 31, 2019. Therefore, the financial performance of Taichung Commercial Bank will significantly impact China Man-Made Fiber's number in subsidiaries, affiliates and joint ventures by equity method.

For 2019, the balance of discounting and advance and the expected credit loss from Taichung Commercial Bank are NT$435,398,334 thousand and NT$509,127 thousand, respectively. Taichung Commercial Bank's decision in impairment loss involves the key estimates and judgments of its management, including the default probability and loss rate, and the results of impairment loss can significantly affect Taichung Commercial Bank's financial performance. Therefore, the adoption of equity method in the expected credit loss of the discounting and advances will be key audit issues.

Audit response

1. We understand and examine the internal control related to the assessment of impairment of discount and evaluation of anticipated credit impairment of Taichung Commercial Bank.
2. Sampling inspection of each individual recognition of major expected credit loss from discounting and advances of Taichung Commercial Bank, in order to evaluate the reasonableness of collateral value.
3. For the comprehensive evaluation of the expected credit loss adopted by Taichung Commercial Bank, understand and test key parameters used in the impairment model (probability of default and loss given default) in order to evaluate the reasonableness of the expected credit loss meeting the current experience and economic situation.
4. Review of conformity of appropriated amounts with requirements set forth in relevant decrees and ordinances of the competent authority

Other information

The financial statements of investees included in the standalone financial statements of China Man-Made Fiber adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the standalone statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2019 and 2018 are NT$1,170,017 thousand and NT$1,228,959 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2019 and 2018 are NT$17,337 thousand and NT$88,436 thousand, respectively. The information on investees in Note 34 of the standalone financial statements is disclosed based on the reports from other accounting auditors.

Responsibilities of Management and Those in Charge with Governance of the Individual Financial Statements

Responsibilities of Management and Those in Charge with Governance of the Individual Financial Statements

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

In preparing the individual financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Man-Made Fiber Co., Ltd. or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd..

Auditor's Responsibilities for the Audit of the Individual Financial Statements

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in China Man-Made Fiber Co., Ltd..
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the China Man-Made Fiber Co., Ltd. in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd..

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the individual financial statements of China Man-Made Fiber Co., Ltd. of 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche

CPA: Hsu Wen-Ya	Accountant: Oscar Shih
Securities and Futures Commission Approval No. Tai-Tsai-Cheng (VI) No. 0920123784	Securities and Futures Commission Approval No. Tai-Cai-Zheng (6) No. 0930128050

March 16, 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CHINA MAN-MADE FIBER CORPORATION
Individual Balance Sheets
December 31, 2019 and 2018

Unit: NTD thousand

Code	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4, 6 and 30)	$ 1,902,997	5	$ 2,218,749	6
1110	Financial assets through profit and/or loss with measuring for the faire values-current (Note 4 and 7)	600,725	2	988,569	3
1150	Notes receivable (Note 4 and 10)	46,787	-	164,312	1
1170	Accounts receivable - non-related parties (Note 4 and 10)	1,594,045	4	2,447,236	6
1180	Accounts receivable - non-related parties (Note 4, 10 and 30)	170,057	1	109,064	-
1200	Other receivable (Note 4, 10 and 30)	13,833	-	29,601	-
1220	Current income tax asset (Notes 4 and 26)	4,160	-	2,958	-
130X	Inventory (Note 4 and 11)	1,169,176	3	2,303,352	6
1410	Prepaid (Note 12)	609,816	2	797,830	2
1460	Non-current Assets Held for Sale - net (Note 4, 13 and 31)	769,610	2	769,610	2
1470	Other current assets (Note 19 and 31)	112,975	-	162,928	-
11XX	Total current assets	6,994,181	19	9,994,209	26
	Non-Current assets				
1517	Financial assets at fair value through other comprehensive income- non-current (Note 3, 8 and 31)	2,087,867	5	1,677,531	4
1550	Investment by equity method (Note 4, 14 and 31)	15,683,072	42	14,544,622	37
1600	Real estates, plant and equipment - net (Notes 4, 15 and 31)	10,917,846	29	11,286,138	29
1755	Right-of-use assets (Note 3, 4 and 16)	20,413	-	-	-
1760	Real estate investments - net (Note 4, 17 and 31)	1,112,465	3	990,778	3
1780	Intangible assets – net (Note 4 and 18)	-	-	9	-
1840	Deferred income tax assets – net (Notes 4 and 26)	648,812	2	273,168	1
1990	Other assets (Note 19)	118,185	-	118,155	-
15XX	Total non-current assets	30,588,660	81	28,890,401	74
1XXX	Total assets	$ 37,582,841	100	$ 38,884,610	100
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Note 20 and 31)	$ 6,441,013	17	$ 6,806,669	17
2110	Short-term bills payable (Note 20)	648,285	2	449,507	1
2150	Payable notes	21,104	-	36,420	-
2170	Accounts payable - non-related parties	738,751	2	1,538,390	4
2180	Accounts payable - related parties (Note 30)	307,149	1	343,210	1
2219	Other accounts payable (Note 21)	299,966	1	342,738	1
2280	Lease liabilities – current (Note 3, 4 and 16)	11,983	-	-	-
2320	Long-term liability due in one year or one business cycle (Note 20 and 31)	2,091,505	5	1,036,138	3
2399	Other current liabilities	33,081	-	44,533	-
21XX	Total of current liabilities	10,592,837	28	10,597,605	27
	Non-current liabilities				
2540	Long-term loans (Note 20 and 31)	3,926,318	11	4,827,723	13
2550	Liability reserve (Note 4 and 22)	162,402	-	158,605	-
2570	Deferred tax liabilities (Note 4 and 26)	866,019	2	866,019	2
2580	Lease liabilities – non-current (Note 3, 4 and 16)	8,598	-	-	-
2670	Other liabilities (Note 4 and 23)	22,904	-	21,150	-
25XX	Total non-current liability	4,986,241	13	5,873,497	15
2XXX	Total liabilities	15,579,078	41	16,471,102	42
	Equity (Note 24)				
3110	Common stock capital	16,213,672	43	15,224,105	39
3200	Capital surplus	1,710,808	5	1,694,875	4
	Retained earnings				
3310	Legal reserve	855,476	2	718,272	2
3320	Special reserve	1,936,126	5	1,956,409	5
3350	Undistributed earnings	2,220,569	6	4,231,450	11
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	(86,995)	-	(54,591)	-
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	382,016	1	(129,103)	-
3500	Treasury stock	(1,227,909)	(3)	(1,227,909)	(3)
3XXX	Total equity	22,003,763	59	22,413,508	58
	Total Liabilities and Equity	$ 37,582,841	100	$ 38,884,610	100

The notes attached shall constitute an integral part of this individual financial statement.
(Refer to Auditor’s Report presented by Deloitte & Touche dated March 16, 2020)

Chairman: Kuei-Hsien Wang   Manager: Ming-Shang Chuang   Accounting Supervisor: Kuo Hua Lin

CHINA MAN-MADE FIBER CORPORATION

Individual Income Statement

January 1 to December 31, 2019 and 2018

Unit: NTD Thousand, except for earnings (losses) per share in NTD

Code		2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating income (Note 4 and 30)	$ 13,591,338	100	$ 20,064,863	100
5000	Operating expenses (Note 4, 11, 25 and 30)	15,268,683	112	19,254,167	96
5900	Gross (loss) profit	(1,677,345)	(12)	810,696	4
5910	Realized gain on the subsidiary, affiliated company and joint ventures (Note 4)	7,243	-	1,947	-
5950	Realized gross profits (losses)	(1,670,102)	(12)	812,643	4
	Operating expenses (Note 4 and 25)				
6100	Marketing expenses	(493,022)	(3)	(487,903)	(3)
6200	Administrative and general affairs expenses	(223,098)	(2)	(268,349)	(1)
6450	Expected credit reversal benefit	6,035	-	-	-
6000	Total operating expenses	(710,085)	(5)	(756,252)	(4)
6900	Operating gains (losses)	(2,380,187)	(17)	56,391	-
	Non-operating revenues and expenses				
7070	Amounts of profit and/or loss of subsidiaries recognized in equity method, associates and the share of the profit or loss of joint ventures (Note 4)	1,174,256	9	1,143,227	6
7100	Interest revenues (Note 4 and 30)	13,989	-	18,667	-
7130	Dividend income (Note 4)	43,892	-	40,481	-
7190	Other gains and losses (Note 25 and 30)	22,728	-	22,975	-
7230	Foreign exchange gain (loss) – net	(32,300)	-	144,290	1
7235	Gain (loss) on financial assets and liabilities at fair value through profit and loss (Note 4 and 25)	240,108	2	99,562	1
7610	Losses from disposal of property or equipment	-	-	(9,265)	-
7510	Financial cost (Note 4 and 25)	(186,589)	(2)	(166,852)	(1)
7000	Total non-operating revenues and expenses	1,276,084	9	1,293,085	7
7900	Income (loss) before tax from continuing operations	(1,104,103)	(8)	1,349,476	7
7950	Income tax gains (Note 4 and 26)	374,339	3	22,559	-
8200	Net profits of the current year	(729,764)	(5)	1,372,035	7
	Other comprehensive profit or loss				
	The items that are not re-classified as profit or loss				
8311	Determined Benefit Plan Reevaluation (Note 4 and 22)	(6,527)	-	(20,965)	-
8316	Unrealized valuation of the capital gain/loss from equity instrument at fair value through comprehensive income statement as other comprehensive income	388,914	3	23,639	-
8330	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	92,563	-	(9)	-
8349	Income tax related to titles without reclassification (Notes 4 and 26)	1,305	-	6,824	-
8310		476,255	3	9,489	-
	Items that may be re-classified subsequently under profit or loss				
8380	The proportion of other comprehensive income of subsidiaries, associates, and equity joint ventures accounted for under the equity method – may be reclassified as profit and loss.	(19,928)	-	(16,238)	-
8360		(19,928)	-	(16,238)	-
8300	Other comprehensive income of the current year (net amount after taxation)	456,327	3	(6,749)	-
8500	Total amount of comprehensive income of the current year	($ 273,437)	(2)	$ 1,365,286	7
	Earnings (losses) per share (Note 27)				
9750	Basic earnings per share (losses)	($ 0.57)		$ 1.06	
9850	Diluted earnings per share (losses)	($ 0.57)		$ 1.06	

The notes attached shall constitute an integral part of this individual financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 16, 2020)

Chairman: Kuei-Hsien Wang　　Manager: Ming-Shang Chuang　　Accounting Supervisor: Kuo Hua Lin

CHINA MAN-MADE FIBER CORPORATION

Individual Statements of Changes in Shareholders' Equity

January 1 to December 31, 2019 and 2018

Unit: NTD thousand

		Capital stock		Retained earnings			Other equity				
Code		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Total equity
A1	Balance as of January 1, 2018	$ 14,294,934	$ 1,677,818	$ 638,873	$ 2,481,347	$ 3,274,719	($ 41,611)	$ -	($ 169,191)	($ 1,227,909)	$ 20,928,980
A3	Effect of retroactive applicability	-	-	-	-	286,131	-	(203,678)	169,191	-	251,644
A5	Balance on January, 1 2018 after adjustment	14,294,934	1,677,818	638,873	2,481,347	3,560,850	(41,611)	(203,678)	-	(1,227,909)	21,180,624
	The 2017 appropriation and distribution of earnings										
B1	Legal reserve appropriated	-	-	79,399	-	(79,399)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(142,949)	-	-	-	-	(142,949)
B9	Stock dividends	929,171	-	-	-	(929,171)	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	(524,938)	524,938	-	-	-	-	-
C7	Changes in shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	-	5,532	-	-	(6,483)	-	(226)	-	-	(1,177)
D1	2018 Profit	-	-	-	-	1,372,035	-	-	-	-	1,372,035
D3	Other comprehensive net income in 2018 (after tax)	-	-	-	-	(25,235)	(12,980)	31,466	-	-	(6,749)
M1	Dividends distributed to the subsidiaries adjusted to the additional paid-in capital	-	14,954	-	-	-	-	-	-	-	14,954
M7	Changes in the ownership equity on a subsidiary	-	(3,429)	-	-	199	-	-	-	-	(3,230)
Q1	Disposal of equity instrument investments measured at fair value through other comprehensive income:	-	-	-	-	(43,335)	-	43,335	-	-	-
Z1	Balance at December 31, 2018	15,224,105	1,694,875	718,272	1,956,409	4,231,450	(54,591)	(129,103)	-	(1,227,909)	22,413,508
	The 2018 appropriation and distribution of earnings										
B1	Legal reserve appropriated	-	-	137,204	-	(137,204)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(152,241)	-	-	-	-	(152,241)
B9	Stock dividends	989,567	-	-	-	(989,567)	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	(20,283)	20,283	-	-	-	-	-
D1	Net income (loss) in 2019	-	-	-	-	(729,764)	-	-	-	-	(729,764)
D3	Other comprehensive net income in 2019 (after tax)	-	-	-	-	(33,250)	(32,404)	521,981	-	-	456,327
M1	Dividends distributed to the subsidiaries adjusted to the additional paid-in capital	-	15,933	-	-	-	-	-	-	-	15,933
Q1	Disposal of equity instrument investments measured at fair value through other comprehensive income:	-	-	-	-	10,862	-	(10,862)	-	-	-
Z1	Balance as of December 31, 2019	$ 16,213,672	$ 1,710,808	$ 855,476	$ 1,936,126	$ 2,220,569	($ 86,995)	$ 382,016	$ -	($ 1,227,909)	$ 22,003,763

The notes attached shall constitute an integral part of this individual financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 16, 2020)

Chairman: Kuei-Hsien Wang　　Manager: Ming-Shang Chuang　　Accounting Supervisor: Kuo Hua Lin

CHINA MAN-MADE FIBER CORPORATION

Individual Statements of Cash Flow

January 1 to December 31, 2019 and 2018

Unit: NTD thousand

Code		2019	2018
	Cash flow from operating activities		
A10000	Current year net profit before taxation	($ 1,104,103)	$ 1,349,476
A20100	Depreciation expenses	641,719	491,588
A20200	Amortization expenses	9	36
A20300	Expected credit reversal benefit	(6,035)	-
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	(240,108)	(99,562)
A20900	Financial costs	186,589	166,852
A21200	Interest revenue	(13,989)	(18,667)
A21300	Dividend income	(43,892)	(40,481)
A22400	Shareholding in profit of subsidiaries, affiliated company and joint ventures under the equity method	(1,174,256)	(1,143,227)
A22500	Loss on disposal and scrapping of property, plant and equipment	-	9,265
A23200	Gains from disposal of investment accounted for using equity method	-	(27)
A23700	Non-financial assets impairment loss (reversal gain)	(108,397)	-
A24000	Realized gain on the subsidiary, affiliated company and joint ventures	(7,243)	(1,947)
	Net change in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	619,885	(21,647)
A31180	Accounts receivable	930,292	(559,140)
A31200	Inventory	1,242,573	(626,905)
A31230	Prepayments	188,014	141,849
A31240	Other current assets	5,547	9,370
A32180	Payables	(894,614)	179,687
A32230	Other current liabilities	(4,209)	5,529
A32200	Employee benefit liabilities reserve	(2,730)	(11,294)
A33000	Cash generated from operating activities	215,052	(169,245)
A33100	Interest received	15,223	20,615
A33200	Dividends received	387,195	482,754
A33300	Interest payment	(185,763)	(164,936)
A33500	Income tax payment	(1,202)	(4,414)
AAAA	Net cash inflow from operating activities	430,505	164,774
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	(32,284)	(398,192)
B00020	Disposal of financial assets at fair value through other comprehensive profit or loss	-	4,123
B00030	De-capitalization refunded monies of financial assets at fair value through other comprehensive profit or loss (decrease)	-	2,922
B01800	Acquisition of investment under the equity method	(200,000)	(541,414)
B02700	Acquisition of property, plant and equipment	(260,484)	(420,675)
B02800	Disposal of property, plant and equipment	-	77
B03700	Increase in refundable deposits	(30)	(13,680)
B05400	Acquisition of investment property	(121,786)	(80,657)
B06800	Increase (decrease) in other assets	44,406	(24)
BBBB	Net cash outflow from investing activities	(570,178)	(1,447,520)
	Cash flow from financing activities		
C00100	Increase of short-term loans	-	2,408,160
C00200	Decrease in short-term loans	(365,656)	-
C00500	Increase in short-term notes payable	198,778	150,028
C01600	Proceeds from long-term loan	4,400,000	3,440,000
C01700	Re-payments of long-term borrowings	(4,246,038)	(4,968,638)
C03000	Increase in deposits received	1,754	-
C03100	Decrease in guarantee deposits	-	(1,840)
C04020	Repayment of rental principal	(12,676)	-
C04500	Cash dividend released	(152,241)	(142,949)
CCCC	Net cash inflow (outflow) from financing activities	(176,079)	884,761
EEEE	Net decrease in cash and cash equivalents	(315,752)	(397,985)
E00100	Cash and cash equivalents balance – beginning of year	2,218,749	2,616,734
E00200	Cash and cash equivalents balance – end of year	$ 1,902,997	$ 2,218,749

The notes attached shall constitute an integral part of this individual financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 16, 2020)

Chairman: Kuei-Hsien Wang Manager: Ming-Shang Chuang Accounting Supervisor: Kuo Hua Lin

Notes to the Individual Financial Statements

January 1 to December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Unless Otherwise Noted)

1. Company Profile
   (1) The Company was founded on May 11, 1955 in accordance with the Company Act and other related regulations. The Company was approved to be traded on the TWSE on December 2, 1963. Over the years after several rounds of increase and decrease in cash capital, the paid-in capital as of December 31, 2019 is NT$16,213,672 thousand.
   (2) The Company is primarily engaged in the following business lines:
      1. Manufacturing, processing and buying and selling of man-made fiber, cellophane, polyamine fiber, polyester fiber, chemicals and the raw materials.
      2. Development, manufacturing and buying and selling of machinery used for the above products.
      3. Manufacturing and buying and selling of ethylene glycol, ethylene oxide, nonylphenol, ethylene, liquefied petroleum gas and the related petrochemical industry products.
      4. Lease and sale of national housing and commercial buildings constructed by commissioned contractors;
      5. Distribution, sorting and storage of various products.
      6. Management of supermarkets, trading of fresh foods, vegetables, fish, dried merchandise and various seasonings;
      7. Manufacturing and sales of steam and industrial and commercial electricity by cogeneration (electricity shall not be sold to energy users).
      8. Agency, distribution and contract bidding for installation of cogeneration and pollution control equipment.
      9. Manufacturing and sales of oxygen, liquid oxygen, nitrogen, liquid nitrogen, air argon, liquid argon, carbon dioxide and compressed air.
      10. Gas station.
   (3) This parent company only financial statement is denominated in NT Dollar, the functional currency of the Bank.
2. Financial reporting date and procedures

   The individual financial statements were approved for publication by the board of directors on March 16, 2020.
3. Application of new and revised standards and interpretation
   (1) The first use of the Regulations Governing the Preparation of Financial Reports by Securities Issuers after amendment, and the IFRS, IAS, IFRIC, and SIC (hereinafter collectively known as "IFRSs") recognized by the Financial Supervisory Commission (hereinafter referred to as the "FSC").

   Apart from the following descriptions, the application of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs that have been approved and proclaimed and entered into effect by the Financial Supervisory Commission (FSC) will not cause material changes on the accounting policy of the Company:

   IFRS 16 "Leases"

   The standards that IFRS 16 set out for accounting treatments for lease contracts identification of lessees and lessors will supersede IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and other interpretations. Refer to Note 4 for further information on accounting principles.

   Definition of lease

   The Company only assesses the contracts signed (or changed) beyond January 1, 2019, to determine if they are (or included) lease on the basis of IFR S16, and does not reassess contracts determined as lease under IAS 17 and IFRIC 4, and treated these contracts in accordance with the transitional requirement of IFRS 16.

   The Company is the lessee.

   All leases were recognized in the individual balance sheet as right-of-use assets and leasehold liability except low value target of leases and short-term leases of which the expenses incurred were recognized under the straight-line method. The individual comprehensive income statement shall present the interest expenses incurred from the depreciations of the utilization of equity assets and leasehold liability under effective interest method. In the individual cash flow statement, the principal amount of the lease liability payment is classified as a financing activity and the interest payment is classified as an operating activity. Before adopting IFRS 16, contracts classified as operating leases recognize expenses based on the straight-line method. The difference from the amount paid due to the leveling rent is recognized as Payable expenses. Cash flows from operation lease were presented as operating activities in the individual statement of cash flows.

The Company elected to adjust the accumulated influence under IFRS 16 on January 1, 2019, and does not recompile comparative information.

As for the operating lease agreement handled pursuant to IAS 17, lease liabilities as of January 1, 2019 were measured based on residual lease payments discounted at the Lessee's incremental borrowing rate of interest on said date. The whole right-of-use asset was measured based on the lease liability amount on said date. The recognized right-of-use assets shall be subject to impairment assessment of IAS 36.

The following expedient methods are applicable to the Company:

(1) Apply a single discount rate for the measurement of specific leasehold combinations with reasonable similarity.
(2) Lease to expire on or before December 31, 2019 shall be treated as short-term lease.
(3) The initial cost will not be included in the measurement of tenancy right assets on January 1, 2019.
(4) Measuring leasehold liability, such as the determination of the term of leases, shall be treated from hindsight.

On January 1, 2019, the Company recognized a weighted average incremental borrowing rate of interest of 1.60% applicable to lease liabilities. The difference between said lease liability amounts and future minimum lease payment amounts of non-cancellable operating leases as of December 31, 2018 are explained as follows:

Future minimum lease payment amounts of non-cancellable operating leases as of December 31, 2018	$	36,952
Less: Applicable short-term lease exemption	(	35,960)
Less: Low-value asset leases applying to exemption		-
Non-discounted total value on January 1, 2019	$	992
Based on the present value upon discounting at incremental borrowing rate of interest on January 1, 2019	$	976
Add: Adjustment due to differences in handling of the lease extension and lease termination options		32,281
Lease liability balance on January 1, 2019	$	33,257

The Company is the lessor.

In the transitional period, no adjustment of the lease of the Lessors while under IFRS 16 will be applicable from January 1, 2019.

Upon first-time adoption of IFRS 16, the adjustments to assets, liabilities and equities on January 1, 2019 are listed below:

	Balance on January, 1 2019 before adjustment	Adjustments arising from initial application	Balance on January, 1 2019 after adjustment
Right-of-use assets	$ -	$ 33,257	$ 33,257
Effect of assets	$ -	$ 33,257	$ 33,257
Lease liabilities – current	$ -	$ 12,677	$ 12,677
Lease liabilities – noncurrent	-	20,580	20,580
Effect of liabilities	$ -	$ 33,257	$ 33,257

(2) Applicable FSC-approved IFRSs as of 2020

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Amendment to "Definition of a business" in IFRS 3	01.01.20 (Note 1)
Amendments to IFRS 9, IAS 39, and IFRS 7 "interest rate benchmark reform"	01.01.20 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	01.01.20 (Note 3)

Note 1: The amendment should be applied to the acquisition day in the reporting period for corporate mergers after January 1, 2020 and the acquisition of assets beyond that date.

Note 2: This amendment is with prospective application for the annual reporting period starting after January 1, 2020.

Note 3: This amendment is with prospective application for the annual reporting period starting after January 1, 2020.

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

No key definitions were revised in the context of these amendments which only provide more comprehensible explanations. Additional explanations provided for key definitions could possibly lead to the blurring of material information by material information. In addition, the materiality threshold "could influence users" in IAS1 has been changed to "could reasonably be expected to influence users" in the amended provisions.

Further to the above effects, as of the release date of the individual financial report, the company continues to evaluate the impact on the financial position and performance from the other standards and interpretations, and the relevant impacts will be disclosed when the evaluation is completed.

(3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

The new / amended / revised standards or interpretation	Effective Date per IASB
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates".	Undefined
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless otherwise stated, the aforementioned new / revised / amended standards or interpretations become effective in the year after the respective date stated.

The Company continues to assess the effect of the revision of other IFRSs on the individual financial position and performance as of the date this report was approved and released. Information on related influence will be disclosed on completion of the assessment.

4. Summary of important accounting policies

(1) Statement of Compliance

The individual financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(2) Basis of Preparation

Except for the financial instruments on the basis of fair value and the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, this individual financial statement was compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input: Referred to as those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or

indirectly (i.e. derived from prices).

3. Level 3 input value: the unobservable input value of asset or liability.

The Company when preparing the individual financial statements has the investment in subsidiaries and affiliated companies processed under the equity method. To align the individual financial statements to be identical to the current year's loss or gain, other general loss or gain and equity and the company's consolidated statements belonging to company owner's current year's loss or gain, other general loss or gain and equity, under the individual basis and consolidation basis, those involving accounting processing variations pertain to adjusting "investment adopting the equity method", "share amounts of subsidiaries, affiliated enterprises adopting the equity method" and related equity items.

(3) Current and non-current assets and liabilities

Current assets including:

1. Assets held mainly for trading purpose:
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. The liabilities to be liquidated upon due within 12 months after the balance sheet date (those with long-term refinancing or payment term rearrangement completed from the balance sheet date to the financial reports approved and published date are also classified as current liabilities), and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date. Where the liabilities might be paid off at the discretion of the other party through the tools of the issuance equity, the classification would remain unaffected.

For those that are not current assets or liabilities above are classified as non-current assets or liabilities.

(4) Foreign currencies

In the process of compiling the parent company only financial statement, all transactions conducted other than the functional currency of the Bank shall be converted into the functional currency for bookkeeping as of the exchange rate effective on the transaction date.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive profit or loss, the exchange difference is recognized in the other comprehensive profit or loss.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Upon preparation of the Individual Financial Report, the assets and liabilities of the Company's and overseas operating institutions (including the subsidiaries, associates, joint ventures or branches in the countries of business operation or those using currencies different from the Company's) were converted to New Taiwan Dollars based on the exchange rate quoted on every balance sheet date. The profits and losses are translated in accordance with the current average exchange rates, and the exchange differences resulted is booked in other comprehensive profit and loss and attributable to the Company's shareholders and non-controlling equity respectively.

When liquidating an offshore operating entity, and which also results in losing control or with critical impact to said offshore operating entity, equity relating to said offshore operating entity that can be classified to company owner's equity will be reclassified as loss or gain.

(5) Inventories

Inventories include raw materials, supplies, work-in-progress, products contracted to be processed, finished goods and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. Inventory cost is determined by the weighted-average method.

The construction inventories were stated at the cost invested actually. The cost for available-for-sale housing and land was amortized based on weighted-average building coverage method, and stated at the lower of cost or net realizable value at the end of period.

(6) Investment under the equity method

The Company has the investment in subsidiaries and affiliated companies handled in accordance with the equity method.

1. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, investments were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive profit or loss. In addition, for the changes in the affiliated company's equity, the Company is entitled to have it recognized proportionately to the shareholding.

When the Company's change in the ownership of the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the book amount of the investment and the fair value of the consideration paid or received shall be directly recognized as equity.

If the company's loss share amount to a subsidiary equals to or exceeds said subsidiary's equity (including the subsidiary's book value amount using the equity method and said subsidiary's other long-term equity in its investment makeup portion tangibly belonging to the company), it pertains to continuing to recognize as a loss by shareholding ratio.

Acquisition costs in excess of the Company's share of net identifiable assets and liabilities (i.e. fair value) in a subsidiaries on the date of acquisition are recognized as goodwill. This goodwill includes book value of the investment and is not amortized. Share of net identifiable assets and liabilities (i.e. fair value) in subsidiaries that exceeds acquisition cost on the date of acquisition is recognized as gains for the current year.

In assessing impairment, the Company based on the cash drivers of the financial statements and compared the recoverable amount and book value. If the amount of recoverable assets increased in the future, the reversal of impairment shall be recognized as income. The book value of the reversal of impaired assets shall not exceed the book value before recognition for impairment net of amortization. Subsequent reversal of impairment loss is not allowed.

In the event of loss of control over the subsidiary, the Company shall measure the fair value of the residual investment in the subsidiary on the date loss of control over the subsidiary. The difference between the fair value of the residual investment and the amount of disposal and the book amount of the investment on the date loss of control over the subsidiary is recognized in the profit and loss of the year. In addition, the accounting treatment for the amounts recognized in the other consolidated gains and losses that are related to the subsidiary is same as the accounting principle to be complied with while the Company directly disposing the relevant assets or liabilities.

The unrealized concurrent trade between the company and the subsidiaries stated in the financial statement of individual entities shall be removed. The profit or loss resulting from the countercurrent, and side-stream transactions between the Company and the subsidiary are recognized in the individual financial statement within the range irrelevant with the Company's interest in the subsidiary.

2. Investments in the affiliated company

The company has a significant influence on an affiliated company that is not a subsidiary or joint venture.

The Company adopts equity method for investment in associates.

Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss. In addition, the changes in the equity of affiliates shall be recognized in proportion to the proportion of shareholding.

When associates issue new shares, if the Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates, and joint under the equity method and investment under equity method. If the Consolidated Company' did not subscribe to the new shares pro rata to the shareholding percentages and led to a decrease of the shareholding percentages subscribed to or obtained from the associate, nevertheless, the amount of other comprehensive income so recognized was reclassified pro rata to the decrease ratio in the associate. The accounting management was on the grounds same as the grounds the associate must comply with if it directly disposed assets or liabilities. If the aforementioned adjustment must be debited into capital reserve where the balance of capital reserve yielded by the investment in equity method, the difference was debited as retained earnings.

In the event that the Company''s shares of loss in the associates equal to or exceed its equity in the associates (including the book value of investment in the associates in equity method and other long-term interest of the Consolidated Company' in the investment composition of the associates), the Company' discontinued recognition of the further losses. The Company' recognized extra losses and liabilities only in the event of occurrence of legal obligations, presumed obligations or within the scope that the Consolidated Company' had made payment on behalf of the associate.

When the Company performs an impairment evaluation, the overall carrying amount of the investments are treated as one single asset, and then the impairment test performed to compare its recoverable amount with the carrying amount. The recognized impairment loss will not be allocated to any asset that causes the components of the carrying amount of investments. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

Besides, all relevant amounts relevant to the associates recognized in other comprehensive income were managed on the accounting grounds same as the grounds which it should comply with if the associates directly disposed the relevant assets or liabilities.

The profit or loss resulting from the countercurrent, downstream and side-stream transactions between the Company and the affiliated company is recognized in the individual financial statement within the range that is irrelevant to the Company's interest in the affiliated company.

(7) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment losses afterwards.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Costs include professional service expanses and loan costs that meet the capitalization conditions. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

Proprietary land is not depreciated.

The depreciation of each material part of real estate, plants, and equipment should be appropriated independently in accordance with the useful year and a straight-line method. The Company shall review the estimation of life span, residual value and depreciation method at least once a year and extend the effect of changes in applicable accounting policy.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(8) Investment property

Investment property is the real property held for purpose of earning of rental income or appreciation or both. Investment property includes lands held at present without determination of future use.

Investment property is measured on the basis of initial cost (including transaction cost) and subsequent measurement shall be based on the subtraction of accumulated depreciations and accumulated impairment from cost. The Company has depreciation appropriated in accordance with the straight-line method

In removing investment property, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(9) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy.

2. Derecognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(10) Impairment of tangible and intangible assets (except for goodwill).

The Company at each balance sheet date is to assess whether there is any indication of impairment occurring to the tangible and intangible assets (except for goodwill). If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company is to estimate the recoverable amount of the respective cash-generating unit. The common asset is amortized to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(11) Available-for-sale noncurrent assets

Noncurrent assets are classified as noncurrent assets held-for-sale if their carrying amount is mainly recovered through a sale rather than through usage. The non-current assets complying with the classification must be available for immediate sale in the current state and the probability of the sale must be highly likely. When the appropriate level of the management commits to sell the plan asset and the sale is expected to be completed within one year from the date of classification, the probability of the sale is highly likely.

The classified held-for-sale non-current asset is measured at book amount or fair value net of the selling cost whichever is lower and stop the appropriate depreciation for such assets.

(12) Financial instruments

When the Company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the individual balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial Assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting.

Classification of measurement

The financial assets held by the Company are financial assets at fair value through income statements, financial assets on the basis of cost after amortization, investment of debt instruments at fair value through other comprehensive income statements, and equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profits or losses are financial assets that are mandatorily measured at fair value through profits or losses. Financial instruments designated at fair value through income statements included the investment of equity instruments not designated at fair value through other comprehensive income and those not conforming to the standard of debt instruments on the basis of cost after amortization or at fair value through other comprehensive income.

The financial assets measured at fair value though profit or loss is measured at fair value; also, the profit or loss of revaluation (including any dividend or interest arising from the financial asset) is recognized in the profit and loss. Please refer to Note 29 for the determination of fair value.

B. Financial assets on the basis of cost after amortization

If the financial assets of the Company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents, notes receivable on the basis of cost after amortization, accounts receivable and other receivables) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest income will be the product of effective interest rate and total book value of financial assets except under the following two conditions:

a. The interest income of financial assets procured or initiated under credit impairment will be the product of the effective interest rate after credit adjustment and the cost of financial assets after amortization.
b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

The term “credit-impaired financial assets” refers to financial assets whose active market has disappeared due to significant financial difficulty or breach of contract of the issuer or borrower, possible declaration of bankruptcy or other financial reorganization of the borrower, or any other financial difficulty.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

C. Debt instrument investments measured at fair value through other comprehensive income

If the investment of debt instruments by the Company met both the two conditions below, classify as financial instruments at fair value through comprehensive income:

a. Financial assets held under the particular mode of operation and the purpose of holding being for collection of cash flow from contracts; and
b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Other investment of debt instruments at fair value through comprehensive income should be measured at fair value. Changes in the book value shall be recognized as income under the calculation of interest income under the effective interest rate method, and exchange gain and loss and impairment or reversal benefits shall be recognized as income. Other changes shall be recognized as other comprehensive income and reclassified as income at the disposition of investment.

D. Equity instrument investments measured at fair value through other comprehensive income

The Company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the consolidated acquirer under corporate acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the Company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

(2) Impairment of financial assets

The company measures its amortized financial assets (including accounts receivable) measured by cost and other general loss or gain by fair value on investments' impairment loss measured by debt instruments with anticipated credit loss assessment on every balance sheet date.

Notes receivable and receivable accounts shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

For internal credit risk management purpose, the Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.
B. Payments are overdue for more than 90 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

(3) The de-recognition of financial assets

The Company's financial assets are de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid, or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

Derecognition of financial asset measured at amortized costs in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

2. Financial Liabilities

(1) Subsequent measurement

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

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(13) Treasury stock

Treasury stock was stated at cost and shown as a deduction in shareholders¡¦ equity when the Company repurchased the stock, while it was stated at fair value if it was donation accepted by the Company.

The gains resulting from disposal of the treasury stock, if any, were higher than the book value, the difference thereof was stated under "capital surplus - treasury stock". If gains were lower than the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, should be debited to retained earnings.

When the Company retired treasury stock, the treasury stock was written off, and against the "capital surplus – stock premium" and "capital stock" on a pro rata basis. When the book value of the treasury stock exceeded the total of the "capital stock" and "capital surplus-capital stock premium", the difference was charged to capital surplus generated from the same class of treasury stock transactions and to retained earnings for any remaining amount. When the book value was lower than the total, the difference was credited to capital surplus arising from the same class of treasury stock transactions.

(14) Recognition of revenue

The Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

1. Revenue through sale of products

When income on goods sold having had a price and utilization right defined by the customer and who also shoulders the primarily resale liability, and who also assumes the goods' shelfing and dating risk, the company recognizes the income and accounts receivable at said timing point.

When the material is supplied for processing, the ownership of the processed product is not transferred; therefore, the income is not recognized when the material is supplied.

2. Interest revenue

Interest income of financial assets is recognized when the economic benefit is likely to flow to the Company and the amount of revenues can be measured reliably. Dividend revenues are recognized by the outstanding capital by the passage of time and the applicable effective interest rate on a accrual basis.

For a single or a group of similar financial asset that is reduced due to impairment losses, the subsequently recognized interest income is calculated in accordance with the interest rate that is used for the discounting of future cash flow when measuring the impairment loss.

3. Labor revenue

Labor service income is recognized at the time the service is provided.

Revenues yielded by the labor services rendered in accordance with the contract were recognized based on the progress degrees set forth under the contract.

4. Dividend income

Dividend income from investments is recognized when the shareholders' right to receive payment is established; however, it is under the pre-conditions that the economic benefits associated with the transaction system are likely to flow into the Company and the amount of revenues can be measured reliably.

(15) Leasing

2019

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

1. The Company is the lessor

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases. All lease agreements of the Company are currently operating leases.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods.

When leases include both land and building elements, the Company assesses whether different element categories are finance or operating leases based on whether almost all risks and returns associated with the ownership rights pertaining to each element have been transferred to the lessee. Lease payments are allocated proportionally to land and buildings based on the fair value of lease rights for land and buildings on the date of contract conclusion. If lease payments can be allocated to these two elements in a reliable manner, each element shall be handled in accordance with the applicable lease category. If lease payments cannot be allocated to these two elements in a reliable manner, the entire lease shall be classified as a finance lease. However, if it is evident that these two elements meet the operating lease standards, the entire lease shall be classified as an operating lease.

2. The Company is the lessee.

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liability. Right-of-use assets are separately expressed on the individual balance sheet.

The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

Lease liabilities are measured initially based on the present value of lease payments (incl. fixed payments, in-substance fixed lease payments, and variable lease payments determined by indices or rates). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortised cost using effective interest method and the interest expenses are amortized over the lease term. If changes in indices or rates utilized to determine lease payments lead to changes in future lease payments, the Company should remeasure lease liabilities and adjust right-of-use assets correspondingly. However, if right-of-use asset carrying amounts have already dropped to zero, remaining remeasurement amounts are recognized as profit or loss. Lease liabilities are separately expressed on the individual balance sheet.

Changes in rent as stipulated in lease agreements not determined by indices or rates are recognized as expenses in the current period.

2018

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

1. The Company is the lessor

The rental interest in the operational leasehold was recognized as profit within the duration of the relevant leasehold on the straight-line basis.

2. The Company is the lessee.

Operating leases payments are recognized as expenses on the linear basis during the lease term.

Lease incentives obtained from operating leases are recognized as liabilities. The total amount of incentive benefits are recognized on the linear basis as the deduction of lease expenses.

(16) Borrowing cost

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(17) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interest arising from the cost of services (including current service costs and net defined benefit liabilities) is recognized as an employee benefits expense when incurred. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(18) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Income tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of deductable temporary differences and tax loss carryforwards.

The taxable temporary differences related to the investment in the equities of the subsidiaries, affiliates, and joint ventures are recognized as deferred income tax liabilities, except for those that the Company can control the timing of reversing the temporary difference and the temporary difference is unlikely reversible in the foreseeable future. The deferred income tax asset arising from deductible temporary differences associated with such investment and equity is recognized within the range of earnings that are with sufficient taxable income to realize temporary differences and are expected to be reversed in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current & deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity. If the current period's income tax or deferred income tax is incurred from acquiring a subsidiary, the income tax impact sum is streamlined into the invested subsidiary's accounting processing.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

When adopting accounting policy, the management of the Company shall make related judgments, estimations, and assumptions for information that cannot be easily retrieved from other sources based on historical experiences and other relevant factors. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

Estimates and assumptions with regard to the main source of uncertainty

Real estate, plant and equipment, and investment-based real estate's residual cycle

As described in Note 4 (7) and (8), the company reviews its real estate, plant and equipment and investment-based real estate's estimated residual cycle on every balance sheet date. For real estate, plant and equipment and investment-based real estate's residual cycle, please refer toNote 15 and 17.

6. Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 603	$ 603
Bank checks and demand deposits	1,827,444	1,864,923
Bank time deposits (maturity of less than three months)	74,950	353,223
	$ 1,902,997	$ 2,218,749

The market interest rate interval of bank deposit on the balance sheet date was as follows:

	December 31, 2019	December 31, 2018
Bank deposits	0%～1.95%	0%～3.45%

7. Financial instrument at fair value through profit and loss

	December 31, 2019	December 31, 2018
Financial assets - current		
Measured at fair value through income under compulsion		
Non-derivative financial assets		
- Shares traded on the Taiwan Stock Exchange or OTC exchange	$ 189,876	$ 654,932
- Foreign TSEC/GTSM listed shares	98,199	65,560
- Beneficiary certificate	312,650	268,077
	$ 600,725	$ 988,569

8. Financial assets at fair value through other comprehensive profit or loss

	December 31, 2019	December 31, 2018
Non-current		
Equity investment	$ 1,977,867	$ 1,567,531
Debt instrument	110,000	110,000
	$ 2,087,867	$ 1,677,531

(1) Equity investment

	December 31, 2019	December 31, 2018
Non-current		
Domestic investment		
Listed stocks and emerging stock		
Hua Nan Financial Holding Company common shares	$ 1,421,905	$ 1,060,161
Taiwan Tea Corp. common shares	266,079	231,750
Maxigen Biotech Inc. common shares	14,373	13,178
JMicron Technology Corporation common shares	4,918	3,482
Unlisted/OTC		
Sunny Commercial Bank Co. common shares	24,533	21,792
WK Technology Fund Co. common shares	11,283	7,174
WK Technology Fund Co. common shares	6,253	3,683
Common stock of Minchali Metal Industrial Co., Ltd.	87,968	91,348
Taiwan Silk & Filament Weaving Development Co. common shares	31,394	33,472
Common stock of TWSE	97,247	89,500
Everterminal Co. common shares	3,530	3,118
	1,969,483	1,558,658
Foreign investments		
Unlisted/OTC		
Common stock of UNFON CONSTRUCTION CO., LTD (Hong Kong)	8,384	8,873
	$ 1,977,867	$ 1,567,531

1. The Company invested in the aforementioned common shares of companies in line with its long-term investment strategic objective with the anticipation of return from long-term investment. The management of the Company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.
2. For circumstances of equity instruments posting for mortgaging guarantee under other general loss or gain measured by fair value, please refer to Note 31.

(2) Debt instrument

	December 31, 2019	December 31, 2018
Non-current		
Domestic investment		
Bank debentures of Taichung Commercial Bank	$ 110,000	$ 110,000

Refer to Note 9 for further information on investment of debt instruments measured at fair value through other comprehensive income and related risk management and evaluation of impairment.

9. Credit risk management for investment in debt instruments

The company has invested of debt instruments are classified as financial assets measured by fair value under other general loss or gain.

	December 31, 2019	December 31, 2018
Total Book Value	$ 110,000	$ 110,000
Loss allowance	-	-
Cost after amortization	110,000	110,000
Fair value adjustment	-	-
	$ 110,000	$ 110,000

The company has adopted of policy for merely investing in debt instruments with an investment grade or higher (inclusive) and with loss assessment being low in credit risk. Bonds are classified in accordance with the initial credit rating classification from MOODY's, FITCH, S&P and Taiwan Ratings. The company would continue to follow up on external assessment information, through which to monitor the credit risk fluctuations on its invested debt instruments, and also monitors the bond yield ratio curve and creditors' critical information among other information, to assess whether the debt instruments' credit risk has apparently increased following the initial recognition.

The company takes into consideration of outside assessment entities-supplied various levels of history default loss ratios, debtors' current financial standing and the industries' future forecasts, to measure the debt instrument investment's 12-month expectant credit loss or expectant credit loss during the sustaining period.

The current credit risk evaluation approach of the Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2019
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0%~0.5%	$ 110,000

Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2018
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0%~0.5%	$ 110,000

10. Notes receivable, accounts receivable and other receivables

	December 31, 2019	December 31, 2018
Notes receivable		
Measured on the basis of cost after amortization		
Notes receivable's total book value amount	$ 46,787	$ 164,312
Less: Allowance for losses	-	-
	$ 46,787	$ 164,312
Accounts receivable		
Measured on the basis of cost after amortization		
Accounts receivable – nonrelated parties' total book value amount	$ 1,813,970	$ 2,673,196
Accounts receivable – related parties; total book value amount	170,057	109,064
Less: Allowance for losses	(219,925)	(225,960)
	$ 1,764,102	$ 2,556,300
Other receivables		
Receivable tax refund	$ 11,651	$ 26,382
Others	4,114	5,151
Less: Allowance for losses	(1,932)	(1,932)
	$ 13,833	$ 29,601

(1) Accounts receivable and notes receivable

The company's average credit period on goods sold falls between 30-90 days, with no interest calculated on accounts receivable, and if exceeding the credit term of 30 days, the unpaid balance has the interest calculated at the annual interest rate of 3%. The company has adopted of policy pertains to merely conducting transactions with subjects surpassing company internal credit check, and would cease to ship the goods or obtain a guarantee check under necessary circumstances, through which to mitigate the risk of financial loss incurred due to overdue payment. The Company will use other publicly available financial information and historical transaction records to rate major customers. The company would continue to monitor credit exposure and the transaction opponents' credit rating, and would also spread transaction amounts to varied customers with satisfactory credit rating; in addition, company management would manage credit exposure per approved empowerment on revalidation and approving the transaction opponents' line of credit.

To mitigate credit risk, company management has assigned designated personnel to be responsible for determining the line of credit, credit approval and other monitoring procedures, through which to ascertain that adequate action has been taken on recalling overdue payments receivable. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the Company's credit risk is significantly reduced.

The Company's allowance for loss of receivables is determined according to the preparation matrix as follows:

December 31, 2019

	Not overdue	Overdue 1 to 30 days	Overdue 31~60 days	Overdue 61~120 days	Overdue over 120 days	Total
Expected credit loss rate	0%~5%	13%~17%	50%~75%	75%~100%	100%	-
Total Book Value	$ 1,416,520	$ 475,331	$ 138,963	$ -	$ -	$2,030,814
Allowance for loss (expected credit loss of the given duration)	(70,266)	(78,169)	(71,490)	-	-	(219,925)
Cost after amortization	$ 1,346,254	$ 397,162	$ 67,473	$ -	$ -	$1,810,889

December 31, 2018

	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue 61 to 120 days	Overdue over 120 days	Total
Expected credit loss rate	0%~5%	13%~17%	65%~75%	75%~100%	100%	-
Total Book Value	$ 1,907,223	$ 793,945	$ 81,092	$ -	$ -	$ 2,782,260
Allowance for loss (expected credit loss of the given duration)	(70,574)	(102,701)	(52,685)	-	-	(225,960)
Cost after amortization	$ 1,836,649	$ 691,244	$ 28,407	$ -	$ -	$ 2,556,300

Loss allowance of receivables as follows:

	2019	2018
Balance - beginning	$ 230,830	$ 230,830
Deduction: Reversal impairment losses in this fiscal year	(6,035)	-
Balance - ending	$ 224,795	$ 230,830

The foresaid receivables' loss reserve includes loss reserve for notes receivable, accounts receivable, other receivables and collection.

11. Inventory

	December 31, 2019	December 31, 2018
Merchandise	$ 416,548	$ 1,143,706
Finished goods	479,200	566,855
Work in process	92,277	148,893
Raw materials	153,941	406,275
Supplies	27,210	37,623
	$ 1,169,176	$ 2,303,352

(1) The inventories of finished goods included the finished goods, by-products, supplies in transit by the Company, primarily the finished goods produced by Kaohsiung petrifaction plant, ethylene glycol, and the finished goods of the polyester plant, polyester silk, et al.
(2) The company's building/land available for sale on December 31, 2019 and 2018 are both are NT$65,775 thousand, which pertains to the He Ti co-development case located in Sanchung District, New Taipei City, in a three-way joint collaboration among the company, Hung Chou Fiber Industrial Co., Ltd. and San Feng Construction Co., Ltd., which has been completed in 2000 and the properties turned over successively. As of December 31, 2019, upon evaluation, the net conversion value is at zero.
(3) The Company's cost of goods sold related to inventory in 2019 and 2018 were NT$15,268,683 thousand and NT$19,254,167 thousand, respectively. Cost of goods sold include inventory losses (revaluation gains) of NT$(108,397) thousand and NT$0 thousand, respectively, and the loss from work stoppage were NT$614,6778 thousand and NT$344,918 thousand, respectively.
(4) As of December 31, 2019 and 2018, the allowance for inventory losses was NT$250,091 thousand and NT$358,488 thousand, respectively.

12. Prepayments

	December 31, 2019	December 31, 2018
Pre-paid expenses	$ 463,117	$ 540,017
Pre-paid material purchases	39,689	54,911
Tax credit	107,010	202,902
	$ 609,816	$ 797,830

13. Available-for-sale noncurrent assets

	December 31, 2019	December 31, 2018
Land for sale	$ 769,610	$ 769,610

(1) The Company has approved a land sale plan as per board resolution in 2018 and is currently actively searching for buyers. The land in question has therefore been reclassified as a non-current asset held for sale. When the Company committed to the land sale plan, it already reasonably anticipated that actions by other parties regarding added transfer conditions and response to said conditions can only be initiated upon acquisition of a firm purchase commitment. However, it is likely that such a firm purchase commitment can be acquired within the upcoming year. Said land is therefore still classified as a non-current asset held for sale.
(2) Upon remeasurement of the carrying amount and fair value less costs to sell of the disposal group held for sale, it has been determined that no impairment loss is present.
(3) For information on mortgaged nonliquid asset available for sale, refer to Note 31.

14. Investment under the equity method

	December 31, 2019	December 31, 2018
Investment in subsidiaries	$ 14,513,055	$ 13,315,663
Investments in the affiliated company	$ 1,170,017	$ 1,228,959

(1) Investment in subsidiaries

	December 31, 2019	December 31, 2018
Listed (OTC) company		
Taichung Commercial Bank Co.	$ 11,465,093	$ 10,688,164
Pan Asia Chemical Corporation	1,088,318	968,868
Non-listed (OTC) company		
Deh Hsing Investment Co., Ltd.	1,495,098	1,299,536
Chou Chin Industrial Co., Ltd.	404,039	297,468
Taichung Securities Investment Trust Co., Ltd.	12,025	11,767
EUREKA INVESTMENT COMPANY LIMITED	35,265	35,410
Melasse	13,217	14,450
	$ 14,513,055	$ 13,315,663

The Company's ownership and voting rights in the equity of the subsidiary at the balance sheet date is as follows:

	December 31, 2019	December 31, 2018
Taichung Commercial Bank Co.	22%	22%
Pan Asia Chemical Corporation	44%	44%
Deh Hsing Investment Co., Ltd.	100%	100%
Chou Chin Industrial Co., Ltd.	46%	46%
Taichung Securities Investment Trust Co., Ltd.	3%	3%
EUREKA INVESTMENT COMPANY LIMITED	100%	100%
Melasse	50%	50%

1. The above ratio is indicated by individual shareholding percentage.
2. The company has in 2019 participated in De Hsing Investment Co.'s cash reinvestment, by newly investing 20,000,000 shares, with investment cost at NT$200,000 thousand.
3. Reliance Securities Investment Trust Co., Ltd. registered a name change in December 2018 to Taichung Bank Securities Investment Trust Co., Ltd.
4. The 2019 and 2018 profit or loss and other comprehensive profit or loss of the subsidiary under the equity method was recognized in accordance with the audited financial statements during the same period of the subsidiary.

5. For subsidiaries the company invests in by designated mortgage lien as the loan guarantee, please refer to Note 31.

(2) Investments in the affiliated company

1. The balance the company investing in affiliated enterprises is as follows:

	December 31, 2019	December 31, 2018
A major affiliated company		
Nan Chung Petrochemical Corp.	$ 1,170,017	$ 1,228,959

2. A major affiliated company

Company name	Nature of the operation	Main places of business operations	Shareholding and voting right ratio December 31, 2019	Shareholding and voting right ratio December 31, 2018
Nan Chung Petrochemical Corp.	Petrochemical business	Yunlin County	50%	50%

Summary financial information of Nan-Chung Petrochemical:

	December 31, 2019	December 31, 2018
Total assets	$ 3,045,138	$ 3,263,392
Total Liabilities	705,103	805,473
Equity	2,340,035	2,457,919
The company's shareholding ratio	50%	50%
Book value of investment	$ 1,170,017	$ 1,228,959

	2019	2018
Operating income - current	$ 6,757,302	$ 8,510,067
Net income	$ 34,675	$ 176,872
Current period other comprehensive income	$ 6,306	$ -

The 2019 and 2018 profit or loss and other comprehensive profit or loss of the affiliated company under the equity method was recognized in accordance with the audited financial statements during the same period of the affiliated company.

3. For the share amount on affiliated enterprises the company designating mortgage lien as the loan guarantee, please refer to Note 31.

15. Property, plant and equipment

	December 31, 2019	December 31, 2018
The book amount of each category		
Land	$ 2,926,476	$ 2,926,476
House and Building	1,321,274	1,149,328
Machine and Equipment	6,348,849	3,950,208
Transportation Equipment	4,559	4,523
Office Equipment	150,596	50,915
Construction in process and prepayment for machinery purchase	166,092	3,204,688
	$ 10,917,846	$ 11,286,138

	Land	House and Building	Machine and Equipment	Transportation Equipment	Office Equipment	Uncompleted construction and equipment pending inspection	Total
Cost							
Balance as of January 1, 2018	$ 2,926,476	$ 2,093,116	$ 9,611,153	$ 20,191	$ 133,282	$ 2,857,525	$ 17,641,743
Increase in current period	-	318	9,134	1,843	1,632	407,748	420,675
Decrease in current period	-	(291)	(1,627,837)	(2,113)	(24,691)	(8,894)	(1,663,826)
Reclassification in current period	-	-	60,405	-	180	(51,691)	8,894
Balance at December 31, 2018	$ 2,926,476	$ 2,093,143	$ 8,052,855	$ 19,921	$ 110,403	$ 3,204,688	$ 16,407,486
Accumulated depreciation							
Balance as of January 1, 2018	$ -	$ 705,733	$ 4,990,426	$ 15,398	$ 75,323	$ -	$ 5,786,880
Increase in current period	-	69,571	413,703	1,067	7,064	-	491,405
Decrease in current period	-	(248)	(1,401,606)	(2,003)	(23,447)	-	(1,427,304)
Reclassification in current period	-	-	-	-	-	-	-
Balance at December 31, 2018	$ -	$ 775,056	$ 4,002,523	$ 14,462	$ 58,940	$ -	$ 4,850,981
Accumulated impairment							
Balance as of January 1, 2018	$ -	$ 168,802	$ 325,941	$ 1,013	$ 1,791	$ -	$ 497,547
Increase in current period	-	-	-	-	-	-	-
Decrease in current period	-	(43)	(225,817)	(77)	(1,243)	-	(227,180)
Reclassification in current period	-	-	-	-	-	-	-
Balance at December 31, 2018	$ -	$ 168,759	$ 100,124	$ 936	$ 548	$ -	$ 270,367
Net amount as of Jan. 1, 2018	$ 2,926,476	$ 1,218,581	$ 4,294,786	$ 3,780	$ 56,168	$ 2,857,525	$ 11,357,316
Net amount as of Dec. 31, 2018	$ 2,926,476	$ 1,149,328	$ 3,950,208	$ 4,523	$ 50,915	$ 3,204,688	$ 11,286,138
Cost							
Balance as of January 1, 2019	$ 2,926,476	$ 2,093,143	$ 8,052,855	$ 19,921	$ 110,403	$ 3,204,688	$ 16,407,486
Increase in current period	-	-	161,389	920	2,775	95,400	260,484
Decrease in current period	-	-	(2,829)	(130)	(28,990)	-	(31,949)
Reclassification in current period	-	246,732	2,780,503	-	106,761	(3,133,996)	-
Balance as of December 31, 2019	$ 2,926,476	$ 2,339,875	$ 10,991,918	$ 20,711	$ 190,949	$ 166,092	$ 16,636,021
Accumulated depreciation							
Balance as of January 1, 2019	$ -	$ 775,056	$ 4,002,523	$ 14,462	$ 58,940	$ -	$ 4,850,981
Increase in current period	-	74,786	543,251	884	9,855	-	628,776
Decrease in current period	-	-	(2,814)	(107)	(28,990)	-	(31,911)
Reclassification in current period	-	-	-			-	
Balance as of December 31, 2019	$ -	$ 849,842	$ 4,542,960	$ 15,239	$ 39,805	$ -	$ 5,447,846
Accumulated impairment							
Balance as of January 1, 2019	$ -	$ 168,759	$ 100,124	$ 936	$ 548	$ -	$ 270,367
Increase in current period	-	-	-	-	-	-	-
Decrease in current period	-	-	(15)	(23)	-	-	(38)
Reclassification in current period	-	-	-	-	-	-	-
Balance as of December 31, 2019	$ -	$ 168,759	$ 100,109	$ 913	$ 548	$ -	$ 270,329
Net amount as of January 1, 2019	$ 2,926,476	$ 1,149,328	$ 3,950,208	$ 4,523	$ 50,915	$ 3,204,688	$ 11,286,138
Net amount - December 31, 2019	$ 2,926,476	$ 1,321,274	$ 6,348,849	$ 4,559	$ 150,596	$ 166,092	$ 10,917,846

(1) Property, plant and equipment are depreciated in accordance with the straight-line method over the following respective useful years:

House and Building	
Buildings	20 to 60 years
Renovation engineering	8 to 29 years
Machine and Equipment	2 to 47 years
Transportation Equipment	5 to 15 years
Miscellaneous equipment	3 to 30 years

(2) Unfinished construction and equipment pending acceptance amounts as of December 31, 2019 mainly refers to costs associated with equipment improvements or replacement and purchase of land in the Xiaogang District, Kaohsiung. Relevant projects and land ownership transfer are currently still in progress.

(3) The Company's 2019and 2018 capitalized finance cost at NT$188,861 thousand and NT$184,517 thousand respectively, and tis real estate, plant and equipment's capitalized financial cost amounts are at NT$2,272 thousand and NT$17,665 thousand respectively, with the yearly capitalization interest rates at 1.85%.

(4) Buildings belonging to the Company are leased out as operating leases for a period of 1–2 years The lessee has no preferential purchase option with regard to the asset when the lease period ends. Total receivable lease payments for operating leases are as follows:

	December 31, 2019	December 31, 2018
First year	$ 860	$ 178
Second year	133	-
	$ 993	$ 178

(5) For the state of real estate, plant and equipment pledged as collateral guarantee, please refer to Note 31.

16. Lease Agreements

(1) Right-of-use assets-2019

	December 31, 2019
Carrying amount of the right-of-use asset	
Land	$ 742
Transportation Equipment	19,671
	$ 20,413

	2019
Addition of right-of-use assets	$ -
Depreciation expense of the right-of-use asset	
Land	$ 361
Transportation Equipment	12,483
	$ 12,844

(2) Lease liabilities-2018

	December 31, 2019
Carrying amount of the lease liabilities	
Current	$ 11,983
Non-current	$ 8,598

The range of discount rates for lease liabilities is as follows:

	December 31, 2019
Land	1.53%
Transportation Equipment	1.65%

(3) Main lease activities and provisions

The Company has leased different types of transportation equipment for production and operations for an original period of 2–3 years. The lease agreement does not stipulate renewal of the lease or purchase options at the time of expiry of the lease.

The Company has leased several plots of land as storage sites for an original period of 5–7 years. When the leasing period ends, the company does not have the priority purchasing right on the leased land.

(4) Other lease-related information

For more details on operating lease agreements for self-owned buildings and investment property of the Company, please refer to Note 15 and 17.

2019

	2019
Short-term lease expense	$ 55,831
Low-value asset lease expense	$ 245
Total cash of leases outflow	($ 69,186)

The Company chose the machinery and transportation equipment qualifying for short-term lease and office equipment qualifying for low-value asset lease to apply the recognition exemption, and did not recognize such leases as related right-of-use assets and lease liabilities.

2018

The total future minimum lease payments of the non-cancelable operating leases are as follows:

	December 31, 2018
Less than 1 year	$ 36,329
1 to 5 years	623
	$ 36,952

17. Investment property

	Land at Chihsing Section, Wanhua, Taipei City	Land in Yunlin Spinning Industrial Park	Real estate at Toulou Section, Yunlin	House and land at Erh Chung Pu Section, Sanchung District, New Taipei City	Total
Cost					
Balance as of January 1, 2018	$ 130,015	$ 804,553	$ 18,094	$ 756,250	$ 1,708,912
Increase in current period	26,697	-	-	53,960	80,657
Reclassification in current period	-	(769,610)	-	(10,328)	(779,938)
Balance at December 31, 2018	$ 156,712	$ 34,943	$ 18,094	$ 799,882	$ 1,009,631
Accumulated depreciation					
Balance as of January 1, 2018	$ -	$ -	$ -	$ 2,010	$ 2,010
Increase in current period	-	-	-	183	183
Reclassification in current period	-	-	-	(1,434)	(1,434)
Balance at December 31, 2018	$ -	$ -	$ -	$ 759	$ 759
Accumulated impairment					

	Land at Chihsing Section, Wanhua, Taipei City	Land in Yunlin Spinning Industrial Park	Real estate at Toulou Section, Yunlin	House and land at Erh Chung Pu Section, Sanchung District, New Taipei City	Total
Balance as of January 1, 2018	$ -	$ -	$ 18,094	$ -	$ 18,094
Increase in current period	-	-	-	-	-
Balance at December 31, 2018	$ -	$ -	$ 18,094	$ -	$ 18,094
Net amount as of Jan. 1, 2018	$ 130,015	$ 804,553	$ -	$ 754,240	$ 1,688,808
Net amount as of Dec. 31, 2018	$ 156,712	$ 34,943	$ -	$ 799,123	$ 990,778
Cost					
Balance as of January 1, 2019	$ 156,712	$ 34,943	$ 18,094	$ 799,882	$ 1,009,631
Increase in current period	-	-	-	121,786	121,786
Balance as of December 31, 2019	$ 156,712	$ 34,943	$ 18,094	$ 921,668	$ 1,131,417
Accumulated depreciation					
Balance as of January 1, 2019	$ -	$ -	$ -	$ 759	$ 759
Increase in current period	-	-	-	99	99
Balance as of December 31, 2019	$ -	$ -	$ -	$ 858	$ 858
Accumulated impairment					
Balance as of January 1, 2019	$ -	$ -	$ 18,094	$ -	$ 18,094
Increase in current period	-	-	-	-	-
Balance as of December 31, 2019	$ -	$ -	$ 18,094	$ -	$ 18,094
Net amount as of January 1, 2019	$ 156,712	$ 34,943	$ -	$ 799,123	$ 990,778
Net amount - December 31, 2019	$ 156,712	$ 34,943	$ -	$ 920,810	$ 1,112,465

Investment property is leased out for a period of 1–2 years. Upon closure of the leasehold duration, the lessee was not entitled to preferential leasehold power over the real estate.

As of December 31, 2019, total receivable lease payments for operating leases of investment property are as follows:

	December 31, 2019
First year	$ 3,881
Second year	482
	$ 4,363

As of December 31, 2018, total receivables for non-cancellable operating leases are as follows:

	December 31, 2018
Less than 1 year	$ 3,679
1 to 5 years	57
	$ 3,736

The Company has adopted general risk management policies to reduce residual asset risks of leased out investment property at the time of lease expiry.

Investment property of the appreciated in accordance with the straight line method over the useful years as follows:

House and Building	
Buildings	30 to 60 years
Renovation engineering	2 to 29 years

(1) The fair value of investment property was classified by an independent appraisal company as Level 3 inputs on December 31, 2018 and 2019, respectively; valuations were carried out with reference to market evidence of similar real property transaction prices. Key assumptions and valuated fair values are as follows:

	December 31, 2019	December 31, 2018
Fair value	$ 1,316,466	$ 1,116,524
Asset earning power	15%~19%	18%
The overall capital interest rate during development	1.91%	2.09%

(2) Please refer to Note 13 for the re-classification of the Company's investment property and non-current assets available for sale in 2018 and 2017.

(3) All investment properties of the Company are self-owned equities. For the amounts of the Company"s investment in real estate, which had been pledged by the Consolidated Company' to collateralize loans, please refer to Note 31.

18. Intangible asset

	December 31, 2019	December 31, 2018
Computer software	$ -	$ 9
Shell Royalty	-	-
	$ -	$ 9

	2019		2018	
	Computer software	Royalties	Computer software	Royalties
Cost				
Balance, beginning of year	$ 9	$ 159,052	$ 45	$ 159,052
Increase in current period	-	-	-	-
Amortized in current period	(9)	-	(36)	-
Balance, end of year	-	159,052	9	159,052
Accumulated impairment				
Balance, beginning of year	-	(159,052)	-	(159,052)
Appropriated for the year	-	-	-	-
Balance, end of year	-	(159,052)	-	(159,052)
Balance - net	$ -	$ -	$ 9	$ -

Royalties pertain to relevant patented technology the company has acquired for building the ethylene plant, by signing an EO/EG production method patent utilization right agreement with Shell Research Limited to secure relevant technology, where said patent's utilization period spans 5 years effective from the agreement execution date, and later due to environmental issues on the anticipated development site, resulting in a severe lagging of building the ethylene plant, although said patent can still be used continually per the content of the agreement with Shell Research Limited, but through assessment, the entire amount has been classified as impairment; subsequently the company has, per the amended cash reinvestment plan, plan to build a new ethylene plant separately, and has thus signed with Shell Research Limited of an EO/EG production method patent utilization right agreement (where said EO/EG production method patent right varies from the foresaid initially signed processing technology), and per contractual terms agreement, pays royalties on technical service rendered fee totaling at US$5,323 thousand.

19. Other assets

	December 31, 2019	December 31, 2018
Restricted assets	$ 110,901	$ 155,307
Refundable deposit	118,185	118,155
Others	2,074	7,621
Collections - Net	-	-
	$ 231,160	$ 281,083
Current	$ 112,975	$ 162,928
Non-current	118,185	118,155
	$ 231,160	$ 281,083

The collection detail is as follows:

	December 31, 2019	December 31, 2018
Delinquent Accounts	$ 2,938	$ 2,938
Less:loss reserve – collection	(2,938)	(2,938)
	$ -	$ -

(1) Restricted current assets are earmarked for Customs Office clearance procedures and pledged collateral for short-term loans – please refer to Note 31.
(2) For loss allowances for non-accrual loans, please refer to Note 10.

20. Borrowing

(1) Shot-term borrowings

	December 31, 2019	December 31, 2018
Secured loans		
Bank loan	$ 1,800,000	$ 1,250,000
Unsecured loans		
Credit loan	2,425,000	850,000
Material procurement loan	2,216,013	4,706,669
	4,641,013	5,556,669
	$ 6,441,013	$ 6,806,669

1. The bank loan interest rate in 2019 and 2018 are at between 1.20%~1.50% and 1.20%~1.35% respectively.
2. For the foresaid loan collateral information, please refer to Note 31.

(2) Short-term notes payable

	December 31, 2019	December 31, 2018
Payable commercial paper	$ 650,000	$ 450,000
Less: Discount of short-term notes and bills payable	(1,715)	(493)
	$ 648,285	$ 449,507

The commercial notes payable's interest rate as of December 31, 2019 and 2018 are at between 1.20%~1.23% and 1.20%~1.21% respectively.

(3) Long-term borrowings

	December 31, 2019	December 31, 2018
Secured loans		
Bank loan	$ 5,617,823	$ 5,463,861
Unsecured loans		
Credit loan	400,000	400,000
Less: Amount due in one year	(2,091,505)	(1,036,138)
Long-term borrowings	$ 3,926,318	$ 4,827,723

1. The company's Taiwan Cooperative Bank-led syndicated long-term borrowing as of December 31, 2019 and 2018 are at NT$1,694,100 thousand and NT$2,699,500 thousand respectively, with loan interest rate currently at 1.85%, which the company has March 2019 repay the loan principal early by NT$100,000 thousand with repayment by period per the loan contract in each year, and with NT$1,694,100 thousand becoming due in the future one year, where said loan pertains to posting company Kaohsiung plant and related land and building as the collateral.
2. As of December 31, 2019 and 2018, CMFC had intermediate- and long-term borrowings from Taiwan Business Bank at NT$232,800 thousand and NT$250,000 thousand, for both year, with the borrowing rate currently at 1.7%. Starting March 2019, CMFC will repay the borrowings periodically based on the loan agreement and a total of $17,200 thousand will be due in the next year. The land and buildings are used as the collateral for the borrowing.
3. The Company's long-term borrowing with Mizuho Bank as of December31, 2019 and 2018 is both at NT$300,000 thousand, with loan interest rate currently at 1.30%, with onetime repayment initially due in December 2019, and later extended to a onetime repayment in December 2021.
4. The company's Taiwan Land bank long-term loan as of December 31, 2019 and 2018 are at NT$60,923 thousand and NT$74,461 thousand respectively, with loan interest rate currently at 1.50%, with repayment by period per the loan contact in each year, with NT$13,538 thousand becoming due in the future one year, where said loan pertains to posting company and related land and building as the collateral.
5. As of 2019 and December 31, 2018, the Company's long-term loans with Union Bank of Taiwan amounted to NT$ 650 million and 349.9 million, respectively, with a borrowing rate of interest of 1.58%–1.61%. The original loan payment start date of May 2019 was extended to November 2020. Loan payments will be made in a timely manner as prescribed in the loan agreements. In the upcoming year, a loan of NT$ 50 million will reach maturity. Said loans serve as collateral for 106 million shares of Taichung Bank.
6. As of 2019 and December 31, 2018, the Company's long-term loans with Bank of Panhsin amounted to NT$ 500 million, with a borrowing rate of interest of 1.55%. The deadline for bullet repayment which was originally due in June 2020 has been extended to June 2022. Said loans serve as collateral for the construction site and buildings in Sanchong District, New Taipei City.
7. As of December 31, 2019 and 2018, CMFC had long-term borrowings from Sunny Bank at NT$600,000 thousand, for both year, with the borrowing rate currently at 1.50%. CMFC originally planned to make repayments in one payment in August 2020, and now it has postponed the one-time payment to August 2022. 95,000 thousand shares of Taichung Commercial Bank's stocks are used as the collateral for the borrowing.
8. As of 2019 and December 31, 2018, the Company's long-term loans with Jih Sun International Bank amounted to NT$ 1.03 billion and 340 million, respectively, with a borrowing rate of interest of 1.50%. The deadline for bullet repayment which was originally due in October 2019 has been extended to June 2022. Said loans serve as collateral for 130 million shares of Taichung Bank and 15 million shares of Taiwan Tea Corporation.
9. As of December 31, 2019 and 2018, CMFC had long-term borrowings from Taiwan Cooperative Bank at NT$650,000 thousand, with the borrowing rate currently between 1.50%. CMFC will repay the borrowings periodically, starting February 2020, based on the loan agreement and a total of $216,667 thousand will be due in the next year. The land and buildings in Yunlin are used as the collateral for the borrowing.
10. As of December 31, 2019 and 2018, CMFC had taken a loan from Bank of Kaohsiung at NT$100,000 thousand, with the borrowing rate currently at 1.50%. A total of $100,000 thousand will be due in the next year, which will be repaid in one payment in December 2020.
11. As of December 31, 2019, the Company's loan with Shanghai Commercial Bank amounted to NT$ 200 million, with a borrowing rate of interest of 1.50%. Starting in March 2021, loan payments will be made in a timely manner. Said loan serves as collateral for 33.4 million shares of Taichung Bank acquired by the Company.
12. Please refer to Note 31 for the collateral of the long-term borrowings:

21. Other payables

	December 31, 2019	December 31, 2018

Payable salary & bonus	$ 116,101	$ 146,606
Payable repair and maintenance expense	36,435	40,708
Payable unloading fee	33,367	38,062
Payable export expense	15,266	8,979
Payable insurance premium	8,893	8,518
Payable utilities expense	6,069	10,632
Payable pension	5,399	4,895
Others	78,166	84,339
	$ 299,966	$ 342,738

22. Provision for liabilities

	December 31, 2019	December 31, 2018
Net determined benefit liability	$ 162,402	$ 158,605

(1) Defined contribution plan

The pension system of the "Labor Pension Act" that is applicable to the Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

(2) Defined benefit plan

The company within the Company has a pension plan arranged in accordance with the "Labor Standard Law" of the Republic of China that was a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 2% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before yearend is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the individual balance sheet is shown below:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ 253,985	$ 278,395
The fair value of plan assets	(91,583)	(119,790)
Appropriation shortage	162,402	158,605
Net determined benefit liability	$ 162,402	$ 158,605

Change in net determined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2018	$ 248,923	($ 99,989)	$ 148,934
Service cost			
Current service cost	2,617	-	2,617
Interest expenses (revenues)	3,111	(1,291)	1,820
Recognized in the profit or loss	5,728	(1,291)	4,437
Reevaluation			
Return on plan assets	-	(2,779)	(2,779)
Actuarial loss – change in the assumption of the census	604	-	604
Actuarial loss – change in financial assumptions	3,021	-	3,021
Actuarial loss – adjustment through experience	20,119	-	20,119
Recognized in the other comprehensive profit of loss	23,744	(2,779)	20,965
Employer appropriation	-	(15,731)	(15,731)
Planned asset payment	-	-	-
December 31, 2018	278,395	(119,790)	158,605
Service cost			
Current service cost	2,705	-	2,705
Interest expenses (revenues)	3,132	(1,436)	1,696
Recognized in the profit or loss	5,837	(1,436)	4,401
Reevaluation			
Return on plan assets	-	(3,655)	(3,655)
Actuarial loss – change in the assumption of the census	1,432	-	1,432
Actuarial loss – change in financial assumptions	7,160	-	7,160
Actuarial loss – adjustment through experience	1,590	-	1,590
Recognized in the other comprehensive profit of loss	10,182	(3,655)	6,527
Employer appropriation	-	(7,131)	(7,131)
Planned asset payment	(40,429)	40,429	-
December 31, 2019	$ 253,985	($ 91,583)	$ 162,402

The pension fund system of the company contained in the financial statements is exposed to the following risks due to the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the Company contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest risk: the decline of the interest rate for government/corporate bonds will cause an increase in the present value of determined benefit obligation. However, the ROI of the debt of the planned assets will also increase accordingly. The effect of the two on net determined benefit liability is mutually offsetting.
3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	December 31, 2019	December 31, 2018
Discount rate	0.80%	1.13%
The expected rate of increase in salaries	2.25%	2.25%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	December 31, 2019	December 31, 2018
Discount rate		
Increase by 0.25%	($ 5,601)	($ 6,146)
Decrease by 0.25%	$ 5,798	$ 6,360
The expected rate of increase in salaries		
Increase by 0.25%	$ 5,549	$ 6,109
Decrease by 0.25%	($ 5,390)	($ 5,936)

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	December 31, 2019	December 31, 2018
Amount projected for appropriation in 1 year	$ 7,131	$ 15,728
Average maturity of determined benefit obligation	11 years	11 years

23. Other liabilities

	December 31, 2019	December 31, 2018
Deferred loan item	$ 19,210	$ 19,210
Deposits received	3,694	1,940
	$ 22,904	$ 21,150

Deferred loan item pertains to the company and its second subsidiary company's downstream trading's deferred unearned profit, with relevant details as follows:

	December 31, 2019	December 31, 2018
Jin-Bang-Ge Industry	$ 19,210	$ 19,210

24. Equity

(1) Paid-in capital

	December 31, 2019	December 31, 2018
Authorized number of shares (thousand shares)	1,680,000	1,680,000
Authorized capital	$ 16,800,000	$ 16,800,000
Number of shares issued with fully paid-in capital (thousand shares)	1,621,367	1,522,410
Outstanding capital	16,213,672	15,224,105

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

On June 12, 2018, the shareholder meeting resolved to recapitalize the undistributed earnings of NT$929,171 thousand to 92,017 shares (both in thousand), at a par value of NT$10 per share, all of which were common stocks. As of December 31, 2018, the paid-in capital of CMFC has increased to NT$15,224,105 thousand, consisting of 1,522,410 thousand shares of common stock at a par value of NT$10 per share.

On June 5, 2019, the shareholder meeting resolved to recapitalize the undistributed earnings of NT$989,567 thousand to 989,567 shares (both in thousand), at a par value of NT$10 per share, all of which were common stocks. As of December 31, 2019, the paid-in capital of CMFC has increased to NT$16,213,672 thousand, consisting of 1,621,367 thousand shares of common stock at a par value of NT$10 per share.

(2) Capital surplus

	December 31, 2019	December 31, 2018
For covering loss carried forward, payment in cash or capitalization as equity shares (Note)		
Shares issued in excess of par value	$ 590,001	$ 590,001
The differences between carrying amount and market price of actual acquisition or disposal of shares in subsidiaries.	6,270	6,270
Assets received	2,129	2,129
Treasury stock transactions	772,194	772,194
For covering loss carried forward only.		
Changes in the ownership equity on a subsidiary	184,238	184,238
Transaction of treasury stock (cash dividends paid to subsidiaries)	153,376	137,443
May not be used for any purpose.		
Employees' stock options	2,600	2,600
	$ 1,710,808	$ 1,694,875

Note: Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(3) Retained earnings and Dividend Policy

According to the Articles of Incorporation, the policy for the distribution of earnings stated that if there is a surplus after account settlement of the fiscal year, the company shall pay applicable taxes and cover loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, and appropriate for special reserve or reverse special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividend under a proposal prepared by the Board subject to the final approval of the General Meeting of Shareholders. The policy of remuneration to employees and Directors and Supervisors to the Articles of Incorporation is elaborated in Note 25 (7) to the financial statement, on Remuneration to Employees and Directors and Supervisors.

The Company's dividend policy shall be drafted subject to the Company's future investment environment and long-term financial planning, and also takes the shareholders' equity into consideration. The dividends shall be allocated in the form of cash dividend as the first priority per year, and may be allocated in the form of stock dividend, provided that the ratio of allocation of stock dividend shall be no more than 95% of the total dividends.

The Company has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, FSC.Certificate.Issue.Tzi No. 1010047490 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)." If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed.

The legal reserve should be contributed until its balance reaches the Company's total paid-in capital. The legal reserve may be applied to make up loss. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

China Man-Made Fiber Corporation held General Shareholders Meetings on June 5, 2019 and June 12, 2018, which adopted resolutions with regard to the 2018 and 2017 surplus distribution proposals as follows:

	Earnings Distribution Proposal		Dividend Per Share (NTD)	
	2018	2017	2018	2017
Legal reserve	$ 137,204	$ 79,399	$ -	$ -
Special reserve	(20,283)	(524,938)	-	-
Cash dividends	152,241	142,949	0.10	0.10
Stock dividends	989,567	929,171	0.65	0.65

The Company recorded an after-tax loss in 2019. The board of directors therefore proposed on March 16, 2020 not to distribute dividends and set aside a special reserve of NT$ 4,696,000 pursuant to the Securities and Exchange Act.

The proposal for the distribution of earnings in 2019 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 2020.

For more information on the proposal approved by the board of directors of the Company and the surplus distribution proposal adopted by resolution of the General Shareholders Meeting, please refer to the TWSE Market Observation Post System.

(4) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	2019	2018
Balance, beginning of year	($ 54,591)	($ 41,611)
Share amount on the subsidiaries' conversion differential amount adopting the equity method	(32,404)	(12,980)
Balance, end of year	($ 86,995)	($ 54,591)

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	2019	2018
Balance - beginning	($ 129,103)	($ 203,678)
Accrued in current year		
Unrealized gain or loss		
Equity instruments	388,914	23,639
Share of subsidiaries using the equity method	133,067	7,827
Reclassification adjustment		
Subsidiaries' share liquidated adopting the equity method	-	(226)
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings.	(10,862)	43,335
Balance - ending	$ 382,016	($ 129,103)

(5) Treasury stock

The statement and changes of the Company's treasury stock in 2019 and 2018:

Cause	Shares of parent company held by subsidiaries (in thousand shares)
Number of shares on January 1, 2019	310,784
Increase in current period	20,201
Number of shares as of December 31, 2019	330,985

Number of shares on January 1, 2018	291,815
Increase in current period	18,969
Number of shares on December 31, 2018	310,784

1. The Company issued 20,201,000 and 18,696,000 shares to its subsidiaries in 2019 and 2018, respectively.
2. As of December 31, 2019 and 2018, relevant information on company shares held by its subsidiaries is as follows:

Name of Subsidiary	Number of shares held (thousand shares)	Book Value	Market Value
December 31, 2019			
Pan Asia Chemical Corporation	251,443	$ 971,926	$ 1,023,453
Deh Hsing Investment Co., Ltd.	11,172	25,787	92,733
Chou Chin Industrial Co., Ltd.	59,123	$ 195,060	$ 229,558
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	9,247	35,136	28,960
		$ 1,227,909	$ 1,374,704
December 31, 2018			
Pan Asia Chemical Corporation	236,096	$ 971,926	$ 1,180,972
Deh Hsing Investment Co., Ltd.	10,491	25,787	107,005
Chou Chin Industrial Co., Ltd.	55,514	195,060	264,890
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	8,683	35,136	33,656
		$ 1,227,909	$ 1,586,523

3. The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right. Company shares held by its subsidiaries are deemed as shares held in vault in processing, and besides regulations set forth under the Corporate Law article 167 and article 179, the rest of which are the same as general shareholders' entitlements.

25. Business units in continuing operation income

Income from continuing operations department includes the following items

(1) Other income and earnings and expense and loss

	2019	2018
Rent income (Note 30)	$ 5,477	$ 5,500
Income derived from sales of substandard goods and scraps	2,664	3,366
Others	14,587	14,109
	$ 22,728	$ 22,975

(2) Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2019	2018
The realized gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Stock	$ 15,621	$ 20,481
Bonds	(2,580)	(27)
Beneficiary certificate	-	46
	13,041	20,500

	2019	2018
The valuation gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Stock	$ 166,385	$ 107,160
Bonds	-	(15)
Beneficiary certificate	60,682	(28,083)
	227,067	79,062
	$ 240,108	$ 99,562

(3) Financial costs

	2019	2018
Interest from bank borrowings	$ 188,427	$ 184,517
Lease liability interest expenses	434	-
Less: Classified real estate, plant and equipment (Note 15)	(2,272)	(17,665)
	$ 186,589	$ 166,852

(4) Financial assets impairment loss (reversal gain)

	2019	2018
Accounts receivable (included in operating expenses)	$ 6,035	$ -

(5) Depreciation and amortization

	2019	2018
Property, plant and equipment	$ 628,776	$ 491,405
Investment property	99	183
Intangible assets	9	36
Right-of-use assets	12,844	-
	$ 641,728	$ 491,624
Consolidation of depreciation expenses based on functions		
Operating cost	$ 621,947	$ 484,351
Operating expenses	19,772	7,237
	$ 641,719	$ 491,588
Consolidation of amortization expenses based on functions		
Operating cost	$ -	$ -
Operating expenses	9	36
	$ 9	$ 36

(6) Employee benefits expenses

2019

	Operating cost	Operating expenses	Total
Short-term employee benefits			
Salary & wage	$ 401,984	$ 73,918	$ 475,902
Labor insurance and national health insurance	39,568	6,137	45,705
Remuneration to Directors	-	6,328	6,328
Other employee benefits expenses	24,158	17,408	41,566
	465,710	103,791	569,501
Pension expenses			
Defined contribution pension plan	17,562	2,877	20,439
Defined benefit plan (Note 22)	3,331	1,070	4,401
	20,893	3,947	24,840
Total employee benefits expenses	$ 486,603	$ 107,738	$ 594,341

2018

	Operating cost	Operating expenses	Total
Short-term employee benefits			
Salary & wage	$ 370,048	$ 101,895	$ 471,943
Labor insurance and national health insurance	36,993	6,994	43,987
Short-term employee benefits			
Remuneration to Directors	-	6,788	6,788
Other employee benefits expenses	26,617	16,946	43,563
	433,658	132,623	566,281
Pension expenses			
Defined contribution pension plan	14,190	3,371	17,561
Defined benefit plan (Note 22)	3,414	1,023	4,437
	17,604	4,394	21,998
Total employee benefits expenses	$ 451,262	$ 137,017	$ 588,279

As of December 31, 2019 and 2018, the Company employee count is at 741 persons persons respectively, and among them the director count doubling as employees is all at 7 persons.

In 2019 and 2018 average employee benefit expenses amounted to NT$ 801,000 and 792,000, respectively; employee salary expenses amounted to NT$ 648,000 and 643,000, which represents an adjustment by 0.78%.

(7) Remuneration to employees, Directors and Supervisors

According to the Articles of Incorporation, the Company appropriated 1% to 5% and no more than 0.3% of the earnings before taxation before the deduction of remuneration to the employees, Directors and Supervisors of the same year. Since the Company recorded a loss in 2019, no employee and director/supervisor compensations were estimated. Estimated employee and director/supervisor compensations in 2018 are as follows:

Estimate on ratio

	2019	2018
Remuneration to employees	-	1.0%
Remuneration to directors/supervisors	-	0.3%

Amount

	2019	2018
Remuneration to employees	$ -	$ 13,673
Remuneration to directors/supervisors	$ -	$ 4,102

If there are still changes in the amount specified in the financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

China Man-Made Fiber Corporation held board meetings on March 18, 2019 and March 23, 2018, which adopted resolutions to approve the 2018 and 2017 employee and director/supervisor compensations as follows:

Amount

	2018		2017	
	Remuneration to employees	Remuneration to directors/ supervisors	Remuneration to employees	Remuneration to directors/ supervisors
Amount resolved by the Board of Directors for release	$ 13,673	$ 4,102	$ 8,185	$ 2,456
Amount recognized in financial statements of respective years	$ 13,673	$ 4,102	$ 8,185	$ 2,456

The actual amount for remuneration to employees, Directors and Supervisors in 2018 and 2017 did not vary from the amount recognized in the individual financial statements of 2018 and 2017.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Board of Taichung Commercial Bank in 2020 and 2019, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

(8) Non-financial assets impairment loss (reversal gain)

	2019	2018
Inventory (included in the operating costs)	$ 108,397	$ -

26. Continuing department income tax

(1) Main components of income tax expense (profit) recognized in profit or loss:

	2019	2018
Income tax expenses in the current period		
Accrued in current year	$ -	$ -
Prior years adjustment	-	6,351
	-	6,351
Deferred tax		
Accrued in current year	(374,339)	12,990
Change in tax rate	-	(41,900)
	(374,339)	(28,910)
Income tax gain recognized in the profit or loss	($ 374,339)	($ 22,559)

Adjustment of accounting income and income tax expense (gains) is as follows:

	2019	2018
Income (loss) before tax from continuing operations	($1,104,103)	$1,349,476
Income tax (gain) expense of net income before tax at the statutory tax rate (20%)	($ 220,821)	$ 269,895
Non-deductible expenses and losses for tax purposes	2,372	3,358
Non-taxable income	(119,273)	(253,489)
Unrecognized deductible temporary differences	(36,617)	(6,774)
Change in tax rate	-	(41,900)
Income tax expense of prior years adjusted in the current year	-	6,351
Income tax gain recognized in the profit or loss	($ 374,339)	($ 22,559)

In 2018, Taiwan amended the R.O.C. Income Tax Act, increasing its corporate income tax rate from 17% to 20%. Said amendment also prescribes a decrease of the applicable tax rate for undistributed surpluses in 2018 from 10% to 5%.

(2) Income tax benefits recognized in the other comprehensive profit or loss

	2019	2018
Deferred tax		
Accrued in current year		
- Re-evaluation of determined benefit plan	($ 1,305)	($ 6,824)

(3) Current income tax asset

	December 31, 2019	December 31, 2018
Current income tax asset		
Tax refund receivable	$ 4,160	$ 2,958

(4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2019

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance, end of year
Deferred income tax assets				
Temporary difference				
Property, plant and equipment	$ 31,145	($ 12,827)	$ -	$ 18,318
Inventory	11,158	11,976	-	23,134
Loss allowance	39,881	(625)	-	39,256
Others	95,628	2,766	1,305	99,699
	177,812	1,290	1,305	180,407
Loss credit	95,356	373,049	-	468,405
	$ 273,168	$ 374,339	$ 1,305	$ 648,812
Deferred tax liabilities				
Temporary difference				
Allowance for land increment value tax	$ 866,019	$ -	$ -	$ 866,019

2018

Deferred income tax assets	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance, end of year
Temporary difference				
Property, plant and equipment	$ 34,141	($ 2,996)	$ -	$ 31,145
Inventory	9,484	1,674	-	11,158
Loss allowance	34,832	5,049	-	39,881
Others	35,270	53,534	6,824	95,628
	113,727	57,261	6,824	177,812
Loss credit	123,707	(28,351)	-	95,356
	$ 237,434	$ 28,910	$ 6,824	$ 273,168
Allowance for land increment value tax	$ 866,019	$ -	$ -	$ 866,019

(5) The deductible temporary differences of deferred income tax assets not recognized on the balance sheet

	December 31, 2019	December 31, 2018
Deductible temporary differences		
Allowance to reduce inventory to market	$ 114,314	$ 282,592
Defined benefit pension plans	7,550	-
Loss credit	98,010	-
	$ 219,874	$ 282,592

(6) Unused losses credit related information

Loss deduction as at December 31, 2019:

Uncredited balance	Last year of credit
$ 58,648	111 years
505,260	115 years
1,876,127	118 years
$ 2,440,035	

(7) Income tax audit

The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2017.

27. Earnings per share

Unit: NTD per share

	2019	2018
Basic earnings per share	($ 0.57)	$ 1.06
Diluted earnings per share	($ 0.57)	$ 1.06

When calculating earnings per share, the impact of the stock dividend had been retroactively adjusted. The payment date of bonus shares is on August 12, 2019. Due to retrospective adjustment, the 2018 basic and diluted earnings per share changes are as follows:

Unit: NTD per share

	Cum-dividend	Ex-dividend
Basic earnings per share	$ 1.13	$ 1.06
Diluted earnings per share	$ 1.13	$ 1.06

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net profits of the current year	2019	2018
Net profits of the current year	($ 729,764)	$ 1,372,035

Quantity

Unit: Thousand Shares

	2019	2018
Weighted average common stock shares used to calculate basic earnings per share	1,290,382	1,290,382
Effect of dilutive potential common stock:		
Remuneration to employees	-	1,537
Weighted average common stock shares used to calculate diluted earnings per share	1,290,382	1,291,919

If the Company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings (deficit) per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When the Company estimated diluted earnings (losses) per share prior to the adoption of a resolution regarding the number of shares issued as employee compensations by the shareholders meeting in the following year, it also considered potential common share dilution effects.

28. Capital risk management

Under the premise of capital management for assuring sustainable operation, the Company seeks to maximize return to shareholders through the optimization of debts and equity balance.

The company capital structure is made up of company net debt (meaning the borrowing minus cash and cash equivalent) and those belonging to company owner's equity (meaning its capitalization, capital reserve, retained earnings and other equity items).

The Company's management reviews the capital structure yearly, and the reviews include taking into consideration the cost of capital and the risks associated with each class of capital. The Company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

29. Financial instruments

(1) Fair value information- Financial instruments that are not measured at fair value

The management of the Company believes that the carrying amount of financial assets and liabilities not measured by fair values approaches their fair values.

(2) Information on fair value – financial instruments at fair value on repetition.

1. Fair-value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Shares traded on the Taiwan Stock Exchange or OTC exchange	$ 189,876	$ -	-	$ 189,876
Shares traded on foreign exchange or OTC exchange	98,199	-	-	98,199
Beneficiary certificates of funds	312,650	-	-	312,650
Financial assets at fair value through other comprehensive profit or loss				

Equity investment				
- Listed stocks – domestic and emerging stock	1,707,275	-	-	1,707,275
- Domestic non-listed (OTC) stocks	-	-	262,208	262,208
- Foreign TSEC/GTSM unlisted shares	-	-	8,384	8,384
Debt instrument				
- Domestic corporate bonds	110,000	-	-	110,000

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Shares traded on the Taiwan Stock Exchange or OTC exchange	$ 654,932	$ -	-	$ 654,932
Shares traded on foreign exchange or OTC exchange	65,560	-	-	65,560
Beneficiary certificates of funds	268,077	-	-	268,077
Financial assets at fair value through other comprehensive profit or loss				
Equity investment				
- Listed stocks – domestic and emerging stock	$ 1,308,572	$ -	$ -	$ 1,308,572
- Domestic non-listed (OTC) stocks	-	-	250,086	250,086
- Foreign TSEC/GTSM unlisted shares	-	-	8,873	8,873
Debt instrument				
- Domestic corporate bonds	110,000	-	-	110,000

The transfer between Level 1 and Level 2 fair value did not occur in 2019 and 2018.

2. Financial instruments are adjusted according to Level 3 fair value.

2019

	Financial assets at fair value through other comprehensive profit or loss		
Financial Assets	Equity instruments	Debt instruments	Total
Balance, beginning of year	$ 258,959	$ -	$ 258,959
Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss)	10,813	-	10,813
- Purchase	820	-	820
Balance, end of year	$ 270,592	$ -	$ 270,592

2018

Financial Assets	Financial assets at fair value through other comprehensive profit or loss		
	Equity instruments	Debt instruments	Total
Balance, beginning of year	$ 282,908	$ -	$ 282,908
Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss)	(21,852)	-	(21,852)
- Purchase	825	-	825
- Capital reduction and return of share capital	(2,922)	-	(2,922)
Balance, end of year	$ 258,959	$ -	$ 258,959

3. Techniques and input value for measurement of Level 3 fair value

Categories of financial instruments	Evaluation techniques and input values
Investment equity not listed at TWSE (TPEx)	Market multiple method: The fair value of the subject matter may be evaluated by comparison with the bid price of the stocks in the industry in the active market with liquidity discount ratio taken into account and the corresponding net value of multiples.

4. The measurement of Level 3 fair value is the sensitivity analysis of the reasonable substituted assumption of fair value

The significant unobservable input value under the market multiple method adopted by the company is the liquidity discount ratio. When the ratio increases, the fair value of the investment decreases. Sensitivity analysis is compiled as follows:

Risk factors	Changes	Effects
Liquidity Discount Ratio	10%	($ 11,455)

(3) Categories of financial instruments

	December 31, 2019	December 31, 2018
Financial Assets		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	$ 600,725	$ 988,569
Financial assets on the basis of cost after amortization (Note 1)	3,956,805	5,242,424
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	1,977,867	1,567,531
Debt instrument	110,000	110,000
Financial Liabilities		
Measured at cost after amortization (Note 2)	14,474,091	15,380,795

Note 1: the balance includes cash and cash equivalent, notes receivable, accounts receivable, other receivables (excluding tax rebates receivable), withheld guarantee (classified as other asset in the account) and restricted asset – liquid (classified as other liquid asset in the account) and related financial assets measured by cost.

Note 2: The balances included short-term loans, short-term bills payable, notes payable, accounts payable, other payables, long-term loans and such financial liabilities measured at post-amortization costs.

(4) Purpose and policy of financial risk management

The main financial tools of the Company include equity and debt investments, accounts receivable, other receivables, accounts payable, loans and other payables. The company's financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic financial markets, and to monitor and manage the company's operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. The risks include market risk, credit risk and liquidity risk.

1. Market risk

The company's operating activities subjecting the company to shoulder key financial risks being the foreign exchange rate fluctuation risk, interest rate fluctuation risk and equity securities pricing fluctuation risk.

The exposure of market risk of the financial instruments of the Company and the management and measurement of this risk remained unchanged.

(1) Exchange rate risk

The company incurs exchange rate fluctuation exposure for engaging in foreign currency-priced sales transactions. Approximately 43% of the company's sales amount is priced by nonfunctional currency. The company's exchange rate exposure management is within the permitted scope of the policies and with the use of forward foreign exchange contract to manage risk.

Sensitivity analysis

The company is mainly affected by the changes in the exchange rate of USD.

The Branch's sensitivity analysis for the exchange rate of NT dollar (the functional currency) to each relevant foreign currency increased or decreased by 3% is detailed as follows. The 3% sensitivity rate is used for the Branch's reporting exchange rate risk to management; also, it is management's reasonable estimation of the possible fluctuation in exchange rates.

The sensitivity analysis includes only the outstanding foreign currency monetary items; also, the translation at yearend is adjusted with the change in exchange rate by 3%. The positive figures in the below table indicate that when various relevant currencies devaluating at 3%, which will affect the pretax net earnings' amount; when NTD appreciating by 3% to various relevant currencies, its impact to the pretax net earnings will be at the same amount but in a negative figure.

	The impact of the U.S. dollar	
	2019	2018
Profit and loss	$ 33,000	$ 42,724

(2) Interest rate risk

Interest rate risk exposure is due to the company borrowing funds at floating interest rates.

The carrying amount of financial assets and liabilities of the Company under interest rate exposure on balance sheet date is as follows:

	December 31, 2019	December 31, 2018
With fair value interest rate risk		
- Financial Assets	$ 110,901	$ 155,307
- Financial Liabilities	7,089,298	7,256,176
Contain cash flow interest rate risk		
- Financial Assets	110,000	110,000
- Financial Liabilities	6,017,823	5,863,861

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the derivative and non-derivative instruments on the balance sheet date. For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period. The fluctuation rate used on the interest rate in company internal report to key management level is at the interest rate plus or minus 100 base points, which also represents company management's assessment on rational probable fluctuation range on the interest rate.

If the interest rate increasing/decreasing by 100 base points, and under the circumstance that all other variables remain unchanged, the company's pretax net earnings in 2019 and 2018 will also be decreased/increased by NT$131,088 thousand and NT$131,205 thousand.

(3) Other price oriented risks.

The company has incurred equity pricing exposure for investing in OTC equity securities investment and beneficiary certificates. The equity investments (except for financial assets at fair value through profit or loss) are not held for trading and are considered strategic. The Company has not actively traded such investments. The company's equity pricing risk primarily concentrates on equity instructions at Taiwan Stock Exchange.

Sensitivity analysis

The below listed sensitivity analysis has been sought by equity pricing exposure on the balance sheet date.

If equity prices rise/fall by 15%, pre-tax profits/losses of the Company in 2019 and 2018 will increase/decrease by NT$ 88,801,000 and 144,605,00, while equity will increase/decrease by 255,354,000 and 160,738,000, respectively.

2. Credit risk

Credit risk refers to the risk that the customer or counter party delays the contractual obligation resulting in the financial loss of the Company. As of the balance sheet date, the Company's maximum credit risk exposure of financial loss due to the counterparty's failure in fulfilling contractual obligations is mainly derived from the book value of the financial assets recognized on the individual balance sheet.

To mitigate the credit risk, the company management has assigned designated personnel responsible for determining the line of credit cap, loan approval and adopting other adequate monitoring procedure, through which to ascertain that adequate action has been taken on recalling overdue receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the Company's credit risk is significantly reduced.

The company continues to assess the financial condition of the customers of accounts receivable.

Except for the major customer Company A of the consolidated company, the company does not have a significant credit exposure to any single counterparty or any group counterparty with similar characteristics. When the counterparty is an affiliated company, the company has it defined as a counterparty with similar characteristics. State of credit risk concentration on Company A in 2019 and 2018 are at 5% and 2% respectively to the total monetary-based assets; state of other transaction opponents' credit risk concentration in 2019 and 2018 are at 37% and 42% to the total monetary-based assets respectively.

3. Liquidity risk

The company has supported the Group's business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The Company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the company. Please refer to Note (2) "introduction of financing quota" for the Company's unused financial quota as of December 31, 2019 and 2018.

(1) Liquidity risk table for non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the consolidated company's undiscounted cash flow of financial liabilities on the possible earliest repayment date upon request. The following table shows the earliest times that the Company may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

December 31, 2019

	0~30 days	31~90 days	91~180 days	181 days to 1 year	More than 1 year	Total
Non-derivative financial liabilities						
Shot-term borrowings	$ 751,157	$ 2,297,474	$ 1,370,955	$2,021,426	$ -	$ 6,441,013
Short-term notes payable	350,000	150,000	150,000	-	-	650,000
Long-term borrowings	-	342,368	234,035	1,515,103	3,926,318	6,017,823
Payables	1,197,763	100,053	54,454	14,700	-	1,366,970
Deposits received	-	-	-	-	3,694	3,694
Lease liabilities	1,093	21,085	3,125	5,809	8,648	20,860

December 31, 2018

	0~30 days	31~90 days	91~180 days	181 days to 1 year	More than 1 year	Total
Non-derivative financial liabilities						
Shot-term borrowings	$ 706,000	$ 3,135,099	$2,615,570	$ 350,000	$ -	$ 6,806,669
Short-term notes payable	300,000	150,000	-	-	-	450,000
Long-term borrowings	-	234,035	234,035	568,068	4,827,723	5,863,861
Payables	1,994,207	183,680	68,198	14,700	-	2,260,758
Deposits received	-	-	-	-	1,940	1,940

(2) Financing amount

	December 31, 2019	December 31, 2018
Bank loan amount (renewal must be with the mutual agreement)		
- The loan quota used	$ 13,107,121	$ 13,120,037
- The loan quota not yet used	3,809,770	2,594,636
	$ 16,916,891	$ 15,714,673

30. Related Party Transactions

(1) Name and affilation of related parties

Name	Affiliation
Taichung Commercial Bank	Subsidiary of the Company
Pan Asia Chemical Corporation	Subsidiary of the Company
Deh Hsing Investment Co., Ltd.	Subsidiary of the Company
Taichung Securities Investment Trust Co., Ltd.	Subsidiary of the Company
Chou Chin Industrial Co., Ltd.	Subsidiary of the Company
EUREKA INVESTMENT COMPANY LIMITED	Subsidiary of the Company
Melasse	Subsidiary of the Company
Xiang-Feng Development	Indirect subsidiary of the Company
Tou-Ming Industry	Indirect subsidiary of the Company
Jin-Bang-Ge Industry	Indirect subsidiary of the Company
IOLITE COMPANY LTD.	Indirect subsidiary of the Company
Precious Wealth International Limited	Indirect subsidiary of the Company

Name	Affiliation
Hammock (Hong Kong) Company Limited	Indirect subsidiary of the Company
Hebei Hanoshi Contact Lens Co., Ltd.	Indirect subsidiary of the Company
Taichung Bank Insurance Agency Co., Ltd.	Indirect subsidiary of the Company
Taichung Commercial Bank Lease Enterprise	Indirect subsidiary of the Company
Taichung Commercial Bank Securities Co., Ltd.	Indirect subsidiary of the Company
TCCBL Co., Ltd.	Indirect subsidiary of the Company
Taichung Commercial Bank Lease Enterprise (Suzhou) Ltd	Indirect subsidiary of the Company
GREENWORLD FOOD CO., LTD.	Indirect subsidiary of the Company
Chou Chang Corporation	Indirect subsidiary of the Company
Bomy Enterprise	Indirect subsidiary of the Company
Bomy Shanghai	Indirect subsidiary of the Company
Pan-Feng Industry	Indirect subsidiary of the Company
Yuju Universal Corporation	Indirect subsidiary of the Company
Noble House Glory	Indirect subsidiary of the Company
Chung Chien Investment Co., Ltd.	Investors with control
Pan Asia Investment Co., Ltd.	Investors with control
Nan Chung Petrochemical Corp.	Affiliated enterprises
Wei-Kang International	Affiliated enterprises
Storm Model Management	Affiliated enterprises
BONWELL PRAISE Co., Ltd	Affiliated enterprises
Qian Teng PR Planning (Shanghai), Co., Ltd.	Affiliated enterprises
Shanghai Nianjia Cultural Diffusion Co., Ltd.	Affiliated enterprises
Hua Nan Financial Holding	Substantial related party
Hua Nan Bank	Substantial related party
Hua Nan Insurance	Substantial related party
Hsu Tian Investment Co., Ltd	Substantial related party
TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	Substantial related party
TA YI DEVELOPMENT CO., LTD.	Substantial related party
Midea	Substantial related party
Formosa Imperial Wineseller Corp.	Substantial related party
Formosawine Vintners Corporation	Substantial related party
Da Fa Investment Company	Substantial related party
Sheng Jen Knitted Textiles Co., Ltd.	Substantial related party
Tai Yi Investment	Substantial related party
Reliance Consolidated Securities Co., Ltd.	Substantial related party
Wang Wan Chin Education Foundation	Substantial related party
Sheng Yuan Cher Investment Company	Substantial related party
Chao-Qing Investment	Substantial related party
Peng Hsu Investment Company	Substantial related party
Jin Shih Chien Investment Company	Substantial related party
Shield Bright Investment Limited	Substantial related party

(2) Important transactions between the Company and related parties:

Except as disclosed in other notes, transactions between the Companies and related parties, are also as follows:

1. Goods sold

Name	2019	2018
Pan Asia Chemical Corporation	$ 836,909	$ 972,682

(1) The terms and conditions of the Company's sale to said related parties are as same as that to the general customers, other than some sales which no similar sales may be comparable to. The general customers apply the A/R settlement from 1 month ~2 months.

(2) The Company's sales to Pan Asia Chemical Corporation primarily refer to the eto ethylene oxide and nonylphenol produced by the Company's Kaohsiung Plant.

(3) The Company entered into the sale contract for the eto ethylene oxide, which is outlined as following:

A. Contract period: from July 1, 2015 to June 30, 2020, subject to renegotiation upon expiry.

B. Quantity: To be supplied based on the scheduled quantity requested by Pan Asia Chemical Corporation, provided that the Company may adjust the quantity subject to its production.

C. Purchasing price: to be settled based on the pricing method agreed by both parties.

2. Purchases

Name	2019	2018
Nan Chung Petrochemical Corp.	$ 3,361,822	$ 4,246,032
Pan Asia Chemical Corporation	4,050	5,034
	$ 3,365,872	$ 4,251,066

The terms and conditions of the Company's purchase from said related parties are as same as that to the general suppliers. The general suppliers apply the A/R settlement 1 month~2 months.

3. Bank deposits and interest revenue

	2019		2018	
Name	Balance - ending	Interest revenue	Balance - ending	Interest revenue
Hua Nan Bank	$ 132,779	$ 115	$ 111,807	$ 181
Taichung Commercial Bank	67,328	4,591	47,136	3,720
	$ 200,107	$ 4,706	$ 158,943	$ 3,901

4. Receivable (payable) accounts from related parties

Name	December 31, 2019	December 31, 2018
Accounts receivable		
Pan Asia Chemical Corporation	$ 170,057	$ 109,064
Payable accounts and notes		
Nan Chung Petrochemical Corp.	$ 307,149	$ 342,359
Payable accounts and notes		
Subsidiaries	-	851
	$ 307,149	$ 343,210
Other payables		
Substantial related party	$ -	$ 3,986
Other receivables		
Subsidiaries	$ 463	$ 456

5. Rental revenue

Name	2019	2018
Pan Asia Chemical Corporation	$ 3,187	$ 3,187
Others	227	240
	$ 3,414	$ 3,427

The rental was negotiated and agreed based on the rental prevailing in the neighborhood, and payable per month.

6. Other income

Name	2019	2018
Hua Nan Bank	$ 8,197	$ 6,799
Pan Asia Chemical Corporation	3,590	3,847
TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	96	96
Chou Chin Industrial Co., Ltd.	-	240
	$ 11,883	$ 10,982

The company's 2019 and 2018 other income from Hua Nan Commercial Bank Company pertains to the company serving as Hua Nan Commercial Bank Co.'s institutional director has received of director/auditor remuneration and director/auditor attendance travel expense income.

(3) Lease agreements

Name	2019	2018
Interest expenses		
Pan Asia Chemical Corporation	$ 14	$ -
Rent expense		
Pan Asia Chemical Corporation	$ -	$ 369

(4) Remuneration to the management

	2019	2018
Short-term employee benefits	$ 17,540	$ 20,288
Retirement benefits	469	458
	$ 18,009	$ 20,746

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

(5) Other related party transaction

The Company has in 2019 participated in De Hsing Investment Co.'s cash reinvestment, by newly investing in 20,000,000 shares, with investment cost at $200,000 thousand, and with the shareholding percentage remains unchanged.

31. Pledged assets

The details of the company pledging its assets as bank loan's mortgaging collateral, import duty guarantee payment, guarantee for hiring foreign workers is as follows (shown by book value):

	December 31, 2019	December 31, 2018
Restricted assets-current-pledged time deposit	$ 110,901	$ 155,307
Common share investment (financial asset classified in the account as other general loss or gain, measured by fair value – nonliquid)	272,006	20,090
Investment under the equity method	5,170,525	4,121,464
Nonliquid asset pending for sale – Yunlin Textile Industrial Zone land	769,610	769,610
Investment in real estate-Land of Yunlin Spinning Industiral Park	34,943	34,943
Investment-based real estate – the land and building at Erchungpu Section, Sanchung District	704,376	704,475
Property, plant and equipment- Land	2,863,895	2,863,895
Real estate, plant and equipment – property and building	355,395	373,509

The fund and investment-common stock furnished as security is stated as following:

	December 31, 2019	December 31, 2018
The financial assets measured for the fair values through other comprehensive income- non-current- Hua Nan Financial Holding	1,148 thousand shares	1,148 thousand shares
The financial assets measured for the fair values through other comprehensive income- non-current- Taiwan Tea Corporation	15,000 thousand shares	-
Investment adopting the equity method – Nan Chung Petrochemical Corp.	10,000 thousand shares	10,000 thousand shares
Investment adopting the equity method – Taichung Commercial Bank Company, Limited	364,400 thousand shares	294,000 thousand shares

32. Significant contingent liabilities and unrecognized contractual commitments

In addition to those disclosed in other notes, the significant commitments and contingencies of the Company as of balance sheet date were as follows:

(1) The guarantee notes already issued by the Company are stated as following:

	December 31, 2019	December 31, 2018
Banking facility	$ 18,027,828	$ 14,676,846
Advance payment and performance bond	320,000	320,000
	$ 18,347,828	$ 14,996,846

(2) As of December 31, 2019 and 2018, the Company had opened unused credit line of letter of credit at NT$2,411,172 thousand and NT$1,952,154 thousand, respectively.

(3) The company and Air Liquide Company have signed of gas purchasing contract, where the contract specifies a minimum purchasing volume for oxygen and nitrogen, with purchasing price, besides at monthly cost of approximately $13,800 thousand, which is subject to adjustment per wholesale price index in April every year, and is calculated at the contract price on oxygen and nitrogen purchasing volumes, with said purchasing contract period set to 240 months, and will be automatically extended for 36 months at contract expiry if the two parties made no contest, and if the contract needs to be

terminated, a 24-month advance notice is required, with the two parties determining said contract's starting date as July 1, 2014.

(4) On November 1, 2019, the Ministry of Justice Investigation Bureau requested access to relevant information of the Company in connection with the New Site Industries, Inc. loan fraud case. An employee of the Company was detained and held incommunicado as per order of Taipei District Court. In addition, O-Bank filed a lawsuit against the Company in February 2020 for the alleged role of some of its employees as contact persons in the receipt of claim transfer notifications and handling of other notifications in complicity with New Site Industries, Inc. The bank claimed that this resulted in serious blunders on the part of its employees who were misled into believing that the Company had engaged in transactions with Highlite Industries, Inc. The bank therefore continued to grant loans and drawdowns. It claims that the Company and its employees should bear joint and several liability. The Company has commissioned a defense attorney to represent the Company in this lawsuit. The attorney argues that this case does not objectively involve performance of duties by employees and that the Company should therefore bear no joint and several liability with regard to this case. However, the court believes after hearing the case that the bank is entitled to request compensation from the Company, but it should also consider negligence on the part of the bank, which could result in the reduction or exemption of the liability to compensation thereby affecting the compensation amount payable by the Company. It is therefore currently impossible to estimate the potential scope of liability and compensation.

33. Information about foreign exchange of foreign currency financial assets and liabilities

The information about foreign currency financial assets and liabilities rendering material effect on the Company:

December 31, 2019

	Foreign Currency	Foreign Exchange Rate	Book Value
Financial Assets			
Monetary Items			
USD	$84,739	29.98	$ 2,540,463
EURO	1,113	33.59	37,386
JPY	41,611	0.28	11,485
Financial liabilities			
Monetary item			
USD	2,240	29.98	67,140

December 31, 2018

	Foreign Currency	Foreign Exchange Rate	Book Value
Financial Assets			
Monetary Items			
USD	$ 115,294	30.72	$ 3,541,252
EURO	933	35.20	32,858
JPY	72,585	0.2782	20,179
Financial liabilities			
Monetary item			
USD	10,183	30.72	312,765

The merged company's 2019 and 2018 foreign currency exchange loss or gain (loss) (including realized and unrealized) is at (NT$32,300) thousand and NT$144,290 thousand respectively, and since the foreign currency transaction types are innumerable, thus it is unable to disclose the impact of loss or gain by foreign currency type.

34. Disclosures

(1) Material transactions and (3) transfer investment information:

1. Loans to others. Refer to page 191 for detail)
2. Endorsements/guarantees to others. Refer to page 192 for detail)
3. Marketable securities – ending. Refer to pp.193-197 for detail)

4. Cumulative amount of the same marketable securities purchased or sold reaching NT$300 million or more than 20% of the Paid-in sharescapital. Refer to page 197 for detail)
5. Acquisition amount of real estate reaching NT$300 million or more than 20% of the Paid-in sharescapital. (None)
6. Disposal of real estate reaching NT$300 million or more than 20% of the Paid-in sharescapital. (None)
7. Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital. Refer to page 197 for detail)
8. Accounts receivable-related party reaching NT$100 million or more than 20% of the Paid-in capital. Refer to page 198 for detail)
9. Transactions in engaging in derivative financial instruments. (None)
10. Investee information. Refer to pp.199-200 for detail)

(2) Information about investment in Mainland China:

1. Invested company's name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, investment gains and losses, investment yearend book value, investment income and loss inward, and investment limits in Mainland China. Refer to page 200 for detail)
2. The following significant transactions and their price, payment terms and unrealized gains and losses with the invested company in Mainland China through third regions directly or indirectly: (None)
   (1) Input amounts, percentages, balance, & percentages of relevant payable at end of the term: (None).
   (2) Sale amounts, percentages, balance, & percentages of Accounts receivable at end of the term: (None).
   (3) Amount of property transaction and amount of the profit and/or loss so incurred: (None).
   (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term: (please see page 192).
   (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term: (None).
   (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g., provision or acceptance of services: (None).

VI. State of the company and its affiliated enterprise's financial turnover for the most recent year and up to the yearly reporting printing date

As of Feb. 29, 2020, the company's endorsement guarantee to its affiliated enterprise carries a period ending balance at NT$0 thousand, and that among the subsidiaries' endorsement guarantee's period ending balance is at NT$2,764,100 thousand and the capital lending's period ending balance is at NT$414,872 thousand; for relevant information, please refer to the Public Information Observatory/operations overview/capital lending and endorsement guarantee detailed schedule information (http://newmops.tse.com.tw).

Seven. Review of financial status, business performance, and risk management issues

Ⅰ. Financing status (extra-industry combined information)

Table of Comparative Analysis of Financial Conditions

Unit: NTD thousand

Item \ Year	2018	2019	Variation	
			Amount	%
Current assets	561,120,444	538,261,854	(22,858,590)	(4.07%)
Fund and investment	132,718,662	144,001,844	11,283,182	8.50%
Property, plant and equipment	22,428,871	23,585,296	1,156,425	5.16%
Intangible assets	192,246	181,823	(10,423)	(5.42%)
Other assets	4,446,719	5,873,419	1,426,700	32.08%
Total assets	720,906,942	711,904,236	(9,002,706)	(1.25%)
Current liabilities	641,141,266	631,868,016	(9,273,250)	(1.45%)
Long term liabilities	5,713,623	5,450,168	(263,455)	(4.61%)
Other liabilities	15,771,265	13,983,646	(1,787,619)	(11.33%)
Total liabilities	662,626,154	651,301,830	(11,324,324)	(1.71%)
Capital stock	15,224,105	16,213,672	989,567	6.50%
Capital surplus	1,694,875	1,710,808	15,933	0.94%
Retained earnings	6,906,131	5,012,171	(1,893,960)	(27.42%)
Other items	(1,411,603)	(932,888)	478,715	(33.91%)
Non-controlling interest	35,867,280	38,598,643	2,731,363	7.62%
Total equity	58,280,788	60,602,406	2,321,618	3.98%

Note: the most recent two years' increase/decrease exceeds 20%:

1. Increase of other assets: This can mainly be attributed to the application of IFRS 16 to lease accounting starting in 2019, which led to an increase of right-of-use assets by around NT$ 1.1 billion in this period.
2. Decrease of retained earnings: This can mainly be attributed to price pressure and a resulting decline in profitability experienced by the parent (CMFC) in the EG market as a result of large-scale construction and commissioning of new plants in China.
3. Increase of other equity items: This can mainly be attributed to unrealized gains of financial assets measured at fair value through other comprehensive income (FVTOCI).

Ⅱ. Financial performance (extra-industry combined information)

(1) Financial performance comparison analysis table

Unit: NTD thousand

Item \ Year	2018	2019	Increase (decrease)	Variation %
Income	41,549,187	35,732,022	(5,817,165)	(14.00%)
Expenses	(36,404,425)	(32,615,940)	(3,788,485)	(10.41%)
Income before tax from continuing operations	5,144,762	3,116,082	(2,028,680)	(39.43%)
Income tax (expenses) gains	(735,127)	(535,258)	(199,869)	(27.19%)
Net profit after tax from continuing operations	4,409,635	2,580,824	(1,828,811)	(41.47%)
Net profit attributable to parent company	1,372,035	(729,764)	(2,101,799)	(153.19%)
Net profit attributable to non-controlling interest	3,037,600	3,310,588	272,988	8.99%
Earnings per share	1.06	(0.57)	(1.63)	(153.77%)
Description on the most recent two year's fluctuation of an increase or decrease exceeding 20%: The decrease of pre-tax profit from continuing operations, income tax expenses, net profit attributable to the parent proprietor, and EPS can mainly be attributed to price pressure and a resulting decline in profitability experienced by the parent (CMFC) in the EG market as a result of large-scale construction and commissioning of new plants in China.				

(2) The basis for anticipating the future one year's sales volume, the probable impact to company future finance operation and the response plan: the merged company's ethylene glycol, ethylene oxide, surface active agent and related products would take into consideration the overall operating strategy by allocating a most suitable production volume on various products, through which to create the best profitability.

Ⅲ. Cash flow (the numbers are derived from the consolidated statements)

Unit: NTD thousand

Balance of cash and cash equivalents, beginning of period	Net cash flow from operating activities for the year	Full year cash and cash equivalent outflow volume	Balance of cash and cash equivalent, end of period	Remediation measures against expected cash flow deficit	
				Investment plans	Finance plans
42,625,095	18,013,327	(1,099,074)	41,526,021	Not applicable	Not applicable

(1) Changes of cash flow in current year analysis:

1. Operating activities: derived from operating activity net cash inflow at NT$18,013,327 thousand, which primarily stems from a increase in discounting and loan amount.
2. Investment activities: Cash outflow of NT$ 13,499,427,000 generated by investment activities can mainly be attributed to acquisition of financial assets measured at fair value through other comprehensive income (FVTOCI).
3. Fundraising activity: fundraising activity has generated of the cash outflow is at NT$5,507,692 thousand, which primarily stems from retirement financial bonds.

(2) Responsive measures and liquidity analysis on cash flow deficits: not applicable.

(3) Liquidity analysis for the next year:

Unit: NTD thousand

Balance of cash and cash equivalents, beginning of period	Expected net cash flow from operating activities for the year	Expectant full year cash and cash equivalent outflow volume	Expectant period ending cash and cash equivalent amount	Remediation measures against expected cash flow deficit	
				Investment plans	Finance plans
41,526,021	15,318,213	(901,790)	40,015,778	Not applicable	Not applicable

Ⅳ. Impact of major capital expenditures on financial operations in the most recent fiscal year: Capital expenditures of the Company amounting to NT$ 380 million in 2019 had no significant impact on financial operations of the Company. Expenditures were mainly generated by equipment improvement and replacement, the purchase of land in the Xiaogang District, Kaohsiung, and the Sanchong urban renewal project.

Ⅴ. The most recent year's reinvestment plan, the main cause of its profitability or deficit, improvement plan and the future one year's investment plan: of the company's 2019 investments adopting the equity method, the investment in its affiliated enterprise Nan Chung Petrochemical Corp. recognizes a gain of NT$17,337 thousand, in addition to investment in financial asset gain measured by fair value at NT$240,108 thousand.

Ⅵ. Risk disclosure

(1) The impact of changes in interest rate, exchange rate, and inflation on the Company's profit or loss in recent years, and future response measures.

1. Describe the impact of the most recent two year's exchange loss and interest receipt/expenditure status to company loss or gain: (source of figures derived from the consolidated statements)

Item	2018	2019
Exchange gain (loss) (A)	387,106	200,438
Interest receipt (expenditure)(B)	8,258,162	8,170,105
Operating revenue (C)	41,549,187	35,732,022
A/C	0.93%	0.56%
B/C	19.88%	22.86%

2. The impact of the most recent year's inflation to company loss or gain: to judge by 2019's consumer wholesale price index's yearly increase ratio, there is no inflation issue, and has no impact to company loss or gain.

3. The company's tangible measures for countering exchange rate fluctuation, interest rate fluctuation and inflation:

The company's export market revenue accounts for a certain ratio in its revenue, and export payments are also largely in USD, thus exchange rate fluctuations bear a certain impact to company loss or gain. In response to exchange rate fluctuations, adequate exchange rate hedging financial products are used, under a conservation principle, i.e. buying/selling longer-term foreign exchange and related maneuvers to adequate hedge against exchange rate fluctuation risk.

The merged company has hold of floating interest rate asset and the floating interest rate debt it sustains may see market interest rate fluctuation to create fluctuation risk on said asset and liability, and upon assessing it, the merged company controls the liquidity gap in its practical implementation of the operation, through which to mitigate the risk arisen form interest rate fluctuations.

(2) The policy of engaging in high-risk, highly leveraged investments, loaning of funds, endorsements and guarantee, and derivatives trading, the main reason for profit or loss, and future response measures:

1. Engaging in high risk, high leverage investment: nil.
2. Lending to others and endorsement and guarantee:
   (1) Information on capital lending to others
   To step up the finance management in rendering endorsement guarantee and mitigating the operating risk, the procedure has been formulated in accordance with the "public listed companies' capital lending and endorsement guarantee processing criteria".
   (2) Information on endorsement guarantee for others

Unit: NTD thousand

Name of Endorser/Guarantor	Endorsed/Guaranteed		Maximum balance in current period
	Company name	Affiliation	
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Subsidiary of Chou Chin Industrial Co., Ltd.	15,000
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	A subsidiary of Taichung Commercial Bank Company, Limited	1,221,512
Taichung Commercial Bank Lease Enterprise	Taichung Commercial Bank Leasing (Suzhou) Ltd.	A subsidiary of Taichung Commercial Bank Company, Limited	2,083,830

3. Derivative transactions:
   Which pertains to engaging in derivative product trading per the company-defined "engaging in derivative product trading processing procedure".
   The derivative instruments signed by the consolidated company include forward foreign exchange contracts, currency swap contracts, and convertible bond asset swap contracts that are used to manage the interest rate and exchange rate risk of the consolidated company.

(3) The most recent year's research and development plan, the current progress of the incomplete R&D plan, expectant mass production completion time needing to inject further R&D expenditure, major reasons affecting the R&D success in the future: the company products belong to a mature industry, hence there are no major R&D expenditures.

(4) The most recent year's critical local, foreign policy and legal changes to the company finance's impact and countermeasures: the company has all adopted adequate countermeasures in response to critical local/foreign policy and legal changes, which bear no critical impact to company finance operations.

(5) The impact of the most recent year's technological change to the company finance operations and the countermeasures: in the most recent year, the company industry has not had any major industry change, thus it bears no impact to company finance operations.

(6) the impact of the most recent year's enterprise image change to the company's crisis management and the countermeasures: the company management has always emphasized on a good corporate image, solid management, and there has not been any

major change in recent years, thus bears no impact to its enterprise crisis management, as the company would continue to uphold the principle to achieve a sustainable management.

(7) Expected result and possible risks of mergers and acquisitions and Counter assessments: None.

(8) The expected benefits from plant expansion, the potential risks associated, and the responsive measures: None.

(9) The risk confronting the incoming goods or good sold and the countermeasures: upon assessing it, the risk is flow, but the company would continue to step up the collaboration relations as the countermeasure.

(10) The risks and impacts of significant shareholding transfers by directors, supervisors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks: None.

(11) The effects, risks and responsive measures associated with changes in management: not applicable.

(12) Litigation or nonlitigation incident:

1. The project payment dispute proposal of shan hong construction does not have a significant impact on the company's financial business.
2. Wang dao bank initiated the company's joint and several liability for the case of runyin in February, 109, and the company has invited a lawyer to defend the case according to law. Objectively in accordance with the law, the case does not have employed person in performing duties appearance, so the company do not need to bear joint and several liability to pay compensation, longitudinal court think king after bank claims to the company, should also be debated whether king bank and have fault, reduce or exempt the company's liability to pay compensation or damages, so the company is currently unable to estimate may be responsibility and scope of compensation.

(13) Other important risks and response measures: None

Ⅶ. Other important disclosures: none

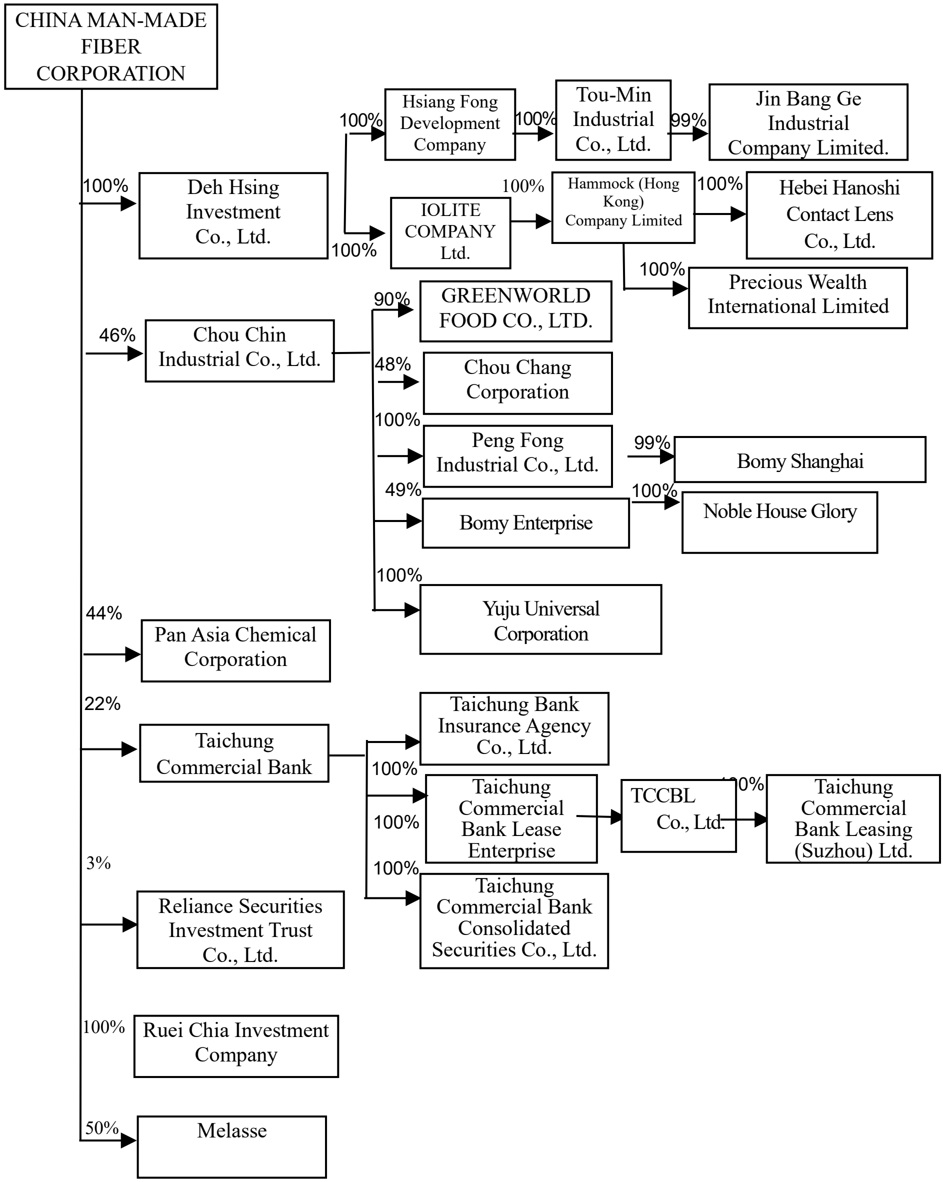
Eight. Special remarks

I. Affiliated companies

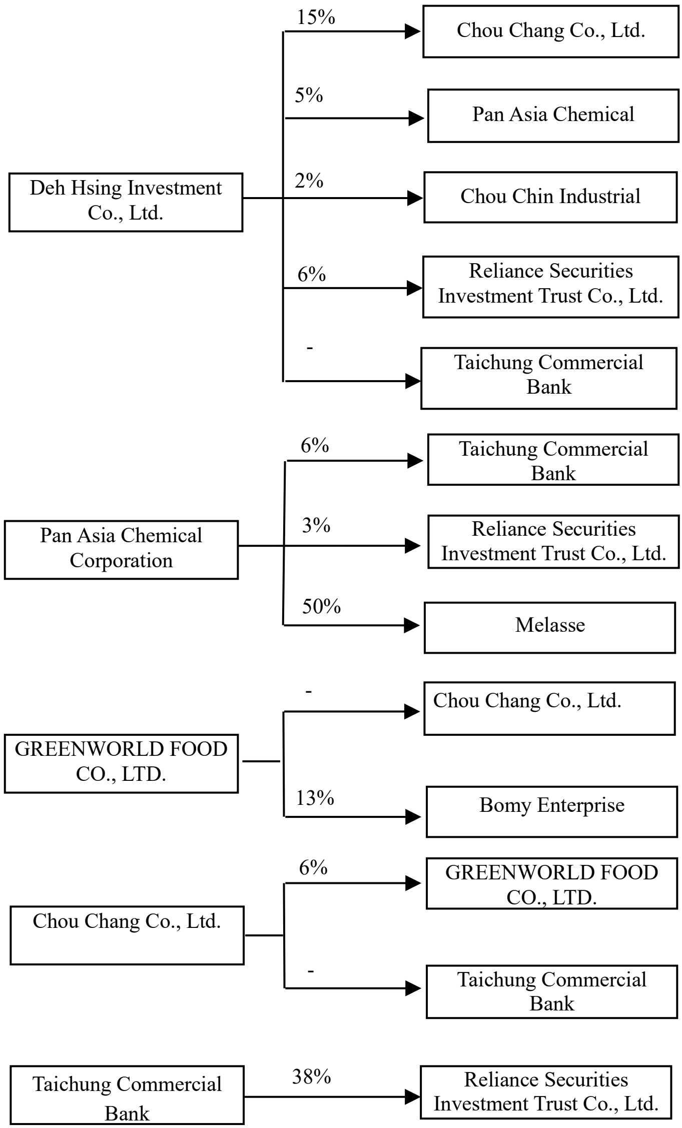
(I) Affiliates consolidated business report

1. Organization chart for affiliates:

(1) The controlling Company and subsidiary companies:



(2) Cross-investment: None.
(3) Subsidiaries and subsidiaries:



2. Basic information of affiliated enterprises   Unit: NTD thousand / foreign currency thousand

Name of enterprise	Date of establishment	Address	Paid-in capital	Major operations
Controlling company: CHINA MAN-MADE FIBER CORPORATION	1955.05.11	No.8, Jingjian Rd., Dashe Dist., Kaohsiung City	$ 16,213,672	The petrochemical industry and construction industry.
Subsidiary companies: Deh Hsing Investment Co., Ltd.	1998.02.19	10F, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	1,550,000	General investment business.
Chou Chin Industrial Co., Ltd.	1972.12.14	No.14, Xingye Rd., Fuxing Township, Changhua County	671,825	Manufacturing and trading.
Pan Asia Chemical Corporation	1982.04.06	11F., No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	2,865,672	Petrochemical business.
Taichung Commercial Bank	1953.08.22	No. 87, Min Chuan Road, West District, Taichung	37,088,349	Banking business as permitted under the Banking Act.
Reliance Securities Investment Trust Co., Ltd.	1995.06.01	4F., No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	312,000	Securities investment trust business.
GREENWORLD FOOD CO., LTD.	1993.03.06	10F., No.138, Sec. 2, Hankou Rd., Xitun Dist., Taichung City	195,000	Manufacturing and trading.
Chou Chang Corporation	1994.10.07	9F., No.138, Sec. 2, Hankou Rd., Xitun Dist., Taichung City	270,600	Manufacturing and trading.
Taichung Bank Insurance Agency Co., Ltd.	2007.09.26	No. 80-4, Ching Hua N. Rd., Peitun Dist., Taichung	1,286,000	Insurance agency .
Taichung Commercial Bank Lease Enterprise	2012.01.13	4F-5, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	1,897,290	Financing Leasing.
TCCBL Co., Ltd.	2012.06.13	P.O. Box 957,Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	893,373	Leasing and investments.
Taichung Commercial Bank Leasing (Suzhou) Ltd.	2012.12.11	Room 2, F4, Property Business Plaza, No.158, Wangdun Road, Industrial Park of Suzhou, Jiangsu	893,373	Leasing.
Taichung Commercial Bank Consolidated Securities Co., Ltd.	2013.05.02	1, 2F, No. 45, Min Zu Rd., Central Dist., Taichung	1,500,000	Securities and futures business
Ruei Chia Investment Company	2011.01.25	10F, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	$ 37,500	General investment business.
Peng Fong Industrial Co., Ltd.	2011.01.27	9F., No.138, Sec. 2, Hankou Rd., Xitun Dist., Taichung City	15,000	The restaurant industry.
Melasse	2011.10.31	11F., No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	29,000	Cosmetics and cleaning appliances manufacturing.
Hsiang Fong Development Company	2011.01.31	7F.-2, No.76, Songjiang Rd., Taipei City	283,000	Investment in real estate.
Tou-Min Industrial Co., Ltd.	2013.03.27	9F., No.181, Sec. 3, Minquan E. Rd., Songshan Dist., Taipei City	222,000	The real estate buying/selling industry.
Jin Bang Ge Industrial Company Limited.	2014.02.21	9F., No.181, Sec. 3, Minquan E. Rd., Songshan Dist., Taipei City	173,000	The real estate buying/selling industry.
IOLITE COMPANY LIMITED	2008.01.14	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	595,750	General investment business.
Precious Wealth International Limited	2018.01.18	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD 375	General investment business.
Hammock (Hong Kong) Company Limited	2014.12.03	Room 2302-6, 23/F, Great Eagle Centre, 23, Harbour Road, Wan Chai, Hong Kong	470,685	General investment business.
Hebei Hanoshi Contact Lens Co., Ltd.	2016.01.15	Hebei Province Langfang Emerging Industry Demonstration Area south of Lungchun Avenue and west of Lungshiang Road	470,685	Manufacturing and trading.
Bomy Enterprise	1997.09.19	Sea Mcadow House, Blackburne	USD 20,550	General investment

		Highway (P.O. Box 116) Road Town, Tortola, British Virgin Islands.		business.
Bomy Shanghai	1992.10.30	4588, Hunan Road, Hangtou Town, Pudong New District, Shanghai City	USD 20,000	Distribution and warehousing of beverages.
Yuju Universal Corporation	2017.05.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 900	General investment business
Noble House Glory	2017.09.19	30-308 Cho, 18 Chome Odorinishi, 17 Jonishi, Central District, Sapporo City	JPY 90,000	Short-term accommodation service

3. Entities presumed in control-subsidiary relations and information on identical: None.
4. (1) The industries housed in the same business location of the whole Affiliated Enterprises:
   A. The petrochemical industry: primarily pertains to manmade fiber, fiberglass paper, polyamide fiber, polymer fiber, chemical product and its raw materials' manufacturing/processing and sales; ethylene glycol, ethylene oxide, nonyl phenol, ethylene, liquefied petroleum gas and related petrochemical industry products' manufacture and sales; oxygen gas, liquid oxygen, nitrogen gas and related manufacture and sales.
   B. Construction: Commission construction firms to build residential and commercial buildings to be rented or for sale.
   C. The general investment industry: investment and consulting operations to various enterprises
   D. The securities industry: underwriting marketable securities, trading marketable securities at mercantile or over-the-counter trading markets on its own or through appointed trading, marketable securities shareholders' service representation, futures trading facilitator and other competent government authorities-sanctioned pertinent operations.
   E. The manufacturing and trading industry: automated vending machine manufacture and sale,
   F. The securities investment trust industry: issuing beneficiary certificates, soliciting securities investment trust funds, utilizing securities investment trust funds to engage in securities investment operation and accepting the clients' full fiduciary empowerment for investment operation and other competent government authorities-sanctioned pertinent operations.
   G. Commercial bank: Banking business as permitted under the Banking Act.
   H. The leasing industry: offering financing-based leasing and related diversified financial products.
   I. The cosmetics and cleaning products manufacturing industry: in compliance with cosmetic, sanitation management act regulations, it operates in the cosmetics manufacturing industry; cleaning rising soaps, rising agents, laundry powder, stain remover and related cleaning products manufacturing industry.
   K. The real estate investment industry: Engaged in real estate development, residential, building and other construction investment, construction, rental, etc.
   L. The foods manufacturing industry: Canned fruit and vegetable juice, beverage foundry, warehousing and distribution of beverage sales industry.
   F. The short-term lodging service industry: The industry that provides room service or holiday accommodation based on day or week.

   (2) The division of labor of the business group:

   China Manmade Fiber Corp. produces manmade fiber products, such as rayon, fiberglass paper, polyamide fiber, polymer fiber and petrochemical raw materials ethylene glycol, ethylene oxide, nonyl phenol and the like, with its produced nonyl phenol and ethylene oxide supplying to Pan Asia Co., Ltd. for producing a variety of nonionic surface active agent, and to further spread the operating risk, it adopts a diverse management approach, and has thus separately reinvested in De Hsing Investment Co., Ltd., Chou Chin Industrial Co., Ltd., Taichung Commercial Bank

Co., Ltd., Reliance Securities Investment Trust Co., Ltd., Ruei Jia Investment Co., Ltd. and Melasse Co., Ltd.

Pan Asia Co., Ltd. operates in a variety of nonionic surface active agent's manufacture/processing, sales, import/export/trading operations, yet to spread the risk, has adopted a diverse management approach by reinvesting in Taichung Commercial Bank Co., Ltd.

Taichung Commercial Bank Co., Ltd. starts out in bank operations, Taichung Bank Insurance Agent Co., Ltd. operates in life and property insurance brokering operation, and also develops through Taichung Commercial Bank Co., Ltd.'s branch employees as the distribution system, and to further expand its financial services' diversification and offering quality financial services to its customers, has separately reinvested in founding Taichung Bank Leasing Enterprise Co., Ltd., TCCBL Co., Ltd., Taichung Bank Leasing (Suzhou) Co., Ltd. and Taichung Bank Securities Co., Ltd.

Taichung Bank Leasing Enterprise Co., Ltd. operates in leasing services, offering diverseservice items and financial products, including leasing service, installment repayment service, local accounts receivable factoring service, financing-based loan service and the like for the consumers to choose from.

TCCBL Co., Ltd is a foreign holding subsidiary 100% owned by Taichung Commercial Bank Lease Enterprise. Its main business purpose is acting as an investor in Taichung Commercial Bank Leasing (Suzhou) Ltd.; additionally, it also runs leasing operations.

The business purpose of Taichung Commercial Bank Leasing (Suzhou) Ltd. is providing Taiwanese businesses in China leasing and other related services.

Taichung Commercial Bank Consolidated Securities Co., Ltd., is mainly engaged in securities brokerage, proprietary trading of securities, Margin Purchase and Short Sale of marketable securities trading, and futures introducing broker (IB) business.

Through joint marketing efforts between the bank, leasing, insurance brokerage companies and securities ,we can implement well-rounded service to small and medium enterprises, increase the ratio of non-interest revenue, boost our competitiveness, and strengthen our service quality.

Deh Hsing Investment Co., Ltd. Primarily operates in investment operation, which separately reinvests in Pan Asia Co., Ltd, Taichung Commercial Bank Co., Ltd., Chou Chin Industrial Co., Ltd., Hsiang Feng Development Co., Ltd. and IOLIE Company Limited.

Shiang Feng Development Co., Ltd. is of De Hsing Investment Co., Ltd.'s 100% reinvested company, which primarily operates in real estate development construction, leasing and related operations, yet to spread the risk, has first reinvested in Transparency Enterprise Co., Ltd., and then have Transparency Co., Ltd. reinvest in Jin Bong Ge Enterprise Co., Ltd.

IOLITE Company Limited is of De Hsing Investment Co., Ltd.'s 100% reinvested offshore venture capital company, which first reinvests in Han No Shih (HK) Co., Ltd., and then have Han No Shih (HK) Co., Ltd. reinvest in Hebei Han No Shih Contact Lens Co., Ltd.

Hebei Han No Shi Contact Lens Co., Ltd. primarily produces and sales on contact lens and related products.

Previous Wealth International Limited is of IOLITE's 100% reinvested company, which primarily operates in the general investment industry.

Chou Chin Industrial Co., Ltd. primarily operates in beverage production/distribution business, yet to disperse the risk, has separately reinvested in Jiou Chang Co., Ltd., Bomy Co., Ltd., Pen Feng Enterprise Co., Ltd., Bomy Int'l Co. and Noble House Glory Corp.

Bomy International Co. Ltd. is of an 49% offshore company reinvested by Chou Chin Industrial Co., Ltd., and which also reinvests a 99% holdings in Shanghai Bomy Foods Co., Ltd.; Shanghai Bomy Foods Co., Ltd. primarily operates in food production operation.

Yu Ju Global Co. Ltd. is of Chou Chin Industrial Co., Ltd.'s 90% reinvested offshore company, which also reinvests in Nobel House Glory Corp.; Nobel House Glory Corp. primarily operates in short-term lodging industry.

5. Information on directors, supervisors, and general managers of affiliated enterprises Unit: Thousand Shares

Name of enterprise	Title	Company name or representative	Status of shareholding	
			Quantity	Shareholding
Controlling company:				
CHINA MAN-MADE FIBER CORPORATION	Chairman	Pan Asia Investment Co., Ltd. Representative:	50,379	3.11%
		Kuei-Hsien Wang	-	-
	Vice Chairman	Chung Chien Investment Co., Ltd. Representative:	42,240	2.61%
		Ming-Shan Chuang	5	-
	Director	Pan Asia Investment Co., Ltd. Representative:	50,378	3.11%
		Kuei-Fong Wang	29	-
		Ming-Hsiung Huang	37	-
	Director	Chung Chien Investment Co., Ltd. Representative:	42,240	2.61%
		Hung-Yang Wu	-	-
		Kuo-Ching Chen	175	0.01%
	Independent director	De-Wei Li	-	-
		Chin-Tsai Li	-	-
		Li-Yeh Hsu	-	-
	President	Ming-Shan Chuang	5	-
Subsidiary companies:				
Deh Hsing Investment Co., Ltd.	Chairman	China Man-Made Fiber Corporation Representative:	155,000	100.00%
		Kuei-Hsien Wang	-	-
	Director	China Man-Made Fiber Corporation Representative:	155,000	100.00%
		Po-Nien Lin	-	-
		Hung-Yang Wu	-	-
	Supervisor	China Man-Made Fiber Corporation Representative:	155,000	100.00%
		Jeh-Yi Wang	-	-
Chou Chin Industrial Co., Ltd.	Chairman	Da Fa Investment Co., Ltd. Representative:	17,991	26.78%
		Kuei-Hsien Wang	-	-
	Director	Da Fa Investment Co., Ltd. Representative:	17,991	26.78%
		Kuei-Fong Wang	-	-
		Shun-Tai Lung	-	-
		Ming-Hsiung Huang	-	-
		Hsiao-Chieh Lin	-	-
	Supervisor	Chou Chang Co., Ltd. Representative:	453	0.67%
		Da-Yin Yeh	-	-
		Chien-Rong Gong	-	-
Pan Asia Chemical Corporation	Chairman	Chung Chien Investment Co., Ltd. Representative:	14,684	5.12%
		Kuei-Hsien Wang	-	-
	Director	Sheng Jen Knitting Plant Co., Ltd. institutional representatives:	17,771	6.20%
		Hung-Yang Wu	-	-
		Kuei-Fong Wang	1,142	0.40%
	Director	Chung Chien Investment Co., Ltd. Representative:	14,684	5.12%
		Jeh-Yi Wang	70	0.02%
	Independent director	De-Wei Li	-	-
		Chin-Tsai Li	-	-
		Li-Yeh Hsu	-	-
	President	Jeh-Yi Wang	70	0.02%
Taichung Commercial Bank	Chairman	Representative to Hsu Tian Investment Co., Ltd.:	100,867	2.72%
		Kuei-Fong Wang	415	0.01%
	Managing Director	Representative to Hsu Tian Investment Co., Ltd.:	100,867	2.72%
		Ming-Hsiung Huang	-	-
		Wei-Liang Lin	-	-
	Director	Representative to Hsu Tian Investment Co., Ltd.:	100,867	2.72%
		Hsin-Ching Chang	-	-
		Lai-Hsiang Tsai	-	-
		Yeh Shu Hui	-	-
		Deh-Wei Chia	202	-
	Director	Representative to Ho Yang Management Consultant Co., Ltd.:	1,886	0.05%
		Chien-Hui Huang	-	-
	Director	Representative of Pan Asia Chemical Corporation:	212,466	5.73%
		Ming-Shan Chuang	-	-

(Continued on next page)

(Continued from previous page)

Name of enterprise	Title	Company name or representative	Status of shareholding	
			Quantity	Shareholding
	Independent director	Jin-Yi Lee	-	-
	Independent director	Li-Wen Lin	-	-
	Independent director	Hsin-Chang Tsai	-	-
	President	Deh-Wei Chia	202	0.01%
Taichung Bank Insurance Agency Co., Ltd.	Chairman	Taichung Commercial Bank Representative:	128,600	100.00%
		Li-Tzu Lai	-	-
	Director	Taichung Commercial Bank Representative:	128,600	100.00%
		Chung-Ping Yang	-	-
		Ming-Jen Hsu	-	-
	Supervisor	Taichung Commercial Bank Representative:	128,600	100.00%
		Kai-Yu Lin	-	-
Taichung Commercial Bank Lease Enterprise	Chairman	Taichung Commercial Bank Representative:	189,729	100.00%
		Wei-Liang Lin	-	-
	Director	Taichung Commercial Bank Representative:	189,729	100.00%
		Kuang-Chung Hsiao	-	-
		Kuo-Ming Lo	-	-
		Shu-Chen Chen	-	-
		Kuo-Chun Liu	-	-
	Supervisor	Taichung Commercial Bank Representative:	189,729	100.00%
		Hsin-Ching Chang	-	-
TCCBL Co., Ltd.	Chairman	Taichung Commercial Bank Lease Enterprise	30,000	100.00%
		Representative:	-	-
		Kuo-Ming Lo		
Taichung Commercial Bank Leasing (Suzhou) Ltd.	Chairman	Taichung Commercial Bank Lease Enterprise	-	100.00%
		Representative:	-	-
		Hsueh-Hsuan Liao		
	Director	Taichung Commercial Bank Lease Enterprise	-	100.00%
		Representative:		
		Wei-Liang Lin	-	-
		Jui-Yang Lin	-	-
	Supervisor	Taichung Commercial Bank Lease Enterprise	-	100.00%
		Representative:	-	-
		Hsin-Ching Chang		
Taichung Commercial Bank Consolidated Securities Co., Ltd.	Chairman	Taichung Commercial Bank Representative:	150,000	100.00%
		Yeh Shu Hui	-	-
	Director	Taichung Commercial Bank Representative:	150,000	100.00%
		Shih-Nan Yang	-	-
		Chun-Sheng Lin	-	-
		Kang-Chi Chou	-	-
		Yi-Yuan Tung	-	-
	Supervisor	Taichung Commercial Bank Representative:	150,000	100.00%
		Chin-Min Liao	-	-
Taichung Securities Investment Trust Co., Ltd.	Chairman	Da Fa Investment Co., Ltd. Representative:	1,959	6.28%
		Shi-Yi Chiang	-	-
	Vice Chairman	Taichung Commercial Bank Representative:	12,000	38.47%
		Ming-Hsiung Huang	-	-
	Director	Da Fa Investment Co., Ltd. Representative:	1,959	6.28%
		Ya-Mei Lee	-	-
		Po-Nien Lin	-	-
		Po-Mao Huang	-	-
	Supervisor	Deh Hsing Investment Co., Ltd. Representative:	1,716	5.50%
		Chien-Rong Gong	-	-
GREENWORLD FOOD CO., LTD.	Chairman	Chou Chin Industrial Co., Ltd. Representative:	17,508	89.78%
		Kuei-Hsien Wang	-	-
	Director	Chou Chin Industrial Co., Ltd. Representative:	17,508	89.78%
		Hsiao-Chieh Lin	-	-
		Ming-Hsiung Huang	-	-
	Supervisor	Chou Chang Co., Ltd. Representative:	1,131	5.81%
		Shi-Yi Chiang	-	-
Chou Chang Corporation	Chairman	Chou Chin Industrial Co., Ltd. Representative:	13,054	48.24%
		Kuei-Hsien Wang	-	-
	Director	Chou Chin Industrial Co., Ltd. Representative:	13,054	48.24%
		Ming-Hsiung Huang	-	-

(Continued on next page)

(Continued from previous page)

Name of enterprise	Title	Company name or representative	Status of shareholding	
			Quantity	Shareholding
		Hsiao-Chieh Lin	-	-
	Supervisor	Pan Asia Investment Co., Ltd.	9,847	36.39%
		Representative:		
		Shi-Yi Chiang	-	-
Ruei Chia Investment Company	Chairman	China Man-Made Fiber Corporation	3,750	100.00%
		Representative:		
		Hsiao-Chieh Lin	-	-
Hsiang Fong Development Company	Chairman	Deh Hsing Investment Co., Ltd.	28,300	100.00%
		Representative:		
		Hsiao-Chieh Lin	-	-
	Director	Deh Hsing Investment Co., Ltd.	28,300	100.00%
		Representative:		
		Jih-Lung Lin	-	-
		Ming-Shuan Lin	-	-
	Supervisor	Deh Hsing Investment Co., Ltd.	28,300	100.00%
		Representative:		
		Chien-Rong Gong	-	-
Peng Fong Industrial Co., Ltd.	Chairman	Chou Chin Industrial Co., Ltd.	1,500	100.00%
		Representative:		
		Yi-Ting Tsuang	-	-
	Director	Chou Chin Industrial Co., Ltd.	1,500	100.00%
		Representative:		
		Yi-Fang Lin	-	-
		Kuo-Jen Yang	-	-
	Supervisor	Chou Chin Industrial Co., Ltd.	1,500	100.00%
		Representative:		
		Hsiao-Chieh Lin	-	-
Melasse	Chairman	Ming-Shan Chuang	-	-
	Director	Jeh-Yi Wang	-	-
		Yung-Ta Liu	-	-
	Supervisor	Kuei-Hsien Wang	-	-
Tou-Min Industrial Co., Ltd.	Director	Jih-Lung Lin	10	0.05%
Jin Bang Ge Industrial Company Limited.	Director	Yu-Ling Wu	100	0.58%
Bomy Enterprise	Director	Kuei-Hsien Wang	10,000	48.06%
		Yin-Ming Yang	50	0.24%
		Yuan-Feng Cheng	-	-
Bomy Shanghai	Chairman	Bomi International Co., Ltd. representative:	1,985	99.25%
		Yuan-Feng Cheng	-	-
	Director	Bomi International Co., Ltd. representative:	1,985	99.25%
		Kuei-Hsien Wang	-	-
		Yin-Ming Yang	-	-
		Hsiao-Chieh Lin	-	-
		Shanghai Nanjiang Metal Structure Plant representatives:	15	0.75%
		Feng Hsu	-	-
	Supervisor	Bomi International Co., Ltd. representative:	1,985	99.25%
		Kuo-Ching Chen	-	-
Yuju Universal Corporation	Director	Chou Chin Industrial Co., Ltd.	810	90.00%
		Representative:		
		Kuei-Hsien Wang	-	-
Noble House Glory	Director	Yu-Ying Wu	-	-
		Hsiao-Chieh Lin	-	-

6. Business Performance of Affiliated Enterprises

Unit: NTD thousand, unless otherwise noted or foreign currency per thousand dollars

Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating income/net earnings	Gain (loss) before income tax	Net income (loss) for the year	Earnings Per Share After Tax (Loss per share) (NT$)
Controlling company:								
CHINA MAN-MADE FIBER CORPORATION	$ 16,213,672	$ 37,582,841	$ 15,579,078	$ 22,003,763	$ 13,591,338	($ 1,104,103)	($ 729,764)	($ 0.57)
Subsidiary companies:								
Deh Hsing Investment Co., Ltd.	1,550,000	1,555,776	3,649	1,552,127	-	26,374	27,642	0.18
Chou Chin Industrial Co., Ltd.	671,825	4,019,256	2,573,209	1,446,047	2,541,612	117,452	117,452	1.75
Pan Asia Chemical Corporation	2,865,672	7,525,102	2,959,250	4,565,852	1,711,425	297,900	290,294	1.01
Taichung Commercial Bank	37,088,349	675,022,995	623,713,789	51,309,206	11,111,324	5,067,304	4,319,883	1.16
Taichung Securities Investment Trust Co., Ltd.	312,000	415,988	8,341	407,647	36,114	(7,804)	(7,804)	(0.25)
GREENWORLD FOOD CO., LTD.	195,000	656,209	499,302	156,907	2,124,616	69,098	57,039	2.93
Chou Chang Corporation	270,600	624,829	342,139	282,690	13,902	15,565	14,003	0.52
Taichung Bank Insurance Agency Co., Ltd.	1,286,000	2,293,268	268,758	2,024,510	837,581	584,282	471,300	3.66
Taichung Commercial Bank Lease Enterprise	1,897,290	6,921,770	5,017,272	1,904,498	276,124	87,794	74,928	0.39
TCCBL Co., Ltd.	893,373	931,358	144,850	786,508	36,860	33,564	33,564	-
Taichung Commercial Bank Leasing (Suzhou) Ltd.	893,373	3,432,488	2,706,440	726,048	220,033	39,773	25,808	-
Taichung Commercial Bank Consolidated Securities Co., Ltd.	1,500,000	2,546,540	1,141,815	1,404,725	271,297	20,258	20,671	-
Peng Fong Industrial Co., Ltd.	15,000	1,401	377	1,024	-	(809)	(809)	(0.54)
Ruei Chia Investment Company	37,500	35,348	82	35,266	-	(145)	(145)	(0.04)
Hsiang Fong Development Company	283,000	264,735	80	264,655	-	(1,725)	(1,725)	(0.06)
Melasse	29,000	29,139	2,705	26,434	1,795	(2,466)	(2,466)	(0.85)
Tou-Min Industrial Co., Ltd.	222,000	204,680	325	204,355	-	(1,643)	(1,643)	-
Jin Bang Ge Industrial Company Limited.	173,000	206,914	49,080	157,834	-	(1,673)	(1,673)	-
IOLITE COMPANY LIMITED	595,750	519,836	-	519,836	89	(6,295)	(6,295)	-
Precious Wealth International Limited	USD 375	10,988	-	10,988	-	(232)	(232)	-
Hammock (Hong Kong) Company Limited	470,685	400,790	719	400,071	-	(6,301)	(6,301)	-
Hebei Hanoshi Contact Lens Co., Ltd.	470,685	402,646	1,856	400,790	138	(5,952)	(5,952)	-
Bomy Enterprise	USD 20,550	277,731	1,137	276,594	-	11,471	11,471	-
Bomy Shanghai	USD 20,000	599,296	319,507	279,789	-	11,535	11,535	-
Yuju Universal Corporation	USD 900	22,393	-	22,393	-	(2,790)	(2,790)	-
Noble House Glory	JPY 90,000	52,671	32,717	19,954	-	(2,490)	(2,490)	-

(2) Consolidated financial statement of affiliated enterprises

As stipulated under the "affiliated enterprises' consolidated operating report, affiliated enterprises' consolidated financial statements and affiliation report compiling criteria", companies that the company shall streamline into compiling the affiliated enterprises' consolidated financial statements and companies shall streamline into compiling and producing the parent/subsidiary companies' consolidated financial statements, per International Financial Reporting Criteria number 10, are all identical, and also the affiliated enterprises' consolidated financial statements shall disclose of relevant information has all been disclosed in the foresaid parent/subsidiaries' consolidated financial statements; which please refer to the parent/subsidiaries' consolidated financial statements.

(3) Disclaimer on affiliated enterprises

Statement of Declaration

The Bank Affiliation Report 2019 (from January 1 to December 31, 2019) was prepared in accordance with the “Criteria Governing Preparation of Report on Affiliations, Consolidated Business Reports and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises”, and the information disclosed herein is materially consistent with that disclosed in the notes to the financial statement for the previous period.

CHINA MAN-MADE FIBER CORPORATION

Chairman: Kuei-Hsien Wang

March 16, 2020

CPA's Review Comments

To CHINA MAN-MADE FIBER CORPORATION:

The certified public accountant has duly audited China Manmade Fiber Corp.'s 2019 financial statements in accordance with the "Certified public accountant's audit/authenticating financial statement rules" and the generally recognized audit criteria, and has also on March 16, 2020 issue a no opinion withheld, stepped up investigation matter section and other matters' section audit report as retained on file, where said audit's purpose has been to opine the CPA's opinion on the overall adequacy of the financial statements. The 2019 Affiliation Report prepared by the China Man-Made Fiber Co., Ltd., is attached. Such report was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises." An audit review requires us to proceed with the necessary procedures, including the acquisition of customer's declaration and the confirmation on related information. The review has been successfully accomplished.

In our opinion, the Affiliation Report for 2019 prepared by China Man-Made Fiber Co., Ltd., is in compliance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises" and the contents of financial information are identical with those presented in the financial statements. No material amendments to the information shall be required.

Deloitte & Touche
Hsu Wen-Ya, CPA

Certified public accountant Oscar Shih

Securities and Futures Commission Approval No.
Tai-Tsai-Cheng (VI) No. 0920123784

Securities and Futures Commission Approval No.
Tai-Cai-Zheng (6) No. 0930128050

March 16, 2020

(4) Affiliation Report

1. Relations between parent and subsidiaries

Unit: share; %

Name of holding company	Reason of holding	Status of shareholding and lien of stock by holding company			Directors, Supervisors or managers appointed by holding company	
		Quantity of Shares	Shareholding	Shares under lien	Title	Name
Chung Chien Investment Co., Ltd.	Indirectly control over the HR, finance or operation of the Bank	42,239,838 Shares	2.61%	30,402,000	Vice Chairman Director Director	Ming-Shan Chuang Hung-Yang Wu Kuo-Ching Chen
Pan Asia Investment Co., Ltd.	Indirectly control over the HR, finance or operation of the Bank	50,378,593 Shares	3.11%	19,700,000	Chairman Director Director	Kuei-Hsien Wang Kuei-Fong Wang Ming-Hsiung Huang

2. Transactions between subsidiaries and Parent Name of enterprise:
   (1) Incoming (sale) goods transaction: nil
   (2) Asset transaction: nil
   (3) Financing: none
   (4) Asset lease: none
   (5) Disclosure of major transactions: none
3. Guarantees/endorsements between subsidiaries and Parent Name of enterprise: None.

II. Private placement of securities during the latest year up till the publication date of this annual report: None

III. Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report:

Unit: NTD thousand; thousand shares; %

Name of Subsidiary	Paid-in capital	Source of capital	The company's shareholding ratio	Date acquired (liquidated)	Share count acquired	Share count liquidated	Investment Gain (Loss)	Holding share count as of Dec. 31, 2019	State of mortgage lien designation	The amount of endorsement guarantee the company has made to its subsidiaries	The amount the company lends to its subsidiaries
					Amount acquired	Amount liquidated		Amount held			
Pan Asia Chemical Corporation	2,865,672	Self-owned Capital	44%	2019/01/01~ 2020/02/29	15,347	0	0	251,443	Yes	0	0
					Note	0		971,926			
Deh Hsing Investment Co., Ltd.	1,550,000	Self-owned Capital	100%	2019/01/01~ 2020/02/29	681	0	0	11,173	N/A	0	0
					Note	0		25,787			
Chou Chin Industrial Co., Ltd.	671,825	Self-owned Capital	46%	2019/01/01~ 2020/02/29	3,609	0	0	59,123	N/A	0	0
					Note	0		195,060			
Chou Chang Corporation	270,600	Self-owned Capital	0%	2019/01/01~ 2020/02/29	564	0	0	9,248	N/A	0	0
					Note	0		35,136			

Note: The company distributes share dividends to its subsidiaries in 2019.

IV. Other supplementary information: None

IX. Occurrences of events defined under Article 36-3-2 of the Securities and Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

CHINA MAN-MADE FIBER CORPORATION

Chairman: Kuei-Hsien Wang