Common Stock Code: 1718

CHINA MAN-MADE FIBER CORPORATION

2018 Financial Statements

Date published: March 2019

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 VP
TEL: (02)2393-7111
E-mail address: tom-wu@cmfc.com.tw

Company acting spokesman
Name: Chang-Hsi YANG
Title: Project Manager Telephone: (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
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: Deloitte & Touche
CPA Name: Oscar Shih and Wen-Ya Hsu
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: None.

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

Table of contents

One. A Message to the Shareholders

I. The 2018 Business result

(I) Business plan execution and achievement

In 2018, the individual operating revenue is $20,064,863 thousand, the non-operating revenue is $1,469,202 thousand, operating cost and expenses is $20,010,419 thousand, the realized gain or loss of affiliates is $1,947 thousand, the non-operating expense is $176,117 thousand and the profit before tax is $1,349.476 thousand. Profit for 2018 is $1,372.035 thousand.

In 2018, the consolidated revenue is $41,549,187 thousand, the expense is $36,404,425 thousand and the profit before tax is $5,144,762 thousand. The 2018 consolidated profit for 2018 is $4,409,635 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 2018, so there is no analysis of budgeting of 2018.

* Consolidated companies

1. Pan Asia Oil & Chemical Corporation: The 2018 budgeting does not require the disclosure of financial forecasts.
2. Taichung Commercial Bank: Budgeting in 2018:

The average balance of deposits (including foreign currencies) is NT$583.537 billion, and the achievement rate is 100.27%, an increase of NT$22.827 billion over the same period of 2017 and a growth of 4.07%. The average balance of loans (including foreign currencies and excluding guaranteed acceptance and collection) is NT$457.207 billion, and the achievement rate is 100.33%, an increase of NT$25.135 billion over the same period of 2017 and a growth of 5.82%. The average balance of foreign exchange deposits is US$1.736 billion, an increase of US$17 million over the same period of 2017 and a growth of 1.02%. The amount of foreign exchange business is US$18.137 billion, and the achievement rate is 112.65%, an increase of US$27 million over the same period of 2017 and a growth of 0.15%. The revenue from wealth management fee is NT$1.42 billion, and the achievement rate is 130.19%, an increase of NT$90 million over the same period of 2017 and a growth of 6.77%.

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

Item			2018	2017
Financial structure (%)	Debt to assets ratio		42.36	42.15
	Ratio of long-term capital to property, plant and equipment		250.63	250.42
Solvency analysis	Current ratio (%)		94.31	109.71
	Liquid ratio (%)		65.04	75.90
	Interest coverage ratio		9.09	5.83
Profitability analysis	Return on assets (%)		4.01	2.62
	Return on equity (%)		6.33	3.88
	Ratio of Paid-in capital (%)	Operating profit	0.37	0.34
		Income before taxation	8.86	5.65
	Net profit rate (%)		6.84	4.70
	Earnings per share (NTD)		1.13	0.66

Financial income and expense and profitability analysis (consolidated information)

Item		2018	2017
Financial structure (%)	Debt to assets ratio	91.92	92.28
Profitability analysis	Return on assets (%)	1.17	1.02
	Return on equity (%)	7.90	6.64
	Pre-tax profits to paid-up capital ratio (%)	33.79	29.43
	Net profit rate (%)	18.21	16.75
	Earnings per share (NTD)	1.13	0.66

(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.

* 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 biomass nonionic surfactants
   (6) Development of esterified products and surfactants for cosmetics and personal cleansing products
   (7) Development of environmentally friendly plasticizers and green cutting fluids
   (8) Development of esterified products for a variety of purposes
2. Taichung Commercial Bank:
   Establish "Financial Technology Development Strategy Conference" in response to the development of digital finance and offers the Bank's short-, intermediate- and long-term strategies for finance technology to provide customers with innovative and diversified financial services.

Objectives	Strategies
Short-term objectives	Make digital processes more convenient, digitize counter operations, enhance functions of mobile Apps, expand mobile payments and provide customers with new services that feel different.
Intermediate-term	O2O integration of physical and virtual channels and establish a digital financial environment throughout the entire organization.
Long-term	Innovate customer experience and make services smart and compliant with the laws.

II. Summary of business plan 2019

(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) 2019 operational objectives and prospects.

* The Company

Looking back at the first half of 2018, the Company's profitability over the same period the previous year has benefited from the higher raw material prices, the steady growth of global economy and the continuing trade boom. However, the US-China trade dilemma in the second half affected the performance of the global economy, causing the decline of raw material prices and the erosion of the Company's profitability. Looking forward to this year, while the global oil price may have gradually stabilized, the uncertainties in international trades remain. It is still unknown how the US-China trade war will end, which will affect the global economy, and it is forecasted that the overall economy this year will not out-perform last year (Note 1). The prices of global raw materials may not rise sharply. It is necessary to pay attention to the future development of the US-China trade conflicts and observe the US interest rate hike and the monetary policies of key countries, the progress of Brexit and the political risks of Northeast Asia and the Middle East. The operations this year will require more rigorous observation and attitude before earning good results.

As for EG, the downstream is leaning toward being conservative due to the impact of US-China trade conflicts last year. The performance in the first quarter was not too great and the utilization of production capacity is reduced. The price of EG began to slide, opposite to the rising price of ethylene. The crude oil price shall remain rosy this year. The production of EG should increase once the supply-demand situation improves. Without the shortage experienced previously, EG products may increase, depending on the situation of the global economy and the downstream demand during the second half of the year.

As for polyester yarns, the turnaround of the global economy in the first half of last year and the rising raw material and oil prices led to the price hike of polyester, and the downstream demand and the customers' pull in the supply chain started to show. In addition, the relatively stable exchange rates led to the stable profit in the first half of the year. However, the global oil price in the 3rd quarter went down, leading to the falling price quotes of PTA, EG and polyester and the loss in the value of inventory. The continuing US-China trade conflicts caused the decline in the end market. Clients had to stay on the sidelines and be conservative in their ordering, leading to more difficult operations in the second half. However, the revenue for the whole year was still better than the previous year. As for this year, the trends of global oil price remains to be seen, and the operational performance may be uncertain. We will actively differentiate our product line, for example, high-count processed fibers and the development of eco-friendly yarns (Note 2), to improve our revenue and profit. We should be able to get around the price disadvantage in the common specifications and products from China and the ASEAN countries, as well as avoiding the impact caused by the fluctuation in oil price.

In 2019, we expect to sell 462,290 tons of ethylene glycol (EG), 24,464 tons of ethylene oxide (EO), 19,814 tons of non-phenol (NP), 48,804 tons of partially oriented yarn (POY), 34,841 tons of spin draw yarn (SDY), 27,743 tons of draw texturized yarn (DTY) and 3,165 tons of polyester chips, for a total of 621,121 tons.

Note 1:
1. The IMF estimates that the global economic growth this year will be 3.5%, the lowest in recent years.
2. According to EIU, the 2018 global economic growth was 2.9%, and it will be 2.7% in 2019.
3. IHS Markit estimates that the 2019 economic growth will be 3%, down from 3.2% in 2018.

Note 2: Under the environmental protection agreement, renowned brands such as NIKE, Adidas and others have planned to raise the proportion of eco-friendly yarns used in the products for the next ten years.

* Consolidated companies

1. Pan Asia Chemical Corporation

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

2. Taichung Commercial Bank

Scope of business	2019 objectives
Deposits (including foreign currencies)	NT$540.5 billion by the end of December.
Lending (including foreign currencies)	NT$444.961 billion by the end of December.
Foreign Exchanges Operations	Annual amount USD17 billion

(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) In line with the international standards, the regulatory compliance is actively adopted in the business management to improve the internal control and the anti-money laundering systems of the Bank. Capitals are utilized properly and the risk reduction efficiency is included in the performance appraisal of business units to improve the capital structure and overall return.
   (2) Ensure stable growth of operations, optimize the quality of credit assets, modify the structure of credit industry, monitor changes in credit risks and strictly control proportion of overdue accounts. Quickly clear bad debts in order to keep the assets of Bank above average so the organization can become one of the quality bank operators.
   (3) Incorporate the localization advantages of branches, focus on creating value for wealth management customers, strengthen ties with high-net-worth customers and improve competitiveness of financial planning products. Reinforce products and services of consumer banking businesses, form strategic alliance with other industries, expand the scale of consumer loan market to improve the breadth of businesses and profitability.
   (4) Explore territory for international financial business, improve the amount of foreign exchange deposits and expand trade financing services to meet the needs of cross-border financial businesses. Continue to offer more loans to SMEs, properly use the system of credit guarantee fund and adjust pricing based on credit for return in order to find a balance between risks and profits.
   (5) Improve digital financial services, provide customer-oriented experience and optimize functions of online and mobile banking. Improve performance and quality of financial services and promote the streamlining of processes. Adopt four dimensions, in system upgrade, adopting of technologies, process improvement and service integration, to realize "Convenient digitized services and smart processes".

(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

In view of the rapidly changing markets and fierce competition, we will continue to implement financial governance and regulatory compliance and improve capital efficiency. At the same time, we will modify our business structure, improve depository spreads and enhance the competitiveness in the digital financial market to drive our growth. We will refine our wealth management services to improve their contribution to profitability.

(V) Subject to competition of external environment.

* The Company

1. In the EG market, some new manufacturing plants started their operations in the US, gradually increasing the market output. Domestically, there is a shortage of ethylene, and the difficulty of transportation will make the competition unfavorable.
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

(1) Actively implement requirements of financial regulations.

In response to the changes in domestic and overseas economic and financial situations and the needs for supervision, the authority has planned and promoted various measures, including international collaborations against money laundering and anti-terrorism financing and joint reporting on financial accounts, due diligence and information exchange mechanism. Therefore, while cooperating with the authority in improving risk control, the banking industry adjusts internal organizational and personnel structures, introduces and upgrades information systems, improves staff training and modifies systems in identifying customer information and transactions to facilitate the advancement in anti-money laundering, regulatory compliance and information security to meet various regulatory requirements.

(2) In line with the development of financial technology, policies gradually open up the establishment of online-only banking.

In recent years, the Financial Supervisory Commission has actively promoted the "Building a Digital Financial Environment 3.0" initiative, and with the development of financial technology, has proposed policies in 2018 on opening up online-only banking. In response to the establishment of online-only banking, the FSC also amends the Standards Governing the Establishment of Commercial Banks and the Regulations Governing Investments in Other Enterprises by Commercial Banks. Considering the differences between online-only banking and the conventional banking are in service channels, the online-only banking practices are required to meet other regulatory and supervisory requirements same with the conventional banking practices. Although so far no online-only banking operators have entered the market in 2018, it is expected that the introduction of this new type of banking service can help other banking operators to be more active in learning new businesses, further upgrading the industry, accelerating financial innovation and providing customers with better services.

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

* The Company

1. The global economic recovery drives wages up. On the other hand, the increase in minimum wages will increase the labor costs, bringing more new pressures and challenges to business operations.
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. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed in Chile on March 8, 2018, and it becomes effective 60 days after at least six of the member states complete their domestic approval. It was expected to be completed by early or mid-2019, and the US is also considering returning to TPP conditionally. We have expressed our desire to participate in the second round of CPTPP. Among the member nations, Japan, Singapore, Malaysia and Vietnam are ranked top 10 of our trading partners. If we can join the Partnership successfully, it will help further growth and collaboration with other member countries in the region. At the same time, our textile and garment and petrochemical and plastics industries will be able to expand the export due to the lower tariff and also reduce the import cost of raw materials for the domestic operators.
5. 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.
6. In the first three quarters of 2018, the global oil price showed an upward trend. In October, it reached a relative high point of US$85 per barrel. Since then, the crude oil price has rapidly turned downward. Although the price as of the beginning of this year was again going up, the future trend remains to be seen. The decline of the oil price can help the midstream and downstream players in the textile industry to reduce their procurement cost of raw materials and increase their profits.
7. 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 2019 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 2019.

* 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 (chopped)

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.

- 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$2,275,124,902.

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.

- 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, Mélasse and Reliance 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 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.

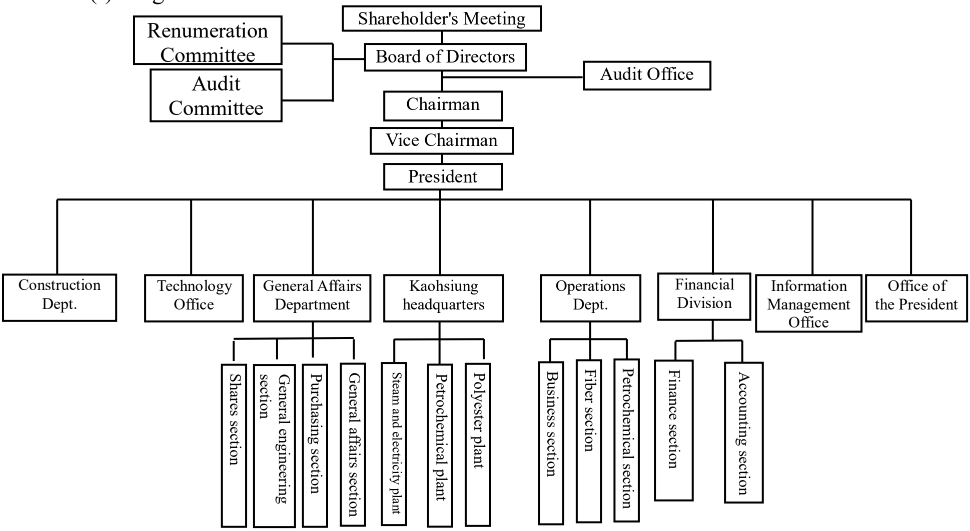
As of the end of 2018, the Bank's paid-in capital has increased from NT$500,000 at the time of establishment to NT$35.255 billion, and the 5 branches at the very beginning have grown to 82 branches and 1 international financial branch both at home and abroad. We also have the Labuan branch and Kuala Lumpur Marketing Services Office in Malaysia. 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 28, 2019

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		
							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	35,467,759	2.60%	39,661,820	2.61%	0	0	0	0	Director of PACC	Director of PACC	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	42,301,672	3.11%	47,303,844	3.11%	0	0	0	0	Director of PACC	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 Reliance 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-Feng Wang	Second degree of kinship
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	3,934	0.00%	4,398	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
Managing Director (Independent Director)	Taiwan R.O.C.	Chin-Tsai Li	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
Independent director	Taiwan R.O.C.	Te-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	CEO of the Youth Development Foundation Independent director of PACC	N/A	N/A	N/A

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		
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Affiliation
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
Director	Taiwan R.O.C.	Pan Asia Investment Co., Ltd. Representative: Kuei-Hsien Wang	Male	2016.6.8	3 years	2010.9.10	24,000	0.00%	26,838	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 Taichung Bank Insurance Brokers, and supervisor of Shu Tian Investment.	**Chairman**	Kuei-Hsien Wang	**Second degree of kinship**
Director	Taiwan R.O.C.	Pan Asia Investment Co., Ltd. Representative: Ming-Hsiung Huang	Male	2016.6.8	3 years	2011.5.6	31,000	0.00%	34,665	0.00%	0	0	0	0	Assistant general manager of Cosmos Bank. Department of International Trade at Tamkang University.	Managing director of Taichung Commercial Bank and director of Chou Chin Industrial Co., Ltd. Director of Ge Ling Company	N/A	N/A	N/A
Director	Taiwan R.O.C.	China Man-Made Fiber Investment Co., Ltd. Representative: Yung-Ta Liu	Male	2016.6.8	3 years	2011.5.6	0	0	0	0	0	0	0	0	Head of sales of the Company Department of Transportation and Logistics Management, National Chiao Tung University	The Company's Vice President Director of PACC Supervisor of Nan-Chung Petrochemical Corp. General manager of Mélasse	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	156,242	0.01%	164,067	0.01%	0	0	0	0	The Company's Vice President Department of Chemical Engineering at National Taiwan University	Pan Asia Chemical Corporation Executive Vice President	N/A	N/A	N/A

Major shareholders of legal person directors and supervisors

February 28, 2019

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-Feng 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 28, 2019

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%), an Asia Chemical Corporation (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%); Yu-Fei Hsu (0.75%); Pan Asia Employee Welfare Committee (0.62%); Chien-Hsing Wu (0.56%); Ying-Hui Lin (0.41%).
General Pride Enterprise Co., Ltd.	Yu Hwei Technology Co., LTD. 44.44%, China Man-Made Fiber Investment 31.46%, Pan Asia Investment 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 (99.27%), Meng-Liang Chang (0.69%), Hsiao-Chieh Lin (0.04%)
Hsu Tian Investment Co., Ltd.	Chia-Chun Chiang (50%), Kuei-Feng 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

By identity	Condition / Name	Have more than 5 years of experience and the following professional qualifications: 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	Status of independence (note): 1	2	3	4	5	6	7	8	9	10	Number of public companies where the person holds the title as independent director
Chairman	Kuei-Hsien Wang			ˇ			ˇ		ˇ	ˇ			ˇ		N/A
Vice Chairman	Ming-Shan Chuang			ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		N/A
Managing Director (Independent director)	Chin-Tsai Li			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1
Independent director	Te-Wei Li			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1
Independent director	Li-Yeh Hsu			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1
Director	Kuei-Feng Wang			ˇ			ˇ		ˇ	ˇ	ˇ		ˇ		N/A
Director	Ming-Hsiung Huang			ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		N/A
Director	Yung-Ta Liu			ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		N/A
Director	Kuo-Ching Chen			ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		N/A

Note:
(1) Not employed by the company or any of its affiliated companies.
(2) Not a Director or Supervisor of affiliates (except as an independent director established by the Company or its parent company, subsidiaries under this law, or applicable laws in the host countries).
(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 of second degree, or direct kin of third degree or closer to persons not qualified for criteria 1~3.
(5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.
(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
(7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein. Except the members of the Remuneration Committee in exercising their authority within the scope of empowerment pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Not a spouse or relative of second degree or closer to any other directors.
(9) Does not meet any descriptions stated in Article 30 of the Company Act.
(10) 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 28, 2019

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		
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Affiliation
President (Note)	Taiwan R.O.C.	Ming-Shan Chuang	Male	2018.7.16	4,398	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
President (Note)	Taiwan R.O.C.	Kuei-Feng Wang	Male	2010.9.10	26,838	0.00%	0	0	0	0	Chairman of the Company, Taichung Commercial Bank and 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 Taichung Bank Insurance Brokers, and supervisor of Shu Tian Investment.	Chairman	Kuei-Hsien Wang	Second degree of kinship
Production Division Executive Vice President	Taiwan R.O.C.	Yung-Ta Liu	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
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
Chief Internal Auditor	Taiwan R.O.C.	Lai-Hsiang Tsai	Female	2010.10.04	1,118	0.00%	0	0	0	0	Cosmos Bank auditor Department of Business Administration, National Taiwan University	N/A	N/A	N/A	N/A
Chief financial officer	Taiwan R.O.C.	Po-Nien Lin	Male	2005.04.01	28,286	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
Chief accountant	Taiwan R.O.C.	Guo-Hua Lin	Female	2017.06.19	35	0.00%	0	0	0	0	PACC chief accountant Accounting Department of Soochow University	N/A	N/A	N/A	N/A

Note: Kuei-Feng Wang resigned as general manager on July 12, 2018, and the board appointed director Ming-Shang Chuang to concurrently serve as the general manager of the Company on July 16, 2018.

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

1. Remuneration paid to Directors

Unit: NT$ thousand/ thousand shares

Title	Name	Remuneration to Directors: Director fees (A): The company	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 paid to directions from an invested company other than the company's subsidiary
Institutional Director Institutional Director Chairman Vice Chairman Director Director Director Director Independent director Independent director Independent director	China Man-Made Fiber Investment Co., Ltd. Pan Asia Investment Co., Ltd. Kuei-Hsien Wang Ming-Shan Chuang Kuei-Feng Wang Ming-Hsiung Huang Yung-Ta Liu Kuo-Ching Chen Te-Wei Li Chin-Tsai Li Li-Yeh Hsu	6,788	21,116	0	0	4,102	0	0	1,959	0.01	0.017	3,120	5,045	37	123	30	0	108	0	0.002	0.004	0

*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.

Classification of remuneration

Remunerations to individual directors in respective brackets along the salaries scale	Name of Directors: Total (A+B+C+D): The company	Total (A+B+C+D): All companies mentioned in the financial statements	Total (A+B+C+D+E+F+G): The company	Total (A+B+C+D+E+F+G): All companies mentioned in the financial statements
Less than 2,000,000	Ming-Shang Chuang, Kuei-Feng Wang, Ming-Hsiung Huang, Yung-Ta Liu, Kuo-Ching Chen, Te-Wei Li, Chin-Tsai Li, Li-Yeh Hsu	Ming-Shang Chuang, Yung-Ta Liu, Kuo-Ching Chen Chin-Tsai Li, Te-Wei Li, Li-Yeh Hsu	Ming-Shang Chuang, Kuei-Feng Wang, Ming-Hsiung Huang, Kuo-Ching Chen Te-Wei Li, Chin-Tsai Li, Li-Yeh Hsu	Ming-Shang Chuang, Te-Wei Li, Chin-Tsai Li, Li-Yeh Hsu
NT$2,000,000 (inclusive) ~ NT$5,000,000	Kuei-Hsien Wang, Chung Chien Investment Co., Ltd., Pan Asia Investment Co., Ltd.	Kuei-Hsien Wang	Kuei-Hsien Wang, Yung-Ta Liu Chung Chien Investment Co., Ltd., Pan Asia Investment Co., Ltd.	Kuei-Hsien Wang, Yung-Ta Liu, Kuo-Ching Chen
NT$5,000,000 (inclusive) ~ NT$10,000,000	N/A	Ming-Hsiung Huang	N/A	Ming-Hsiung Huang
NT$10,000,000 (inclusive) ~ NT$15,000,000	N/A	Kuei-Feng Wang	N/A	Kuei-Feng Wang
NT$15,000,000 (inclusive) ~ NT$30,000,000	N/A	N/A	N/A	N/A
NT$30,000,000 (inclusive) ~ NT$50,000,000	N/A	N/A	N/A	N/A
NT$50,000,000 (inclusive) ~ NT$100,000,000	N/A	N/A	N/A	N/A
100,000,000 above	N/A	N/A	N/A	N/A
Total	9 persons	9 persons	9 persons	9 persons

3. Remuneration paid to the general manager and assistant general managers

Unit: Thousand NT / Thousand shares

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances etc (C)		Remuneration to the employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration paid to directions from an invested company other than the company's subsidiary
		The company	All companies mentioned in the financial statements	The company	All companies mentioned in the financial statements	The company	All companies mentioned in the financial statements	The company		All companies mentioned in the financial statements		The company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
President	Kuei-Feng Wang (Note)													
President	Ming-Shan Chuang (Note)	1,861	1,861	37	37	1,260	1,260	30	0	30	0	0.002	0.002	0
Executive Vice President	Yung-Ta Liu													

Note: Kuei-Feng Wang resigned as general manager on July 12, 2018, and the board resolved to appoint vice chairman Ming-Shang Chuang to concurrently serve as the general manager of the Company on July 16, 2018.

Classification of remuneration

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Name of Presidents and Executive Vice Presidents	
	The company	All companies mentioned in the financial statements
Less than 2,000,000	Kuei-Feng Wang, Ming-Shang Chuang	Kuei-Feng Wang, Ming-Shang Chuang
NT$2,000,000 (inclusive) ~ NT$5,000,000	Yung-Ta Liu	Yung-Ta Liu
NT$5,000,000 (inclusive) ~ NT$10,000,000	N/A	N/A
NT$10,000,000 (inclusive) ~ NT$15,000,000	N/A	N/A
NT$15,000,000 (inclusive) ~ NT$30,000,000	N/A	N/A
NT$30,000,000 (inclusive) ~ NT$50,000,000	N/A	N/A
NT$50,000,000 (inclusive) ~ NT$100,000,000	N/A	N/A
100,000,000 above	N/A	N/A
Total	2 persons	2 persons

Names of managers who are assigned employee compensation and the assignment

Unit: Thousand NT / Thousand shares

	Title	Name	Stock	Cash	Total	As a percentage of net profit after tax (%)
Manager	Assistant VP	Hung-Yang Wu				
	Chief accountant	Guo-Hua Lin	0	97	97	0.01%
	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) 2018 remuneration of all directors was NT$14,078 thousand, accounting for 1% of the after-tax profit margin of 2018. The 2017 remuneration was NT$11,226 thousand, accounting for 1.41% of the after-tax profit margin.
   (2) 2018 remuneration of the general manager and assistant general managers was NT$3,187 thousand, accounting for 0.002% of the after-tax profit margin of 2018. The 2017 remuneration was NT$2,995 thousand, accounting for 0.38% of the after-tax profit margin.
   (3) 2017 remuneration of all directors of all companies on the consolidated statements was NT$26,526 thousand, accounting for 0.03% of the after-tax profit margin. 2017 remuneration of the general manager and assistant general managers was NT$2,995 thousand, accounting for 0.003% of the after-tax profit margin. Please refer to the table above for the 2018 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

(I) Functionality of the Board of Directors

The Board called 8 meetings in 2018. The attendance of directors is specified as follows:

Title	Name	Actual number of attendance	Attend through proxy	Attendance rate (%)	Remark
Chairman	Kuei-Hsien Wang	8	0	100	
Vice Chairman	Ming-Shan Chuang	8	0	100	
Managing Director (Independent director)	Chin-Tsai Li	7	1	87.5	Please see the next page for the details of attendance of each board meeting in 2018.
Independent director	Te-Wei Li	7	0	87.5	Please see the next page for the details of attendance of each board meeting in 2018.
Independent director	Li-Yeh Hsu	8	0	100	Please see the next page for the details of attendance of each board meeting in 2018.
Director	Kuei-Feng Wang	7	1	87.5	
Director	Ming-Hsiung Huang	7	0	87.5	
Director	Yung-Ta Liu	7	0	87.5	
Director	Kuo-Ching Chen	7	1	87.5	

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:

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

March 23, 2018 (13th meeting of the 25th term) 2017 Statement on Internal Control, 2017 individual and consolidated financial statements, recapitalization of earnings and issuance of new shares, and the independent directors in attendance had no objection and approved the presented materials.

May 7, 2018 (14th meeting of the 25th term) For the amendments to the internal control measures of shareholder services and signing contracts to lease business chartered planes, the independent directors in attendance had no objection and approved the presented proposals.

May 24, 2018 (1st extraordinary general meeting of the 25th term) With respect to the Company planning to sell lands in Douliu City of Yunlin County, the independent directors in attendance had no objection and approved the presented proposals.

August 13, 2018 (15th meeting of the 25th term) With respect to the consolidated financial statements of 2018 Q2, independent directors in attendance had no objection and approved the presented materials.

November 12, 2018 (16th meeting of the 25th term) With respect to the participation in cash capital increase of Taichung Commercial Bank, adjustments to the authorized amount of long- and short-term investments in negotiable securities, the changes of accountant due to internal changes and audit fees and operational planning for 2019 internal audit, the independent directors in attendance had no objection and approved the presented materials.

December 14, 2018 (3rd extraordinary general meeting of the 25th term) With respect to increasing the Company's financial assets at fair value which are not for short-term sale, the independent directors in attendance had no objection and approved the presented materials.

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.

(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:

August 13, 2018 With respect to 2018 salary adjustments for insiders and 2017 profit distribution for directors and remuneration distribution for employees, Chairman Kuei-Hsien Wang, vice chairman Ming-Shang Chuang and director Yung-Ta Liu requested for recusal due to potential conflict of interests.

November 12, 2018 With respect to the participation in cash capital increase of Taichung Commercial Bank in 2018, vice chairman Ming-Shang Chuang, also serving as a director for Taichung Commercial Bank, requested for recusal due to potential conflict of interests and did not participate in the discussion and resolution of the issue. Director Kuei-Feng Wang, also serving as the chairman of Taichung Commercial Bank, stated in the power of attorney to forfeit his voting rights due to potential conflict of interests.

III. 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 applicable.

Supplementary Notes: Details of attendance of each board meeting in 2018.

2018	1st time	2nd time	2nd time	4th time	5th time	6th time	7th time	8th time
Chin-Tsai Li	◎	◎	◎	◎	◎	◎	◎	∗
Te-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 5 times (A) in FY2018. 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	5	0	100	
Independent director	Te-Wei Li	5	0	100	
Independent director	Li-Yeh Hsu	5	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:

March 23, 2018 (13th meeting of the 25th term) 2017 Statement on Internal Control, 2017 individual and consolidated financial statements, recapitalization of earnings and issuance of new shares, and the audit committee members in attendance had no objection and approved the presented materials.

May 7, 2018 (14th meeting of the 25th term) For the amendments to the internal control measures of shareholder services and signing contracts to lease business chartered planes, the audit committee members in attendance had no objection and approved the presented proposals.

May 24, 2018 (1st extraordinary general meeting of the 25th term) With respect to the Company planning to sell lands in Douliu City of Yunlin County, the audit committee members in attendance had no objection and approved the presented proposals.

August 13, 2018 (15th meeting of the 25th term) With respect to the consolidated financial statements of 2018 Q2, audit committee members in attendance had no objection and approved the presented materials.

November 12, 2018 (16th meeting of the 25th term) With respect to the participation in cash capital increase of Taichung Commercial Bank, adjustments to the authorized amount of long- and short-term investments in negotiable securities, the changes of accountant due to internal changes and audit fees and operational planning for 2019 internal audit, the audit committee members in attendance had no objection and approved the presented materials.

December 14, 2018 (3rd extraordinary general meeting of the 25th term) With respect to increasing the Company's financial assets at fair value which are not for short-term sale, the audit committee members in attendance had no objection and approved the presented materials.

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.

(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):

Communication between Independent Directors and internal audit officers and CPA:

Date	Main points of communication
2018/03/23	The accountant communicated and discussed important issues related to 2017 consolidated statements. The content includes: Identification of significant risks, the adopted review procedures and conclusions from review.

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

Date	Main points of communication
2018/03/23	1. 2017 Q4 audit report and follow-up improvement. 2. The Company's 2017 Q4 follow-up progress in accordance with "Proposal on Improving the Compilation Capability for Financial Reports". 3. The results of self-evaluation on 2017 internal control showed no significant deficiency. A Statement on Internal Control was issued regarding the effective design and implementation of the Company's internal control system.
2018/05/07	1. 2018 Q1 audit 2. The Company's violations against rules on reporting important messages and follow-up improvement. 3. The Company's 2018 Q1 follow-up progress in accordance with "Proposal on Improving the Compilation Capability for Financial Reports".
2018/08/13	1. 2018 Q2 audit report and follow-up improvement. 2. The Company's 2018 Q2 follow-up progress in accordance with "Proposal on Improving the Compilation Capability for Financial Reports".
2018/11/12	1. 2018 Q3 audit report and follow-up improvement. 2. The Company's follow-up improvements for deficiencies audited by the authority. 3. The Company's 2018 Q3 follow-up progress in accordance with "Proposal on Improving the Compilation Capability for Financial Reports". 4. 2019 internal audit plan.

(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 the 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?		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.	Insignificant difference.
(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) The Company has established internal rules prohibiting insider trading on undisclosed 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 board is composed of senior executives, each with different professional expertise and meeting the goals for diversification.	Meet the requirements.
(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.	Insignificant difference.
(3) Has the Company established a methodology for evaluating the performance of its board of directors on an annual basis?		V	(3) The Company has not yet established a methodology for evaluating the performance of its board of directors.	Although the performance of the board has not been regularly evaluated by the Company, the

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	
(4) Will the Company have the independence of the public accountant evaluated regularly?	V		(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.	operations of the board have shown consistency, and the board members always discuss and reach resolutions within a short time constraint without delay. Meet the requirements.
4. Have the listed companies had the corporate governance unit (full time or part time) setup or personnel designated to handle the corporate governance related matters (including but not limited to providing necessary data to directors and supervisors for business operation, lawfully handling the Board meeting and shareholders' meeting related matters, processing the company registration and change registration, and preparing the minutes of Board meeting and shareholders' meeting)?	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 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	V 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 the Company's official website. (2) The Company has assigned personnel responsible for the collection of disclosed information and implemented the	Meet the requirements. Meet the requirements.

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)?</td><td></td><td></td><td>spokesperson practice.</td><td></td></tr>
<tr><td>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?</td><td>V</td><td></td><td>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.
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.</td><td>Meet the requirements.</td></tr>
<tr><td colspan="5">9. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center: The results of the Corporate Governance Evaluation released in 2018 Q4 have shown that the Company was ranked between top 51% to top 65% of all participating companies. The Company has scored in 52 items and not scored in 35 items of the survey, including "The company sets up corporate governance supervisors and exposes their work execution priorities and training situations" and "The annual meeting of shareholders will be held 7 days before the English meeting.The unscoring project of the Financial Report will be listed as a priority improvement.</td></tr>
</table>

Note: Continued education of directors and supervisors:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Vice Chairman	Ming-Shan Chuang	Corporate Governance Association in Taiwan	How directors' resolutions can avoid breach of trust and non-arm's length transactions.	3	Yes
		Corporate Governance Association in Taiwan	Legal responsibilities of insider trading and case studies.	3	Yes
Managing Director (Independent director)	Chin-Tsai Li	Corporate Governance Association in Taiwan	New trends to amend the Company Act and analysis.	3	Yes
		Corporate Governance Association in Taiwan	How directors shall exercise duty of care.	3	Yes
Independent director	Te-Wei Li	Corporate Governance Association in Taiwan	Development and important rules about anti-money laundering and fighting terrorism financing.	3	Yes
		To Financial Supervisory Commission	The 12th Corporate Governance Forum in Taipei	3	Yes
Independent director	Li-Yeh Hsu	Corporate Governance Association in Taiwan	Development and important rules about anti-money laundering and fighting terrorism financing.	3	Yes
		To Financial Supervisory Commission	The 12th Corporate Governance Forum in Taipei	3	Yes
Director	Kuo-Ching Chen	Taiwan Academy of Banking and Finance (TABF)	Conference on Corporate Governance - the Passing Down of Family Business	3	Yes
		Corporate Governance Association in Taiwan	The 14th International Forum on Corporate Governance - Six courses on compliance and supervision.	6	Yes
		Taiwan Academy of Banking and Finance (TABF)	Workshop on corporate governance and sustainable operations	3	Yes
Director	Ming-Hsiung Huang	Corporate Governance Association in Taiwan	Shareholders meeting and shareholding management	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 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?		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.
(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.	Insignificant difference.
(3) Has the Company established a methodology for evaluating the performance of its board of directors on an annual basis?		V	(3) The Company has not yet established a methodology for evaluating the performance of its board of directors.	Although the performance of the board has not been regularly evaluated by the Company, the operations of the board have shown consistency, and the board members always discuss and reach resolutions within a short time constraint without delay.
(4) Will the Company have the independence of the public accountant evaluated regularly?	V		(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 Oscar Shih and Wen-Ya Hsu, of Deloitte Taiwan, meet the standards	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	
			of the Company on independence and determines that they are capable of serving as the Company's certified accountants.	
4. Have the listed companies had the corporate governance unit (full time or part time) setup or personnel designated to handle the corporate governance related matters (including but not limited to providing necessary data to directors and supervisors for business operation, lawfully handling the Board meeting and shareholders' meeting related matters, processing the company registration and change registration, and preparing the minutes of Board meeting and shareholders' meeting)?	V		The Company has appointed representatives from departments and offices to handle corporate governance matters.	Meet the requirements.
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 on the Company's website at http://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)?	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.	Meet the requirements. Meet the requirements.
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 interests: Comply with the Labor Standards Act and establish communication channels with employees, encourage employees to directly communicate 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	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	
			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 16 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 parent company (CMFC) has purchased liability insurance for directors and supervisors on behalf of the Company.	
9. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center: (1) At least one of the directors of the Company (including at least two independent directors) and the audit committee shall have at least one audit committee to attend the regular meeting of shareholders and disclose the attendance list in the proceedings. (2) Among the members of the company's board of directors, the number of employees of the company, the parent, the son or the brother company is less than (including) the director's seat three times. (3) The Company's annual report disclosed in detail the opinions of the independent directors on the major resolutions of the board of directors and the company's handling of the opinions of the independent directors. (4) The independent directors of the Company completed the training according to the number of hours specified in the "Implementation Points for the Directors and Supervisors of the Listed Companies". (5) The annual report and website of the Company have disclosed the list of major shareholders, including the shareholder or equity ratio of the shareholding ratio of more than 5%, accounting for the top ten shareholder name, shareholding amount and proportion.				

Continued education of directors and supervisors:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Independent director	Chin-Tsai Li	Corporate Governance Association in Taiwan	How directors shall exercise duty of care.	3	Yes
		Corporate Governance Association in Taiwan	New trends to amend the Company Act and analysis.	3	Yes
Independent director	Te-Wei Li	To Financial Supervisory Commission	The 12th Corporate Governance Forum in Taipei	3	Yes
		Corporate Governance Association in Taiwan	Development and important rules about anti-money laundering and fighting terrorism financing.	3	Yes
Independent director	Li-Yeh Hsu	To Financial Supervisory Commission	The 12th Corporate Governance Forum in Taipei	3	Yes
		Corporate Governance Association in Taiwan	Development and important rules about anti-money laundering and fighting terrorism financing.	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 company instituted an internal procedure for handling recommendations, queries, disputes of the shareholders and legal actions, and comply with the procedure properly? (2) Has the company kept track on the dominant shareholders of the company and the parties controlling these shareholders? (3) Has the company established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	✓ ✓ ✓		(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. The company 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 company, and shall disclose the update information in "MOPS" as required. (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.	no difference
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? (2) Has the Bank assessed the independence of the commissioned certified public accountants regularly?	✓ ✓		Please refer to (1) Organizational Structure of the 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 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 7th term of the Board in the 23rd session on March 14 2018 on record, which indicated relevance with related regulations governing the independent status of the CPA.	no difference

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?	✓		(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) The following list shows the 11 members of the Company's 23rd term of board of directors. Besides having one female member, 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-Feng 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, Wei-Liang Lin, Hsin-Ching Chang and Chien-Hui Huang. 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 9% 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. 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 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)?	✓		(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 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. (2) Corporate governance covers the following areas: 1. Matters related to the shareholder meeting: Every year, a date for shareholder meeting is registered before a deadline and the notice and manual of the meeting are uploaded at least 30 days before the meeting. Within 20 days after the meeting, the meeting minutes and other affairs related to the meeting are provided. 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 14 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.	no difference

<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>4. Information disclosure:
Assisted to hold two sessions of investor conference, on April 30 and September 3 of 2018.</td><td></td></tr>
<tr><td>4. 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>5. 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) At the official website of Taichung Bank→ disclosure of institutional investors conference. There is also a website in the English language for disclosure of information on financial position and operation.
(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>6. Any other vital information that helps to understand 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)?</td><td>✓</td><td></td><td>(1) For information on the rights and privileges of the employees, refer to (I) important rights and privileges of the employees, labor-management agreement and implementation on Page 83.
(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 Company has approved the performance appraisal measures for the board on December 13, 2018, and the scopes include five main dimensions, "Degree of participation in the company's operations", "Improvement in the quality of decision making by the board of directors", "Composition and structure of the board", "Election of the directors and their continuing professional education" and "Internal</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	
			controls". The 2018 performance appraisal of the board will be completed by 2019 Q1. (6) The Company has purchased directors' liability insurance policy from Shinkong Insurance, with an insured amount at US$10 million (Insured period from May 1, 2018 to May 1, 2019). (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 37 for details.	
7. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures.	✓		The Corporate Governance Center of Taiwan Stock Exchange Corporation has recently announced the evaluation of corporate governance. The Bank was ranked among the top 51% to 65% and the items not being scored were disclosed. The improvements made in 2018 is shown as follows: (1) At least one-third of the directors (including at least one independent director) attended the shareholder meeting and the attendance was disclosed in the proceedings. (2) There was a change in the legal person director on April 27, 2018, and Mrs. Lai-Hsiang Tsai became the legal representative of Shu Tian Investment. (11 directors, 1 female and 10 male) (3) The 2017 annual report disclosed the resolutions of audit committee on major proposals and the Company's handling of the opinions from the audit committee. (4) Significant information have been reported in both Chinese and English versions for 2018. (5) Passed the performance appraisal measures for the board on December 31, 2018, and the information has been disclosed on the Market Observation Post System and the Company's official website. (6) Held two sessions of investor conference, on April 30 and September 3 of 2018. (7) Developed the "Measures for Handling Grievances" on July 12, 2018, and the information was disclosed on the Taichung Commercial Bank/Corporate Governance section of the Company's official website.	no difference

(IV) The operation of the Remuneration Committee:

1. 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: 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	Status of independence (note 2): 1	2	3	4	5	6	7	8	Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies	Remark
Independent director	Chin-Tsai Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	No
Independent director	Te-Wei Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	No
Independent director	Li-Yeh Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	No

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

Note 2: place a "V" 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 the Company or its affiliates Except for the independent directors that are appointed by the Company or the parent company and subsidiaries in accordance with this Law or the local law.
(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 of second degree, or direct kin of third degree or closer to persons described in criteria 1~3.
(5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.
(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
(7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein.
(8) 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) The tenure of current members of the committee: June 8, 2016 to June 7 2019. The committee has held 3 sessions lately (A). The qualification of the members and attendance to meetings are shown below:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A) (Note)	Remark
Independent director	Chin-Tsai Li	3	0	100%	
Independent director	Te-Wei Li	3	0	100%	
Independent director	Li-Yeh Hsu	3	0	100%	

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: Not applicable.

(V) Performance of social responsibility

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. Implementation of sound corporate governance (1) Does the Company have the CSR policies or systems established and the implementation effect reviewed?	V		(1) The company has a corporate social responsibility policy, including protecting the people and the environment, attaching value to employees, exerting influence on partners and promoting sustainability. In addition to supervising the implementation of various units, and reviewing the implementation effectiveness and continuous improvement to ensure the company Implementation of social responsibility policies.	Not distinctive
(2) Does the Company have the CSR education and training arranged on a regular basis?	V		(2) Offer internal education and training sessions to advise employees on workplace rules and encourage them to participate in social welfare and energy conservation and carbon reduction measures.	
(3) 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		(3) 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.	
(4) Does the Company have a reasonable salary and remuneration policy set-up, have the employee performance evaluation system been combined with the corporate social responsibility policies and have a clear and effective reward and punishment system been established?	V		(4) 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.	
2. Fostering a Sustainable Environment (1) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	V		(1) 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.	In general, we meet the requirements of the Ethical Corporate Management Best Practice Principles for the Listed Companies.
(2) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		(2) 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.	
(3) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?	V		(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	

<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>coal-fired boilers are installed with electrostatic precipitators and sulfur and nitrate removers, so the 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.
According to the certification from the "AFNOR", the Company has the following annual greenhouse gas emissions the past 2 years:
Unit: CO2e metric tons
<table><tr><th></th><th>2018</th><th>2017</th></tr><tr><td>Greenhouse gas</td><td>551,913 (Note)</td><td>454,210</td></tr></table>Note: Certification has not been completed.</td><td></td></tr>
<tr><td>3. Preserving Public Welfare
(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?</td><td>V</td><td></td><td>(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.</td><td rowspan="4">In general, we meet the requirements of the Ethical Corporate Management Best Practice Principles for the Listed Companies.</td></tr>
<tr><td>(2) Does the Company have the complaints mechanism and channels established for employees and have it handled properly?</td><td>V</td><td></td><td>(2) The Company conveys the current policies through various internal meetings and uses an internal website for employees to fully express their opinions.</td></tr>
<tr><td>(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?</td><td>V</td><td></td><td>(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.</td></tr>
<tr><td>(4) The Company has developed the mechanism for the routine communication with the employees, and informed the employees of the changes in operation that may cause significant influence on the employees through reasonable means.</td><td>V</td><td></td><td>(4) Employees can obtain information or express their opinions regarding the Company's operations and policies through the internal website. At the same time, regular meetings are held</td></tr>
</table>

<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>to enable mutual and effective management-labor communication.</td><td rowspan="6"></td></tr>
<tr><td>(5) Does the Company have an effective career capacity development training program established for the employees?</td><td>V</td><td></td><td>(5) 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.</td></tr>
<tr><td>(6) Does the Company have the relevant consumer protection policies and complaint procedures established in the sense of R&D, procurement, production, operations and service processes?</td><td>V</td><td></td><td>(6) The Company strives to achieve "Customer Satisfaction" and values and immediately handles customer complaints to provide customer with comprehensive product information.</td></tr>
<tr><td>(7) Has the Company complied with the relevant law and regulations and international standards on the marketing and labeling of products and services?</td><td>V</td><td></td><td>(7) All products are labeled according to the regulations to meet the national and international standards.</td></tr>
<tr><td>(8) Has the Company assessed whether the suppliers had a record of affecting the environment and society in advance?</td><td></td><td>V</td><td>(8) The Company will request suppliers to provide products with energy-saving and carbon reduction features to improve the CSR practices.</td></tr>
<tr><td>(9) Does the contract signed by the major suppliers and the Company containing the clauses of having the contract terminated or cancelled at any time when the suppliers committing a violation against the corporate social responsibility policy and having a significant impact on the environment and society?</td><td></td><td>V</td><td>(9) The Company will discuss including the performance of suppliers into the supplier assessment.</td></tr>
<tr><td>4. Enhancing Information Disclosure
(1) Does the Company have the relevant and reliable CSR information disclosed on the Company’s website and MOPS?</td><td>V</td><td></td><td>The Company's website is at http://www.cmfc.com.tw and dedicated personnel are assigned to be responsible for the collection of information and making timely disclosure of the truthful financial and corporate governance information in accordance with the regulations.</td><td>In general, we meet the requirements of the Ethical Corporate Management Best Practice Principles for the Listed Companies.</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 not yet established its own CSR code of practice.</td></tr>
<tr><td colspan="5">6. 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 2018: Local give-back rewards and subsidies to the local groups and schools for a total of NT$6,692 thousands.
(2) Employment opportunities to local residents in 2018:<table><tr><th>Dashe</th><th>Nanzih</th><th>Renwu</th><th>Total</th><th>% of the whole plant</th></tr><tr><td>91 persons</td><td>104 persons</td><td>50 persons</td><td>245 persons</td><td>46%</td></tr></table></td></tr>
<tr><td colspan="5">7. Describe the criteria undertaken by any institution to certify the company's corporate responsibility reports: None.</td></tr>
</table>

*Consolidated companies

1. Pan Asia Chemical Corporation

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for WSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Implementation of sound corporate governance (1) Does the Company have the CSR policies or systems established and the implementation effect reviewed? (2) Does the Company have the CSR education and training arranged on a regular basis? (3) 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? (4) Does the Company have a reasonable salary and remuneration policy set-up, have the employee performance evaluation system been combined with the corporate social responsibility policies and have a clear and effective reward and punishment system been established?	 V V	V V	(1) The Company has not yet established its own CSR policies. (2) The Company has not yet regularly held social responsibility education and training sessions. (3) Establish a CSR team to handle related issues. (4) 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.	If there are regulatory or necessary considerations, refer to the Corporate Social Responsibility Best Practice Principles for WSE/GTSM Listed Companies and other applicable regulations.
2. Fostering a Sustainable Environment (1) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental? (2) Does the Company have an appropriate environmental management system established in accordance with its industrial character? (3) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?	V V V		(1) Replace paper signing with electronic signing and actively promote paperless office practice. (2) 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. Conduct concentration inspection of the on-site working environment quality at least twice a year. (3) 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	Not distinctive

<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 WSE/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>supplementary lightning depending on the season.
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, reduce 150 tons 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>Carbon dioxide</th><th>Greenhouse gas</th></tr><tr><td>2017</td><td>345.8534</td><td>346.185</td></tr><tr><td>2018</td><td>448.9806</td><td>449.419</td></tr></table></td><td></td></tr>
<tr><td>3. Preserving Public Welfare
(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) Does the Company have the complaints mechanism and channels established for employees and have it handled properly?

(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?

(4) The Company has developed the mechanism for the routine communication with the employees, and informed the employees of the changes in operation that may cause significant influence on the employees through reasonable means.

(5) Does the Company have an effective career capacity development training program established for the employees?</td><td>V

V

V

V

V</td><td></td><td>(1) The Company complies with the Labor Standards Act to protect the legitimate rights and interests of its employees and adopts two-way communication.

(2) The Company conveys the current policies through various internal meetings, so that employees can fully express their opinions.

(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) Employees can obtain information or express their opinions regarding the Company's operations and policies through the internal website. At the same time, regular meetings are held to enable mutual and effective management-labor communication.

(5) 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.</td><td>Not distinctive</td></tr>
</table>

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for WSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(6) Does the Company have the relevant consumer protection policies and complaint procedures established in the sense of R&D, procurement, production, operations and service processes? (7) Has the Company complied with the relevant law and regulations and international standards on the marketing and labeling of products and services? (8) Has the Company assessed whether the suppliers had a record of affecting the environment and society in advance? (9) Does the contract signed by the major suppliers and the Company containing the clauses of having the contract terminated or cancelled at any time when the suppliers committing a violation against the corporate social responsibility policy and having a significant impact on the environment and society?	V V V V		(6) The Company strives to achieve "Customer Satisfaction" and values and immediately handles customer complaints to provide customer with comprehensive product information. (7) All products are labeled according to the chemical label requirements. (8) The Company will request suppliers to provide products with energy-saving and carbon reduction features to improve the CSR practices. (9) The Company will monitor the performance of suppliers and include the grading into the supplier assessment.	
4. Enhancing Information Disclosure (1) Does the Company have the relevant and reliable CSR information disclosed on the Company's website and MOPS?	V		The Company's website is at http://www.pacc.com.tw and dedicated personnel are assigned to be responsible for the collection of information and making timely disclosure of the truthful financial and corporate governance information in accordance with the regulations.	Not distinctive
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 not yet established its own CSR code of practice.				
6. 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 2018: Local give-back rewards for NT$1,080 thousand and subsidies to the local groups and schools for NT$253 thousands. (2) Employment opportunities to local residents in 2018:				
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
8 persons	11 persons	9 persons	28 persons	31.8%

2. Taichung Commercial Bank

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for WSE/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?	✓		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.	no difference
(2) Has the Bank organized education and training programs in 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.	
(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?	✓		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.	
(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 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.	
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?	✓		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.	no difference
(2) Has the Bank established a suitable environment management system by nature of the industry?	✓		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 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”.	
(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 “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	✓		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	no difference

Items for evaluation	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for WSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
international conventions on human rights?			human rights policy on the official website.	
(2) Has the Bank established the mechanism and channels for the employees in filing complaints and properly responded to the complaints?	✓		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.	
(3) Has the Bank provided a safe and health work environment for the employees, and provided education on labor safety and health regularly?	✓		Please refer to (IV) Work Environment and the Safety of Employees Policy on **Page 80**.	
(4) Has the Bank developed the mechanism for communication with the employees at regular intervals and informed the employees of any change in the operation of the Bank that may cause significant influence on the employees through reasonable means?	✓		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.	
(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 WSE/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) The Bank is always dedicated to taking part in social welfare activities, and sponsoring the following activities:
1. 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.
2. In supporting the advocacy of government policy, all banking units have played related footage on the prevention of fraud and money laundering through the multimedia broadcasting system.
3. To work with the Child Welfare League Foundation in the fund-raising event entitled “Heart United Makes Home Reunion”, the Bank helps find missing children and juvenile, and establishes the link from the Bank’s site to the official site of Foundation.
4. Helped Huashan Social Welfare Foundation to announce the 15th "Love for the Elderly. Love for Reunion" promotion program on the ATMs, multimedia system and the LED wall outside the headquarters.
5. Sponsored Taichung branch of Andrew Charity Association (foodbank) and donated 50 cases of water.
6. Collaborated with Eden Social Welfare Foundation to work on the Elephant Project and invite 42 children from the after-school program of Agape Community Care Association in Miaoli County to experience career training at the headquarters and learn about financial operations and the working environment.
7. Collaborated with Eden Social Welfare Foundation to promote bakery shelter fundraising activity and provided the Company's mascots, Baby A-Chong and Baby Sister, to call for people to donate.
8. 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.
9. 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.
10. Donated to the northern Tainan branch of the Taiwan Fund for Children and Families and organized "Protecting You is the Only Thing I Want to Do" charity drive to advocate for the public and enterprise awareness to commit to the welfare of children and women.
11. Support the Taiwan Aboriginal Baseball Development Association to hold the “25th Aboriginal Cup” baseball game for the concern of the aboriginal groups and national sports development. Support Chen Chung-Kuang Cultural and Educational Foundation to hold the “10th Chung Kuang Cup Youth Baseball Match”.
12. Supported Changhwa County Tianzhong Town Office to hold the “2018 Taiwan Rice Heaven-Tienzhong Marathon” aimed at the promotion of tourist resources of Tienzhong by bringing together sports, leisure, agriculture and commercial activities.
13. Sponsored the Wuri high-speed railway station venue of Taichung Flora Expo, with installation and light art activities portray the beautiful image of Taiwan.
14. To alleviate blood shortage at blood banks, branches across Taiwan co-organized a blood drive. A bloodmobile was used to connect the efforts from branches and employees across Taiwan to invite customers and local residents to participate in the event. The campaign period was from June 12 to December 8 of 2018. The bloodmobile toured to 75 locations, drawing the participation of 8,247 people donating a total of 11,387 bags of blood. The campaign conveyed passion and care to those in need.
15. The Bank participated in the “2018 Financial Service Charity Carnival” organized by Taiwan Federation of Financial Unions (the events in Keelung and Taoyuan) with the setting up of booth at the fair for the advocacy of fraud prevention and anti-money laundering.
16. 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 joint support from their families and customers. In 2018, a total of 121 events were held for the benefits of social welfare.
17. The Bank participated in the “2018 Financial Service Charity Carnival” organized by Taiwan Federation of Financial Unions (the events in Keelung and Taoyuan) with the setting up of booth at the fair for the advocacy of fraud prevention and anti-money laundering.
18. Delegates from Beijing General Labor Union came to Taiwan to conduct knowledge exchanges of financial industries across the Strait.</td></tr>
</table>

<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 WSE/GTSM Listed Companies" and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">19. Students from the Department of Statistics of National Cheng Kung University visited the Company to learn about financial systems to help them conduct early preparation of their career, further enhancing their competitiveness.
20. Provided scholarships for students from Da Der Commercial and Technical Vocational School and Holy Savior High School.
21. TC Bank supports Juexiu Temple in funding the misfortune students in tuition fees and daily expenses so that they could complete their education.
22. TCB established the "TCB Cultural and Educational Foundation" on 30.09.1975 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.
23. In 2018, the Bank organized 31 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.
24. In 2018, the Company had an industry-academia collaboration program with 28 universities and colleges to offer internship opportunities. A total of 34 students chose to officially become the Company's employees after completing their internship. Continuing the program, the Company recruited 36 students to experience the internship program in July.

(2) As of the end of February 2019, TCB had employed 16 physically and mentally impaired employees (of whom 4 are at a severe level of being handicapped).</td></tr>
<tr><td colspan="5">7. If the CSR report has been certified by the relevant certification bodies, please provide details below: The 2018 CSR Report has been certified by the BSI, or the British Standards Institution, but not yet been announced as of the date of publication of the annual report.</td></tr>
</table>

(VI) Proper enforcement of business integrity

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 have the corporate management policy and method declared explicitly in the Articles of Incorporation and external documents; also, the commitment of the board of directors and the management to actively implement the operating policies? (2) Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, behavior guidelines, disciplinary actions and complaints system declared explicitly; also have it implemented substantively? (3) Does the company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or other business activities subject to higher risks of fraud?	 V V	V	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. The code of conduct for employees also specifies reward and punishment measures to prevent any dishonest behaviors. 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 have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (4) Has the Company established effective accounting systems and internal control systems to substantiate corporate management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs? (5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V V V V	 V	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. Administrative reporting procedures can be used to explain whether there is a potential conflict of interest with the Company. 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.	Not distinctive
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) Does the Company have the standard investigating procedures and related confidentiality mechanism established for the incidents being reported? (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.	No difference
4. Enhancing Information Disclosure				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	
(1) 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.	

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):

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)

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

<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">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) Does the Company have the corporate management policy and method declared explicitly in the Articles of Incorporation and external documents; also, the commitment of the board of directors and the management to actively implement the operating policies? (2) Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, behavior guidelines, disciplinary actions and complaints system declared explicitly; also have it implemented substantively? (3) Does the company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business activities subject to higher risks of fraud?		V V 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. (2) The code of conduct for employees also specifies reward and punishment measures to prevent any dishonest behaviors. (3) 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.	Adequate.
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 have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (4) Has the Company established effective accounting systems and internal control systems to substantiate corporate management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs? (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.

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
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) Does the Company have the standard investigating procedures and related confidentiality mechanism established for the incidents being reported? (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 implementation disclosed on the website and MOPS?	 V		 The Company has already disclosed its "Code of Ethics" on its official website.	Adequate.

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.

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

(VII) 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?	✓		The Bank 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?	✓		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.	
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 Office of the Board of Directors shall promote the ethical business management and establishes an audit office of the board to handle auditing and review, and the internal audit report shall be regularly submitted to the board.	
(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?	✓		According to the "Regulation Governing the Control of Information on the Financing of Stakeholders" of the Bank, all stakeholders are subject to control with record on file. In addition, the Bank has also established the "Regulation Governing Transactions with Stakeholders beyond Financing" to avoid the conflict of interest. Related internal code has also contained the clause of the avoidance of the conflict of interest for the realization of ethical corporate management. 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?	✓		Issues within the scope of ethical corporate management, such as case study on corruption, consumer protection, and compliance, have been included as an	

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
			essential part of the teaching materials for training. In addition, the Bank also sends its personnel to receive training organized by external institutions.	
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?	✓ ✓ ✓		The Bank has established the "Human Resources Management Regulation" and "Employees Work Regulation", and a hotline for reporting. A designated body will respond to and keep track on the reports. 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. 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
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 has disclosed its Criteria for Material Information Processing, Parliamentary Procedure of the Board, and the Organization Code of the Auditing Committee in its official website and MOPS for governing the Directors, managers, and employees in their obligations of business integrity and ethics under due diligence, and run the business in good faith, the avoidance of interests by the Directors on issues of the Board where they are stakeholders, and the attentiveness of the members of the Auditing Committee in due diligence for business performance under the principle of good faith.	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 conducted its business management in accordance with the Ethical Corporate Management Best Practice Principles for the 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 18, 2019

The following declaration is based on the 2018 self-audit over the Company's internal control policies:

1. 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.
2. 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.
3. 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.
4. The Company adopted the abovementioned criteria to evaluate the effectiveness of its policy design and execution.
5. The company's assessment found significant missing items in the listed subsidiaries:
6. Based on the results of the previous assessment, the Company believes that the internal control system (including the supervision and management of subsidiaries) of the Company on December 31, 2018, including the understanding of the effectiveness and efficiency objectives of the operation, and the reporting are reliable. The design and implementation of the internal control system, such as timely, transparent and in compliance with relevant regulations and relevant laws and regulations, are valid except those mentioned in the preceding paragraph
7. 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.
8. This statement was approved by the board of directors of the Company on March 18, 2019. Among the 9 directors (including one entrusted to attend), no one disagreed and agreed to the contents of this statement.

CHINA MAN-MADE FIBER CORPORATION

Chairman: Kuei-Hsien Wang

President: Ming-Shang 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, 2018)

Enhancement Items	Improvement Measures	Planned Date of Completion
1. The Financial Supervisory Commission found the subsidiary of the Company, Taichung Commercial Bank, at fault in the case of credit authorization to Mr. Chiu, and determined corrections be made in response to improper risk management on credit and practices detrimental to the operations: (1) Credit check and credit issuance did not follow the internal regulations, (2) Deposit procedures did not follow the internal procedures, (3) Identity verification was not properly conducted. [2018.6.12 Letter Jin-Guan-Yin-Piao-Zi No.10702017920]	Taichung Commercial Bank offered the following improvement measures: 1. To reinforce credit authorization procedures, risk control measures and verification, Taichung Commercial Bank has begun centralized credit allocation starting 2018 Q2. 2. Centralized remittance to reduce the risk of remittance operations. 3. Specialized tellers dedicated to particular functions are assigned to reduce the turnover rate of new hires, improve the service quality of business units and occupational competence of personnel. 4. To improve the regulatory compliance of the company personnel, auditing and supervision measures, supplementary tools for management and accountability measures are introduced. 5. Has added reminders, control measures, education and training sessions and grievance filing procedures as improvement to handing customer complaints. 6. Continue to offer education and training sessions for various tasks conducted by new hires and the existing employees. 7. Has informed various business units of the necessary operating rules and precautions when handling credit applications and requested them to apply tighter internal control and rigorously follow rules to prevent future misconduct.	Corrective action was performed and completed
2. In previous regular inspection, the FSC found Taichung Commercial Bank in violation of rules by not informing the audit committee of directors in conflict of interest. The inspection this time again found the same circumstance, which did not meet the requirements of Paragraph 1 and 2 of Article 14-5 of the Securities and Exchange Act. [Summary of opinions for general inspection in 2018 by the Financial Supervisory Commission]	Taichung Commercial Bank offered the following improvement measures: 1. In handling the credit authorization for interested parties of the board, Taichung Commercial Bank will first submit the requests to the audit committee for review. To reinforce control, the proposal will be labeled with "Shall the proposal be submitted to the audit committee in accordance with Article 14-5 of the Securities and Exchange Act". 2. With respect to adding the electronic document system to the verification of meeting proposals, select whether it is a stakeholder's proposal, whether there are directors who shall recuse themselves and if it shall be submitted to the audit committee for discussion. Plan to add procedures to allow proposals from various departments and offices be reviewed by the compliance managers of the respective departments and offices.	Corrective action was performed and completed
3. The FSC found the subsidiary, Taichung Bank Insurance Brokers, unable to fully conduct its supervision. The audit found that the responsible person of the subsidiary did not meet the qualifications of Paragraph 1 of Article 13 of the "Regulations Governing Insurance Brokers", the reporting of socializing expenses did not comply with Article 6 of the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" and Article 8 on establishing an effective internal control system, the issuance of insurance sales commission in violation of Subparagraph 22 of Article 49 of the "Regulations Governing Insurance Brokers". In addition, the procedures involving regulatory compliance and customer complaints were not properly constructed and operated, and the internal auditing required further improvement, and all findings could be detrimental to the Company's operations. [Summary of opinions for general inspection in 2018 by the Financial Supervisory Commission]	Taichung Commercial Bank offered the following improvement measures: 1. The Company has amended the "Guidelines for Supervision of Subsidiaries", which included the competence of directors and supervisors, management strategies, risk management and supervision of major financial operations and regulatory compliance, and meetings are held every month to assess whether there are misconducts with the performance regulatory compliance, risk management and follow-up improvement. 2. On December 14, 2018, the subsidiary, Taichung Bank Insurance Brokers, elected Mr. Lin to be the chairman, who met the qualifications of the regulations. 3. The subsidiary, Taichung Bank Insurance Brokers, has amended the "Compliance Principle for Sales Remuneration" and "Allocation Rules for Sales Remuneration". The remuneration allocation system will calculate the bonuses based on the proportion of the actual sales performance, and this will prevent from the allocation of sales bonuses to those without actual sales performance. 4. In order to reinforce the internal control system, regulatory compliance, internal auditing and customer complaint procedures to facilitate the proper operations of the organization, the subsidiary has amended "Rules of Procedure for Board of Directors Meetings", "Levels of Responsibility", "Budget Review and Implementation Guidelines", "Procurement Measures", "Reporting Measures for Travel Expenses", "Internal Control Handbook", Internal Audit Handbook", "Implementation of Internal Control, Audit System and Business Solicitation System" and others.	Corrective action was performed and completed

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system, principal deficiencies, and the state of any efforts to make improvements: Not applicable.

(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 2017 shareholders' meeting and their implementation:
   (1) Adoption of the 2017 Business Report and Financial Statements.
   (2) Passed the proposal on 2017 appropriation of profit and loss.
   (3) Passed the capitalization of profit to issue new shares, set September 4, 2018 as the ex-dividend date and issue stock dividends on October 3.
2. Major Board of Directors resolutions:

January 15, 2018	Ratification of approval for 2018 purchase of liability insurance for director, supervisors and key managers. Passed 2018 budget plan. Passed the preparation for 2017 year-end bonuses for the Company's insiders. Passed the preparation for 2018 salary and remuneration of the Company's directors and insiders.
March 23, 2018	Passed the 2018 annual operation plan summary, passed the 2018 annual budget amendment, passed the 2017 internal control system statement, passed the 2017 annual business report, individual financial statements and consolidated financial statements, passed the 2017 annual surplus allocation, passed the 2017 remuneration allocation for employees and directors, passed recapitalization of earnings and issuance of new shares, and passed the confirmation on the date for 2018 shareholder meeting and contents of proposals.
May 7, 2018	Passed the renewal of the medium-term guarantee contract with the board of Xinyi Branch, the company revised the internal control system of the company's share operations and signed a contract with Edwin Technology Co., Ltd. for the lease of the business plane.
May 24, 2018	Passed the Company planning to sell lands in Douliu City of Yunlin Count
July 16, 2018	Passed the appointment of the Company's new general manager.
August 13, 2018	Passed the 2018 Q2 consolidated financial statements, Passed the confirmation on 2017 recapitalization of earnings and ex-dividend date and distribution schedule of cash dividends. Passed 2018 salary adjustments for insiders. Passed 2017 profit distribution for directors and the amount of remuneration for employees.
November 12, 2018	Passed the decision on the Company's intention to participate in the cash capital increase of Taichung Commercial Bank. Passed the adjustments to the authorized amount of long- and short-term investments in negotiable securities. Passed the changes of accountant due to internal changes and audit fees. Pass the operational planning for 2019 internal audit. Passed 2019 budget plan.
December 14, 2018	Approved the increase in the Company's financial assets at fair value which are not for short-term sale.
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.

(XII) 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.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the interested person related to the financial report (including chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer): Kuei-Feng Wang resigned as general manager on July 12, 2018, and the board appointed Ming-Shang Chuang to serve as the new general manager of the Company on July 16, 2018.

(XIV) 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	Oscar Shih Wen-Ya Hsu	6,000	0	60	0	140	200	January 1, 2018 to December 31, 2018	1. Maintenance fees for offshore companies 2. Opinions on recapitalization of earnings 3. Report on transfer pricing

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 15% 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	2018		Until February 28, 2019	
		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.	2,420,674	0	0	0
Institutional Director	Pan Asia Investment Co., Ltd.	2,887,089	0	0	0
Director	Kuei-Feng Wang	1,638	0	0	0
Vice Chairman and President	Ming-Shan Chuang	268	0	0	0
Executive Vice President	Yung-Ta Liu	0	0	0	0
Assistant VP	Hung-Yang Wu	0	0	0	0
Chief accountant	Guo-Hua Lin	(21,516)	0	0	0
Chief financial officer	Po-Nien Lin	(37,664)	0	0	0
Major Shareholder	Pan Asia Chemical Corporation	14,409,995	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 28, 2019

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	236,102,230	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.	55,514,396	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.	47,303,844	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.	39,661,820	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	
hou Chin Industrial Co., Ltd., Chung Chien Investment Co., Ltd., Pan Asia Investment Co., Ltd. and Pan Asia Chemical Corporation Chairman: Kuei-Hsien Wang	0	0	0	0	0	0	N/A	N/A	
Shen-Ren Knitting Factory Co., Ltd.	66,451,498	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	
HSBC entrusted with Morgan Stanley International Limited accounts	21,763,949	1.43%	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	19,418,198	1.28%	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	17,131,749	1.13%	0	0	0	0	N/A	N/A	
Standard Chartered sales department serves as a custodian for Credit Suisse Securities	16,966,567	1.11%	0	0	0	0	N/A	N/A	
Standard Chartered sales department serves as a custodian for iShares Core MSCI market ETF	16,508,085	1.08%	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	785,861	22	217,972	7	953,206	29
Pan Asia Chemical Corporation	118,918	44	11,521	5	120,620	49
Deh Hsing Investment Co., Ltd.	135,000	100	0	0	115,000	100
Reliance Securities Investment Trust	922	3	13,555	43	14,477	46
Co., Ltd. Nan	100,000	50	0	0	100,000	50
Chung Petrochemical Corp.	27,742	46	1,832	3	28,766	49
Chou Chin Industrial Co., Ltd.	3,750	100	0	0	2,500	100
EUREKA INVESTMENT COMPANY LIMITED 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
2016/10	10	1,470,000,000	14,700,000,000	1,429,493,458	14,294,934,580	October 17, 2016 Jing-Shou-Shang-Zhi Document #10501238810 approved recapitalization of earnings at NT$678,002,120.	N/A	N/A
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

Stock Type	Authorized shares capital			Remark
	Outstanding shares	Unissued Shares	Total (Note)	
Common stock	1,522,410,532	157,589,468	1,680,000,000	Shares outstanding are all publicly traded.

Self registration system information: None

(II) Composition of Shareholders

February 28, 2019

Composition of Shareholders / Amount	Government Apparatus	Financial Institution	Other Juridical	Individual	Foreign Institution and Foreigner	Total
No. of Person	1	0	215	123,253	172	123,641
Quantity of Shares	36,113	0	530,548,364	735,992,228	255,833,827	1,522,410,532
Shareholding	0.00%	0	34.85%	48.34%	16.81%	100%

(III) Equity Distribution

February 28, 2019

Range of Shares	No. of Shareholders	Quantity of Shares	Shareholding
1 to 999	66,498	14,361,515	0.94%
1,000 to 5,000	34,284	76,873,357	5.06%
5,001 to 10,000	9,153	60,416,069	3.97%
10,001 to 15,000	5,519	64,308,980	4.22%
15,001 to 20,000	1,554	26,614,963	1.75%
20,001 to 30,000	2,532	59,447,000	3.90%
30,001 to 50,000	1,661	62,362,270	4.10%
50,001 to 100,000	1,244	83,102,324	5.46%
100,001 to 200,000	648	85,307,140	5.60%
200,001 to 400,000	291	77,304,323	5.08%
400,001 to 600,000	100	48,527,548	3.19%
600,001 to 800,000	39	26,709,351	1.75%
800,001 to 1,000,000	16	14,645,576	0.96%
1,000,001 and above	102	822,430,116	54.02%
Total	123,641	1,522,410,532	100%

Preferred stock: Not issued.

(IV) List of major shareholders

February 28, 2019

Name of Principle shareholder \ Stock	Quantity of Shares	Shareholding
1. Pan Asia Chemical Corporation	236,102,230	15.51%
2. Sheng Jen Knitted Textiles Co., Ltd.	66,451,498	4.36%
3. Chou Chin Industrial Co., Ltd.	55,514,396	3.65%
4. Pan Asia Investment Co., Ltd.	47,303,844	3.11%
5. Chung Chien Investment Co., Ltd.	39,661,820	2.61%
6. HSBC entrusted with Morgan Stanley International Limited accounts	21,763,949	1.43%
7. JP Morgan Chase Taipei branch as a custodian for Vanguard Emerging Markets Stock Index Fund Investor Shares managed by the Vanguard Group	19,418,198	1.28%
8. JP Morgan Chase N.A., Taipei Branch as a custodian for Vanguard Total International Stock Index Fund	17,131,749	1.13%
9. Standard Chartered sales department serves as a custodian for Credit Suisse Securities.	16,966,567	1.11%
10. Standard Chartered sales department serves as a custodian for iShares Core MSCI market ETF	16,508,085	1.08%

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

Unit: NTD

Item \ Year			2018	2017
Market Price Per Share	The Highest		12.6	10.9
	The Lowest		8.57	7.63
	Average		10.23	8.81
Net Value Per Share	Before Distribution		18.50	18.40
	After dividend distribution (Note 1)		Note 1	17.01
Earnings per share	Weighted average shares (in thousands shares)		1,211,626	1,206,324
	Earnings per share		1.13	0.66
Dividend Per Share (Note 2)	Cash dividends		0.10	0.10
	Stock dividend	Retained Shares Distribution	0.65	0.65
		Capital Reserve Shares Distribution	0	0
	Retained Dividends		0	0
Investment compensation analysis	P/E ratio (Note 3)		9.05	12.59
	Dividend Yield (Note 4)		102.30	88.10
	Cash Dividend Yields (Note 5)		0.01	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. The proposed dividend distribution from the shareholder meeting: The meeting proposed to distribute stock dividends of NT$0.65 per share and cash dividends of NT$0.1 per share, for a total of NT$0.75 per share.
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 a difference with the annual estimate of the recognized expenses, disclose 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. The shareholder meeting resolved that if there is a difference with the actual distributed amount, the difference will be used as the change in accounting estimate of 2019.
   (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 2017, the remuneration for employee is NT$8,185 thousand, and for directors and supervisors, it is NT$2,456 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 2018 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. F212011Gas 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 2019, 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:

Due to the US-China trade conflict in 2018, the demand in China, Taiwan and other countries in Asia in the second half of the year slowed down. 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$22,030 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) Research and development expenses the past two years, totaling NT$113,252 thousand.

(2) R&D results the past two years:

Name of R&D product	Descriptions of R&D	Research and Development	Results
Loader for credit card electronic invoice	Provide the service of inquiry of electronic invoice, SMS to remind winning/no winning in lottery draws, and SMS as reminder for cancellation of loaders to customers.	Self-developed	1. Provides the services of inquiry of electronic invoices and SMS for reminding of winning a price for the customers. 2. May 2017-Configuration Completed.
User friendly Internet banking	Provide more user-friendly Internet banking service in conformity to the Barrier Free 2.0 label.		Completed in June 2017.
network banking Related functions	1. Applying online for credit card bill autopayments: Credit card users can apply bill autopayment service in online banking. 2. Online predesignated transfer account for foreign currency: Allows customers to designate transfer account for foreign currency in online banking. 3. Add "Bank-wide Withdrawal" and "Withdrawal Password" to online counter: Allow customers to use their FXML, OTP and chip card from home to apply for "Bank-wide Withdrawal" and "Withdrawal". They will not have to apply for the services at branches, reducing workload for counters. 4. Batch remittance services for foreign workers: Offer foreign exchange settlement service and send remittance statements through online banking.		1. The service of online application for credit card bill autopayments has been completed in June 2017. 2. The service of online predesignated transfer account for foreign currency has been completed in September 2017. 3. Addition of "Bank-wide Withdrawal" and "Withdrawal Password" to online counter has been completed in April 2018. 4. Batch remittance service for foreign workers has been completed in August 2018.
New version of FXML security control software	Security control plugin for online banking support multiple browsers, such as Chrome, Firefox and Safari.		Completed in July 2017.
Cash withdrawal in Japan, Hong Kong, and Macao and fund deduction function	Use the Bank banking cards for withdrawal and payment for shopping at ATM with the logo of the company or shops that accept the banking cards of the Bank for payment in Japan, Hong Kong, and Macao.		1. Customers could use the smart banking card of the Bank to make withdrawals from ATM or pay for shopping items in Japan, Hong Kong, and Macao. 2. Completed in November 2017.
Financial System Natural Disaster Notification System	Develop the emergency notification system under natural disasters between the corporate headquarters and branches of the Bank through intranet page or APP for data push and voluntary reply so that the administration unit of the corporate headquarters can get hold of the situation and provide related assistance.		1. Push notification sent to managers in various departments. 2. Instantly learn of the replies from branches. 3. Reply with the external APP to enhance personnel safety 4. Completed in November 2017.

Name of R&D product	Descriptions of R&D	Research and Development	Results
the Bank interest and exchange rate service network	Provide more user-friendly Internet banking service in conformity to the Barrier Free 2.0 label.	Self-developed	Completed in December 2017.
IFRS 9	With the assistance of the consultants and through the calculation of different parameters, the Bank gets the default rate and PD value in conformity to IFRS 9, which will be effective in January 2018.		1. Design for the adoption of IFRS 9 in January 2018 in compliance with applicable laws. 2. January 2018-Configuration Completed.
Improve the information management and accounting affairs systems.	The original VB system of the accounting affairs system is optimized to .NET system.		Completed in March 2018.
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.		Completed in April 2018.
Batch message plan for push notification center.	1. Reminder for overdue credit card payment. 2. Notification for credit card application. 3. Notification for credit card verification. 4. Notification for failed automatic deduction from credit card. 5. Notification for failed automatic deduction from credit card. No deduction. 6. Notification for failed ACH deduction from credit card. 7. ACH authorization succeeded or failed. 8. Winning notification on electronic Government Uniform Invoice on credit card. 9. Notification on postpone loans and negotiation.		Completed in May 2018.
DPS printing System upgrade	Improvement of the LOG trail and no grounded data for upgrade of personal information security.		Completed in June 2018.
People with disabilities applying for ATM transfer discount.	Allow customers with disabilities to use FXML certificate from home to apply online for discount on ATM transactions.		Completed in July 2018.
Financial blockchain electronic confirmation (Web)	Manual confirmation at branches are changed to the utilization of financial blockchain.		1. In conjunction with the introduction of financial electronic confirmation, the Information Department has helped to develop systems and reserved the information needed (Confirmation information: Deposits, discounts and loans, factoring, opened letters of credit, acceptance, guarantee, derivatives, gold passbook, information on cancelled accounts the past 12 months and other items). 2. Completed in September 2018.
New generation of ATM	New functions available, such as transfer, inquiry and payment, through message transactions.		Completed in October 2018.
Installation of the overseas branch information system	Installation of the Bank overseas branch information system to provide overseas staff system support for stable operation with full function and upgrade operation efficiency, better service quality for the customers, and enhance the competitiveness of the Bank with an expansion in the scope of business performance.		1. Foreign exchange system. 2. Credit check and issuance system. 3. FATCA system. 4. AML system. 5. Scanning system. 6. SWIFT messaging centralization and integration. 7. Completed in October 2018.
Notification for insufficient inter-bank funds.	In the event of insufficient inter-bank funds, the system will automatically notify personnel for replenishment.		Completed in November 2018.
Risk control management in anti-money laundering and prevention of financing terrorism.	1. Add TM rules for banks, trust, foreign exchange, credit cards and other anti-money laundering and countering terrorism financing measures. 2. Adjust the RA risk according to the requirements of the authority. 3. Adjust the scanning function of the AML system in response to the revision of SWIFT 7.X messaging.		1. Development and testing of TM rules of banks, trusts, foreign exchanges and credit cards. 2. Development and testing of RA VER 4 of AML system. 3. Compile the differences with the current SWIFT 7.X version of the AML system. 4. Adjust the scanning messaging format of SWIFT 7.X. 5. Completed in November 2018.
Centralized loan appropriation platform and joint control of quota.	1. Develop and use the centralized management of credit check and issuance on the existing hosts in NTD. 2. 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. 3. Provide loan appropriation and fund remittance.		1. First stage: (1) Joint control of quota, loan appropriation and fund remittance have been completed in March 2018. (2) The first stage of the centralized loan appropriation platform, namely, application for loan appropriation from branches, appropriation from appropriation center, transaction fees and outward remittance, has been completed in April 2018.

Name of R&D product	Descriptions of R&D	Research and Development	Results
		Self-developed	2. Second stage: Reservation and optimization: The reserved transaction and centralized loan appropriation system has added reserved transaction functions. The reserved transactions include control menu for reserved transactions, quota review for reserved loans, reasonableness review for reserved loan appropriation, revenue from fees on reserved transactions and reserved remittance. 3. Completed in November 2018.
SWFIT MT7XX Changes in message specifications and add messages.	In conjunction with the requirements from the SWIFT, we announced the changes to the message field in the Standard MT Release SR 2018, adding and changing MT7XX messages, to facilitate the sending of letter of credit and messages for revised letter of credit.		1. Add messages MT708, MT74 and MT759. 2. Adjustment to the transaction menu and messages of the foreign exchange system and revising letter of credit in online banking. 3. AML system and SWIFT scanning to work with the tags of messages. 4. Completed in November 2018.
Financial institutions conduct joint reporting and due diligence tasks. (CRS)	Add system items and the related system review for CRS.		Completed in December 2018.
Accounts receivable system in local and foreign currencies update program	Accounts receivable system in local and foreign currencies update program.	Outsourced development	1. Introduce NTD and foreign currency account receivable module: (1) Factoring of domestic accounts receivable. (2) Factoring of export accounts receivable (3) Factoring of OBU accounts receivable 2. Upgrade the service of financial products for customers for more interest income and commission income. 3. Completed in January 2017.
Inter-bank deposits through ATM.	Introduced inter-bank deposit service at ATM to upgrade the ATM function of the Bank and provide convenient service for the customers making deposits.		1. The ATM of the Bank has better functions in inter-bank transaction services. 2. Completed in February 2017.
"Shared component CUF and private cloud PAAS" system development architecture platform	Introduce a complete standardized software development process and establish program development standard and basic module so that the systems can be easily developed and maintained and the maintenance of high efficiency cross-platform application program structure. The introduction of the PASS private cloud service platform helps to upgrade the capacity of cloud management.		Completed in March 2017.
API Management platform	1. Tidy up and manage user-friendly API for the enterprises for design optimized corporate-class application. 2. Provide the development personnel portal with access to market so that potential customers can be attracted to and used the API. Through the controlled mode to support connection to the network and self-service function. 3. Through the use of simplified coding of API, including the mixed combination of different things to transcend the environment and technical supports of many suppliers. 4. Keep abreast of the API commonly used by the consumers through the API management and analysis platform to discover hidden business opportunities.		Completed in March 2017.
HCE mobile payment (Credit card)	the Bank works in cooperation with Taiwan Mobile Pay to allow the holders of Master cards issued by the Bank to use the function of mobile payment by downloading the "Taiwan PAY" APP to smart phones powered by Android systems and the downloading of the Master card of the Bank.		1. After gearing up with mobile payments, the Bank has another means for credit card payment. The Customers can make payments more conveniently and safely. 2. It was constructed in March 2017, and opened for service in June of the same year.
Court seizure Centralized system	Add centralized court seizure, settlements and other functions. In response to the needs of the investigation unit, provide deposit, loan, funds and other transaction statements to simplify branch operations and reduce manpower.		Completed in September 2017.
Outgoing mail Audit system	If the outbound mails contain personal information or photos, all must be reviewed before release and encrypted for sending out.		Completed in November 2017.
ATM Application software certification	The ATM application control system (black and white list) has been installed to ensure the program is approved and protect the program from malicious program intrusion.		1. Complete ATM deployment and activate the monitoring function, and gradually add protection measures. 2. Completed in November 2017.

Name of R&D product	Descriptions of R&D	Research and Development	Results
(whitelist system)			
Hardware and firmware update to communication encryption on ATM banknote module.	Introduction of the ATM cash dispensing application program encryption module to prevent abnormal cash dispensing beyond normal cash withdrawal service.	Outsourced development	1. Introduction of the ATM cash dispensing application program encryption security mechanism to upgrade ATM system security. 2. Completed in December 2017.
The acquirer banking EMV chips and equipment update in credit card operation	Support the international financial organizations in launching the acquirer bank EMV chip service function through the update of the ATM software and hardware to avoid the liability of phony credit cards.		1. In supporting the transfer of responsibility of transactions with counterfeited cards by international organizations, the Bank upgraded the overall EMV acquiring service of the ATM. 2. Completed in December 2017.
Data warehouse (DWH) Netezza upgrade	Data warehousing upgrade.		1. Netezza stored the data from June 2012 to November 2018, and will be transferred to the new machine (Pure Data). 2. Configure the ETL of DHW and database of various applications to the new machine. 3. The old Netezza will serve as part of the data backup for new machine. 4. Plan the data backup of Netezza and adjustment to ETL. 5. Completed in March 2018.
Upgrade of mobile banking function and information push service	1. Introduction of fund purchase orders through mobile banking to provide customers of TCB the ability to implement their investment plan with portable devices without the limitation of time and place. 2. Addition of mobile banking customer information management center. This center should be able to perform the function of information subscription and management. 3. Installation of data push service integration back-end management system for integration of the function of the message delivery platform of TCB currently in service (including e-mail and SMS), so as to reduce the use of manpower in operation and the cost of system maintenance.		Completed in May 2018.
Mobile APP prote4ction and information security test	1. The Bank intensified mobile APP security protection in supporting "Procedures for the Operation of Mobile APP provided by Financial Institutions" so as to protect the rights and interests of the customers. 2. In supporting the "Self-Examination System of Basic Information Security of Mobile APP" of the Ministry of Economic Affairs, the Bank commissioned professional institutions to conduct Mobile APP security tests to protect the rights and interests of the customers.		Completed in June 2018.
System of combined products	1. SI system. 2. DCI system.		1. Provide the function of product solicitation and sales with distance maturity with connection to the interface of the sellers of options of UBS for automatic square up of positions. 2. Completed in June 2018.
New Taiwan Dollar finances Management system	Adjustment of delivery day accounting to transaction day accounting, and adopted IFRS 9 in conformity to legal requirements. These help to reduce the workload of the Treasury Department staff in accounting adjustment.		June 2018-Configuration Completed.
Online ATM System upgrade proposal	1. Optimization of system function and provision of services supporting a wide array of browsers. 2. Barrier free online ATM for more user-friendly customer service.		July 2018-Configuration Completed.
Reinforce ATM Monitoring functions	1. Add verification and exception notification. 2. Reinforce OP monitoring of data center. 3. Reinforce message notification. 4. Reinforce system security (attack and defense drills). 5. Inquiry for compulsory enforcement system. 6. Expand employee number to six digits. 7. Password encryption. 8. Declare automated service equipment. Source code detection (high risk).		Completed in November 2018.
SWIFT upgrade to version 7.2 Improvement to SWIFT information security.	1. Procurement and establishment of SWIFT system software upgrade to version 7.2. 2. SWIFT host hardware adopts the VM operating environment. 3. SWALLOW and AML system file transfers adopt the SFTP measures. 4. Construction of SWALLOW system.	Outsourced development	1. 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. 2. Completed in December 2018.

Name of R&D product	Descriptions of R&D	Research and Development	Results
Specials for high-speed railway cabin grade.	1. Process statement files for special discounts on high-speed railway. 2. Parameter configuration menu for special discounts. 3. Comparison of settlement records. 4. Deduction and credit processing. 5. Process statements and reports and cost compilation.		Completed in December 2018.
SWIFT CSP Compliance review	1. Conduct compliance review in accordance with the SWIFT requirements. 2. Commission to a third-party impartial information security consulting firm. 3. Complete SWIFT KYC evaluation according to the requirement and then upload.		1. Collaborate with the professional consultant to examine the Company's compliance with SWIFT CSP, and reinforce the SWIFT measures and information security of procedures. 2. Completed in December 2018.
Account link Deduction system	Collaborate with JKoPay and provide payment, fund deposit, withdrawal and refund.		Completed in December 2018.
Automated management system of electronic documents	1. Make use of information technology to allow for converting documents into electronic format for real-time and less paper operation, and for higher efficiency in document processing. 2. Upgrade the level of electronic processing of documents and integrate with the "financial market electronic document exchange platform" installed under the supervision of FSC so as to build a system structure for extension and expansion, and emerge as a complete system for production, management, approval, imaging, and electronic exchange.		Completed in December 2018.
Preferred account management image audit trail record, life cycle management	1. Minimize the opportunity of the exposure of password through manual operation to fortify information security. 2. Videotaping system for tracking the operation process of the maintenance staff and keep audit record. 3. Establish the system for the automatic user ID life cycle management. Related user ID will be created, suspended and deleted at the rotation of duty or resignation of personnel. 4. Establish automatic user ID clearing system to save the time for document circulation, preparation of forms and documents. 5. Reinforce security control to comply with the requirements of SWIFT CSP.		1. Has completed the password change of system administrator for ATMs in March 2018, strengthening the protection for ATMs. 2. Introduced special authorization account management system and account inventory system in October 2018 at the request of SWIFT CSP to meet the requirements of FIPS 140-2 Level 2 specifications. 3. Established dedicated OTP system to meet the requirements of SWIFT CSP. 4. It is expected that all servers will be under management in 2019 Q1.

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

Plan in the most recent year	Status	Scheduled to complete in	Key factors to success of future R&D
The printing plant of the Ministry of Finance commissioned the Company to issue payments for the lottery-winning government uniform invoices.	99% completed.	January 2019	Allow the Company's customers to directly receive their winning in their designated accounts upon winning the bi-monthly lottery of government uniform invoice.
Demand deposits in foreign currency and report loss of stamp seal in online banking.	95% completed.	January 2019	Provide customers with added functions, such as reporting loss of passbooks, actual deposit slips and stamp seal, in online banking.
Taichung Commercial Bank Securities Brokerage stock purchase systematic investment plan	95% completed.	January 2019	Help brokers to develop new businesses in the hope of increasing the number of accounts adopting the systematic investment plan and the transaction volume.
Development of online banking-related functions.	90% completed.	February 2019	1. Allow customers to report loss of passbooks, deposit slips and stamp seal directly through online banking. 2. Allow customers to send authorized instructions through online banking, replacing the conventional paperwork of which postal service and more complicated procedures are required. 3. GDPR control system for applying new types of service through online banking.
Risk control management in anti-money laundering and prevention of financing terrorism.	90% completed.	March 2019	Developed 45 functions for TM transactions at the Labuan branch and modified the TM risk in response to the request of the local authority.
Financial blockchain electronic confirmation (API)	85% completed.	March 2019	Changed to automatic API generation in response to the application requirements of financial blockchain.
Verify credit cards from other banks. Apply for online identity authentication of credit cards issued by the Company.	0% completed.	March 2019	Customers may apply for credit cards from the designated banks through completing the identity authentication online. Use cards to apply for cards, reducing the delivery and processing time of application forms.

Plan in the most recent year	Status	Scheduled to complete in	Key factors to success of future R&D
Accounts receivable Forfaiting (Forfaiting)	50% completed	March 2019	To help exporters to avoid risks at the importing countries and the credit risks of issuing banks/confirming banks and obtain financing, as well as promoting inter-bank exchanges, forfaiting services are added based on letter of credit forfaiting (own forfaiting) and D/A forfaiting to help the Company expand the services for export financing.
Foreign currency sub brokering serivces at Taichung Commercial Bank Securities Brokerage.	50% completed	March 2019	Provide inquiry of deposits in foreign currency, release withholding, record entry and debit of deposit in foreign currency in response to the sub-brokering services of Taichung Commercial Bank Securities Brokerage.
Integration of the account opening system with connection to the server.	90% completed.	March 2019	Integration of the account opening system with NBT to enhance operation efficiency and minimize data entry errors.
Credit card payment on electronic payment and tax processing platform (e-healthpay).	70% completed.	March 2019	Allow the credit card holders of the Company to conduct card transactions at hospitals.
Change transaction fees for inter-bank transfers.	10% completed.	April 2019	Change the transaction fees for inter-bank transfers at the request of the authority.
Operations assistance information system	80% completed.	April 2019	Operations assistance information system to remind branches of management of the related operations. The first stage has been completed and operational since October 2018. The second stage is expected to be online in April 2019.
VD affiliate card issuance	Project under planning	June 2019	Handle the issuance of VD affiliate cards in response to the needs of business management unit.
Fund redemption and repurchase	Project under planning	July 2019	Handle redemption and repurchase functions in response to the business needs of wealth management. Allow the repurchase of 1 to 3 different funds at the time of redemption. Repurchase based on a designated percentage of the present value of funds. Once the redemption is recorded in the enry, another order is placed at a designated percentage, achieving the goal of capital re-investment. (NBT, online banking and mobile banking will all be available soon).
API management platform project	5% completed.	December 2019	1. Disengage the system originally connected to DataPower in order to reduce system coupling, and APIM is used simply as router and management. 2. Construct APIM HA architecture. 3. Construct the Company's API portal (inside and outside the Company). 4. Introduce OAUTH. 5. Build an open API in response to open banking. 6. Establish a complete microservice ecosystem and continue integration. 7. Assist in the introduction of container technology.
Electronic statement and online approval system	40% completed.	December 2019	All documents shall be converted from hard copy to soft copy to save paper and also keep track on the process of the case timely, and avoid missing documents.
Account freeze for the purpose of anti-money laundering and countering terrorism financing.	50% completed.	December 2019	Intend to apply "Suspend Transactions", "Reject Transactions" and "Freeze Transactions" on the sanctioned individuals, legal persons or groups in response to the Counter-Terrorism Financing Act.
Financial QR Code transactions	Project under planning	December 2019	Add P2P QR Code transfer transaction function.
Add fields for messages in Chinese during inter-bank transfers.	Project under planning	December 2019	Collaborate with other financial firms to adjust inter-bank transfers, and add remarks fields in Chinese to electronic messages of transactions.
Linking and development of peripheral systems to smart branches	Project under planning	December 2019	1. The pre-filling system has been online since December 2018. 2. The digital counter for multimedia queuing system has been online since January 2019. 3. Integration of all types of smart branch peripheral application system for flexible, multitasking human-machine front/back-end operation interface.
Online correction measures for the processing system of foreign exchange data at the Central Bank.	Project under planning	December 2019	In order to simply the process, the Central Bank improves the efficiency of the overall error data correction by providing online receipt of erroneous statements and online correction procedures for foreign exchange reporting.
Interactive mobile statements – credit card statement function	90% completed.	February 2019	Installation of mobile interactive credit card statement function to provide customers the service of credit card statement inquiry and payment of bills by installments with the use of a smart phone.
Speed-login for mobile banking and mobile device bundling and features optimization.	90% completed.	February 2019	1. Add mobile banking graphical CAPTCHA verification and real-time mobile device bundling to provide the Company's customers with quick and safe access to the mobile banking procedures. 2. Add mobile banking fingerprint verification and real-time mobile device bundling to provide the Company's customers with quick and safe access to the mobile banking procedures. 3. Optimization of mobile banking functions - Add "Common Beneficiary Management" feature.
Revision to the global information website	40% completed.	March 2019	Adopt the RWD rendering technology to provide smartphone users with good reading quality when viewing the Company's official website.
File transmission server management system	70% completed.	May 2019	1. Unify the mode of file transmission of the Bank. 2. Regulations in conformity to the transmission and protection of personal information files. 3. Fortify the retention of record on file transmission.
New ticket withdrawal system	20% completed.	June 2019	Solve the problems that the current system cannot handle. Improve the efficiency of new services and effectively use the system resources.

Plan in the most recent year	Status	Scheduled to complete in	Key factors to success of future R&D
Mobile App security testing	Receiving quotes from vendors	June 2019	1. the Bank intensified mobile APP security protection in supporting "Procedures for the Operation of Mobile APP provided by Financial Institutions" so as to protect the rights and interests of the customers. 2. In supporting the "Self-Examination System of Basic Information Security of Mobile APP" of the Ministry of Economic Affairs, the Bank commissioned professional institutions to conduct Mobile APP security tests to protect the rights and interests of the customers.
Overseas securities ETF system and AS400 host upgrade project	5% completed.	October 2019	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, ETN, overseas preferred stocks and common 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.
Wealth management system	5% completed.	October 2019	1. Adopt International Financial Reporting Standards 16 (IFRS 16) and add lease modules to improve the transparency of financial information. 2. Review the needs of overseas branch operations and the problems with the existing wealth management system to construct a new version of system to reinforce the automation of accounting function.
Inter-data center virtual storage device	5% completed.	December 2019	Introducing cloud storage architecture with software/hardware equipment that allows for the integration of data stored in our private cloud, and dual-activity and dual-center architecture and the phase out of storage equipment after the service period to satisfy the needs of uninterrupted service and operation risk control so as to maximize the benefit of TCB.
Reinforcement of remote backup from alternate site	5% completed.	December 2019	Banqiao Center can provide alternate site remote support in Taiwan, foreign countries, funds, and online banking. Due to the limitation of bandwidth of the network, part of the system cannot be backed up at an alternate site. For the continuity of operation and to avoid the risk of interruption, an alternate site remote backup function will be reinforced.
The update and expansion of cloud environment	20% completed.	December 2019	1. Addition of the mainframe server that supports the virtualization functions for replacement or upgrade the obsolete servers. 2. Expand related software and hardware in supporting different business systems.
Monitoring and management solutions for virtual environment	50% completed.	December 2019	1. Expand the cloud storage of the information infrastructure in response to the future business growth and needs of new forms of business. This stage has been completed in November 2018. 2. Reinforce the third-party remote backup measures in Banqiao. Ensure the security and integrity of data in the server room to achieve the goal of sustainable operations. It is expected to be completed in December 2019.
Financial information system on derivatives	75% completed.	December 2019	Provide a diversity of products for transactions and risk control mechanism. The TOM management system in Phase I and Phase II, and the exchange rate options system conversion (including the evaluation management system) was successfully launched and connected in 2017. The system for foreign exchange trading between customers for the third stage has been completed and operational since 2018. The NDF/IRS/CCS system in the fourth stage is expected to be completed and online in December 2019.
Upgrade of the foreign exchange system	20% completed.	December 2019	The plan is being launched at different stages and is expected to be complete with the following functions incrementally by December 2019: DB filing, centralized booting, optimization of foreign exchange system and optimization of client will be able to simplify processes of foreign exchange system and improve the real-time backup capability.
Key management system	Receiving quotes from vendors	December 2019	1. The improvement to security control benchmark and system connection require key service. Currently, the use of key adopts the lib method, resulting in connecting systems requiring different lib program library for connection due to the programming language (such as Java, .net). Adopt the web service for key management can better facilitate the system connection. 2. Keys have problems with life cycle. How do old and new keys exist at the same time when replacing keys? KMS is required to manage the validity of keys.
Node-to-node encrypted transmission	Receiving quotes from vendors	December 2019	In conjunction with the draft of the Standards for the Security Management Operation of Electronic Banking Business of Financial Institutions, password for online banking sent from user to serve shall not be transmitted in plain code; therefore, node-to-node encryption must be established.
Introduction of big data in machine learning	Project under planning	December 2019	1. Introduction of the mode of big data utilization through the machine learning platform. 2. The evaluation and use of customer service in writing and dialogue robots.
Continue the introduction and use of the Visual Studio Cordova app and mobile office planning.	Project under planning	December 2019	1. Automated service for the efficient processing of routine duties. 2. APP branch and individual performance inquiry with exhibition by related charts and graphs. 3. Airwatch AD verification. 4. The use of APP QR CODE 5. The introduction and use of AirWatch SDK. 6. Integration of photographs for appraisal for upload and use.
Information assets management system	Project under planning	December 2019	1. Reinforce the support for assets management system 2. Effectively learn of the change in life cycles of information assets and equipment. 3. Information assets managed by dedicated personnel to improve the operational efficiency. 4. Integration of contract management processes. Guarantee the warranty and maintenance period. 5. Maintain legal use of sofware to ensure security of information equipment and system.
Introduction of the smart terminal system.	Project under planning	December 2019	The new generation of terminal transaction system to solve the problem of obsolete components, difficulty in embedding and integration of other systems.

Plan in the most recent year	Status	Scheduled to complete in	Key factors to success of future R&D
Reinforcement of the IT security system	Project under planning	December 2019	In response to the demand for the fortification of information security of TCB from the Bankers' Association in writing, and for the reinforcement of protection against different kinds of known malicious programs and threat to information security, TCB conducted analysis on the traits and behaviors of different information security equipment so as to respond to the threats to information security on due time and strengthen the capacity to prevent hacker intrusion of the system.
Credit Card System Apple Pay project	10% completed.	February 2010	Provide the credit card customers of the Company with more diversified, convenient and safe payment services.
NTD accounting host Assessment of system improvement plan	Project under planning	December 2020	Assess various solutions of core system conversion to facilitate the future upgrade of core host.

(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. 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 2018, 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 81 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 order to improve the overall profitability, players in the banking industry actively expand their overseas business which can offer higher margin. At the same time, they rush to grab market share in the domestic loans to SMEs, house mortgage and wealth management to alleviate pressure on capital and expand business volume. In addition, the rapid evolution of digital finance, the loosening regulations and the assistance from new policies help the domestic banking operators to continue improving experience and uses of various types of financial technologies. They are able to blend financial services into people's daily lives, improving stickiness and grasping new opportunities in digital finance.
      B. Market demand:
         International institutions expect that the global trade volume, growth momentum in economy and demand growth for semiconductors in 2019 will slow down, which may lead to a decline in output. The tensions in global trades, monetary policies in major economies, economic and financial fragility in emerging markets and economic and political uncertainties in Europe also present downward risks to the global economy. Looking forward to Taiwan's economy in 2019, the consumption in the private sector will remain stable, the government continues to promote the Forward-Looking Infrastructure initiative and the investment in the private section also continues to grow. However, the cooldown in the global economy and the growing uncertainties in the global financial market may eventually slow down the domestic economic growth.
   (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. Maintain the advantage of low cost of capital, as it will contribute to the profitability and competitiveness of the Bank.
      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. The application of financial technology creates an innovative business model that changes consumer behavior and reduces customer loyalty.
      C. Countermeasures
         In view of the rapidly changing markets and fierce competition, we will continue to implement financial governance and regulatory compliance and improve capital efficiency. At the same time, we will modify our business structure, improve depository spreads and enhance the competitiveness in the digital financial market to drive our growth. We will refine our wealth management services to improve their contribution to profitability.

(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.

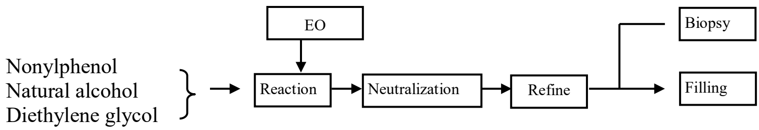
* Consolidated companies

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

	2018				2017			
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	A	4,741,711	26%	Investee valued under equity method	Nan-Chung Petrochemical Corp.	3,976,276	26%	Investee valued under equity method
2	Nan-Chung Petrochemical Corp.	4,246,032	23%	N/A	A	2,681,334	18%	N/A
3	C	3,630,250	20%	N/A	B	2,158,705	14%	N/A
4	B	1,317,320	7%	N/A	C	1,429,253	9%	N/A
5	Others	4,496,252	24%		Others	4,874,603	33%	
	Purchase - net	18,431,565	100%		Purchase - net	15,120,171	100%	

Note: 1. Company A is the Company's petrochemical material supplier. In 2018, the petrochemical plant increased its output, so the purchase of raw materials also increased.

2. 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				2017			
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	1,727,282	9%	N/A	A	1,774,617	10%	N/A
2	Others	18,337,581	91%		Others	15,130,253	90%	
	Sales - net	20,064,863	100%		Sales - net	16,904,870	100%	

Note: 1. There have been no major changes in the last two years.

2. 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.

* Consolidated companies

1. Pan Asia Chemical Corporation

Main suppliers the most recent two years

Unit: NTD thousand

	2017				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	China Man-Made Fiber Corporation	616,413	51	The parent company	China Man-Made Fiber Corporation	927,287	61	The parent company
2	Others	598,892	49		Others	596,955	39	
	Purchase - net	1,215,305	100		Purchase - net	1,524,242	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

Item	2017				2018			
	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	172,992	11	N/A	B	321,670	17	N/A
2	Others	1,340,136	89		Others	1,534,841	83	
	Sales - net	1,513,128	100		Sales - net	1,856,511	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	2018			2017		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Ethylene glycol	264,000	211,801	5,552,609	264,000	137,150	3,335,699
Ethylene oxide	50,000	19,862	704,261	50,000	15,770	516,877
Nonylphenol	22,500	17,637	801,682	22,500	21,308	771,929
Partially oriented yarn (POY)	80,000	67,379	2,630,843	80,000	65,677	2,275,650
Spin draw yarn (SDY)	50,000	26,025	1,217,690	50,000	28,298	1,186,032
Polyester chips	99,000	5,592	191,192	99,000	7,673	226,046
Draw texturized yarn (DTY)	32,400	26,709	1,365,008	32,400	26,367	1,228,229
Total	597,900	375,005	12,463,285	597,900	302,243	9,540,462

* Consolidated companies

1. Pan Asia Oil & Chemical Corporation Volume - Metric tons

Unit: NTD thousand

Year / Main Products	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Nonionic surfactants	35,000	24,715	1,150,564	35,000	31,425	1,480,725
Others	6,300	4,476	224,476	6,300	5,513	285,975
Total	41,300	29,191	1,375,040	41,300	36,938	1,766,700

3. 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	2018				2017			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ethylene glycol	157,582	4,217,478	284,848	7,066,115	169,657	4,299,119	231,990	5,266,231
Ethylene oxide	19,858	759,791	0	0	15,759	567,735	0	0
Nonylphenol	4,319	198,635	13,159	660,274	1,983	78,637	17,880	743,277
Partially oriented yarn (POY)	39,608	1,560,497	389	17,541	38,708	1,335,652	372	15,715
Spin draw yarn (SDY)	22,036	1,030,044	3,096	155,422	23,744	981,241	3,451	142,800
Polyester chips	1,963	57,619	330	10,566	6,672	182,487	1,050	29,493
Draw texturized yarn (DTY)	25,590	1,290,962	643	34,155	25,630	1,111,805	986	40,872
Others	192,407	2,842,210	5,061	163,554	188,556	2,108,703	89	1,103
Total	463,363	11,957,236	307,526	8,107,627	470,709	10,665,379	255,818	6,239,491

* Consolidated companies

1. Pan Asia Chemical Corporation Volume - Metric tons

Unit: NTD thousand

Year / Sales Volume/Value / Main Products	2017				2018			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Surfactants	13,513	670,826	11,886	587,472	13,876	699,211	16,513	854,107
Others	3,553	168,468	1,809	86,362	3,074	155,255	2,960	147,938
Total	17,066	839,294	13,695	673,834	16,950	854,466	19,473	1,002,045

2 Taichung Commercial Bank: Not applicable.

III. Employees

* The Company

(I) Employees' information

Year		2017	2018	Until February 28, 2019
Employee No.	Staff	193	203	204
	Workers	434	429	439
	Total	627	632	643
Average age		42.34	42.51	41.98
Average seniority		12.53	12.71	12.6
Academic qualification	Doctoral Degree	0%	0%	0%
	Master	1.59%	1.90%	1.87%
	College	61.94%	61.87%	61.28%
	Senior High School	36.31%	35.92%	36.55%
	Below Senior High School	0.16%	0.31%	0.31%

(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		2017	2018	Until February 28, 2019
Employee No.	Staff	52	52	52
	Workers	53	66	62
	Total	105	118	114
Average age		43.052	41.783	42.210
Average seniority		14.433	13.010	13.419
Academic qualification	Doctoral Degree	0.00%	0.00%	0.00%
	Master	10.48%	8.65%	8.91%
	College	68.57%	72.12%	73.27%
	Senior High School	20.95%	19.23%	17.82%
	Below Senior High School	0.00%	0.00%	0.00%

(II) Taichung Commercial Bank:

Year		2017	2018	The reporting year and until February 28, 2019
Employee No.	More than 50 years old	356	428	451
	More than 40 years old	796	759	754
	More than 30 years old	511	553	536
	More than 20 years old	553	627	662
	Less than 20 years old	4	8	7
	Total	2,220	2,375	2,410
Average age		39.0	38.9	38.8
Average seniority		11	10.7	10.6
Education Background	Master	12.300%	12.084%	11.87%
	Bachelor	63.650%	64.842%	63.36%
	College	18.740%	17.600%	17.18%
	Senior High School	5.270%	5.432%	7.55%
	Junior High School	0.040%	0.042%	0.04%
Professional designation and licensing, and number of such employees	Securities sales traders	340	351	344
	Investment Insurance Products	1,094	1,113	1,100
	Securities investment trust/investment advice sales traders	162	164	162
	Initial credit extension personnel’s professional ability	864	871	863
	Advanced credit extension personnel’s professional ability	44	46	46
	Futures sales traders	107	114	108
	Life Insurance Agent	1,903	1,948	1,941
	Bond sales qualified in professional ability test	21	23	22
	Initial foreign exchange personnel’s professional ability	657	810	854
	Wealth management and planning personnel	460	465	461
	Trust Operations Personnel	1,667	1,757	1,754
	Bank’s internal control basic test	851	848	840
	Senior Securities sales traders	181	184	180

	Property Insurance Agent	1,659	1,731	1,748
	Notes and bills traders	37	39	40
	Marketable securities, financing and financial instruments sales traders	7	7	6
	Internal auditor	3	3	3
	Stock affairs personnel qualified in professional ability test	21	22	19
	Foreign exchange professional ability	13	14	14
	Financial personnel's professional ability in appraising collaterals for credit extension	10	11	11

IV. Environmental Protection Expenditure.

* The Company

(I) The losses and punitive fine amount suffered due to environmental pollution in the most recent year and up to the printing date of the annual report:

Item	2018	Until February 28, 2019
Status of pollution	1. July 16, 2018 M01 Equipment component leak concentration greater than 2000ppm 2. November 20, 2018 M09 Equipment component leak concentration greater than 2000ppm	N/A
Claimant or the organization handling the penalty	Department of Environmental Protection of Kaohsiung	N/A
Claimant or the status	Amount of fine: NT$100,000 each, for a total of NT$200,000.	N/A

(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.

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

*Consolidated companies

(I) 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 28, 2019:
   (1) Changes to the content of toxic and chemical substances shipping slip was not completed prior to the transportation, therefore violating the Toxic and Concerned Chemical Substances Control Act.
      A. Improvement measures: In the future, a second person will review the information and re-confirm before the shipment of every batch in order to prevent violations caused by negligence in paperwork.
      B. Penalty: NT$100,000.
   (2) In the M01 process, the concentration of refining tank and manhole equipment component exceeded the standard, therefore violating the Air Pollution Control Act.
      A. Improvement measures: Full inspection of all similar equipment in the process and conduct reinforcement on the sealing.
      B. Penalty: NT$100,000.
2. Future countermeasures:
   (1) In response to the revision of environmental protection laws, the Company reinforces the education and training of employees to improve their professional competence and task management skills.
   (2) Continue to reinforce self-inspection Conduct repair immediately if equipment leak is found, and at the same time inspect other similar facilities to achieve preventive improvement.
3. ROHS information: No impact on the Company.

(II) Taichung Commercial Bank: Not applicable.

V. Employer and employee relationships

* The Company

(I) 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 2018:

Gender	Male	Female
Average number of employees	584	79
Training category	Training hours (hr)	
Training of specialized occupational competence (preliminary training and re-training for occupational and environmental safety and firefighting certification)	2182	40
Toxic and chemical hazards training (external drills and training)	46	0
Firefighting education and training (annual dumpster firefighting training)	504	48
General knowledge training (education and training sessions for new hires)	296	8
Occupational safety and health regulation training	636	78
Continuing education courses for internal auditing personnel	93	12
Total hours of training (hr)	4314	265
Average number of hours (hr/number of people)	7.39	3.35

2018 training hours for accounting personnel

	Total	Male	Female
No. of Person	9	1	8
Class Hours	99	6	93

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 28, 2019: 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	11	88	0
Professional competence training	53	364	48,560
Managerial skills training	57	414	65,640
General knowledge training	281	805	8,200
Total	402	1,671	122,400

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) Circumstance of which the Company regulates employees' behaviors or code of ethics: None.

2. Any labor disputes or loss sustained as a result of labor disputes in the most recent fiscal year and up to February 28, 2019: 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 2018, a total of 14,444 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: None.

VI. Major contracts

* The Company

	Nature of agreement	Contract start and end dates	Term of Agreement	Limitation Article
Distributor contract	Dong-Fang Trading Co., Ltd.	1. 2019.1.1~ 2019.12.31 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	1. 2019.1.1~ 2019.12.31 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 Enterprise	1. 2019.1.1~ 2019.12.31 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	1. 2019.1.1~ 2019.12.31 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	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	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

* 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. 2019.1.1~ 2019.12.31 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	1. 2019.1.1~ 2019.12.31 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 Enterprise	1. 2019.1.1~ 2019.12.31 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	1. 2019.1.1~ 2019.12.31 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	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	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	Commission the construction of the new buildings of the headquarters Planning, design, supervision and technical services	N/A
System purchase contract	ICE-Superderivativies	2017.03.31~2020.03.30	Evaluation system for derivatives	N/A
Consultation contract	Ares International Corporation	2018.02.01~2019.01.31	SWIFT consultation service	N/A
Lease contract	AT&T Taiwan	2016.05.01~2019.04.30	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 agreement	NEC Taiwan Ltd.	2015.09.01~2018.12.31	Remote backup support for foreign exchange server	N/A
Maintenance agreement	NEC Taiwan Ltd.	2017.01.01~2019.12.31	Foreign exchange mainframe system update maintenance	N/A
Maintenance contract	NEC Taiwan Ltd.	2018.03.21~110.03.20	Internal cloud storage and equipment	N/A
Maintenance contract	NEC Taiwan Ltd.	2018.09.15~110.09.14	Maintenance for NX7700i host system	N/A
Service agreement	Goyun Security Co., Ltd.	2017.07.01~2019.06.30	Security guards at corporate headquarters	N/A
Service agreement	Goyun Security Co., Ltd.	2017.09.01~2019.08.31	Security guards at the banking locations	N/A
Service agreement	Leebao Security Co., Ltd.	2014.06.01~2019.05.31	Outsourced fund delivery	N/A
Service agreement	Leebao Security Co., Ltd. Anfeng Enterprise Co., Ltd.	2016.03.04~2019.03.03	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)

(I) Brief Balance Sheet

Unit: NTD thousand

Item \ Year		Financial information for the last five year				
		2014	2015	2016	2017	2018
Current assets		508,001,164	541,677,201	571,675,943	542,862,601	561,120,444
Property, plant and equipment (Note 1)		18,808,757	22,800,320	22,666,278	22,382,631	22,428,871
Intangible assets		290,731	280,844	207,861	190,332	192,246
Other assets (Note 1)		31,463,858	38,147,630	60,552,734	126,293,656	137,165,381
Total assets		558,564,510	602,905,995	655,102,816	691,729,220	720,906,942
Current liabilities	Before Distribution	488,402,305	531,473,038	582,502,077	611,282,167	635,141,266
	After Distribution (Note 2)	488,402,305	531,608,638	582,502,077	611,425,116	Note 2
Non-current liabilities		23,019,398	22,130,120	21,680,026	27,047,662	27,484,888
Total liabilities	Before Distribution	511,421,703	552,603,158	604,182,103	638,329,829	662,626,154
	After Distribution (Note 2)	511,421,703	552,738,758	604,182,103	638,472,778	Note 2
Attributable to the parent company Shareholders' equity		20,041,040	20,524,316	20,015,021	20,928,980	22,413,508
Capital stock		13,716,932	13,616,932	14,294,934	14,294,934	15,224,105
Capital surplus		1,457,759	1.558,345	1.681,992	1.677,818	1,694,875
Retained earnings	Before Distribution	6,286,085	6,712,932	5,621,967	6,394,939	6,906,131
	After Distribution (Note 2)	6,286,085	6,577,332	5,621,967	6,251,990	Note 2
Other equity		(254,603)	(301,276)	(310,286)	(210,802)	(183,694)
Treasury stock		(1,165,133)	(1,062,617)	(1,273,586)	(1,227,909)	(1,227,909)
Non-controlling interest		27,101,767	29,778,521	30,905,692	32,470,411	35,867,280
Total equity	Before Distribution	47,142,807	50,302,837	50,920,713	53,399,391	58,280,788
	After Distribution (Note 2)	47,142,807	50,167,237	50,920,713	53,256,442	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				
	2014	2015	2016	2017	2018
Income	36,951,240	34,001,646	33,221,334	37,038,326	41,549,187
Expenses	32,312,989	29,992,168	30,205,523	32,831,382	36,404,425
Business units in continuing operation Net profit before taxation	4,638,251	4,009,478	3,015,811	4,206,944	5,144,762
Income tax expenses	(534,815)	(814,393)	(564,057)	(743,253)	(735,127)
Net income or loss for current period	4,103,436	3,195,085	2,451,754	3,463,691	4,409,635
Current period other comprehensive income (post-tax profit or loss)	154,278	(214,200)	(524,372)	204,282	4,211
Current period other comprehensive income (Gross)	4,257,714	2,980,885	1,927,382	3,667,973	4,413,846
Net profit attributable to parent company	1,091,444	540,583	(204,094)	793,987	1,372,035
Net profit attributable to non-controlling interest	3,011,992	2,654,502	2,655,848	2,669,704	3,037,600
Total comprehensive income attributable to owners of the parent company	1,208,203	380,174	(286,373)	872,456	1,365,286
Comprehensive income, gross, attributable to non-controlling interest	3,049,511	2,600,711	2,213,755	2,795,517	3,048,560
Earnings per share	0.96	0.45	(0.18)	0.66	1.13

1.1.Condensed balance sheets and statements of comprehensive income(individual information)

(1) Brief Balance Sheet

Unit: NTD thousand

Item \ Year		Financial information for the last five year				
		2014	2015	2016	2017	2018
Current assets		7,371,982	6,903,294	8,113,462	8,488,418	9,994,209
Property, plant and equipment (Note 1)		11,850,389	11,804,592	11,490,124	11,357,316	11,286,138
Intangible assets		115,672	62,319	8,967	45	9
Other assets (Note 1)		14,923,141	15,835,441	15,477,341	16,331,738	17,604,254
Total assets		34,261,184	34,605,646	35,089,894	36,177,517	38,884,610
Current liabilities	Before Distribution	7,440,759	6,648,210	7,231,337	7,737,033	10,597,605
	After dividend distribution (Note 2)	7,440,759	6,783,810	7,231,337	7,879,982	Note 2
Non-current liabilities		6,779,385	7,433,120	7,843,536	7,511,504	5,873,497
Total liabilities	Before Distribution	14,220,144	14,081,330	15,074,873	15,248,537	16,471,102
	After dividend distribution (Note 2)	14,220,144	14,216,930	15,074,873	15,391,486	Note 2
Equity of the parent company		20,041,040	20,524,316	20,015,021	20,928,980	22,413,508
Capital stock		13,716,932	13,616,932	14,294,934	14,294,934	15,224,105
Capital surplus		1,457,759	1,558,345	1,681,992	1,677,818	1,694,875
Retained earnings	Before Distribution	6,286,085	6,712,932	5,621,967	6,394,939	6,906,131
	After dividend distribution (Note 2)	6,286,085	6,577,332	5,621,967	6,251,990	Note 2
Other equity		(254,603)	(301,276)	(310,286)	(210,802)	(183,694)
Treasury stock		(1,615,133)	(1,062,617)	(1,273,586)	(1,227,909)	(1,227,909)
Total equity	Before Distribution	20,041,040	20,524,316	20,015,021	20,928,980	22,413,508
	After dividend distribution (Note 2)	20,041,040	20,388,716	20,015,021	20,786,031	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)

Item \ Year	Financial information for the last five year				
	2014	2015	2016	2017	2018
Operating revenue	17,100,347	15,426,893	13,511,058	16,904,870	20,064,863
Gross profit	(95,642)	633,234	(692,164)	695,946	810,696
Operating gains and losses	(728,979)	34,520	(1,242,131)	48,866	56,391
Non-operating revenues and expenses	1,861,901	651,884	968,377	759,023	1,293,085
Net profit before taxation	1,132,922	686,404	(273,754)	807,889	1,349,476
Current year profit of continuing business units	1,091,444	540,583	(204,094)	793,987	1,372,035
gain(loss) from discontinued operations	0	0	0	0	0
Net income or loss for current period	1,091,444	540,583	(204,094)	793,987	1,372,035
Current period other comprehensive income (post-tax profit or loss)	116,759	(160,409)	(82,279)	78,469	(6,749)
Current period other comprehensive income (Gross)	1,208,203	380,174	(286,373)	872,456	1,365,286
Earnings per share	0.96	0.45	(0.18)	0.66	1.13

(III) Names and opinions of auditors:

Year	CPA	Audit opinions
2014	Oscar Shih, Jin-Yen Wang	Modified unqualified 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)

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				
		2014	2015	Year 2016	2017	2018
Financial structure	Debt to assets ratio (%)	91.56	91.66	92.23	92.28	91.92
	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)	0.57	0.46	0.38	0.46	0.54
	Total assets turnover (times)	0.04	0.03	0.03	0.03	0.03
Profitability	Return on assets (%)	1.40	1.17	0.91	1.02	1.17
	Return on equity (%)	9.24	6.56	4.84	6.64	7.9
	Pre-tax income to paid-in capital (%)	33.81	29.44	21.10	29.43	33.79
	Net profit rate (%)	20.05	16.87	14.07	16.75	18.21
	Earnings per share (NTD)	0.96	0.45	(0.18)	0.66	1.13
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%):
Earnings per share have increased over the previous period: Mainly due to the gains and losses from foreign currency exchange.
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
   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
   Cash flow ratio = net cash flow from operating activities / current liabilities.
   (3) 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				
		2014	2015	2016	2017	2018
Financial structure	Debt to assets ratio (%)	41.51	40.69	42.96	42.15	42.36
	Ratio of long-term capital to property, plant and equipment (%)	226.33	236.84	242.46	250.42	250.63
Solvency	Current ratio (%)	99.08	103.84	112.20	109.71	94.31
	Liquid ratio (%)	77.6	80.28	81.95	75.90	65.04
	Interest coverage ratio	7.00	4.85	(0.57)	5.83	9.09
Operating ability	Account receivable turnover (times)	8.11	7.41	7.15	8.38	8.20
	Days sales in account receivable	45.01	49.26	51.05	43.56	44.51
	Inventory turnover (times)	12.91	12.73	12.22	11.38	9.68
	Account payable turnover (times)	10.76	9.56	9.20	9.47	10.43
	Average days in sales	28.28	28.66	29.88	32.07	37.72
	Property, plant, and equipment turnover (times)	1.46	1.3	1.16	1.48	1.77
	Total assets turnover (times)	0.52	0.45	0.39	0.47	0.53
Profitability	Return on assets (%)	3.77	1.99	(0.17)	2.62	4.01
	Return on equity (%)	5.6	2.67	(1.01)	3.88	6.33
	Pre-tax profits to paid-up capital ratio (%)	8.26	5.04	(1.92)	5.65	8.86
	Net profit rate (%)	6.38	3.5	(1.51)	4.7	6.84
	Earnings per share (NTD)	0.96	0.45	(0.18)	0.66	1.13
Cash flow ratio	Cash flow ratio (%)	11.0	21.8	(9.4)	2.54	1.55
	Cash flow adequacy ratio (%)	45.06	45.58	45.83	54.23	40.81
	Cash flow reinvestment ratio (%)	3.81	6.48	(2.8)	0.64	0.08
Leverage	Operating leverage	(0.61)	32.53	0.1	24.04	20.12
	Financial leverage	0.79	(0.24)	0.88	(0.41)	(0.51)

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

1. Interest coverage ratio, return on assets, return on equity, operating income to paid-in capital, net margin and earning per share have increased over the previous period, mainly due to the gains and losses in foreign exchange (loss of NT$215 million in the previous period and gain of NT$144 million this period) and a gain of NT$150 million recognized by using equity method, which expresses gains in operating income and net profit.
2. The current cash flow ratio decreased from the previous period: Mainly due to the increase in current liabilities over the previous period.
3. The current cash reinvestment ratio decreased from the previous period: Mainly due to the decrease in cash inflow from operating activities and the increase in cash dividends in the current period compared with the previous period.
4. The current cash flow adequacy ratio decreased from the previous period: Mainly due to the increase in inventories and the distribution of cash dividends.
5. The financial leverage decreased from the previous period: Due to the operating profit of the two periods smaller than the interest expense, and the operating profit of the current period is higher than that of the previous period and the interest expense is less than the previous period.

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
   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
   Cash flow ratio = net cash flow from operating activities / current liabilities.
   (3) 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 2018 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, Oscar Shih and Wen-Ya Hsu, of Deloitte Taiwan. The reports are to be presented in accordance with Article 14-4 of the Securities and Exchange Act.

To:

The 2019 Annual General Shareholders' Meeting

Audit Committee

Convener: Chin-Tsai Li (chop)

March 18, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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.

Points of attention

As stated in Note 3 of the consolidated financial statements, China Man-Made Fiber has since 2018 adopted the amended "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms" and the International Financial Reporting Standards, International Accounting Standards and IFRIC Interpretations as endorsed by the FSC in 2018 and chosen not to re-edit the consolidated financial statements during the comparison periods. We did not revise the conclusions of our audit.

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 2018. 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, 2018 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$1,186,121 thousand, revenue of the Chemical Department to specific customers is NT$905,081 thousand, accounting for 5% of the total revenue. The gross profit of the specific products and customers shows significant growth over the previous year. 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 (19) 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 of the Company and its subsidiaries.
2. Sampling inspection of the abovementioned sales revenue of specified departments and customers in accordance with IFRS 15, 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 audit matters

As stated in Note 15 of the financial statements, the amounts of net value of discounting and advances of the Company in 2018 and its subsidiaries and the expected credit loss recognized in 2018 are NT$452,594,552 thousand and NT$487,333 thousand, respectively, accounting for 62.78% of the total assets and 1.17% of the total revenue, respectively, which is significant to the consolidated financial statements. In addition, as stated in Note 5 (2) of the financial statements, the consideration taken by the Company and its subsidiaries in determining the expected credit loss involves the key estimates and judgments of its management, including the default probability and loss rate. 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 (2) 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.

<u>Discount and loan interest income</u>

Notes to key audit matters

As stated in Note 36 (1) of the financial report, income from discounting and advances in 2018 for the Company and its subsidiaries is NT$10,785,290 thousand, accounting for 25.96% of the total revenue, which is the main source of income. China Man-Made Fiber Co., Ltd. processed loan applications through an approval procedure along the line of corporate hierarchy. Applications, upon approval, will be registered into the loan system with information on the conditions of lending and related matters entered into the system manually. Loans will be released upon the final approval of the supervisors and interest income will be calculated automatically by the systems relevant to the conditions of lending on individual cases at the end of each month. China Man-Made Fiber Co., Ltd. and its subsidiaries highly rely on the computer system for the automatic calculation of interest income from discounts and loans to customers, which made the data input on the conditions of related lending cases and the computing logics for the accurate calculation of interest income from discounts and loans to customers essential. We therefore considered the interest income from discounts and loans to customers as a key audit matter.

The disclosures of the accounting policies, accounting estimates, and uncertainty of assumption related to the estimation of interest income from discount and loans to customers are specified in Note 4 (19) and Note 36 (1).

The responsive auditing process as follows:

1. Understand and examine the internal control of interest income from discount and loans to customer, including the understanding and testing of the internal control of the general computer system and the application system.
2. We checked the monthly interest income in the system, on a selective basis, with reference to the approved agreement on loans to determine the conditions of lending are congruent with the information used in the system for calculation of interest income. We also compared the interest income and the computing results from the system through a new round of calculation to examine no significant difference of the computing system of China Man-Made Fiber Co., Ltd. and its subsidiaries.

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, 2018 and 2017 are NT$1,228,959 thousand and NT$ 1,216,290 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 2018 and 2017 are NT$88,436 thousand and NT$82,450 thousand, respectively. The information on investees in Note 51 of the consolidated financial statements is disclosed based on the reports from other accounting auditors.

We have audited and expressed an unqualified opinion and paragraphs stressing other key issues on the standalone financial statements of China Man-Made Fiber for the years ended December 31, 2018 and 2017.

Responsibilities of Management and Those in Charge with Governance of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 2018 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.

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

March 22, 2019

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, 2018 and 2017

Unit: NTD thousand

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 3, 4, 6 and 40)	$ 18,846,662	3	$ 18,417,172	3
1110	Due from Central Bank and lend to Banks (Note 3, 7 and 41)	31,768,897	4	30,121,642	4
1120	Financial assets through profit and/or loss with measuring for the faire values-current (Note 3, 4, 8 and 40)	27,408,915	4	32,165,534	5
1180	Bonds and securities sold under repurchase agreements (Note 3, 4 and 9)	9,294,168	1	11,283,082	2
1201	Notes receivable (Note 3, 4, 10, 40 and 41)	3,808,900	1	3,874,144	1
1202	Accounts receivable (Note 3, 4, 10 and 40)	8,714,558	1	8,784,120	1
1203	Other receivable (Note 3, 4, 10 and 40)	3,570,369	1	3,717,883	-
1260	Current income tax asset (Notes 4 and 37)	5,293	-	11,468	-
1270	Inventory (Note 4 and 11)	2,689,034	-	2,056,542	-
1280	Prepaid (Note 12)	1,031,737	-	1,140,101	-
1290	Non-current Assets Held for Sale - net (Note 4, 13 and 41)	769,610	-	-	-
1320	Other current assets (Note 3, 14 and 41)	617,749	-	432,953	-
1330	Notes discounted and loans – net (Note 3, 4, 15 and 40)	452,594,552	63	430,857,960	62
11XX	Total current assets	561,120,444	78	542,862,601	78
	Non-Current assets				
1415	Financial assets at fair value through other comprehensive income- non-current (Note 3, 4, 16 and 41)	31,014,090	5	-	-
1420	Financial assets available-for sales – non-current (Note 3, 4, 17 and 41)	-	-	33,000,612	5
1430	Held-to-maturity financial assets – non-current (Note 3, 4, 18 and 41)	-	-	85,542,095	13
1435	Financial assets on the basis of cost after amortization- non-current (Note 3, 4, 19 and 41)	100,462,761	14	-	-
1450	Financial assets measured at cost- non-current (Note 3, 4 and 20)	-	-	324,966	-
1470	Investment by equity method (Note 4, 22 and 41)	1,241,811	-	1,220,689	-
1500	Real estates, plant and equipment - net (Notes 4, 23 and 41)	22,428,871	3	22,382,631	3
1600	Real estate investments - net (Note 4, 24 and 41)	1,435,382	-	2,070,792	-
1700	Intangible assets – net (Note 4 and 25)	192,246	-	190,332	-
1800	Deferred income tax assets – net (Notes 4 and 37)	1,073,938	-	934,542	-
1900	Other assets (Note 26 and 41)	1,937,399	-	3,199,960	1
14XX	Total non-current assets	159,786,498	22	148,866,619	22
1XXX	Total assets	$ 720,906,942	100	$ 691,729,220	100
Code	**Liabilities and equity**				
	Current liabilities				
2110	Short-term loans (Note 27 and 41)	$ 14,567,189	2	$ 11,729,448	2
2120	Short-term bills payable (Note 27)	2,357,704	-	2,033,074	-
2130	Bills and bonds sold under repurchase agreements (Note 4 and 28)	9,904,467	1	4,307,810	1
2140	Financial liabilities through profit and/or loss with measuring for the faire values-current (Note 4 and 8)	165,360	-	207,225	-
2190	Due to Central Bank and other banks (Note 29)	3,378,752	1	9,518,872	1
2201	Payable notes	44,392	-	19,626	-
2202	Accounts payable (Note 40)	2,163,033	-	2,056,316	-
2204	Other payables (Note 30 and 40)	12,768,486	2	13,775,007	2
2310	Current income tax liability (Notes 4 and 37)	386,857	-	257,114	-
2330	Long-term liability due in one year or one business cycle (Note 27, 32 and 41)	1,245,188	-	1,121,122	-
2350	Other current liabilities	438,932	-	402,324	-
2360	Customer deposits and remittances (Note 31 and 40)	587,720,906	82	565,854,229	82
21XX	Total of current liabilities	635,141,266	88	611,282,167	88
	Non-current liabilities				
2540	Bonds payable (Note 32 and 40)	18,490,000	3	16,360,000	3
2550	Long-term loans (Note 27 and 41)	5,713,623	1	7,576,939	1
2600	Liability reserve (Note 4 and 33)	1,667,347	-	1,620,915	-
2620	Deposits received	585,515	-	420,808	-
2630	Deferred tax liabilities (Note 4 and 37)	1,021,567	-	1,021,022	-
2660	Other liabilities	6,836	-	47,978	-
25XX	Total non-current liability	27,484,888	4	27,047,662	4
2XXX	Total liabilities	662,626,154	92	638,329,829	92
	Equity of the parent company (Note 34)				
3110	Common stock capital	15,224,105	2	14,294,934	2
3210	Capital surplus	1,694,875	-	1,677,818	-
	Retained earnings				
3310	Legal reserve	718,272	-	638,873	-
3320	Special reserve	1,956,409	-	2,481,347	-
3330	Undistributed earnings	4,231,450	1	3,274,719	1
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	(54,591)	-	(41,611)	-
3425	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	(129,103)	-	-	-
3420	Unrealized loss on available-for-sale financial assets	-	-	(169,191)	-
3500	Treasury stock (Note 4)	(1,227,909)	-	(1,227,909)	-
31XX	Total equity of the parent company	22,413,508	3	20,928,980	3
32XX	Non-controlling interest (Note 34)	35,867,280	5	32,470,411	5
3XXX	Total equity	58,280,788	8	53,399,391	8
4XXX	Total Liabilities and Equity	$ 720,906,942	100	$ 691,729,220	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 22, 2019)

Chairman: Kuei-Hsien Wang   Responsible Person: Ming-Shang Chuang   Accounting Supervisor: Guo-Hua Lin

China Man-Made Fiber Corporation and subsidiary
Consolidated Income Statement
January 1 to December 31, 2018 and 2017

Unit: NTD thousands, except Earnings Per Share (NTD)

Code		2018 Amount	2018 %	2017 Amount	2017 %
	Revenue (Note 4)				
4010	Interest revenues (Note 36 and 40)	$ 13,082,832	31	$ 12,097,815	33
4050	Income from handling fees (Note 36)	3,276,220	8	2,986,044	8
4060	Shareholding in the affiliated companies and joint ventures under the equity method	87,046	-	80,046	-
4090	Gain (loss) on financial assets and liabilities at fair value through profit and loss (Note 36)	209,626	1	589,547	1
4100	Realized gain on available-for-sale financial assets	-	-	22,980	-
4105	Realized gain on financial assets at fair value through other comprehensive profit or loss	26,752	-	-	-
4160	Net sales revenue (Note 40)	24,213,521	58	20,675,009	56
4230	Investment property gains (Note 24)	14,025	-	348,672	1
4260	Exchange gain	387,106	1	-	-
4270	Other income (Note 36 and 40)	252,059	1	238,213	1
4XXX	Total revenue	41,549,187	100	37,038,326	100
	Expenses				
5010	Financial cost (Note 36 and 40)	4,797,670	12	4,076,588	11
5060	Service charges (Note 36)	430,046	1	537,465	2
5090	Bad debt expense and guaranty reserve (Note 10, 15 and 33)	471,472	1	1,124,932	3
5190	Cost of goods sold (Note 11 and 40)	22,612,538	54	19,353,963	52
5230	Operating expenses (Note 33 and 36)	8,033,384	19	7,290,875	20
5280	Impairment loss (Note 16, 19, 20, 23, 26 and 36)	17,813	-	89,958	-
5290	Exchange loss	-	-	319,544	1
5320	Other expenses	41,502	-	38,057	-
5XXX	Total expenses	36,404,425	87	32,831,382	89
6100	Net profit before taxation	5,144,762	13	4,206,944	11
6200	Income tax expenses (Note 4 and 37)	735,127	2	743,253	2
6500	Net income	4,409,635	11	3,463,691	9
	Other comprehensive profit or loss				
6610	The items that are not re-classified as profit or loss				
6611	Determined Benefit Plan Reevaluation (Note 4 and 33)	(99,372)	-	(33,121)	-
6617	Evaluation of the capital gain from equity instrument at fair value through comprehensive income statement as other comprehensive income	83,359	-	-	-
6649	Income tax related to titles without reclassification (Notes 4 and 37)	37,634	-	3,845	-
		21,621	-	(29,276)	-
6650	Items that may be re-classified subsequently under profit or loss				
6651	Exchange differences from the translation of financial statements of foreign operations	(3,462)	-	(19,571)	-
6653	Unrealized valuation gains of available-for-sale financial assets	-	-	260,543	1
6659	Capital loss of debts instrument at fair value through comprehensive income statement as other comprehensive income	(13,948)	-	-	-
6689	Income tax related to items possibly be reclassified (Notes 4 and 37)	-	-	(7,414)	-
		(17,410)	-	233,558	1
6600	Other comprehensive income (post-tax profit or loss)	4,211	-	204,282	1
6700	Total amount of comprehensive income of the current year	$ 4,413,846	11	$ 3,667,973	10
	Profit attributable to:				
6810	Owners of parent	$ 1,372,035	3	$ 793,987	2
6820	Non-controlling interest	3,037,600	8	2,669,704	7
6800		$ 4,409,635	11	$ 3,463,691	9
	The total comprehensive income belongs to				
6910	Owners of parent	$ 1,365,286	3	$ 872,456	2
6920	Non-controlling interest	3,048,560	8	2,795,517	8
6900		$ 4,413,846	11	$ 3,667,973	10
	Earnings per share (Note 38)				
7000	Basic earnings per share	$ 1.13		$ 0.66	
7100	Diluted earnings per share	$ 1.13		$ 0.66	

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

(Refer to Auditor's Report presented by Deloitte & Touche dated March 22, 2019)

Chairman: Kuei-Hsien Wang　　Responsible Person: Ming-Shang Chuang　　Accounting Supervisor: Guo-Hua Lin

China Man-Made Fiber Corporation and subsidiary

Consolidated Statements of Changes in Shareholders' Equity

January 1 to December 31, 2018 and 2017

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, 2017	$ 14,294,934	$ 1,681,992	$ 638,873	$ 2,481,347	$ 2,501,747	($ 25,319)	$ -	($ 284,967)	($ 1,273,586)	$ 20,015,021	$ 30,905,692	$ 50,920,713
C7	Changes of the associates and joint ventures recognized under the Equity Method	-	(8,282)	-	-	-	-	-	-	-	(8,282)	-	(8,282)
D1	2017 Profit	-	-	-	-	793,987	-	-	-	-	793,987	2,669,704	3,463,691
D3	Other comprehensive net income in 2017 (after tax)	-	-	-	-	(21,015)	(16,292)	-	115,776	-	78,469	125,813	204,282
D5	Total profit and loss in 2017	-	-	-	-	772,972	(16,292)	-	115,776	-	872,456	2,795,517	3,667,973
N1	Share-based payment transaction (Note 35)	-	4,108	-	-	-	-	-	-	45,677	49,785	-	49,785
O1	Increase/ decrease in Non-controlling interest (Note 34)	-	-	-	-	-	-	-	-	-	-	(1,230,798)	(1,230,798)
Z1	Balance as of December 31, 2017	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 profit and loss in 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 34)	-	-	-	-	-	-	-	-	-	-	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 notes attached shall constitute an integral part of this consolidated financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 22, 2019)

Chairman: Kuei-Hsien Wang   Responsible Person: Ming-Shang Chuang   Accounting Supervisor: Guo-Hua Lin

China Man-Made Fiber Corporation and subsidiary
Consolidated Statements of Cash Flow
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

Code		2018	2017
	Cash flow from operating activities		
A10000	Current year net profit before taxation	$ 5,144,762	$ 4,206,944
	Profits and loss		
A20100	Depreciation expenses	849,721	909,229
A20200	Amortization expenses	54,854	78,973
A20300	Anticipated credit impairment/provision for bad debts	471,472	1,124,932
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	(209,626)	(589,547)
A20900	Interest expenses	4,797,670	4,076,588
A21200	Interest revenue	(13,082,832)	(12,097,815)
A21300	Dividend income	(116,117)	(75,320)
A21800	Other provisions for liabilities	(2,437)	26,000
A21900	Employee stock option compensation cost	-	4,232
A22300	Shareholding in the affiliated companies and joint ventures under the equity method	(87,046)	(80,046)
A22500	Loss on disposal and scrapping of property, plant and equipment	9,768	1,189
A22700	Capital gain from disposition of investment property	(14,025)	(348,672)
A23100	Gain on disposal of investments	(26,752)	(22,980)
A23600	Financial assets impairment loss	17,488	61,487
A23700	Loss in impairment of non-financial assets	325	28,471
A24100	Unrealized foreign currency exchange loss	(438,123)	845,584
A29900	Gain from disposition of subsidiaries	-	(1,690)
A22900	Release of prepaid lease payments.	3,736	2,760
	Net change in operating assets and liabilities		
A91110	Due from Central Bank and lend to Banks	(746,918)	(609,388)
A91120	Financial assets at fair value through profit and loss	6,728,283	(7,386,974)
A91190	Accounts receivable	486,630	(4,346,320)
A91250	Inventory	(632,492)	(529,813)
A91260	Prepayments	108,174	75,943
A91280	Other current assets	24,563	13,213
A91290	Discounts and loans	(22,250,976)	(6,428,669)
A91320	Other financial assets	38,030	(35,342)
A92110	Bills and bonds sold under repurchase agreements	5,596,657	85,552
A92120	Financial liabilities at fair value through profit and loss	(889,768)	(813,642)
A92150	Due to Central Bank and other banks	(6,140,120)	(2,098,856)
A92160	Payables	(990,471)	3,427,266
A92280	Other current liabilities	36,773	101,537
A92290	Customer deposits and remittances	21,866,677	26,228,479
A92330	Other financial liabilities	(41,307)	(30,062)
A92310	Employee benefit liabilities reserve	(11,625)	(75,200)
A33000	Cash inflow from operating activities	554,948	5,728,043
A33100	Interest received	13,143,072	12,191,904
A33200	Dividends received	191,884	140,989
A33300	Interest payment	(4,683,191)	(3,940,863)
A33500	Income tax payment	(748,891)	(520,129)
AAAA	Net cash inflow from operating activities	8,457,822	13,599,944
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	(553,576)	-
B00020	Disposal of financial assets at fair value through other comprehensive profit or loss (including redemption at maturity)	4,301,998	-
B00040	Financial assets acquired on the basis of cost after amortization	(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	746,586,250	-
B00300	Acquisition of available-for-sale financial assets	-	(1,749,775)
B00400	Disposition of available-for-sale financial assets	-	7,336,761
B00900	Acquisition of held-to-maturity financial assets	-	(748,721,306)

(Continued on next page)

(Continued from previous page)

Code		2018	2017
B01000	Disposition of held-to-maturity financial assets	$ -	$ 258,565
B01100	Return of capital from held-to-maturity financial assets	-	676,269,904
B01300	Disposal of financial assets carried at cost	-	37,116
B01800	Acquisition of investment under the equity method	(9,843)	-
B02300	Net cash inflow from disposition of subsidiaries	-	119,009
B02700	Acquisition of property, plant and equipment	(903,176)	(773,002)
B02800	Disposal of property, plant and equipment	5,789	35,628
B03800	Decrease in Refundable deposits	100,716	248,071
B04500	Acquisition of Intangible assets	(56,595)	(56,782)
B05400	Acquisition of investment property	(144,447)	(22,798)
B05500	Disposition of investment property	14,025	403,950
B06800	Decrease in other assets	25,228	60
B09900	Decrease (increase) in restricted assets	(209,359)	31,871
BBBB	Net cash outflow from investing activities	(12,750,145)	(66,582,728)
	Cash flow from financing activities		
C00100	Increase of short-term loans	2,837,741	1,440,505
C00500	Increase in short-term notes payable	324,630	649,078
C01400	Issuance of financial bonds	2,130,000	5,500,000
C01500	Repayment of financial bonds	-	(1,500,000)
C01600	Proceeds from long-term loan	3,716,000	4,006,000
C01700	Re-payments of long-term borrowings	(5,455,250)	(4,125,182)
C03000	Increase in deposits received	164,707	31,564
C04500	Cash dividend released	(142,949)	-
C04800	Stock option exercised by the employees	-	45,553
C05800	Change in non-controlling interest	61,819	(1,239,080)
CCCC	Net cash inflow from financing activities	3,636,698	4,808,438
DDDD	Impact of changes in exchange rate on cash and cash equivalents	(3,462)	(19,571)
EEEE	Current cash and cash equivalents decrease	(659,087)	(48,193,917)
E00100	Balance of cash and cash equivalents, beginning of period	43,284,182	91,478,099
E00200	Balance of cash and cash equivalent, end of period	$ 42,625,095	$ 43,284,182

Ending cash and cash equivalents adjustment

Code		December 31, 2018	December 31, 2017
E00210	Cash and cash equivalents on the balance sheet	$ 18,846,662	$ 18,417,172
E00220	The "Due from Central Bank and Banks" in compliance with the definition of cash and cash equivalents under IAS 7	14,484,265	13,583,928
E00230	The "bonds and securities sold under repurchase agreements" that meet the definitions of cash and cash equivalents under IAS 7	9,294,168	11,283,082
E00200	Balance of cash and cash equivalent, end of period	$ 42,625,095	$ 43,284,182

The notes attached shall constitute an integral part of this consolidated financial statement.
(Refer to Auditor's Report presented by Deloitte & Touche dated March 22, 2019)

Chairman: Kuei-Hsien Wang Responsible Person: Ming-Shang Chuang Accounting Supervisor: Guo-Hua Lin

Notes to consolidated financial statement

January 1 to December 31, 2018 and 2017

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

I. Company Profile

(I) 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, 2018 is NT$15,224,105 thousand.

(II) 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.

(III) The consolidated financial statements are presented in the Company’s functional currency – New Taiwan Dollar.

II. Financial reporting date and procedures

The Board of Directors approved the consolidated financial statements for publication on March 18, 2019.

III. Application of new and revised standards and interpretation

(I) 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:

1. IFRS 9 “Financial Instruments” and related amendment

IFRS 9, “Financial Instruments” replaced IAS 39, “Financial Statements: Recognition and Measurement,” and was adopted in conjunction with other standards such as the amended IFRS 7, “Financial Instruments: Disclosure.” The new rules in IFRS 9 covered the classification, measurement and impairment of financial assets and general hedge accounting. Refer to Note 4 for further information on accounting principles.

The consolidated company retroactively applied treatment of the classification, measurement and impairment of financial assets on January 1, 2018 and postponed the adoption of general hedge accounting for one year. Items removed on or before December 31, 2018 were not covered by IFRS9.

Classification, measurement and impairment of financial assets and liabilities

The consolidated company evaluated the classification of financial assets effective on January 1, 2018 for retroactive adjustment on the basis of the reality and circumstances of the day and elected not to recompile the statements for comparison. As of January 1, 2018, the categories and book value of financial assets to be measured under IAS 39 and IFRS 9 and the changes therein are specified below:

Category of financial assets	Classification of measurement IAS 39	Classification of measurement IFRS 9	Book Value IAS 39	Book Value IFRS 9	Remark
Cash and cash equivalents	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	$18,417,172	$18,417,172	
Due from Central Bank and lend to Banks	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	30,121,642	30,121,642	
Financial assets at fair value through profit and loss	Measured at fair values through profit and/or loss	Measured at fair values through profit and/or loss	32,165,534	32,165,534	
Bonds and securities sold under repurchase agreements	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	$11,283,082	$11,283,082	
Notes receivable	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	3,874,144	3,874,144	
Accounts receivable	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	8,784,120	8,783,534	(9)
Other receivables	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	3,717,883	3,717,883	
Other current assets	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	396,858	396,858	
Notes discounted and loans – net	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	430,857,960	430,857,960	
Available-for-sale financial assets	Measured at fair values through other comprehensive income	Measured at fair values through profit and/or loss	13,800	13,800	(4)
		Measured at fair values through other comprehensive income	32,986,812	32,986,812	(2) (3)
Held-to-maturity financial assets	Measured on the basis of cost after amortization	Measured on the basis of cost after amortization	84,761,833	84,752,656	(6)
		Measured at fair values through other comprehensive income	780,262	785,439	(7)
Financial assets carried at cost	Financial assets carried at cost	Measured at fair values through other comprehensive income	324,966	935,232	(8)
Other assets	At amortized cost (loans and receivable)	Measured on the basis of cost after amortization	2,101,672	2,101,672	
	Other assets	Measured at fair values through profit and/or loss	900,335	900,335	(1)

Changes in the categories of financial assets measured retroactively under IFRS 9 as of January 1, 2018 are specified below:

	Book value of December 31, 2018 (IAS 39)	Reclassification	Reevaluation	Book value of December 31, 2018 (IFRS 9)	Effect on retained earnings as of January 1, 2018	Effect on other equity as of January 1, 2018	Remark
Financial assets at fair value through profit and loss	$32,165,534	$-	$-	$32,165,534	$-	$-	
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	13,800	-	13,800	-	-	(4)
Plus: Reclassified from other assets (IAS 39)	-	900,335	-	900,335	-	-	(1)
	32,165,534	914,135	-	33,079,669	-	-	
Financial assets at fair value through other comprehensive profit or loss	-	-	-	-	-	-	
-Debt instruments							
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	31,234,046	-	31,234,046	(19,079)	19,079	(2)
Plus: Reclassified from amortized cost (IAS 39)	-	780,262	5,177	785,439	(256)	5,433	(7)
-Equity instruments							
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	1,752,766	-	1,752,766	5,195	(5,195)	(3)
Add: Reclassification on the basis of costs (IAS 39)	-	324,966	610,266	935,232	-	610,266	(8)
	-	34,092,040	615,443	34,707,483	(14,140)	629,583	
Financial assets on the basis of cost after amortization	-	-	-	-	-	-	
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	-	-	-	-	-	(5)
Add: Reclassification of held-to-maturity financial assets (IAS 39)	-	84,761,833	(9,177)	84,752,656	(9,177)	-	(6)
Add: Reclassification of loans and receivables (IAS 39)	-	509,554,533	(586)	509,553,947	(586)	-	(9)
	-	594,316,366	(9,763)	594,306,603	(9,763)	-	
Total	$32,165,534	$629,322,541	$605,680	$662,093,755	($23,903)	$629,583	

The change in balance of impairment allowance from IAS 39 to IFRS 9 as of January 1, 2018 is as follows:

Reconciliation sheet of provision for impairment	The balance of provision for impairment under IAS 39 and the amount appropriated under IAS37	Reclassification	Reevaluation	The balance of provision for impairment under IFRS 9	Remark
Loans and receivables (IAS 39) / Amortized cost (IFRS 9)					
Accounts receivable	$612,392	$-	$586	$612,978	(9)
Discounts and loans	6,344,810	-	-	6,344,810	
Available-for-sale financial assets (IAS 39)/financial assets at fair value through comprehensive income statement (IFRS 9)	-	-	19,335	19,335	(2)、(7)
Held-to-maturity financial assets (IAS 39)/financial assets measured on the basis of cost after amortization (IFRS 9)	-	-	9,177	9,177	(6)
Commitment of financing and guaranty liability					
Liability reserve	269,937	-	56,773	326,710	(10)

(1) Financial instruments previously classified as loans and accounts receivable under IAS39 amounted to NTD900,335 thousand, but the cash flow from these is not solely for the payment of principal and the interest accrued from the outstanding amount of the principal. Under IFRS 9, this sum is classified as financial assets at fair value through income statements.

(2) Financial instruments-bonds previously classified as available-for-sale financial assets under IAS 39 amounted to NTD31,034,046 thousand, and the cash flow was wholly for the payment of principal

and interest accrued from the outstanding amount of the principal at the time of initial recognition, and the mode of operation was to hold the financial assets for the collection of cash flow from contracts and the sale of the assets. Under IFRS 9, these financial assets were classified as financial assets at fair value through comprehensive income with the evaluation of anticipated credit impairment. The retrospective adoption resulted in a decrease of retained earnings amounting to NTD19,079 thousand and an increase of other equity amounting to NTD19,079 thousand as of January 1, 2018 through adjustment.

(3) The available-for-sale financial assets – stocks listed and not listed in TWSE (TPEx) and emerging stock market classified under IAS 39 – amounted to NTD 1,752,766 thousand, and were classified as financial assets measured at fair value through comprehensive income under IFRS 9.The retrospective adoption resulted in an increase of retained earnings amounting to NTD5,195 thousand and a decrease of other equity amounting to NTD5,195 thousand as of January 1, 2018 through adjustment.

(4) Beneficiary certificates classified as "Financial assets available for sale" according to IAS 39 amount to $13,800 thousand. The cash flow is not entirely the interest paid on the principal and the outstanding capital, and it is classified as the "Financial assets at fair value through profit or loss" according to IFRS 9.

(5) The cash flow from contracts of available-for-sale financial assets- debt instruments previously recognized under IAS 39 were wholly for the payment of principal and the interest accrued from the outstanding amount of the principal and the mode of operation is for collection of cash flow from contracts. These assets were measured on the basis of cost after amortization under the classification of IFRS 9.

(6) The held-to-maturity financial assets and bond investment measured on the basis of cost recognized under IAS 39 amounting to NTD84,761,833 thousand. The cash flow from contracts was wholly for the payment of principal and the interest accrued from the outstanding amount of the principal at the time of initial recognition and the mode of operation is the collection of cash flow from contracts. These assets were classified as financial assets measured on the basis of cost after amortization with evaluation of anticipated credit impairment under IFRS 9.The retrospective adoption resulted in a decrease of retained earnings by NTD9,177 thousand as of January 1, 2018 through adjustment.

(7) The held-to-maturity financial assets and bond investment on the basis of cost after amortization previously recognized under IAS 39 amounted to NTD780,262 thousand. The cash flow from contracts was wholly for the payment of principal and the interest accrued from the outstanding amount of the principal at the time of initial recognition and the mode of operation aimed at the collection of cash flow from contracts and the sale of financial assets, and these assets were classified as financial assets at fair value through comprehensive income with evaluation of anticipated credit impairment. The retrospective adoption resulted in a decrease of retained earnings by NTD256 thousand and an increase in other equity by NTD 5,433 thousand as of January 1, 2018 through adjustment.

(8) Stocks not listed in TWSE (TPEx) measured on the basis of costs under IAS 39 amounted to NTD324,966 thousand and were classified as financial assets at fair value through comprehensive income statement with a new round of measurement at fair value under IFRS 9.The retrospective adoption resulted in an increase in other equity by NTD610,266 thousand as of January 1, 2018 through adjustment.

(9) Receivables were previously classified as loans and receivables under IAS 39, and were classified as financial assets measured on the basis of cost after amortization with evaluation of anticipated credit impairment under IFRS 9. The retrospective adoption resulted in a decrease of retained earnings by NTD586 thousand as of January 1, 2018 through adjustment.

(10) The off-balance sheet credit commitment for debt provision is assessed as expected credit loss according to IFRS 9. The retrospective adoption resulted in a decrease of retained earnings by NTD56,773 thousand as of January 1, 2018 through adjustment.

2. IFRS 15 “Revenue from Contracts with Customers” and relating amendments

IFRS 15 regulates the recognition principle for revenue from contracts with customers, which will replace IAS 18 “Revenue”, IAS 11 “Construction Contracts” and relating interpretations. Refer to Note 4 for further information on accounting principles.

The Consolidated Company after adopting IFRS 15 has income recognized according to the following steps:

(1) Identifying contracts with customers;
(2) Identifying the performance obligations in the contracts;
(3) Determining the transaction price;
(4) Applying the transaction price to the performance obligations in the contracts; and
(5) Recognizing income upon fulfilling performance obligations;

(II) The Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs recognized by the FSC

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
"2015 – 2017 annual improvement"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2019 (Note 3)
Amendments to IAS19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term Interest in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty under Income Tax Treatments"	January 1, 2019

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

Note 2: FSC permitted the consolidated company adoption of this amendment before January 1, 2018

Note 3: The plan amendment, curtailment, or settlement after Jan. 1, 2019 apply to this amendment.

Further to the notes specified below, the aforementioned new / amended / revised standards and interpretations shall not cause significant change in the accounting policy of the companies in the consolidated financial statements:

1. IFRS 16 "Leases"

IFRS 16 is the accounting treatment of leases. The standard will replace IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

Definition of lease

At the adoption of IFRS 16 for the first time, 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

At the adoption of IFRS 16 for the first time, 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. 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 other payables. 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 consolidated company elected to adjust the accumulated influence under IFRS 16 in retrospect as retained earnings on January 1, 2019, and does not recompile comparative information.

At present, the treatment of the agreements of operation leases under IAS 17 the leasehold liabilities will be measured on the basis of the leasehold liability as of January 1, 2019 on all tenancy right assets on the remainder of lease payment at the discount rate of the Lessee for additional loan on that day. Further to the estimation of the following expediency, the recognized tenancy right will be subject to assessment for impairment under IAS 36.

The following expedient methods are expected to be applicable to the consolidated 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 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.

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.

Predicted impacts on assets, liabilities and equity on January 1, 2019 are as follows:

	Book value of December 31, 2018	Adjustments arising from initial application	Adjustment of book value as of January 1, 2019
Right-of-use assets	$ -	$ 1,159,418	$ 1,159,418
Effect of assets	$ -	$ 1,159,418	$ 1,159,418
Lease liabilities – current	$ -	$ 190,036	$ 190,036
Lease liabilities – noncurrent	-	969,382	969,382
Effect of liabilities	$ -	$ 1,159,418	$ 1,159,418

2. IFRIC 23 "Uncertainty under Income Tax Treatments"

IFRIC 23 clarified that if there is uncertainty in handling income tax, the combined business must assume that the taxation authorities could retrieve all information for review. If the income tax treatment as declared may possibly be accepted by the taxation authorities, the taxable income, taxation basis, the unconsumed taxable loss, unconsumed tax deduction, and determination of tax rate shall be congruent with the income tax treatment adopted at the time of income tax declaration. If the taxation authorities are unlikely to accept the income tax treatment in the declaration, the combined business shall adopt the most possible amount or anticipated value (adopt the method that could more likely forecast the ultimate result under uncertainty between the two) in evaluation. In case of change in reality and circumstance, the combined business shall reevaluate its judgment and evaluation.

Further to the above effects, the assessment of consolidated company on other IFRSs as of the day this consolidated financial statement was approved for release did not cause significant influence on the consolidated financial position and consolidated financial performance.

(III) 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 "Definition of a business" in IFRS 3	January 1, 2020 (Note 2)
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

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Amendment to “Definition of a business” in IFRS 3	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Materiality”	January 1, 2020 (Note 3)

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

Note 2: 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 3: This amendment is with prospective application for the annual reporting period starting after January 1, 2020.

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.

IV. 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: 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.

(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 Bank 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.

<u>The comprehensive income was proportioned to the non-controlling interest.</u>

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.

<u>Changes in the ownership equity on a subsidiary</u>

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 21 for the details, shareholding ratio, and business operation of the subsidiaries.

(5) Corporate Merger

Business combinations are accounted for using the acquisition method. Acquisition cost are expensed in the period in which the costs are incurred and the services are received.

Goodwill is measured as the difference between the consideration transferred at fair value, the amount of non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after the re-measurement, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed still exceeds the total of the consideration transferred and the acquisition date fair value of the acquirer's previously-held equity interest in the acquiree, the difference is a bargain purchase in profit or loss and is immediately recognized in profit or loss.

The pre-existing ownership interests of acquiree and the non-controlling interests of proportionate share of net assets of the acquiree at acquisition date are measured at a proportionate share of recognized amount of identifiable assets of the acquiree. Other non-controlling interests are measured at fair value.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

Consolidated company has the investment in an affiliated company handled in accordance with the equity method. 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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. Derecognition

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

(14) 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.

(15) 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.

(16) 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.

Classification of measurement

2018

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 asset measured at fair value through profit or loss is measured at fair value and the profit or loss generated from the secondary measurement is recognized as profit or loss (not includes any dividend or interest arising from the financial asset). Please refer to Note 44 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.

<u>2017</u>

Financial assets are classified into four categories, including financial assets measured at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The said classification is determined depending on the nature and purpose of the financial assets initially recognized.

A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profit or loss includes held-for-sale and designated financial assets measured at fair value through profit or loss.

Financial assets are classified as held-for-sale when it meets one of the following criteria:

a. It is obtained mainly for the purpose of being sold in the short-term.
b. It became part of the identified financial instrument portfolio managed comprehensively at initial recognition and there is evidence of the short-term profit-generating operation of the portfolio recently; or
c. It is a derivative (except for a financial guarantee contract or a designated and effective hedging derivative instrument).

If it meets one of the following factors and may provide more relevant information, it can be designated as measured at fair value through profit or loss at the initial recognition.

a. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or
b. The financial assets, financial liabilities or both, according to a written risk management or investment strategy, are managed at fair value with the performance evaluated and the investment portfolio information provided to management within the consolidated company is also based on the fair value.

In addition, for the contract containing one or multiple embedded derivatives, the entire hybrid (combined) contract can be designated as a financial asset measured at fair value through profit or loss.

Financial asset measured at fair value through profit or loss is measured at fair value and the profit or loss generated from the secondary measurement is recognized as profit or loss. The gain or loss recognized in the profit or loss includes any dividend or interest arising from the financial asset (included in the investment received in the year).

If the financial asset measured at fair value through profit or loss is an equity investment without a market quote in an active market and the fair value cannot be reliably measured and the derivatives that are linked to the equity instrument without a market quote and the settlement must be completed with the equity instrument delivered, it is measured subsequently at cost, net of the impairment loss and it is individually booked as "Financial assets measured at cost." If these financial assets can be measured subsequently at fair value reliably, it is measured again at fair value and the difference between the book amount and fair value is recognized in the profit or loss.

B. Held-to-maturity investments

Held-to-maturity investments are the non-derivative financial assets with fixed or determinable payment amount and scheduled maturity date and are not designated to be measured at fair value through profit or loss or available-for-sale, do not meet the definition of loans and receivables, and the consolidated company has the positive intention and ability to hold it to maturity. The government bonds and domestic and international corporate bonds and foreign government bonds with specific credit ratings that are invested by the consolidated company and the consolidated company has the positive intention and ability to hold it to maturity are classified as held-to-maturity investments.

The held-to-maturity financial assets after the initial recognition are measured at the amortized cost after deducting impairment losses in accordance with the effective interest method.

The effective interest method is applied to calculate the amortized cost of the debt instruments and have interest income amortized over the relevant periods. The effective interest rate meant for the estimated future cash collection amount (including paid or received all fees and points that are part of the overall effective interest rate, transaction cost and all other premiums or discounts) of the debt instruments in the expected duration or appropriate shorter period after the discount exactly equal to the interest rate of the net book amount initially recognized.）

C. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets measured at fair value through profit or loss.

The domestic and foreign listed/OTC stock, beneficiary certificates and government bonds held by the consolidated company are traded in an active market and are classified as available-for-sale financial assets that are measured at fair value at each balance sheet date.

The foreign exchange gains and losses arising from the changes in book value of the available-for-sale monetary financial assets, interest income calculated with the effective interest method and dividends of the available-for-sale equity investment are recognized in the profit or loss. The changes in the book value of the other available-for-sale financial assets are recognized in the other comprehensive profit or loss and are reclassified to the profit or loss upon disposal of the investment or when the impairment is confirmed.

The dividend of available-for-sale equity investments is recognized when the right to collection of the consolidated company is established.

If the available-for-sale financial asset is an equity investment without a market quote in an active market and the fair value cannot be reliably measured and the derivatives that are linked to the equity instrument without a market quote and the settlement must be completed with the equity instrument delivered, it is measured subsequently at cost, net of impairment loss, and it is individually booked as "Financial assets measured at cost." If these financial assets can be measured subsequently at fair value reliably, they are measured again at fair value and the difference between the book amount and fair value is recognized in the "profit or loss" or "other comprehensive profit or loss."

D. Loans and accounts receivable

Loans and receivables meant for non-derivative financial assets without a quote in an active market and with a fixed or determinable payment amount. Loans and receivables (including accounts receivable, cash and cash equivalents, and bond investments without an active market) are measured at the amortized cost after deducting the impairment losses in accordance with the effective interest method, except for the interest of short-term accounts receivable that is insignificant.

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

2018

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.

2017

Except for the financial assets measured at fair value through profit or loss, the consolidated company examines whether there is an evidence of impairment occurring on the other financial assets at each balance sheet date. When there is objective evidence of one or more events occurring after the initial recognition of financial assets with a resulting loss to the future cash flow of the financial asset, the impairment of financial assets had already occurred.

For financial assets measured at the amortized cost, such as loans, discounts, exchange purchased and accounts receivable, the assets that are individually assessed without any impairment identified are collectively reassessed for impairment. The objective evidence of impairment of collective receivables may include the past collection experience of the consolidated company, increase in collective delayed payments and the observable changes in national or local economic conditions that correlate with default on receivables:

A. Significant financial difficulty of the issuer or debtors:

B. Breach of contract, such as, interest or principal payment delays or defaults;
C. The possibility of debtor's entering bankruptcy or other financial reorganization is greatly increased; or
D Financial difficulties may cause the active market for financial asset to disappear.

Furthermore, according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the Bank evaluates the collectability of loaned assets according to the borrower's financial condition and the repayment of principal and interest and also based on the evaluated value of the collateral provided for specific credit. According to the aforementioned requirement, non-performing loans shall be recognized as assets under the categories of loss, doubtful, substandard, special mention, and normal depending on the collaterals and overdue period. Accordingly, provision for loss at 100%, 50%, 10%, 2% and 1% shall be recognized as per the requirement of Financial Supervisory Commission Letter Jin-Guan-Yin-Fa-Zi No. 10010006830. If the provision for bad debts accounted for more than 1% of the total lending, the proportion for the provision for bad debts for real properties shall not fall below 1.5% pursuant to Letter Jin-Guang-Yin-Kuo-Zi No. 10300329440.

The impairment amount of the financial assets measured at amortized cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's original effective interest rate.

If the financial assets being recognized after the amortization of the cost showed a decrease of the amount of impairment in subsequent periods, and the decreased amount of impairment is related to the events after the recognition for impairment, the impairment so recognized previously shall be directly reversed or via the adjustment of provision of accounts and recognized as profit or loss. However, the amount of such reversal shall not exceed the cost after amortization before the recognition of impairment on the day of recognition.

When the fair value of the available-for-sale equity investments below cost and the decline is significant or persistent, it will be deemed as an objective evidence of impairment.

When available-for-sale financial asset is impaired, the cumulative loss previously recognized in the other comprehensive profit or loss will be reclassified into profit or loss.

The impairment loss of the available-for-sale equity instruments that is already recognized in the profit or loss may not be reversed through the profit or loss. The fair value reversed amount after recognizing the impairment losses is recognized in the other comprehensive profit or loss. If the fair value of the available-for-sale financial assets increased in the subsequent period and the increase is objectively linked to an event occurring after the impairment is recognized, the impairment loss is reversed and recognized in the profit or loss.

For the objective evidence of impairment of other financial assets, please refer to the note on financial assets booked at the amortized cost.

The impairment amount of the financial assets measured at cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's current market rate of return. The said impairment loss shall not be reversed in subsequent periods.

The impairment loss of all financial assets is directly deducted from the book value of the financial asset. However, the book value of the accounts receivable and loans is adjusted down by the allowance for bad debt. The accounts receivable and loans that are concluded to be uncollectible are written off against the allowance account. The amount previously written off and collected subsequently is credited to the allowance account. Changes in the book amount of the allowance account are recognized in the profit or loss.

(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.

By 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received, receivable and the cumulative gain or loss that had been recognized in other comprehensive profit and loss and accumulated in equity is recognized in profit or loss. Since 2018, on derecognition of a 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. 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 instrument is any equity contract of the consolidated company after deducting all liabilities from the assets. 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 liability measured at fair value through the profit or loss is measured at fair value and the profit or loss generated from the secondary measurement is recognized as a profit or loss. The gain or loss recognized in the profit or loss does not include any dividends or interest paid for the financial liability. Please refer to Note 44 for the determination of fair value.

If the financial liabilities at fair value through profit and loss before 2017 (inclusive) are:

a. Disposal of unquoted equity instruments of which the fair value cannot be reliably measured and is required to be delivered by the equity instrument.
b. Linked to unquoted equity instruments of which the fair value cannot be reliably measured and is required to be settled by the derived liabilities of the equity instruments, then they are separately classified as financial liabilities measured at cost on the balance sheet date. If these financial liabilities can subsequently be reliably measured at fair value, it is measured again at fair value and the difference between the book amount and the fair value is recognized in the profit or loss.

B. Financial guarantee contract

2018

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.

2017

The financial guarantee contracts that are not measured at fair value through the profit or loss issued by the consolidated Company, after the initial recognition, are measured at cost after amortization. If specific amount shall be payable under contractual obligation under assessment, the optimal estimated amount and the amount after amortization under contractual obligation shall be measured, 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.

Before 2017 (inclusive), if the embedded derivatives were defined as risks and the characteristics of which are closely associated with the risks and characteristics of the master contract, and the omnibus contracts are financial assets or financial liabilities at fair value through income statements, such derivatives shall be construed as unitary derivatives. From 2018 onward, 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.

(17) 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.

(18) 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.

(19) Recognition of revenue

2018

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.

2017

The revenue was recognized based on the consideration receivable or having been received, measured at fair values, deducted with estimated refunds, discounts claimed by customers or other similar allowances. Sales returns are appropriated reasonably in accordance with past experience and other factors.

1. Sales of products

The sale of goods is recognized as income at the time when the following conditions are fully fulfilled:

(1) The consolidated company has the significant risks and returns of the instruments transferred to the buyer.
(2) The consolidated company does not involve in the management of the instruments sold nor maintain effective control.
(3) The amount of income can be measured reliably.
(4) The transaction-related economic benefits is likely to flow to the consolidated company; and
(5) The transaction-related cost incurred or to be incurred can be measured reliably.

When material is provided for processing, the significant risks and rewards related to the ownership of the finished goods have not been transferred; therefore, the material provided for processing is not treated as sales.

Revenue generated from the sale of real property within the normal business scope is recognized when each real property is completed and delivered to the buyer. The guarantee and installment payments received prior to the recognition of the above revenue are included in the current liabilities of the consolidated balance sheet.

Concretely speaking, revenues of commodity sales were recognized when the commodities had been delivered with the legal ownership duly transferred.

The bonus points awarded to customer for the sale of goods under the consolidated company's customer loyalty programs are treated as multiple-element revenue model. The fair value of the received or receivable consideration of the original sales is allocated to awarded bonus points and the other components of the sales. The consideration allocated to the bonus points is measured at fair value (that is, the amount at which the bonus points can be sold separately). The consideration is not recognized as revenue in the original sales transaction but is deferred and recognized as revenue when the bonus points are redeemed and the obligations of the consolidated company have been fulfilled.

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

Service fee income and expense are recognized in a lump sum when the loan or other service is provided. If the service fees are earned for completing major projects, they are recognized on the completion of the major projects, such as, the syndicated loan service fee charged collected by the organizing bank. If the service fees income and expenses are earned or paid for the subsequent loan service, they are to be amortized over the service period depending on the materiality, or included for the calculation of loans and receivables' effective interest rate.

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.

(20) Leases

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.

(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 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 and deferred income tax for the year

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.

(23) Employee stock option

Employee Stock Option (ESO) is based on the fair value of the equity instrument and the optimized estimation of projected entitlement as of the day of transfer and recognized as expense under the straight line method within the period of projected entitlement, and subject to adjustment of capital surplus simultaneously – ESO. If gain is realized as of the day of transfer, recognize as expenses in full amount as of the transfer day.

V. Major sources leading to major accounting judgments and uncertainties in estimate

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, estimates, and assumptions made by the consolidated company are described as follows:

(I) Judgment of the mode of operation under the classification of financial assets (applicable from 2018 onward)

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.

(2) Evaluation of anticipated credit loss of loans and accounts receivable

2018

The consolidated company shall base this evaluation on the cash flow that could be collected from all contracts, and the difference from the evaluation of expected cash flow collected for the measurement of anticipated credit loss from the weighted average risk of default with consideration of foresight information at the original effective interest rate or the discounted effective interest rate after adjustment.

2017

Consolidated company shall include impairment of loans and receivable on a separate basis or in aggregate and estimate the future cash flows in accordance with the following methods:

1. Separate impairment:

If specific account amounted to NTD10 million or more after settlement showed signs of impairment with objective evidence, the consolidated company will consider whether collateral has been collected, the nature of the collaterals, the character of the case and experience in the past for assessing the perpetuity and estimate the cash flow in the future.

2. Overall impairment assessment:

If there is no objective evidence showing signs of impairment on loans and receivable of specific account after settlement, the consolidated company shall assess the impairment in aggregate by categorization. Consolidated company based on the book value of individual accounts in the groups to estimate the probability of default and the recovery rate for the evaluation of cash flow in the future.

The amount of impairment is based on the difference between the book value of the asset and the cash flow in the future of the assets at the initial effective interest under discount in measurement. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

(III) Useful lives of property, plant and equipment and investment property

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 23 and 24 for the useful lives of the property, plant and equipment and investment property.

VI. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 4,333,984	$ 3,786,911
Bank deposits	2,968,670	3,412,858
Notes and checks for clearing	5,715,928	6,021,021
Due to Central Bank and other banks	5,828,080	5,196,382
	$ 18,846,662	$ 18,417,172

(I) The cash and cash equivalent balance on the consolidated Statement of Cash Flow as of December 31, 2018 and 2017, respectively, and the related adjustments of the consolidated balance sheet are as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents on the consolidated balance sheet	$ 18,846,662	$ 18,417,172
The “Due from Central Bank and Banks” in compliance with the definition of cash and cash equivalents under IAS 7 approved by the FSC	14,484,265	13,583,928
The “bonds and securities sold under repurchase agreements” that meet the definitions of cash and cash equivalents under IAS 7 approved by the FSC	9,294,168	11,283,082
Cash and cash equivalents on the Consolidated Statement of Cash Flow	$ 42,625,095	$ 43,284,182

(II) 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, 2018 and 2017 are both NT$200,000 thousand, and they are trasnferred to the refundable deposit, as described in Note 26.

VII Due from Central Bank and lend to Banks

	December 31, 2018	December 31, 2017
Reserve for deposits		
Reserve for deposits –checking account	$ 12,624,827	$ 12,171,562
Reserve for deposits –demand account	17,001,032	16,396,414
Financial Information Service Co., Ltd. – liquidated account	1,798,018	1,020,959
Reserve for deposits in foreign currency	61,420	53,586

	December 31, 2018	December 31, 2017
Call loans to banks	223,600	429,121
Reserve for trust funds compensation	60,000	50,000
	$ 31,768,897	$ 30,121,642

(I) 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.

(II) The Reserve for trust funds compensation by Government bonds on the basis of cost after amortization on December 31, 2018 is stated at the par value of NTD 60,000 thousand. Please refer to Note 41 for details.

(III) The Reserve for trust funds compensation by Government bonds held to maturity on December 31, 2017 is stated at the par value of NTD 50,000 thousand. Please refer to Note 41 for details.

VIII. Financial instrument at fair value through profit and loss

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit and loss		
Commercial papers	$ 22,044,240	$ 27,935,360
Shares traded on the Taiwan Stock Exchange or OTC exchange	1,629,612	1,374,718
Shares traded on foreign exchange or OTC exchange	65,560	90,792
PEM Group Insurance policy assets	998,147	-
Beneficiary certificate	524,766	710,458
Corporate bond	57,899	182,929
Open-end funds and money market instruments	-	4,940
Assets swap agreement	1,911,673	1,648,955
Foreign exchange contracts	29,105	77,442

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit and loss		
Forward contract	$ 49,726	$ 57,188
FX options contracts	98,176	82,462
Interest rate derivatives	11	290
	$ 27,408,915	$ 32,165,534
Financial liabilities at fair value through profit and loss		
Foreign exchange contracts	$ 55,386	$ 98,478
Forward contract	30,977	25,612
FX options contracts	78,986	82,845
Interest rate derivatives	11	290
	$ 165,360	$ 207,225

(I) 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.

(II) The foreign exchange contracts which have not yet matured before December 31, 2018 and 2017 are specified as follows:

December 31, 2018				December 31, 2017			
Contract Amount (NT$ thousand)			Date of maturity	Contract Amount (NT$ thousand)			Date of maturity
Sold	CNY	121,693	2019/01/11-2019/11/13	Sold	CNY	462,369	2018/01/26-2018/12/04
	HKD	162,378	2019/01/22-2019/03/05		HKD	209,761	2018/01/11-2018/02/26
	EUR	3,000	2019/01/09		EUR	16,500	2018/01/05-2018/01/17
	USD	42,219	2019/01/07-2019/12/04		GBP	8,500	2018/01/03-2018/01/09
	JPY	3,671,053	2019/01/04-2019/01/07		USD	22,996	2018/01/04-2018/04/12
Bought	CNY	28,799	2019/01/28-2019/12/04	Bought	CNY	11,586	2018/03/27-2018/04/12
	NZD	7,000	2019/01/11		NZD	8,000	2018/01/11
	ZAR	316,333	2019/01/11-2019/01/22		ZAR	28,2018	2018/01/04
	AUD	15,000	2019/01/07-2019/01/22		AUD	8,000	2018/01/04
	GBP	13,500	2019/01/04-2019/01/07		CAD	9,508	2018/01/04
	USD	58,134	2019/01/04-2019/11/13		JPY	940,850	2018/01/05
					USD	118,149	2018/01/03-2018/12/04

(III) The forward contracts which have not yet matured before December 31, 2018 and 2017 are specified as follows:

	Currency	Date of maturity	Contract Amount (NT$ thousand)
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

	Currency	Date of maturity	Contract Amount (NT$ thousand)
December 31, 2017			
Forward exchange sold	USD translated into NTD	2018/01/02-2018/12/27	USD115,951/NTD3,468,476
Forward exchange sold	EUR translated into NTD	2018/01/05-2018/03/16	EUR1,394/NTD49,404
Forward exchange sold	RMB translated into NTD	2018/01/24-2018/03/12	CNY3,170/NTD14,114
Forward exchange sold	JPY translated into NTD	2018/02/13-2018/07/11	JPY160,575/NTD43,614
Forward exchange sold	CAD translated into NTD	2018/01/18-2018/03/09	CAD389/NTD9,382
Forward contract bought	NTD translated into USD	2018/01/04-2018/01/19	NTD29,822/USD1,000
Forward contract bought	EUR translated into USD	2018/01/02-2018/06/07	EUR18,700/USD22,224
Forward contract bought	RMB translated into USD	2018/03/27-2018/05/07	CNY29,785/USD4,277
Forward contract bought	GBP translated into USD	2018/01/18-2018/03/29	GBP5,500/USD7,377
Forward contract bought	JPY translated into USD	2018/01/22-2018/06/26	JPY1,935,589/USD17,300
Forward contract bought	HKD translated into USD	2018/01/11	HKD1,798/USD230
Forward contract bought	NZD translated into USD	2018/02/08	NZD1,000/USD736
Forward contract bought	AUD translated into USD	2018/02/06	AUD600/USD460
Forward contract bought	USD translated into GBP	2018/01/18-2018/04/10	USD19,104/GBP14,250
Forward contract bought	USD translated into RMB	2018/01/08-2018/03/29	CNY42,000/USD6,353
Forward contract bought	USD translated into EUR	2018/01/08-2018/06/12	EUR25,050/USD29,717
Forward contract bought	USD translated into JPY	2018/02/22-2018/05/17	JPY718,241/USD6,400
Forward contract bought	USD translated into AUD	2018/03/15	AUD2,000/USD1,533
Forward contract bought	USD translated into CAD	2018/03/29	CAD629/USD500
Forward contract bought	JPY translated into EUR	2018/03/22-2018/03/23	JPY268,900/EUR2,000

(IV) As of December 31, 2018 and 2017, the consolidated company's asset exchange contracts amounted to NT$1,911,400 thousand and NT$1,648,300 thousand (both in thousand), respectively, with the interest rate range of 0.90% to 1.35% and 0.90% to 1.40%, respectively.

(V) As of December 31, 2018 and 2017, the consolidated company's contract values for foreign exchange options were NT$6,617,168 thousand (US$215,473 thousand) and NT$8,770,121 thousand (US$294,596 thousand), respectively.

(VI) As of December 31, 2018 and 2017, the consolidated company's interest rate structured commodity contracts amounted to NT$14,889 thousand and NT$43,434 thousand, respectively, with the interest rate range of 6.5% and 6.50% to 6.60%, respectively.

(VII) The PEM Group policy assets held by the consolidated company were originally classified as other financial assets in accordance with IAS 39. Please refer to Note 3 and Note 26 for its re-classification and the information of 2017.

IX. Bonds and securities sold under repurchase agreements

As of December 31, 2018 and 2017, the consolidated company's repurchase of coupons and bonds amounted NT$9,294,168 thousand and NT$11,283,082 thousand, with the interest rate range of 0.35%to

0.65% and 0.40% to 0.42%, and the re-sell amounts after the contract were NT$9,295,812 thousand and NT$11,284,292 thousand, respectively.

X. Notes receivable, accounts receivable and other receivables

	December 31, 2018	December 31, 2017
Notes receivable		
Notes receivable - Taichung Commercial Bank	$ 3,801,182	$ 3,798,669
Notes receivable	218,167	296,017
Less: Unrealized gain on interest	(172,847)	(162,746)
Less: Loss allowance	-	(215)
Less: Loss allowance - Taichung Commercial Bank	(37,602)	(57,581)
	$ 3,808,900	$ 3,874,144

Please refer to Note 41 for the status on notes receivable as short-term loan guarantee.

	December 31, 2018	December 31, 2017
Accounts receivable		
Accounts receivable	$ 3,269,068	$ 2,610,983
Accounts receivable - Taichung Commercial Bank	748,384	791,111
Rent receivables	3,931,909	3,128,384
Receivable factoring	133,277	1,656,114
Interest receivable - Banking industry	1,317,322	1,135,207
Less: Unrealized gain on interest	(333,290)	(180,644)
Less: Loss allowance	(239,423)	(240,790)
Less: Loss allowance - Taichung Commercial Bank	(112,689)	(116,245)
	$ 8,714,558	$ 8,784,120

	December 31, 2018	December 31, 2017
Other receivables		
Receivable spot exchange settlement payment	$ 1,909,476	$ 1,805,037
Acceptances receivable	836,196	871,032
Receivable proceeds for delivery of securities	475,828	627,127
Receivable proceeds for sale of securities	119,576	45,958
Others	378,779	541,309
	3,719,855	3,890,463
Less: Loss allowance	(1,932)	(1,932)
Less: Loss allowance - Taichung Commercial Bank	(147,554)	(170,758)
	$ 3,570,369	$ 3,717,773

(I) Accounts receivable

2018

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, 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

Changes in the allowance loss of the accounts receivable are as follows:

	2018
Beginning balance (IAS 39)	$ 612,392
Retroactive application of IFRS 9 adjustments	586
Beginning balance (IFRS 9)	612,978
Add: Recover the bad debts that have been written off	15,872
Add: Impairment loss appropriated in current period	32,890
Less: Actual write-off amount in the current period	(43,353)
Foreign currency translation differences	(71,851)
Balance - ending	$ 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.

2017

Credit policy for the consolidated companies is the same for 2017 and 2018. With respect to the assessment of allowance for bad debts of accounts receivables, the historical data have shown that accounts receivable over 360 days are unlikely to be recovered, and the consolidated company adopts a more conservative view for accounts receivable older than 360 days and recognizes them as 100% allowance for bad debts. As for the accounts receivable between 60 and 360 days, the previous default records are reviewed to analyze the current financial conditions, further estimating the amount that may not be recovered.

For the overdue accounts receivable on the balance sheet date that is without the allowance for bad debts appropriated by the consolidated company, since the credit quality has not been materially changed, the consolidated company's management believes that the amount can be recovered; therefore, the consolidated company does not have any collateral or other credit enhancements collected for the protection of the accounts receivable.

Aging of accounts receivable as of December 31, 2017 is as follows:

	December 31, 2017
0 to 60 days	$ 2,955,766
61 to 90 days	1,989,113
91 to 180 days	113,326
181 to 360 days	3
Total	$ 5,058,208

The information above is the aging analysis on the basis of date of account establishment.

The consolidated company does not have cases that are past due without impairment.

Receivables for allowance for doubtful accounts changes, information as below:

	Impairment loss that is individually evaluated	Impairment under group assessment	Total
Balance as of January 1, 2017	$ 372,244	$ 104,989	$ 477,233
Add: Bad debt expense – current period	276,754	-	276,754
Less: Bad debts write-off	(158,190)	-	(158,190)
Add: Recover the bad debts that have been written off	17,906	-	17,906
Reclassification	(101,644)	101,644	-
Foreign currency translation differences	(127)	(1,184)	(1,311)
Balance as of December 31, 2017	$ 406,943	$ 205,449	$ 612,392

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

(II) Changes in carrying amount of 2018 accounts receivable of Taichung Commercial Bank and its subsidiary:

	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, 2018	$ 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 of Taichung Commercial Bank and its subsidiary as of December 31, 2018 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.

(III) Changes in allowance for bad debts of 2018 accounts receivable of Taichung Commercial Bank and its subsidiary:

	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, 2018	$ 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 for bad debts for above-mentioned receivables includes allowance for bad debts for delinquent loans other than loans transferred from loans. Please refer to Note 26 for details.

(IV) The accounts of receivable of Taichung Commercial Bank and its subsidiary as of December 31, 2017 are classified according to the credit risk characteristics of the products:

Item			Total receivables	Allowance for bad debt
			December 31, 2017	December 31, 2017
With individual objective evidence of impairment	Individual evaluation of impairment	Corporate banking	$ 65,962	$ 18,835
		Consumer banking	8,672	223
		Others	258,909	141,899
	Portfolio evaluation of impairment	Corporate banking	9,051	1,901
		Consumer banking	30,483	14,482
Without individual objective evidence of impairment	Portfolio evaluation of impairment	Corporate banking	2,809,370	36,763
		Consumer banking	980,249	7,403
		Others	56,483,168	73,018
Total			60,645,864	294,524

The aforementioned receivables of the Taichung Commercial Bank and its subsidiaries as of March 31, 2017 covered due from banks, due from the Central Bank and call loans to banks, bonds and securities sold under repurchase agreements, note receivables, credit card proceeds receivables, receivable factoring, interest receivables, acceptance receivables, non-loan recognized as accounts for collection, and refundable security deposits.

The above-mentioned allowance for bad debts is disclosed in accordance with the IAS 39, based on the characteristics of credit risks. Taichung Commercial Bank has allocated 1% or more of Category One credit asset as allowance for bade debts in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and Jin-Guan-Yin-Fa-Zhi Document #10010006830 and added allowance for bad debts on December 31, 2017.

XI. Inventory

	December 31, 2018	December 31, 2017
Merchandise	$ 1,143,707	$ 1,024,857
Finished goods	838,475	485,372
Work in process	148,893	70,948
Raw materials	483,756	388,336
Supplies	74,203	87,029
	$ 2,689,034	$ 2,056,542

(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 total amount of housing properties for sales as of December 31, 2018 and 2017 were both NT$65,775 thousand. It was a joint venture between CMFC, Hung Chou Fiber Industry and Shan Fong Construction in 1997 to invest in a project in Sanchong District of New Taipei City. The project had been completed in 2000 and delivered to buyers. The consolidated company assessed that as of December 31, 2018, the net realizable value is zero.
(3) The consolidated company's cost of goods sold related to inventory in 2018 and 2017 was NT$22,612,538 thousand and NT$19,353,965 thousand, respectively. Cost of goods sold include inventory losses of NT$4,520 thousand and NT$5,616 thousand, respectively, and the loss from work stoppage were NT$382,898 thousand and NT$573,517 thousand, respectively.
(4) As of December 31, 2018 and 2017, the allowance for inventory losses was NT$486,647 thousand and NT$491,519 thousand, respectively.

XII. Prepayments

	December 31, 2018	December 31, 2017
Pre-paid expenses	$ 729,629	$ 759,521
Pre-paid material purchases	95,534	141,779
Tax credit	206,574	238,801
	$ 1,031,737	$ 1,140,101

XIII. Available-for-sale noncurrent assets

	December 31, 2018	December 31, 2017
Land for sale	$ 769,610	$ -

(1) The board of CMFC resolved on August 9, 2016 that the Company wishes to sell part of the land of investment property in Yunlin spinning industrial park to make the assets more liquid. The land was classified as non-current assets available for sale. In 2017, it did not meet the conditions of being non-current assets available for sale and therefore was re-classified to an investment property. The board resolved in 2018 to again attempt to sell the property and actively sought buyers. Therefore, the land to be sold was re-classified to non-current assets available for sale. Please refer to Note 24.

(2) For the available-for-sale noncurrent assets furnished as the security for mortgage, please see Note 41.

XIV. Other current assets

	December 31, 2018	December 31, 2017
Restricted assets – bank deposits	$ 606,217	$ 396,858
Others	11,532	36,095
	$ 617,749	$ 432,953

Restricted assets - Current. Referred to as the collateral ued by the consolidated company for custom duties of the Custom Bureau and inter-bank financing. Please refer to Note 41.

XV. Discounting and advances - Net

	December 31, 2018	December 31, 2017
Bills negotiated and discounts	$ 475,822	$ 648,036
Overdraft	1,061	1,555
Secured overdraft	10,031	23,154
Accounts receivable financing	80,862	28,060
Securities receivable financing	866,372	1,201,728
Short-term loan	43,046,052	46,156,527

	December 31, 2018	December 31, 2017
Short-term secured loans	$ 103,198,900	$ 93,034,520
Mid-term loans	49,659,266	42,237,777
Mid-term secured loans	109,958,945	108,897,802
Long-term loans	4,499,987	4,405,504
Long-term secured loans	145,623,202	139,335,006
Delinquent Accounts	1,662,082	1,185,395
	459,082,582	437,155,064
Add: Adjustment of premium/discount	44,071	47,706
Less: allowance for bad debt	(6,532,101)	(6,344,810)
	$ 452,594,552	$ 430,857,960

(1) As of December 31, 2018 and 2017, the balance of loans and other credits with frozen interest rates at Taichung Commercial Bank was NT$1,640,185 thousand and NT$1,168,006 thousand, respectively. The interest receivables not recorded were NT$34,228 thousand and NT$30,298 thousand, respectively.

(2) In 2018 and 2017, 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 2018 discounting and advances of Taichung Commercial Bank and its subsidiary are shown as follows:

	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, 2018	$ 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 for bad debts of 2018 discounting and advances of Taichung Commercial Bank and its subsidiary:

	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	Differences in impairment recorded 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, 2018	$ 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

(5) The discounting and advances of Taichung Commercial Bank and its subsidiary as of December 31, 2017 are classified according to the credit risk characteristics of the products:

Discounts and loans

Item			Total amount	Allowance for bad debt
			December 31, 2017	December 31, 2017
With individual objective		Corporate banking	$ 7,071,371	$ 1,855,412

evidence of impairment	Individual evaluation of impairment	Consumer banking	2,273,811	255,556
	Portfolio evaluation of impairment	Corporate banking	911,688	283,721
		Consumer banking	2,177,833	278,992
Without individual objective evidence of impairment	Portfolio evaluation of impairment	Corporate banking	221,343,141	1,632,665
		Consumer banking	203,377,220	214,635
Total			437,155,064	4,520,981

The aforementioned provision for bad debts is disclosed is calculated by the specific feature of the risk pursuant to IAS 39. The Bank has recognized provision for bad debts for Category 1 loan assets of more than 1% in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and Letter Jin-Guan-Yin-Fa-Zi No. 10010006830 and at a ratio not falling below 1.5% as stated in Letter Jin-Guan-Yin-Guo-Zi. No. 10300329440, and appropriated at the higher the amount of the aforementioned evaluation result and the ratio.

(6) Details and changes in allowance for bad debts of 2017 discounting and advances listed by accounts of Taichung Commercial Bank and its subsidiary:

	2017
Balance - beginning	$ 6,226,687
Provided in the current period	770,744
Write-off of non-performing loans	(1,010,672)
Collection of written off bad debt	391,827
Exchange effects	(33,776)
Balance - ending	$ 6,344,810

XVI. Financial assets at fair value through other comprehensive profit or loss

	December 31, 2018
Equity instrument investments measured at fair value through other comprehensive income	$ 3,521,896
Debt instrument investments measured at fair value through other comprehensive income	27,492,194
	$ 31,014,090

(I) Equity instrument investments measured at fair value through other comprehensive income

	December 31, 2018
Domestic publicly listed, OTC and Emerging Stock Board companies	$ 2,412,780
Non listed (OTC) domestic stock	905,465
Overseas listed, OTC and non-listed companies	203,651
	$ 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. The assets

were originally classified as financial assets available for sale in accordance with IAS 39. Please refer to Note 1, 17 and 20 for its re-classification and the information of 2017.

2. Equity instruments measured at fair value through other comprehensive income used as pledge collateral. Please refer to Note Forty-One.

(II) Debt instrument investments measured at fair value through other comprehensive income

	December 31, 2018
Corporate bond	$ 20,730,435
Government bonds	5,976,359
Overseas bond	785,400
	$ 27,492,194

1. The debt instruments held by the consolidated company are originally classified as financial assets available for sale and held-to-maturity in accordance with IAS 39. Please refer to Note 3, 17 and 18 for its re-classification and the information of 2017.
2. The consolidated company assessed the expected credit loss of debt instruments measured at fair value through other comprehensive income in 2018 and recognized a reversal of asset impairment at NT$3,820 thousand.
3. 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 45.

XVII. Financial assets available for sale - 2017

	December 31, 2017
Corporate bond	$ 24,736,414
Government bonds	6,497,632
Domestic stocks	1,593,941
Overseas stocks	158,825
Beneficiary certificate	13,800
Bonds and depository receipts	-
	$ 33,000,612

(I) Overseas publicly listed and OTC stocks and depository receipts denominated in foreign currencies:

	December 31, 2017
USD	$ 5,335

(II) As of December 31, 2017, the consolidated company has recognized the creditor's rights and depositary receipts available for sales as impairment losses after assessment.

(3) For the available-for-sale financial assets – noncurrent furnished as the security for mortgage, please see Note 41.

XVIII. Held-to-maturity financial assets - 2017

	December 31, 2017
Overseas bond	$ 19,529,633
Government bonds	8,512,462
Negotiable certificate of deposits issued by Central Bank	57,500,000
	$ 85,542,095

(I) Overseas bonds denominated in foreign currencies:

	December 31, 2017
USD	$ 483,962
RMB	750,000
AUD	61,000
ZAR	70,000

(II) As of December 31, 2017, the face value of consolidated company's government bonds held-to-maturity with repurchase agreement was NT$2,200,000 thousand, and the foreign bonds held-to-maturity with repurchase agreement was NT$2,232,750thousand (equivalent to US$75,000 thousand).

(III) Please see Note 41 for the status on financial assets held-to-maturity provided as pledge collaterals.

XIX. Investment of debt instruments on the basis of cost after amortization

	December 31, 2018
Overseas bond	$ 21,361,293
Government bonds	13,123,603
Negotiable certificate of deposits issued by Central Bank	55,500,000
Corporate bond	11,418,843
Debt instruments	9,511
	101,412,891
Less:Allowance for losses	(105,129)
Less:Deduction of provision for trust compensation reserve and refundable security deposits.	(845,000)
	$ 100,462,761

(I) Overseas bonds denominated in foreign currencies:

	December 31, 2018
USD	$ 571,613
RMB	510,000
AUD	61,000
ZAR	70,000

(II) Financial assets on the basis of cost were previously classified as held-to-maturity financial assets, available-for-sale financial assets and other assets under IAS 39. The detail of reclassification and information on 2017 was specified in Note 3, Note 17, and Note 18.

(III) As of December 31, 2018, the consolidated company held government bonds measured on the basis of cost after amortization and R/P foreign bonds at face value in the amounts of NTD 1,200,000 thousand and NTD 9,642,940 thousand (USD 314,000 thousand), respectively.

(IV) In 2018, the consolidated company recognized asset impairment amounting to NTD 21,308 thousand after the evaluation of anticipated credit loss of debt instruments measured on the basis of cost after amortization.

(V) With respect to the credit risk management of debt instruments carried at cost after amortization and the assessment of impairment, please refer to Note 45.

XX. Financial assets measured at cost- 2017

	December 31, 2017
Domestic non-TSEC/non-GTSM listed shares	$ 314,515
Foreign non-public/non-OTC listed shares	10,451
	$ 324,966

(I) The unlisted/OTC equity investment referred to above of the consolidated company is measured at cost less impairment losses on the balance sheet date, because a reasonable estimate of the fair value range is significant and the probability of a variety of estimates cannot be reasonably assessed, causing the consolidated company’s management to believe that the fair value cannot be reliably measured.

(II) The unlisted stocks and non-OTC stocks held by the consolidated company was recognized for impairment losses of NT$10,954 thousand in 2017 after evaluation.

XXI. Subsidiaries

(I) 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, 2018	December 31, 2017
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%
	Reliance Securities Investment Trust Co., Ltd.	Securities investment trust business	50%	46%
	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 INVESTMENT Ltd.	General investment business	100%	100%
IOLITE INVESTMENT Ltd	Hammock (Hong Kong) Company Limited	General investment business	100%	100%
	Precious Wealth International Limited	General investment business	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	63%	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%
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 originally held 100% of Pan-Xu Investment's equity and then sold the entire equity for NT$137,360 thousand in March 2017, recognizing a gain of NT$1,690 thousand from the disposal of the subsidiary. Please refer to Note 39 for details.
4. The consolidated company invested US$300 thousand in Yuju Global in August 2017 and then re-invested in Noble House Glory, totaling JPY30,000 thousand, in September the same year.

5. The consolidated company invested US$375 thousand in Precious Wealth International Limited in April 2018.
6. The consolidated company participated in the cash capital increase of Taichung Commercial Bank in 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.
7. The consolidated company participated in the cash capital increase of De-Hsin Investment in 2018, adding 20,000 thousand shares at the cost of NT$200,000 thousand.
8. The consolidated company increased its investment in Reliance 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 Reliance 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.
9. 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.

(II) 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, 2018	December 31, 2017
Taichung Commercial Bank Co.	Taichung City	71%	71%

Name of Subsidiary	Profit and loss distributed to the non-controlling equity		Non-controlling interest	
	2018	2017	December 31, 2018	December 31, 2017
Taichung Commercial Bank Co.	$ 2,992,649	$ 2,712,056	$ 34,031,312	$ 30,837,078
Others	44,951	(42,352)	1,835,968	1,633,333
Total	$ 3,037,600	$ 2,669,704	$ 35,867,280	$ 32,470,411

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, 2018	December 31, 2017
Assets	$ 690,832,103	$ 663,024,083
Liabilities	643,008,450	619,622,143
Equity	$ 47,823,653	$ 43,401,940
Equity attributable to:		
Owners of the Company	$ 13,792,341	$ 12,564,862
Non-controlling interests of Taichung Commercial Bank	34,031,312	30,837,078
	$ 47,823,653	$ 43,401,940

	2018	2017
Net revenue	$ 11,689,424	$ 11,394,755
Net income	$ 4,008,369	$ 3,632,542
Other comprehensive profit or loss	33,153	168,335

	2018	2017
Total comprehensive income	$ 4,041,522	$ 3,800,877
Profit attributable to:		
Owners of the Company	$ 1,015,720	$ 920,486
Non-controlling interests of Taichung Commercial Bank	2,992,649	2,712,056
	$ 4,008,369	$ 3,632,542

	2018	2017
The total comprehensive income belongs to:		
Owners of the Company	$ 1,024,121	$ 963,142
Non-controlling interests of Taichung Commercial Bank	3,017,401	2,837,735
	$ 4,041,522	$ 3,800,877
Cash flows		
Operating activities	$ 8,293,638	$ 13,966,124
Investing activities	(11,582,261)	(66,024,253)
finance activities	3,073,444	3,920,071
Impact of changes in exchange rate on cash and cash equivalents	180	(15,324)
Net cash inflow (outflow)	($ 214,999)	($ 48,153,382)

XX. Investment under the equity method

	December 31, 2018	December 31, 2017
Investments in the affiliated company	$ 1,241,811	$ 1,220,689

Investments in the affiliated company

(I) The balance of the consolidated company's investments in associate companies:

	December 31, 2018	December 31, 2017
A major affiliated company		
Nan Chung Petrochemical Corp.	$ 1,228,959	$ 1,216,290
Individual non-dominant associates		
Wei-Kang International	3,298	4,399
Storm Model Management	7,746	-
BONWELL	1,808	-
	$ 1,241,811	$ 1,220,689

(II) A major affiliated company

Company name	Nature of the operation	Main places of business operations	Shareholding and voting right ratio December 31, 2018	Shareholding and voting right ratio December 31, 2017
Nan Chung Petrochemical Corp.	Petrochemical business	Yunlin County	50%	50%

Summary financial information of Nan-Chung Petrochemical:

	December 31, 2018	December 31, 2017
Total assets	$ 3,263,392	$ 3,502,729
Total Liabilities	805,473	1,070,150
Equity	2,457,919	2,432,579
The consolidated company's shareholding ratio	50%	50%
Book value of investment	$ 1,228,959	$ 1,216,290

	2018	2017
Operating income - current	$ 8,510,067	$ 8,033,324
Net income	$ 176,872	$ 164,900
Current period other comprehensive income	$ -	$ -

(III) Summarized information of individually immaterial associates.

	2018	2017
Share of the Consolidated Company		
Net income (loss) for the year	($ 1,390)	($ 2,404)
Current period other comprehensive income	-	-
Total comprehensive income	($ 1,390)	($ 2,404)

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.

(IV) Please see Note 41 for the status on investments adopting the equity method provided as pledge collaterals.

XXIII. Property, plant and equipment

	December 31, 2018	December 31, 2017
The book amount of each category		
Proprietary land	$ 11,027,579	$ 11,025,955
House and Building	2,402,440	2,527,804
Machine and Equipment	4,881,688	5,262,146
Transportation Equipment	49,466	41,675
Machinery and equipment	71,025	76,205
Other equipment	426,411	422,340
Construction in process and prepayment for machinery purchase	3,570,262	3,026,506
	$ 22,428,871	$ 22,382,631

2018	Land	House and Building	Machine and Equipment	Transportation and communication equipment	Miscellaneous equipment	Machinery and equipment	Uncompleted construction and equipment pending inspection	Total
Cost								
Balance - beginning	$ 11,110,668	$ 4,847,156	$ 12,661,265	$ 133,874	$ 1,289,474	$ 416,958	$ 3,026,506	$ 33,485,901
Increase in current period	1,624	416	104,412	20,953	133,226	5,558	636,987	903,176
Decrease in current period	-	(1,267)	(1,694,511)	(5,490)	(15,025)	(27,123)	(8,894)	(1,752,310)
Reclassification	-	1,850	91,652	1,229	(2,280)	1,304	(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	1,403,857	396,697	3,570,262	32,631,570
Accumulated depreciation								
Balance - beginning	-	2,136,068	6,956,334	91,104	837,635	338,841	-	10,359,982
Increase in current period	-	125,681	570,906	13,168	125,526	12,657	-	847,938
Decrease in current period	-	(248)	(1,464,589)	(4,185)	(14,002)	(26,496)	-	(1,509,520)
Reclassification	-	-	-	-	-	-	-	-
Foreign exchange impact amount	-	(2,160)	(8,136)	(5)	(1,185)	-	-	(11,486)
Balance - ending	-	2,259,341	6,054,515	100,082	947,974	325,002	-	9,686,914
Accumulated impairment								
Balance - beginning	84,713	183,284	442,785	1,095	29,499	1,912	-	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	29,472	670	-	515,785
Net - ending	$ 11,027,579	$ 2,402,440	$ 4,881,688	$ 49,466	$ 426,411	$ 71,025	$,3,570,262	$ 22,428,871

2017	Land	House and Building	Machine and Equipment	Transportation and communication equipment	Miscellaneous equipment	Machinery and equipment	Uncompleted construction and equipment pending inspection	Total
Cost								
Balance - beginning	$ 11,106,494	$ 4,846,513	$ 12,603,445	$ 131,450	$ 1,190,131	$ 437,522	$ 2,601,554	$ 32,917,109
Increase in current period	80,728	43,330	63,960	10,213	133,451	2,547	438,773	773,002
Decrease in current period	-	(7,824)	(30,834)	(10,106)	(39,761)	(26,317)	-	(114,842)
Reclassification	-	4,724	15,462	2,317	6,001	3,206	5,866	37,576
Foreign exchange impact amount	-	2,573	9,232	-	(348)	-	(19,687)	(8,230)
Subsidiaries sold this period	(76,554)	(42,160)	-	-	-	-	-	(118,714)
Balance - ending	11,110,668	4,847,156	12,661,265	133,874	1,289,474	416,958	3,026,506	33,485,901
Accumulated depreciation								
Balance - beginning	-	2,009,965	6,347,832	86,019	741,828	350,757	-	9,536,401
Increase in current period	-	127,966	642,631	13,356	109,253	13,993	-	907,199
Decrease in current period	-	(808)	(29,855)	(8,271)	(13,077)	(25,932)	-	(77,943)
Reclassification	-	-	(23)	-	-	23	-	-
Foreign exchange impact amount	-	(1,055)	(4,251)	-	(369)	-	-	(5,675)
Subsidiaries sold this period	-	-	-	-	-	-	-	-
Balance - ending	-	2,136,068	6,956,334	91,104	837,635	338,841	-	10,359,982
Accumulated impairment								
Balance - beginning	84,713	173,018	425,530	1,095	28,162	1,912	-	714,430
Increase in current period	-	10,100	17,056	-	1,315	-	-	28,471
Decrease in current period	-	-	(82)	-	-	-	-	(82)
Reclassification	-	-	-	-	-	-	-	-
Foreign exchange impact amount	-	166	281	-	22	-	-	469
Balance - ending	84,713	183,284	442,785	1,095	29,499	1,912	-	743,288
Net - ending	$ 11,025,955	$ 2,527,804	$ 5,262,146	$ 41,675	$ 422,340	$ 76,205	$ 3,026,506	$ 22,382,631

(I) 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

(II) The unfinished project and the equipment to be inspected as of December 31, 2018 were the investments in the newly constructed cogeneration plant, and they are not yet available for operations.

(III) The consolidated company's pre-capitalized financial costs in 2018 and 2017 were NT$4,815,335 thousand and NT$4,101,038 thousand, respectively. The capialized financial costs for property, plants and equipment in 2018 and 2017 were NT$17,665 thousand and NT$24,450 thousand, respectively, and the capitalized annual interest rates were 1.85% and 1.94%.

(IV) The property, plant and equipment of the consolidated company as of 2018 and 2017 were recognized for impairment losses of NT$325 thousand and NT$28,471 thousand, respectively.

(V) Please see Note 41 for the status on property, plant and equipment provided as pledge collaterals.

XXIV. Investment property

	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

	2017			
	Land	Buildings	Investment property in construction	Total
Cost				
Balance - beginning	$ 1,762,156	$ 71,565	$ -	$ 1,833,721
Increase in current period	-	298	22,500	22,798
Decrease in current period	(50,911)	(16,878)	-	(67,789)
Reclassification	347,229	-	-	347,229
Balance - ending	2,058,474	54,985	22,500	2,135,959

	2017			
	Land	Buildings	Investment property in construction	Total
Accumulated depreciation				
Balance - beginning	$ -	$ 36,275	$ -	$ 36,275
Increase in current period	-	2,030	-	2,030
Decrease in current period	-	(12,511)	-	(12,511)
Reclassification	-	-	-	-
Balance - ending	-	25,794	-	25,794
Accumulated impairment				
Balance - beginning	38,373	1,000	-	39,373
Increase in current period	-	-	-	-
Decrease in current period	-	-	-	-
Reclassification	-	-	-	-
Balance - ending	38,373	1,000	-	39,373
Net - ending	$ 2,020,101	$ 28,191	$ 22,500	$ 2,070,792

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

(I) 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.

(II) The fair values of the consolidated company's investment propertyas of December 31, 2018 and 2017 were NT$1,518,260 thousand and NT$3,299,011 thousand, of which NT$149,412 thousand and NT$84,152 thousand, respectively, were not appraised by independent appraisers. The rest were appraised by a professional appraiser, Zhi-Guang Yeh, of an independent appraisal company, Bao-Yuan Real Estate Appraisal on December 31, 2018 and 2017. The appraisal was based on the market evidence from the transaction prices of similar real estates, and the important assumptions and the fair value of the appraisal are as follows:

	December 31, 2018	December 31, 2017
Asset earning power	18%	18%
The overall capital interest rate during development	2.09%	2.02%

(III) The Board of the Taichung Bank resolved to sell part of the investment property in 2017 and the proceeds of the sale amounted to NTD403,950 thousand, which resulted in capital gain of NTD348,672 thousand and land value increment tax amounting to NTD57,840 thousand.

(IV) Please refer to Note 13 for the re-classification of the consolidated company's investment property and non-current assets available for sale in 2018 and 2017.

(V) All investment in real estate owned by the Consolidated Company' was in its own interests. Please see Note 41 for the status on investment property provided as pledge collaterals.

XXV. Intangible assets

	December 31, 2018	December 31, 2017
Goodwill	$ 426,381	$ 426,381
Business right	28,000	28,000
Computer software	135,974	134,060
Shell Royalty	159,052	159,052
	749,407	747,493
Less: accumulated impairment	(557,161)	(557,161)
	$ 192,246	$ 190,332

(I) 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, 2018, the accumulated impairment loss was NT$398,109 thousand.

(II) 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, 2018, no impairment of such right of operation has been declared in the evaluation.

(III) Changes in the costs of computer software and Shell's royalty:

	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	$ -

	2017		
	Royalties	Computer software	Total
Cost			
Balance - beginning	$ 167,938	$ 142,703	$ 310,641
Increase in current period	-	56,782	56,782
Amortization in the current period	(8,886)	(70,087)	(78,973)
Reclassification	-	4,677	4,677
Net exchange differences	-	(15)	(15)
Balance - ending	159,052	134,060	293,112
Accumulated impairment			
Balance - beginning	159,052	-	159,052
Provided in the current period	-	-	-
Balance - ending	159,052	-	159,052
Net - ending	$ -	$ 134,060	$ 134,060

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.

XXVI. Other assets

	December 31, 2018	December 31, 2017
Refundable deposit	$ 1,778,156	$ 2,101,672
PEM Group Insurance policy assets	-	900,335
Prepaid lease payments - Land use rights	157,406	164,419
Non-delinquent loans restated from loans-net	1,111	21,606
Collected payment of shares underwritten and pending payments to be delivered	726	11,928
Collections - Net	-	-
	$ 1,937,399	$ 3,199,960

(I) 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, 2018 and 2017 were NTD 985,000 thousand and NTD 1,217,800 thousand, which are stated as refundable deposits.

(II) Breakdown of PEM policy assets:

	December 31, 2017
Repurchase products issued by PEM Group.	$2,000,308
Less: accumulated impairment	(1,099,973)
	$ 900,335

The consolidated company according to the resolution reached in the board meeting on May 6, 2009 has the "Private Equity Management Group (PEM Group) Structured Note Customer Interests Protection Program" defined for repurchasing PEM Group structured notes entirely from the investors with the insurance assets accepted in February, 2011.

The consolidated company assessed the assets value of policies issued by PEM group in 2017 and recognized an impairment loss of assets at NT$50,533 thousand.

(III) Non-loans transferred to collection - Breakdown of net:

	December 31, 2018	December 31, 2017
Non-delinquent loans restated from loans	$ 5,343	$ 43,428
Less: Allowance for bad debts - Taichung Commercial Bank (Note 10)	(4,232)	(21,822)
	$ 1,111	$ 21,606

(IV) Details of delinquent accounts, net are summarized as follows:

	December 31, 2018	December 31, 2017
Delinquent Accounts	$ 3,104	$ 3,049
Less: Allowance for bad debts - Collection (Note 20)	(3,104)	(3,049)
	$ -	$ -

XXVII. Borrowing

(I) Shot-term borrowings

	December 31, 2018	December 31, 2017
Secured loans		
- Secured loan	$ 5,710,634	$ 4,803,354
Unsecured loans		
- Credit loan	4,149,886	3,977,585
- Material procurement loan	4,706,669	2,948,509
	8,856,555	6,926,094
	$ 14,567,189	$ 11,729,448

1. The interest rates of bank borrowings as of December 31, 2018 and 2017 were 1.20% to 5.70% and 1.00% to 6.27%, respectively.
2. Please refer to Note 41 for information on the above-mentioned collateral for borrowings.

(II) Short-term notes payable

	December 31, 2018	December 31, 2017
Short-term notes payable	$ 2,360,000	$ 2,035,000
Less: Discount of short-term notes and bills payable	(2,296)	(1,926)
	$ 2,357,704	$ 2,033,074

(III) Long-term borrowings

	December 31, 2018	December 31, 2017
Secured loans		
- Bank loans	$ 6,958,811	$ 8,698,061
Less: Amount due in one year	(1,245,188)	(1,121,122)
Long-term borrowings	$ 5,713,623	$ 7,576,939

1. As of December 31, 2018 and 2017, CMFC had long-term syndicate loans led by Taiwan Cooperative Bank at NT$2,699,500 thousand and NT$4,004,900 thousand, with the borrowing rate currently at 1.85%. Between January and July of 2018, the early repayment of principal was NT$400,000 thousand. CMFC will repay the borrowings periodically based on the loan agreement and a total of $905,400 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, 2018 and 2017, CMFC had intermediate- and long-term borrowings from Taiwan Business Bank at 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 of headquarters in Taipei are used as the collateral for the borrowing.
3. As of December 31, 2018 and 2017, CMFC had long-term borrowings from Mizuho Bank at NT$300,000 thousand, for both year, with the borrowing rate currently at 1.30%. CMFC originally planned to make repayments in one payment in December 2019, and now it has postponed the one-time payment to December 2020.
4. As of December 31, 2018 and 2017, CMFC had long-term borrowings from Land Bank of Taiwan at NT$74,461 thousand and NT$87,999 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 of headquarters in Taipei are used as the collateral for the borrowing.
5. As of December 31, 2018 and 2017, CMFC had long-term borrowings from Union Bank of Taiwan at NT$349,900 thousand and NT$499,600 thousand, respectively, with the borrowing rate currently between 1.56% and 1.59%. CMFC has originally planned to repay the borrowings periodically, starting May 2020, based on the loan agreement, and now it has schedule the repayments to start in May 2020. 106,000 thousand shares of Taichung Commercial Bank's stocks are used as the collateral for the borrowing.
6. As of December 31, 2018 and 2017, 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 2019, and now it has postponed the one-time payment to June 2020. 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, 2018 and 2017, 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 2019, and now it has postponed the one-time payment to August 2020. 95,000 thousand shares of Taichung Commercial Bank's stocks are used as the collateral for the borrowing.
8. As of December 31, 2018 and 2017, CMFC had long-term borrowings from Jih Sun Bank at NT$340,000 thousand and NT$500,000 thousand, respectively with the borrowing rate currently at 1.50%. CMFC originally planned to make repayments in one payment in October 2019, and now it has postponed the one-time payment to October 2020. 93,000 thousand shares of Taichung Commercial Bank's stocks are used as the collateral for the borrowing.
9. As of December 31, 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. The land and buildings in Yunlin are used as the collateral for the borrowing.
10. As of December 31, 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 November 2019.

11 As of December 31, 2018 and 2017, PACC had intermediate-term borrowings from Taiwan Cooperative Bank at NT$212,000 thousand and NT$356,000 thousand, respectively, with the borrowing rate currently at 1.70%. PACC will repay the borrowings periodically based on the loan agreement. The land and buildings of PACC's Kaohsiung plant are used as the collateral for the borrowing.

12. As of December 31, 2018 and 2017, PACC had intermediate-term borrowings from Union Bank of Taiwan at NT$100,000 thousand and NT$150,000 thousand, respectively, with the borrowing rate currently at 1.61%. PACC has repaid the borrowings periodically based on the loan agreement and a total of $50,000 will be due in the next year. The shares of CMFC are used as the collateral for the borrowing.

13. As of December 31, 2018 and 2017, PACC had intermediate-term borrowings from Bank of Panhsin at NT$90,000 thousand and NT$70,000 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 $20,000 thousand will be due in the next year.

14. As of December 31, 2018, CMFC had intermediat-term borrowings from Jih Sun Bank at NT$150,000 thousand, with the borrowing rate currently at 1.53%. PACC originally planned to make repayments in one payment in October 2019, and now it has postponed the one-time payment to October 2020. Shares of CMFC are used as the collateral for the borrowing.

15. As of December 31, 2018 and 2017, Jin-Bang-Ge Industry had long-term borrowings from Taiwan Business Bank at NT$57,000 thousand, for both year, with the borrowing rate currently at 2.50%. Jin-Bang-Ge originally planned to make repayments in one payment in May 2017, and it has postponed the one-time payment to May 2019 and a total of $57,000 thousand will be due in the next year. The land on the Zhixing section in Wanhua are used as the collateral for the borrowing.

16. As of December 31, 2018 and 2017, Chou Chin Industrial had long-term borrowings from Taiwan Business Bank at NT$60,000 thousand and NT$100,000 thousand, respectively, with the borrowing rate currently at 1.99%. Chou Chin Industrial has repaid the borrowings periodically based on the loan agreement and a total of $40,000 thousand will be due in the next year. The factories in Changhua, Dajia and Fugong are used as the collateral for the borrowing.

17. As of December 31, 2018 and 2017, Chou Chin Industrial had long-term borrowings from Union Bank of Taiwan at NT$127,000 thousand and NT$101,000 thousand, respectively, with the borrowing rate currently between 1.70% and 1.89%. Chou Chin Industrial has repaid the borrowings periodically based on the loan agreement and a total of $32,000 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.

18. As of December 31, 2018 and 2017, Jeou Chang had long-term borrowings from Sunny Bank at NT$298,950 thousand and NT$309,000 thousand, respectively, with the borrowing rate currently between 2.02% and 2.03%. Jeou Chang has repaid the borrowings periodically based on the loan agreement and a total of $10,050 thousand will be due in the next year. The bonds of Taichung Commercial Bank are used as the collateral for the borrowing.

19. Please refer to Note 41 for information on the above-mentioned collateral for long-term borrowings.

XXVIII. Bills and bonds sold under repurchase agreements

	December 31, 2018	December 31, 2017
Government bonds	$ 1,200,036	$ 2,202,581
Overseas bond	8,704,431	2,105,229
	$ 9,904,467	$ 4,307,810

Post-period re-purchase amount and interest rate are as follows:

	December 31, 2018	December 31, 2017
Government bonds	$ 1,200,797	$ 2,203,231
Overseas bond	8,768,302	2,114,799
	$ 9,969,099	$ 4,318,030

	December 31, 2018	December 31, 2017
Government bonds	0.42%-0.52%	0.37%-0.43%
Overseas bond	2.69%-2.90%	1.68%-1.90%

Foreign bonds are valued in foreign currencies as follows:

	December 31, 2018	December 31, 2017
USD	$ 283,440	$ 70,716

XXIX Due to Central Bank and other banks

	December 31, 2018	December 31, 2017
Call loans to banks	$ 2,874,850	$ 9,007,150
Due to Chunghwa Post Co., Ltd.	503,276	511,474
Deposits of other banks	626	248
	$ 3,378,752	$ 9,518,872

XXX. Other payables

	December 31, 2018	December 31, 2017
Notes and checks in clearing	$ 5,715,927	$ 6,021,021
Payable expenses	2,167,311	1,808,817
Payable spot exchange settlement payment	1,912,669	1,804,654
Acceptances payable	845,279	872,015
Payable interest	561,466	446,987
Receivable accounts for settlement	476,395	662,746
Securities purchase payable	438,763	-
Equipment accounts payable	44,439	37,276
Account payable for underwriting	33,552	1,581,918
Others	572,685	539,573
	$ 12,768,486	$ 13,775,007

XXXI. Deposits and remittances

	December 31, 2018	December 31, 2017
Check deposits	$ 9,765,880	$ 9,696,268
Demand deposits	128,942,094	128,268,623
Current saving deposits	126,189,743	121,997,110
Time deposits	164,939,938	159,771,410
Time saving deposits	157,855,126	146,104,716
Remittances	28,125	16,102
	$ 587,720,906	$ 565,854,229

XXXII. Bonds payable

	December 31, 2018	December 31, 2017
Subordinate financial bonds	$ 20,000,000	$ 17,500,000
Less: Part owned by the consolidated company	(1,510,000)	(1,140,000)
Bills with less than one year to maturity	-	-
	$ 18,490,000	$ 16,360,000

(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. Amount approved for issuance: NT$6,000,000 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. Bond interest 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. Amount approved for issuance: NT$1,500,000 thousand.
   2. Amount issued: NT$1,500,000 thousand.
   3. Face value: NT$10,000 thousand, issued at face value.
   4. Maturity: no maturity date.
   5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
   6. Principal retirement: executed in accordance with the regulations of issuance.
   7. Interest payment: once annually from the issuing date.

(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. Amount approved for issuance: NT$3,500,000 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. Maturity: no maturity date.
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Principal retirement: executed in accordance with the regulations of issuance.
7. Interest payment: once annually from the issuing date.

(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. Amount approved for issuance: NT$5,000,000 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) 2018 Q1: NT$10,000 thousand, issued at face value.
4. Maturity: no maturity date.
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Principal retirement: executed in accordance with the regulations of issuance.
7. Interest payment: once annually from the issuing date.

(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. Amount approved for issuance: NT$1,500,000 thousand.
2. Amount issued: NT$1,500,000 thousand.
3. Face value: NT$10,000 thousand, issued at face value.
4. Maturity: no maturity date.
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Principal retirement: executed in accordance with the regulations of issuance.
7. Interest payment: once annually from the issuing date.

XXXIII. Provision for liabilities

	December 31, 2018	December 31, 2017
Employee benefit liabilities reserve	$ 1,389,757	$ 1,350,978
Reserve for guarantee liability	189,848	243,637
Provision for commitment of financing	63,809	-
Allowance for contingency	23,933	26,300
	$ 1,667,347	$ 1,620,915

(I) Employee benefit liabilities reserve is detailed as follows:

	December 31, 2018	December 31, 2017
Defined benefit liabilities	$ 1,246,000	$ 1,223,752
Employees preferential deposit plan	120,769	108,779
Other long-term employee benefit liabilities	22,988	18,447
	$ 1,389,757	$ 1,350,978

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, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 2,222,641	$ 2,160,082
The fair value of plan assets	(976,641)	(936,330)
Appropriation shortage	1,246,000	1,223,752
Net determined benefit liability	$ 1,246,000	$ 1,223,752

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, 2017	$ 2,256,309	($ 968,168)	$ 1,288,141
Service cost			
Current service cost	25,553	-	25,553
Interest expenses (revenues)	23,432	(10,143)	13,289
Recognized in the profit or loss	48,985	(10,143)	38,842
Reevaluation			
Planned ROE (except the amount of net interest)	-	797	797
Actuarial loss – change in the assumption of the census	2,156	-	2,156
Actuarial gain – change in financial assumptions	(39,142)	-	(39,142)
Actuarial loss – adjustment through experience	47,725	48	47,773

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
Recognized in the other comprehensive profit of loss	10,739	845	11,584
Employer appropriation	-	(86,669)	(86,669)
Planned asset payment	(129,412)	127,805	(1,607)
Company account payment	(26,538)	-	(26,538)
December 31, 2017	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)	-	(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

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:

	Discount rate	The expected rate of increase in salaries
2018		
China Man-Made Fiber Corporation	1.13%	2.25%
Taichung Commercial Bank	1.13%	1.50%
Reliance Securities Investment Trust Co., Ltd.	1.13%	2.00%

Pan Asia Chemical Corporation	1.13%	2.75%
Chou Chin Industrial Co., Ltd.	0.97%	1.50%
GREENWORLD FOOD CO., LTD.	0.98%	1.50%

	Discount rate	The expected rate of increase in salaries
2017		
China Man-Made Fiber Corporation	1.25%	2.25%
Taichung Commercial Bank	1.25%	1.50%
Reliance Securities Investment Trust Co., Ltd.	1.25%	2.00%
Pan Asia Chemical Corporation	1.25%	2.75%
Chou Chin Industrial Co., Ltd.	1.07%	1.50%
GREENWORLD FOOD CO., LTD.	1.18%	1.50%

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, 2018	December 31, 2017
Discount rate		
Increase by 0.25%	($ 60,202)	($ 61,030)
Decrease by 0.25%	$ 62,490	$ 63,449
The expected rate of increase in salaries		
Increase by 0.25%	$ 61,005	$ 62,007
Decrease by 0.25%	($ 59,068)	($ 59,944)

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, 2018	December 31, 2017
Prepaid amount for 1 year	$ 42,258	$ 70,688
Average maturity of determined benefit obligation	9~17 years	10~19 years

3. Employees preferential deposit plan

Contingent liabilities included in the consolidated balance sheet due to employees' preferential deposit plan at Taichung Commercial Bank are shown as follows:

	December 31, 2018	December 31, 2017
Present value of preferred deposit plan	$ 120,769	$ 108,779
The fair value of plan assets	-	-
Appropriation shortage	120,769	108,779
Provision for liability – preferred deposit plan	$ 120,769	$ 108,779

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, 2017	$ 93,544	$ -	$ 93,544
Service cost			
Service costs from previous period	15,231	-	15,231
Interest expenses	3,284	-	3,284
Recognized in the profit or loss	18,515	-	18,515
Reevaluation			
Actuarial loss – change in the assumption of the census	2,727	-	2,727
Actuarial loss – adjustment through experience	18,810	-	18,810
Recognized in the other comprehensive profit of loss	21,537	-	21,537
Company account payment	(24,817)	-	(24,817)
December 31, 2017	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

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, 2018	December 31, 2017
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	4.00%	4.50%

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, 2018	December 31, 2017

Discount rate		
Increase by 0.25%	($ 2,858)	($ 2,502)
Decrease by 0.25%	$ 2,982	$ 2,608
The withdrawal rate of preferred deposits		
Increase by 0.25%	$ 3,099	$ 2,727
Decrease by 0.25%	($ 3,227)	($ 2,838)

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, 2018	December 31, 2017
Prepaid amount for 1 year	$ -	$ 24,817
The average maturity of employee preferred deposit obligation	10.1 years	9.8 years

4. Other long-term employee benefits

The other long-term employee benefits of the consolidated company 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.

The consolidated company recognized long-term employee benefits in the consolidated comprehensive income statement for an amount of NTD (4,542) thousand and NTD 3,230 thousand in 2018 and 2017, respectively. The other long-term employee benefit liabilities reserve amounted to NTD 22,988 thousand and NTD 18,447 thousand as of December 31, 2017 and 2017, respectively.

(II) The breakdown and change of the secured collateral:

Reconciliation sheet of provision for guarantee liabilities

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, 2018	$ 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

2017

	Amount
Balance - beginning	$ 166,760
Deposit in the current period	77,434
Exchange differences	(557)
Balance - ending	$ 243,637

Bad debt expense and guarantee liability provisions recognized in 2018 and 2017.

(IV) The breakdown and change of the allowance for contingency:

Reconciliation sheet of provisions for accidents

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, 2018	$ 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

2017

	Amount
Balance - beginning	$ 300
Deposit in the current period	26,000
Balance - ending	$ 26,300

Other revenue except for interest income recognized in 2018 and 2017.

(IV) Changes in provisions for commitment of financing by item are shown below:

Reconciliation sheet of commitments for financing

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, 2018	$ 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

PROVISION FOR BAD DEBTS AND GUARANTEE LIABILITIES IS SHOWN BELOW.

XXXIV. Equity

(I) Paid-in capital

	December 31, 2018	December 31, 2017
Authorized number of shares (thousand shares)	1,680,000	1,470,000
Authorized capital	$ 16,800,000	$ 14,700,000
Number of shares issued with fully paid-in capital (thousand shares)	1,522,410	1,429,493
Outstanding capital	$ 15,224,105	$ 14,294,934

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

As of December 31, 2017, CMFC's paid-in capital was $14,294,934 thousand, consisting of 1,429,493 thousand shares of common stock, with a par value of $10 per share.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.

(II) Capital surplus

	December 31, 2018	December 31, 2017
For covering loss carried forward, payment in cash or capitalization as equity shares (1)		
Shares issued in excess of par value	$ 590,001	$ 590,001
Corporate bond conversion premium		
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
<u>For covering loss carried forward only.</u>		
Changes in the ownership equity on a subsidiary	184,238	182,135
Transaction of treasury stock (cash dividends paid to subsidiaries)	137,443	122,489
<u>May not be used for any purpose.</u>		
Employees' stock options	2,600	2,600
	$ 1,694,875	$ 1,677,818

1. 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.

(III) 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 36 (7) employee benefit expense.

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.

CMFC had after-tax loss in 2016 and the general meeting on June 8, 2017 resolved to not distribute earnings. The general meeting on June 12, 2018 resolved to distribute the 2017 earning as follows:

	Earnings Distribution Proposal	Dividend Per Share (NTD)
Legal reserve	$ 79,399	$ -
Special reserve	(524,938)	-
Cash dividends	142,949	0.10
Stock dividends	929,171	0.65

The Company had resolved in the board meeting the earnings distribution of 2018 on March 18, 2019 as follows:

	Earnings Distribution Proposal	Dividend Per Share (NTD)
Legal reserve	$ 137,204	$ -
Special reserve	(20,283)	-
Cash dividends	152,241	0.10
Stock dividends	989,567	0.65

The proposal for the distribution of earnings in 2018 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 2019.

For the profit distribution resolved by CMFC's shareholder meeting, please check the Market Observation Post System.

(IV) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	2018	2017
Balance - beginning	($ 41,611)	($ 25,319)
The exchange differences yielded by net assets of overseas operating institutions	(12,980)	(16,292)
Balance - ending	($ 54,591)	($ 41,611)

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	2018
Beginning balance (IAS 39)	$ -
Effect of retroactive applicability IFRS 9	(203,678)
Beginning balance (IFRS 9)	(203,678)
Change in tax rate	-
Accrued in current year	
Unrealized gain or loss	
Equity instruments	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.	43,335
Balance - ending	($ 129,103)

3. Unrealized gain (loss) on available-for-sale financial assets

	2017
Balance as of January 1, 2017	($ 284,967)
Accrued in current year	
Unrealized gain or loss	67,520
Share of subsidiaries using the equity method	48,256
Balance as of December 31, 2017	($ 169,191)
Balance as of January 1, 2018 (IAS 39)	($ 169,191)
Effect of retroactive applicability IFRS 9	169,191
Balance as of January 1, 2018 (IFRS 9)	$ -

(V) Treasury stock

The details and changes of the treasury stocks of CMFC in 2018 and 2017 are shown as follows:

Cause	Transferring stocks to employees (Thousand Shares)	Shares of parent company held by subsidiaries (in thousand shares)	Total (thousand shares)
Number of shares as of January 1, 2017	5,689	291,815	297,504
Increase in current period	-	-	-
Decrease in current period	(5,689)	-	(5,689)
Number of shares as of December 31, 2017	-	291,815	291,815
Number of shares on January 1, 2018	-	291,815	291,815
Increase in current period	-	18,969	18,969
Decrease in current period	-	-	-
Number of shares on December 31, 2018	-	310,784	310,784

1. CMFC transferred 5,689 thousand of shares to employees for the year ended 2017, and the cost of the transfer was NT$45,677 thousand.
2. As of December 31, 2018 and 2017, CMFC shares held by the subsidiaries are as follows:

Name of Subsidiary	Number of shares held (thousand shares)	Book Value	Market Value
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

December 31, 2017			
Pan Asia Chemical Corporation	221,686	$ 971,926	$ 1,103,456
Deh Hsing Investment Co., Ltd.	9,850	25,787	99,982
Chou Chin Industrial Co., Ltd.	52,126	195,060	247,504
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	8,153	35,136	31,447
		$ 1,227,909	$ 1,482,389

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.

(VI) Non-controlling interest

	2018	2017
Beginning balance (IAS 39)	$ 32,470,411	$ 30,905,692
Effect of retroactive applicability IFRS 9	297,263	-
Beginning balance (IFRS 9)	32,767,674	30,905,692
Adjusted non-controlling interest of dividends distributed to subsidiaries	14,228	-
The number of shares attributed to non-controlling interests		
Net income	3,037,600	2,669,704
Reevaluation of determined benefit plan	(25,672)	(8,261)
Unrealized gain (loss) on available-for-sale financial assets	-	137,353
Financial assets at fair value through other comprehensive profit or loss	27,114	-
Exchange differences from the translation of financial statements of foreign operations	9,518	(3,279)
Cash dividends paid by subsidiaries	(1,066,594)	(1,291,145)
Subsidiaries repurchase, cancel and transfer treasury stocks	-	17,776
Change in non-controlling interest	1,103,412	42,571
Balance - ending	$ 35,867,280	$ 32,470,411

XXXV. Share-based payment agreement

Employee stock option plan

CMFC awarded 900 units, 2,743 units and 2,046 units of employee stock options based on three employee stock option plans in November 2017, with each unit being allowed to subscribe for 1000 shares of common stocks. Given to employees who meet specific conditions as laid out by the Company including China Man-Made Fiber Corporation. The term of stock option is 1 day. The holders of certificates may exercise the stock options granted during the term of stock option. The exercise price of the stock options was $8.18, $8.17 and $7.78, respectively.

Employee stock option information is as below:

Employees' stock options	2017 Unit (Thousands)
Outstanding stock options – beginning	-
Vested this year	5,689
Waived during the year	-
Implemented this current year	(5,689)
Overdue in the current year	-
Outstanding stock options – ending	-
Executable at end of year	-
Weighted-average fair value of stock options granted during the year	$ 0.74

CMFC adopted the Black-Scholes model for the employee stock options issued in November 2017, and the input values used in the evaluation model are as follows:

	November 2017	November 2017	November 2017
Grant-date price	NT$ 8.86	NT$ 8.86	NT$ 8.86
Exercise price	NT$ 8.18	NT$ 8.17	NT$ 7.78
Expected fluctuation rate	22.288%	22.288%	22.288%
Duration	1 day	1 day	1 day
Expected dividend rate	0%	0%	0%
Risk-free interest rate	0%	0%	0%

The remuneration cost of CMFC recognized in 2017 is NT$4,232 thousand.

XXXVI. Business units in continuing operation income

Income from continuing operations department includes the following items

(I) Interest income and expense

	2018	2017
Interest revenue		
Discount and loan interest income	$ 10,785,290	$ 10,212,314
Due from bank and interbank offered interest income	141,778	172,953
Security investment interest income	1,517,886	1,222,691
Others	637,878	489,857
	$ 13,082,832	$ 12,097,815

	2018	2017
Financial costs		
Deposits Interest expenses	$ 3,570,151	$ 3,250,146
Central Bank and interbank interest expense	257,130	186,754
Bond issuance interest expense	581,800	373,299
Interest expense on borrowings	178,097	246,130
Other Interest expenses	228,157	44,709
	4,815,335	4,101,038
Less: Recognized cost of property, plant and equipment (Note 23)	(17,665)	(24,450)
	$ 4,797,670	$ 4,076,588

(II) Fee income and expense

	2018	2017
Income from handling fees		
Brokerage fee revenue	$ 1,487,633	$ 1,437,263
Trust business income	809,086	769,961
Loan service fee income	461,478	312,790
Commission income for bank guarantee	159,332	121,771
Other service fee revenue	358,691	344,259
	3,276,220	2,986,044
Service charges		
Commission expense	(283,735)	(375,504)
Inter-bank service fee	(35,082)	(33,016)
Other service fee expenses	(111,229)	(128,945)
	(430,046)	(537,465)
	$ 2,846,174	$ 2,448,579

(III) Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2018	2017
The realized gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Commercial papers	$ 146,516	$ 141,078
Stock	(8,762)	36,275
Beneficiary certificate	(77,018)	112,530
Bonds	(27)	(34)
Derivatives	18,344	410,785
	79,053	700,634
Commercial papers	$ 3,046	$ 3,256
Stock	190,069	89,181
Beneficiary certificate	(48,167)	36,408
PEM Group Insurance policy assets	14,456	-
Bonds	(15)	96
Open-end funds and money market instruments	230	16
Derivatives	(29,046)	(240,044)
	130,573	(111,087)
	$ 209,626	$ 589,547

(IV) Impairment reversal gain (loss)

	2018	2017
Capital gain/loss on reversal of debts instrument at fair value through comprehensive income statement as other comprehensive income	$ 3,820	$ -
Impairment of debt instruments measured on the basis of cost after amortization	(21,308)	-
Impairment loss of assets on PEM policies	-	(50,533)
Net profit of financial assets measured at cost	-	(10,954)
Impairment loss of property, plant and equipment	(325)	(28,471)
	($ 17,813)	($ 89,958)

(V) Other income

	2018	2017
Dividend income	$ 116,117	$ 75,320
Management fee income	32,824	32,901
Rental revenue	37,204	24,197
Gain from liquidation of subsidiaries (Note 39)	-	1,690
Others	65,914	104,105
	$ 252,059	$ 238,213

(VI) Depreciation and amortization

	2018	2017
Property, plant, and equipment expenses	$ 847,938	$ 907,199
Depreciations of Investment Property	1,783	2,030
Intangible assets amortization expenses	54,854	78,973
Total	$ 904,575	$ 988,202
Consolidation of depreciation expenses based on functions		
Operating cost	$ 611,281	$ 668,259
Operating expenses	238,440	240,970
	$ 849,721	$ 909,229
Consolidation of amortization expenses based on functions		
Operating cost	$ 731	$ 9,633
Operating expenses	54,123	69,340
	$ 54,854	$ 78,973

(VII) Employee benefits expenses

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 33)	4,615	32,810	37,425
	27,908	132,435	160,343
Other employee benefits expenses	39,151	244,296	283,448
Total employee benefits expenses	$ 712,404	$ 4,094,328	$ 4,806,733

2017

	Operating cost	Operating expenses	Total
Salary & wage	$ 575,664	$ 3,135,730	$ 3,711,394
Labor insurance and national health insurance	55,266	212,228	267,494
	630,930	3,347,958	3,978,888
Pension expenses			
Defined contribution pension plan	22,069	100,109	122,178
Defined benefit plan (Note 33)	4,956	33,886	38,842
	27,025	133,995	161,020
Other employee benefits expenses	35,674	220,041	255,715
Total employee benefits expenses	$ 693,629	$ 3,701,994	$ 4,395,623

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. The Board approved the remuneration to employees and Directors and Supervisors in 2018and 2017 on March 18, 2019 and March 23, 2018, and were specified as follows:

Estimate on ratio

	2018	2017
Remuneration to employees	1.0%	1.0%
Remuneration to directors/supervisors	0.3%	0.3%

Amount

	2018	2017
Remuneration to employees	$ 13,673	$ 8,185
Remuneration to directors/supervisors	$ 4,102	$ 2,456

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.

The actual amount for remuneration to employees, Directors and Supervisors in 2017 and 2016 did not vary from the amount recognized in the individual financial statements of 2017 and 2016.

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 2019 and 2018, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

XXXVII. Continuing department income tax

(I) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	2018	2017
Income tax expenses in the current period		
Accrued in current year	$ 807,023	$ 640,073
Additional levy on undistributed earnings	20,662	1,582
Prior year adjustment	8,367	11,727
Land revaluation increment tax	292	57,840
Deferred tax		
Accrued in current year	35,255	32,031
Change in tax rate	(136,472)	-
Income tax expense recognized in the profit or loss	$ 735,127	$ 743,253

The adjustments of 2018 and 2017 accounting income and the income tax expense of the year:

	2018	2017
Income before tax from continuing operations	$ 5,144,762	$ 4,206,944
Income tax expense of net income before tax at the statutory tax rate	$ 1,028,952	$ 715,180
Non-deductible expenses and losses for tax purposes	21,458	41,128
Non-taxable income	(177,990)	(149,483)
Additional levy on undistributed earnings	20,662	1,582
Land revaluation increment tax	292	57,840
Income tax expense of prior years adjusted in the current year	8,367	11,727
Unrecognized loss carryforward	(12,389)	-
Unrecognized deductible temporary differences	(18,488)	64,791
Change in tax rate	(136,472)	-
Effect of variation in taxation rates on the consolidation of the group and individual entities.	735	488
Income tax expense recognized in the profit or loss	$ 735,127	$ 743,253

The individuals in Republic of China Income Tax Law is applicable to the consolidated companies; applicable tax rate in 2017 is 17%. In February, 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the tax rate applicable to the undistributed earnings for 2018 will be reduced from 10% to 5%; the tax rate applicable to subsidiaries in China will be 25%.

(II) Income tax recognized in the other comprehensive profit or loss

	2018	2017
Deferred tax		
Accrued in current year		
— Reevaluation of determined benefit plan	$ 48,464	$ 3,845
— Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	(10,830)	-
— Unrealized gain (loss) on available-for-sale financial assets	-	(7,414)
Income tax benefits recognized in the other comprehensive profit or loss	$ 37,634	($ 3,569)

(III) Current income tax asset and liability

	December 31, 2018	December 31, 2017
Current income tax asset		
Tax refund receivable	$ 5,293	$ 11,468
Current Tax Liability		
Payable income tax	$ 386,857	$ 257,114

(IV) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

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
Allowance for bad debt	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
	$ 1,021,022	$ 545	$ -	$ 1,021,567

2017

	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	$ -	$ -	$ 37,238
Inventory	9,484	-	-	9,484
Defined benefit pension plans	245,051	(7,787)	3,845	241,109
Allowance for bad debt	374,046	(43,259)	-	330,787
Unrealized loss from structured note indemnity	184,028	8,627	-	192,655
Others	(7,869)	11,600	(7,414)	(3,683)
	841,978	(30,819)	(3,569)	807,590
Loss credit	128,259	(1,307)	-	126,952
	$ 970,237	($ 32,126)	($ 3,569)	$ 934,542
Allowance for land increment value tax	$ 1,021,022	$ -	$ -	$ 1,021,022
Others	95	(95)	-	-
	$ 1,021,117	($ 95)	$ -	$ 1,021,022

(V) Deductible temporary differences and unused deduction of loss for deferred income tax assets are not recognized in the balance sheet.

	December 31, 2018	December 31, 2017
Deductible temporary differences		
Defined benefits plan	$ -	$ 148,582
Allowance to reduce inventory to market	282,592	282,592
	$ 282,592	$ 431,174

(VI) Unused losses credit related information

Loss deduction as at December 31, 2018:

Uncredited balance	Last year of credit
$ 11,511	2020
5,211	2022
476,968	2023
$ 493,690	

(VII) Income tax audit

1. Approved by the Company up to 2016.

2. The Taichung Commercial Bank was audited up to the year 2016.
3. The Taichung Commercial Bank Insurance Broker Co., Ltd. was audited up to the year of 2016.
4. The Taichung Commercial Bank Lease Enterprise was audited up to the year of 2016.
5. TCB Securities was approved until 2016.
6. The Pan Asia Chemical Corporation was audited up to the year 2016.
7. Approved by De-Hsin Investment up to 2016.
8. Approved by Reliance Securities Investment Trust up to 2017.
9. Approved by Chou Chin Industrial up to 2016.
10. Approved by Ge Ling up to 2016.
11. Approved by Jeou Chang up to 2016.
12. Approved by Rui-Jia Investment up to 2016.
13. Approved by Xiang-Feng Development up to 2016.
14. Approved by Mélasse up to 2017.
15. Approved by Pan-Feng Industry up to 2016.
16. Approved by Tou-Ming Industry up to 2016.
17. Approved by Jin-Bang-Ge Industry up to 2016.

XXXVIII. Earnings per share

	2018	2017
Basic earnings per share	$ 1.13	$ 0.66
Diluted earnings per share	$ 1.13	$ 0.66

When calculating earnings per share, the impact of the stock dividend had been retroactively adjusted. The payment date of bonus shares is on September 4, 2018. The net income and weighted average common stock shares used for calculating earnings per share are as follows:

Unit: NTD per share

	Cum-dividend	Ex-dividend
Basic earnings per share	$ 0.70	$ 0.66
Diluted earnings per share	$ 0.70	$ 0.66

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net income

	2018	2017
Net profit attributable to the company	$ 1,372,035	$ 793,987

Quantity Unit: Thousand Shares

	2018	2017
Weighted average common stock shares used to calculate basic earnings per share	1,211,626	1,206,324
Effect of dilutive potential common stock:		
Remuneration to employees	1,508	806
Weighted average common stock shares used to calculate diluted earnings per share	1,213,134	1,207,130

If the consolidated company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings 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 diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

XXXIX. Disposal of subsidiaries

The consolidated company disposed of a subsidiary, Pan-Xu Investment, on March 27, 2017 to an interested party, Midea Company (Please refer to Note 40). The total amount of disposal is NT$137,360 thousand, with a gain of NT$1,690 thousand. The consolidated company had completed the disposal as of December 31, 2017, losing control of the subsidiaries.

(I) Analysis of assets and liabilities which are not in control

	Amount
Current assets	
Cash and cash equivalents	$ 18,351
Non-Current assets	
Property, plant and equipment-net	118,714
Current liabilities	
Payables	(1,395)
Net assets disposed of	$ 135,670

(II) Gain from disposal of subsidiaries

	Amount
Consideration collected	$ 137,360
Net assets disposed of	(135,670)
Disposal profit	$ 1,690

(III) Net cash inflow from disposition of subsidiaries

	Amount
Consideration received in cash and cash equivalents	$ 137,360
Less: Balance of cash and cash equivalents disposed of	(18,351)
	$ 119,009

XL. Related Party Transactions

(I) 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
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
Da Fa Investment Company	Substantial related party
Sheng Jen Knitted Textiles Co., Ltd.	Substantial related party

Name	Affiliation
Tai Yi Investment	Substantial related party
Reliance Consolidated Securities Co., Ltd.	Substantial related party
Wang Wan Chin Education Foundation	Substantial related party
Chao-Qing Investment	Substantial related party
Peng Hsu Investment Company	Substantial related party
Sheng Yuan Zhe Investment	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
27 people including the spouse of the chairman of Taichung Commercial Bank (Note 1)	Spouses and kin at the second tier under the Civil Code of Chairman and President of the Taichung Commercial Bank
49 people including the spouse of directors of Taichung Commercial Bank (Note 2)	Spouse and children of Director of TCB
6 persons including Chen-Yuan Chen	Key managers of Taichung Commercial Bank
19 people including the spouse of the assistant general manager of Taichung Commercial Bank	Spouse and children of the Vice President of TCB
101 persons including Chien-Hung Lin	Mangers of Taichung Bank
35 persons including Wang Kuei-Hsien	Directors and general manager of CMFC and their spouses and children

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: 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. The vacancy is yet to be appointed by Hsu Tian Investment Co., Ltd.

(II) Important transactions between the Company and related parties:

1. Purchases

Name	2018	2017
Nan Chung Petrochemical Corp.	$ 4,246,032	$ 3,976,276

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.

2. Bank deposits and interest revenue

	2018		2017	
Name	Balance - ending	Interest revenue	Balance - ending	Interest revenue
Hua Nan Bank	$ 111,807	$ 181	$ 106,293	$ 121

3. Payable accounts from related parties

Name	December 31, 2018	December 31, 2017
Payable accounts and notes		
Nan Chung Petrochemical Corp.		
	$ 342,359	$ 468,898

4. Loan

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	〃	〃

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	Yang OO	$ 1,298	$ 846	$ 846	$ -	$ 16	Real estate	N/A
Residential mortgage loans	Chung OO	14,387	12,230	12,230	-	206	〃	〃
Other loans	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	〃	〃

2017

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	10 accounts	$ 4,110	$ 2,817	$ 2,817	$ -	$ 42	Credit loans	N/A
Residential mortgage loans	21 accounts	59,882	52,562	52,562	-	647	Real estate	〃
Other loans	○○ Chen	5,000	5,000	5,000	-	75	〃	〃
	Ni OO	3,500	1,500	1,500	-	27	〃	〃
	Ni OO	1,440	1,440	1,440	-	15	〃	〃
	You OO	4,300	4,300	4,300	-	63	〃	〃
	Chu OO	3,500	3,500	3,500	-	24	〃	〃
	Meng ○○	9,209	-	-	-	150	〃	〃
	Lee OO	10,947	2,817	2,817	-	48	〃	〃
	Huang OO	2,500	2,500	2,500	-	2	〃	〃
	Chiu OO	1,600	1,600	1,600	-	-	〃	〃
	○○ Liu	2,305	2,176	2,176	-	33	〃	〃
	Yang OO	1,743	1,298	1,298	-	22	〃	〃
	○○ Chen	7,100	3,000	3,000	-	50	〃	〃
	Chang ○○	1,773	-	-	-	12	〃	〃
	○○ Chen	4,000	4,000	4,000	-	20	〃	〃
	Liang OO	4,970	3,053	3,053	-	45	〃	〃
	○○ Chen	3,000	3,000	3,000	-	-	〃	〃
	Zhuang OO	1,917	1,769	1,769	-	24	〃	〃
	Tsai OO	3,831	3,642	3,642	-	76	〃	〃
	○○ Tseng	500	-	-	-	6	〃	〃
	Chiu OO	4,114	3,826	3,826	-	58	〃	〃
	Chung ○○	15,211	14,387	14,387	-	234	〃	〃
	oo Lin	2,600	1,600	1,600	-	30	〃	〃
	Lee OO	1,500	1,500	1,500	-	17	〃	〃

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.

5. Deposit

	2018			2017		
	Balance - ending	Interest Rate Collars %	Interest Expenses	Balance - ending	Interest Rate Collars %	Interest Expenses
Taichung Commercial Bank Workers' Welfare Commission	$ 141,566	0.01~5.09	$ 7,367	$ 141,943	0.01～5.09	$ 7,232
Reliance Consolidated Securities Co., Ltd.	-	-	-	14,323	0.08～0.80	106
Taichung Commercial Bank Cultural and Educational Foundation	8,232	0.01~1.09	88	8,220	0.01～1.09	88
Formosa Imperial Wineseller Corp.	2,393	0.08	-	270	0.08	-
Yu Hwei Technology Co., LTD.	4	0.01	-	72	0.08	-
Hsu Tian Investment Co., Ltd	11,888	0.01~0.43	86	37,263	0.01～0.08	33
Ho Yang Management Consultant Co., Ltd.	34,828	0.01	1	234,093	0.00～5.09	3,839
Others	242,116	0.00~5.09	3,847	234,093	0.00～5.09	3,839
	$ 441,027		$ 11,389	$ 436,184		$ 11,298

With the exception of the interest rate for bank clerks' deposits on December 31, 2018 and 2017 were 5.09% respectively, the other interest rates are not materially different from those offered to general customers.

6. Financial bonds payable

Taichung Bank has entrusted KGI Securities acting as the financial consultant in bond offering for its issuance of the 1st term in 2015, 1st term in 2016, 1st, 2nd, 3rd 4th and 5th term in 2017 of perpetual non-accumulative subordinated bank debentures.

As of December 31, 2018, 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	1,041,000	2nd term in 2013, 1st term in 2017, 4th term in 2017, 1st term and 2nd term in 2018 of perpetual non-accumulative subordinated debentures

As of December 31, 2018 and 2017, Taichung Bank should pay bond interest from bank debentures to the aforementioned related parties amounting to NTD35,399 thousand, and NTD 24,829 thousand, respectively. The interest expenses as of December 31, 2018 and 2017 amounted to NTD 154,530 thousand and NTD 80,191 thousand, respectively.

7. Transactions of property

The Consolidated Company purchased the funds managed by Reliance Securities Investment Trust Co., Ltd. at the price of NT$28,532 thousand in 2017, and sold the fund NT$59,765 thousand, at the price of NT$60,234 thousand, and, therefore, generated the gain from disposal, NT$469 thousand. The transaction price for the funds purchased from or sold to the related parties was determined based on the market value of the funds published on the date of transaction.

Chou Chin Industrial disposed of its subsidiary, Pan-Xu Investment, in March 2017 to Midea Company. The total amount of disposal is NT$137,360 thousand, based on the price reasonableness report provided by experts, and the gain from the disposal is NT$1,690 thousand. Please see Note 39.

(III) Rewards to management

The 2018 and 2017 total remuneration to directors and the other management are as follows:

	2018	2017
Short-term employee benefits	$ 250,985	$ 290,536
Retirement benefits	2,950	2,579
Other long-term employee benefits	25	60
	$ 253,960	$ 293,175

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:

XLI. 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, 2018	December 31, 2017
Notes receivable	$ 2,277,240	$ 2,299,020
Due to Central Bank and other banks	200,000	200,000
Restricted assets - Bank borrowings (list other current assets)	606,217	396,858
Available-for-sale financial assets	-	139,829
Financial assets at fair value through other comprehensive profit or loss	186,865	-
Held-to-maturity financial assets	-	1,067,800
Investment of debt instrument on the basis of cost after amortization – government bonds	845,000	-
Investment under the equity method	122,896	121,629
Available-for-sale noncurrent assets	769,610	-
Investment property	1,090,166	1,869,757
Property, plant and equipment		
Land	3,179,986	3,179,986
House and Building	530,813	554,201

XLII. Significant undertakings or contingencies

In addition to the undertaking for financial products specified in Notes 8, 9 and 28, the company have had the following undertakings or contingent liabilities until December 31, 2018 and 2017:

(I) Guarantee notes issued by CMFC:

	December 31, 2018	December 31, 2017
Banking facility	$ 14,676,846	$ 13,242,634
Advance payment and performance bond	320,000	320,000
	$ 14,996,846	$ 13,562,634

(II) As of December 31, 2018 and 2017, the consolidated company had opened unused credit line of letter of credit at NT$1,976,370 thousand and NT$2,280,772 thousand, respectively.

(III) 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.

(IV) Taichung Commercial Bank has other commitments:

	December 31, 2018	December 31, 2017
Undisbursed credit committee (exclusive of credit cards)	$ 152,638,816	$ 158,951,848
Credit card committee	10,507,270	12,810,379
Guarantee payments	18,335,961	18,693,022
Trust liabilities	65,770,665	62,673,911
Balance of application for L/C	4,140,679	3,900,545
Lease contract commitments	1,803,183	1,161,518

(IV) 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, 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

Balance Sheet of Trust Accounts
December 31, 2017

Trust assets	Amount	Trust liabilities	Amount
Bank deposits	$ 1,575,084	Payable securities in custody	$ 7,174,325
Short-term investment	50,348,720	Trust capital	
Structured product investment	1,894,932	Money trust	53,818,736
Real estate		Real estate trust	1,680,850
Land	1,564,319	Net income	1,795,915
House and Building	116,531	Deferred carry-over	(1,795,915)
Securities in custody	7,174,325		
Total trust assets	$ 62,673,911	Total trust liabilities	$ 62,673,911

Property Catalogue of Trust Accounts
December 31, 2017

Investment		Amount
Bank deposits	$	1,575,084
Short-term investment		50,348,720
Structured product investment		1,894,932
Real estate		
Land		1,564,319
House and Building		116,531
Securities in custody		7,174,325
	$	62,673,911

Income Statement of Trust Accounts
2017

		Amount
Amount		
Interest revenue	$	2,541,642
Dividend income		27,644
Trust expenses		
Administration expenses	(	769,410)
Taxation	(	3,961)
Income before taxation		1,795,915
Income tax expenses		-
Income after taxation	$	1,795,915

(VI)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.

The financing lease commitment meant for the future total lease payment and its present value of the consolidated company as a lessee under the financing lease conditions or the total lease investment amount or the present value of the minimum lease receivable of the lessor under the financing lease condition.

Capital expenditure commitment refers to the contract signed for the capital expenditures paid to receive architecture and equipment.

The maturity of the commitments of the lease agreements and capital expenditure of the companies in the consolidated financial statements are analyzed below:

December 31, 2018

	Less than 1 year	1 ~5 years	More than 5 year	Total
Lease contract commitments				
Operating lease expense (lessee)	$ 248,988	$ 274,050	$ 540	$ 523,578
Operating lease income (lessor)	1,809	1,305	-	3,114
Gross financial lease income (lessor)	1,543,078	1,102,103	-	2,645,781
Present value of financial lease income (lessor)	1,362,538	1,006,172	-	2,368,710
Capital expenditure commitments	117,104	104,725	-	221,829
Total	$ 3,273,517	$ 2,488,355	$ 540	$ 5,763,012

December 31, 2017

	Less than 1 year	1 ~5 years	More than 5 year	Total
Lease contract commitments				
Operating lease expense (lessee)	$ 288,672	$ 221,016	$1,620	$ 511,308
Operating lease income (lessor)	2,591	2,580	-	5,171
Gross financial lease income (lessor)	1,172,616	503,097	-	1,675,713
Present value of financial lease income (lessor)	1,071,907	478,437	-	1,550,344
Capital expenditure commitments	196,012	108,657	-	304,669
Total	$2,731,798	$ 1,313,787	$1,620	$ 4,047,205

XLIII. 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.

XLIV Financial instruments

(I) 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.

December 31, 2018

		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Investment of debt instruments on the basis of cost after amortization	$ 101,247,761	$ 65,891,744	$ 32,453,053	$ -	$ 98,344,797
Financial Liabilities					
Financial liabilities based on cost after amortization:					
- Financial bonds payable	20,000,000	-	20,098,746	-	20,098,746

December 31, 2017

		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Held-to-maturity investments	$ 86,559,895	$ 66,020,623	$ 19,472,844	$ -	$ 85,493,467
Financial Liabilities					
Financial liabilities on the basis of cost after amortization:					
- Financial bonds payable	17,500,000	-	17,662,353	-	17,662,353

(II) Information on fair value – financial instruments at fair value on repetition.

1. Fair value bracket

	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	1,629,612	-	-	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 of year	$ 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)	(60,352)	-	(60,352)
- Purchase	(868)	-	(868)
- Capital reduction and return of share capital	(2,922)	-	(2,922)
Balance, end of year	$ 914,338	$ -	$ 914,338

Financial instruments at fair value through profit or loss	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit and loss				
Stock investment	$ 1,465,510	$ -	$ -	$ 1,465,510
Bond investment	182,929	-	-	182,929
Others	28,650,758	-	-	28,650,758
Available-for-sale financial assets				
Stock investment	1,752,766	-	-	1,752,766
Bond investment	31,234,046	-	-	31,234,046
Others	13,800	-	-	13,800
Derivatives				
Assets				
Financial assets at fair value through profit and loss	-	1,866,337	-	1,866,337
Liabilities				
Financial liabilities at fair value through profit and loss	-	207,225	-	207,225

Reconciliation of financial instruments at Level 3 fair value: None.

In 2018 and 2017, 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%	($ 53,540)

(III) Categories of financial instruments

	December 31, 2018	December 31, 2017
Financial Assets		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	$ 27,408,915	$ 32,165,534
Available-for-sale financial assets (Note 1)	-	33,325,578
Held-to-maturity investments	-	85,542,095
Loans and accounts receivable (Note 2)	-	509,554,533
Financial assets on the basis of cost after amortization (Note 3)	631,445,242	-
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	3,521,896	-
Debt instrument	27,492,194	-
Financial Liabilities		
Measured at fair values through profit and/or loss	165,360	207,225
Based on cost after amortization (Note 4)	658,939,255	634,773,251

Note 1: The balance covers the balance of available-for-sale financial assets and financial assets on the basis of cost.

Note 2: 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, restricted assets, refundable deposits and loans and receivables at amortized cost.

Note 3: 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 4: 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, 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.

XLV. 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.

(I) Market risk

1. Source and definition of market risk

Bonds, notes, loans and other similar financial products held or issued by the consolidated company may experience changes in the fair value on the balance sheet date due to changes in market interest rates.

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

(1) 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.

(2) 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

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.

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, 2018 and 2017 decreased/increased by NTD 14,150 thousand and NTD 7,399 thousand; the equity increased/decreased by NTD 47,853 thousand and NTD 42,139 thousand, respectively.

5. 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.

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 and the board, and makes necessary adjustments according to the overall operating conditions of the Company.

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, 2018 and 2017 increased/decreased by NTD 903,726 thousand and NTD 956,971 thousand; the equity decreased/increased by NTD 2,280,815 thousand and NTD 1,934,612 thousand, respectively.

6. Other price oriented risks.

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.

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, 2018 and 2017 increased/decreased by NTD 316,943 thousand and NTD 195,085 thousand; the equity decreased/increased by NTD 664,655 thousand and NTD 733,017 thousand, respectively.

7. Sensitivity analysis is compiled as follows:

December 31, 2018			
The main risk	Magnitude changes	Affected amount	
		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)	903,726
	Interest rate curve drops 100BPS	2,280,815	(903,726)
Other price oriented risks.	Equity securities price increased by 15 %.	664,655	316,943
	Equity securities price decreased by 15%.	(664,655)	(316,943)

December 31, 2017			
The main risk	Magnitude changes	Affected amount	
		Equity	Profit and loss
Exchange rate risk	USD/NTD, CNY/NTD, and AUD/NTD valued by 3%, respectively.	$ 42,139	($ 7,399)
	USD/NTD, CNY/NTD, and AUD/NTD decreased by 3%, respectively.	(42,139)	7,399
Interest rate risk	Interest rate curve rises 100BPS	(1,934,612)	956,971
	Interest rate curve drops 100BPS	1,934,612	(956,971)
Other price oriented risks.	Equity securities price increased by 15 %.	733,017	195,085
	Equity securities price decreased by 15%.	(733,017)	(195,085)

(II) 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 2018 and 2017 accounted for 0.5% and 0.5%, respectively, of the total monetary assets.

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, 2018. The proportion of financing guarantee and collateral held by commercial L/C was approximately 41%, 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:

(1) Loans (including commitments of financing and guarantees)

2018

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:

Quantified indicators

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.

Quality indicators

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
	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.

(2) 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:

2018

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.

Measurement of anticipated credit loss

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.

(a) For “normal credit risk” category, estimate the anticipated amount of loss on the basis of PD in one year.

(b) 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.

(c) 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.

(d) 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

(1) 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. The preservation of the right of debts and collaterals clause is explicitly stated in the loan agreement thereby the credit limit and term of loan could be condensed, or the loans shall be deemed immediately due in the event of credit risk. This will help to reduce credit risk.

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:

	Total Book Value	Provision for impairment	Total exposure (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

(2) 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.

(3) 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, 2018	December 31, 2017
Irrevocable undertaking of loan	$ 5,810,795	$ 5,930,487
The available credit limit after the activation of revolving credit of credit card	273,680	400,251
Receivable guarantees	18,335,961	18,693,022
The balance of opened but unused letter of credit	4,140,679	3,900,545

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, 2018	December 31, 2017
Private enterprise	$ 261,140,346	$ 253,892,806
Natural person	223,436,581	208,625,896
Others	1,931,734	3,481,286
	$ 486,508,661	$ 465,999,988

Industrial type	December 31, 2018	December 31, 2017
Natural person	$ 223,436,581	$ 208,625,896
Manufacturer	91,638,350	92,452,926
Commerce	60,759,475	61,284,519
Real estate	53,991,855	48,803,678
Construction industry	18,082,362	18,458,346
Commercial and industrial service business	13,378,876	11,897,472
Financial and insurance business	11,905,926	10,542,246
Warehousing and information	8,000,887	6,832,246
Others	5,314,349	7,102,659
	$ 486,508,661	$ 465,999,988

Region	December 31, 2018	December 31, 2017
Domestic	$ 454,099,851	$ 436,182,646
Territory of Asia	15,694,693	12,316,303
Territory of America	11,766,992	11,639,378
Others	4,947,125	5,861,661
	$ 486,508,661	$ 465,999,988

Collateral	December 31, 2018	December 31, 2017
Non-secured	$ 78,629,858	$ 82,327,447
Secured		
Secured by property	363,656,359	342,096,578
Secured by Letter of Guarantee	17,201,082	17,531,354
Secured by Chattel	6,148,543	5,478,037
Secured by bonds	12,411,927	8,587,494
Notes receivable	1,851,735	2,473,386
Secured by stocks	3,585,658	4,064,966
Others	3,023,499	3,440,726
	$ 486,508,661	$ 465,999,988

7. 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:

December 31, 2018

(1) Discounts and loans and receivables credit quality analysis

	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	$ 227,802,578	$ 3,019,498	$ 5,573,360	$ -	$ 236,395,436
Consumer banking	208,024,931	12,318,911	2,343,305	-	222,687,147
Others	40,992	3,322	(244)	-	44,070
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		
	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	$ 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		
	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					
Consumer banking	$ 5,545,278	$ 17,067	$ -	$ -	$ 5,562,345
Total Book Value	248,450	-	-	-	248,450
Provision for impairment	5,793,728	17,067	-	-	5,810,795
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"	(53,686)	(741)	-	-	(54,427)
Total	$ 5,740,042 -	$ 16,326	-	-	$ 5,756,368

	Credit card committee				
	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					
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		
	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	$ 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		
	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	$ 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

(2) Credit quality analysis on investment of debt instruments

	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:

December 31, 2018

	Measured at fair values through other comprehensive income	Measured on the basis of cost after amortization
Total Book Value	$ 27,368,778	$ 101,352,890
Loss allowance	(15,525)	(105,129)
Cost after amortization	27,353,253	101,247,761
Fair value adjustment	123,416	-
	$ 27,476,669	$ 101,247,761

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:

				Total book value of December 31, 2018	
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%~0.46%	$ 27,368,778	$101,352,890
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)			
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 (12-month expected credit loss)	Abnormal (lifetime expected credit loss and no credit impairment)	Breach of contract (lifetime expected credit loss and with 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	-	-
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

December 31, 2017

(1) Discounts and loans and receivables credit quality analysis

December 31, 2017	Not-overdue impaired-free position amount					Overdue unimpaired position amount (B)	Impaired position amount (C)	Total (A)+(B)+(C)	Appropriated loss amount (D)		Net (A)+(B)+(C)-(D)
	Level 1	Level 2	Level 3	Level 4	Subtotal (A)				With individual objective evidence of impairment	Without individual objective evidence of impairment	
Items on the statement											
Receivable											
Accounts receivable	$ 2,194,227	$ -	$ -	$ -	$ 2,194,227	$ 416,756	$ -	$ 2,610,983	$ 240,790	$ -	$ 2,370,193
Credit card	189,771	160,008	142,874	229,601	722,254	55,562	21,842	799,658	13,108	7,129	779,421
Others	49,221,490	527,280	190,056	9,371,752	59,310,578	184,393	351,235	59,846,206	164,232	110,055	59,571,919
Discounts and loans	190,047,376	129,319,121	59,509,230	17,108,270	395,983,997	28,736,364	12,434,703	437,155,064	2,673,681	1,847,300	432,634,083

(2) The credit quality analysis on the consolidated company's not-overdue impairment-free discounts and loans depends on the credit quality of customers.

	Not-overdue impaired-free position amount				
December 31, 2017	Level 1	Level 2	Level 3	Level 4	Total
Consumer banking					
Residential mortgage loans	$ 17,452,411	$ 18,015,723	$ 11,394,153	$ 3,638,300	$ 50,500,587
Cash card	-	-	9	53	62
Small credit loans	95,952	195,876	240,162	148,764	680,754
Others (secured)	72,032,518	36,863,301	13,928,751	4,281,135	127,105,705
Others (non-secured)	4,551,581	3,328,866	1,155,305	219,866	9,255,618
	94,132,462	58,403,766	26,718,380	8,288,118	187,542,726
Corporate Finance					
Secured	63,256,970	44,524,672	19,962,146	4,883,537	132,627,325
Non-secured	32,657,944	26,390,683	12,828,704	3,936,615	75,813,946
	95,914,914	70,915,355	32,790,850	8,820,152	208,441,271
Total	$ 190,047,376	$ 129,319,121	$ 59,509,230	$ 17,108,270	$ 395,983,997

(3) Marketable securities investment credit quality analysis

December 31, 2017	Not-overdue impaired-free position amount				Overdue unimpaired position amount (B)	Impaired position amount (C)	Total (A)+(B)+(C)	Loss already recognized Amount (NTD)	Net (A)+(B)+(C)-(D)
	Level 1	Level 2	Level 3	Subtotal (A)					
Available-for-sale financial assets									
Bond investment	$ 31,234,046	$ -	$ -	$ 31,234,046	$ -	$ 62,945	$ 31,296,991	$ 62,945	$ 31,234,046
Equity investment	1,465,334	-	287,432	1,752,766	-	-	1,752,766	-	1,752,766
Others	13,800	-	-	13,800	-	14,416	28,216	14,416	13,800
Held-to-maturity financial assets									
Bond investment	27,813,845	228,250	-	28,042,095	-	-	28,042,095	-	28,042,095
Others	57,500,000	-	-	57,500,000	-	-	57,500,000	-	57,500,000
Other financial assets									
Equity investment	-	-	573,786	573,786	-	-	573,786	242,820	324,966
Others	-	-	-	-	-	2,000,308	2,000,308	1,099,973	900,335

(4) Overdue impairment-free financial assets but aging analysis

Borrower's processing delays and other administrative reasons may cause financial assets to become overdue but not impaired. According to the consolidated company's internal risk management rules, financial assets that are overdue for less than 90 days are usually not considered impaired, unless it is evidenced.

The aging analysis on the consolidated company's overdue impairment-free financial assets:

	December 31, 2017		
Item	Less than one month overdue	1~3 months overdue	Total
Receivable			
Accounts receivable	$12,919	$403,837	$416,756
Credit card	41,207	14,355	55,562
Others	132,766	51,627	184,393
	$186,892	$469,819	$656,711
Discounts and loans			
Consumer banking			
Residential mortgage loans	$3,810,453	$3,065	$3,813,518
Cash card	16	-	16
Small credit loans	69,369	-	69,369
Others (secured)	10,864,150	46,508	10,910,658
Others (non-secured)	1,037,303	3,630	1,040,933
	15,781,291	53,203	15,834,494
Corporate Finance			
Secured	8,932,285	360	8,932,645
Non-secured	3,969,105	120	3,969,225
	12,901,390	480	12,901,870
	$28,682,681	$53,683	$28,736,364

(III) Liquidity risk

The consolidated company's current liability exceeds its current assets of NT$74,020,822 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.

The Taichung Commercial Bank's Liquidity Ratios on December 31, 2018 and 2017 were both 23% and 26%. The Bank's capital and working funds are sufficient to perform all contractual obligations. Therefore, there is no liquidity risk arising from the failure to raise funds to perform contractual obligations. The Taichung Bank's basic management policy is to coordinate the maturity date of assets and liabilities and interest rates and to control gaps.

The Taichung Commercial Bank's basic operating management policy is to match up assets and liabilities maturity and interest rate and control the unmatched gap. Due to the uncertainty and classification of trade conditions, the maturity date of assets and liabilities and interest rate are usually not fully matched up; this gap may cause a potential gain or loss.

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, 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	2,219,993	4,163,723	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	-	-	-	6,000,000	14,000,000	20,000,000
Other matured capital outflow items	951,130	575,750	88,682	146,016	552,259	2,313,837
Due to Central Bank and other banks	$ 6,833,937	$ 2,332,875	$ 730	$ 351,330	$ -	$ 9,518,872
Bills and bonds sold under repurchase agreements	3,269,968	1,048,062	-	-	-	4,318,030
Shot-term borrowings	3,129,619	4,773,798	2,527,327	1,278,818	19,886	11,729,448
Short-term notes payable	1,075,000	779,648	179,514	-	-	2,034,162
Long-term borrowings	94	229,924	347,043	544,061	7,576,939	8,698,061
Payables	12,647,568	1,550,102	930,040	445,469	277,770	15,850,949
Customer deposits and remittances	56,008,764	78,911,344	82,901,024	136,222,247	211,810,850	565,854,229
Financial bonds payable	-	-	-	-	17,500,000	17,500,000
Other matured capital outflow items	102,570	24,245	43,764	88,620	345,760	604,959

<u>Derivative financial liabilities maturity analysis</u>

1. Derivative instruments cleared and settled at net value

The consolidated company's derivatives that are settled and cleared at net value include:

Foreign exchange derivatives: Exchange rate 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, 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

December 31, 2017	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	$ 7,329	$ 15,383	$ 11,840	$ 10,541	$ -	$ 45,093
Total	$ 7,329	$ 15,383	$ 11,840	$ 10,541	$ -	$ 45,093

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, 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)

December 31, 2017	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	$ 2,128,439	$ 1,688,533	$ 821,104	$ 1,610,312	$ -	$ 6,248,388
- Cash inflow	2,114,153	1,673,724	792,260	1,544,154	-	6,124,291
Subtotal of cash outflow	2,128,439	1,688,533	821,104	1,610,312	-	6,248,388
Subtotal of cash inflow	2,114,153	1,673,724	792,260	1,544,154	-	6,124,291
Net cash flow	($ 14,286)	($ 14,809)	($ 28,844)	($ 66,158)	$ -	($ 124,097)

(IV)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, 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
Ooutstanding letters of credit amount	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

December 31, 2017	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	$ 10,996,343	$ 23,429,412	$ 31,811,704	$ 70,695,877	$ 39,336,499	$ 176,269,835
Ooutstanding letters of credit amount	1,130,285	2,565,045	187,700	17,515	-	3,900,545
Receivable guarantees	7,714,616	3,948,429	677,445	1,778,351	4,574,181	18,693,022
Lease contract commitments	1,161,518	-	-	-	-	1,161,518
Total	$ 21,002,762	$ 29,942,886	$ 32,676,849	$ 72,491,743	$ 43,910,680	$ 200,024,920

(V) 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.

XLVI. 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, 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
December 31, 2017					
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
Held-to-maturity financial assets					
R/P agreement	$ 4,658,926	$ 4,307,810	$ 4,674,084	$ 4,307,810	$ 366,274

XLVII. 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.

December 31, 2018

				Related amounts not offset in the balance sheet		
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	Financial instruments	Cash collateral received	Net
Derivatives	$ 2,088,691	$ -	$ 2,088,691	$ -	$ -	$ 2,088,691
Reverse repurchase and securities borrowing agreement	9,294,168	-	9,294,168	9,294,168	-	-
Total	$ 11,382,859	$ -	$ 11,382,859	$ 9,284,168	$ -	$ 2,088,691

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	
Derivatives	$ 165,360	$ -	$ 165,360	$ -	$ -	$ 165,360
Repurchase and securities lending agreement	9,904,467	-	9,904,467	9,904,467	-	-
Total	$ 10,069,827	$ -	$ 10,069,827	$ 9,904,467	$ -	$ 165,360

December 31, 2017

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	
Derivatives	$ 1,866,337	$ -	$ 1,866,337	$ -	$ -	$ 1,866,337
Reverse repurchase and securities borrowing agreement	11,283,082	-	11,283,082	11,283,082	-	-
Total	$ 13,149,419	$ -	$ 13,149,419	$ 11,283,082	$ -	$ 1,866,337

Financial Liabilities	Gross amounts of recognized financial assets	Gross amounts of recognized financial assets 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	
Derivatives	$ 207,225	$ -	$ 207,225	$ -	$ -	$ 207,225
Repurchase and securities lending agreement	4,307,810	-	4,307,810	4,307,810	-	-
Total	$ 4,515,035	$ -	$ 4,515,035	$ 4,307,810	$ -	$ 207,225

XLVIII. Information to be disclosed pursuant to Article 16 of the “Regulations Governing the Preparation of Financial Reports by Public Banks”

(I) Asset quality

Type \ Item			December 31, 2018					December 31, 2017				
			NPL amount (Note 1)	Total amount	NPL rate (Note 2)	Allowance for bad debt	Allowance for bad debt coverage rate (Note 3)	NPL amount (Note 1)	Total amount	NPL rate (Note 2)	Allowance for bad debt	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured		980,023	152,938,946	0.64%	1,471,243	150.12%	910,179	147,076,012	0.62%	1,533,082	168.44%
	Non-secured		350,210	83,415,828	0.42%	3,126,240	892.68%	307,442	82,250,188	0.37%	2,642,552	859.53%
Consumer banking	Residential mortgage loans (Note 4)		277,102	57,027,677	0.49%	915,184	330.27%	267,038	56,022,201	0.48%	969,098	362.91%
	Cash card		-	40	-	5	-	32	3,157	1.01%	2,120	6,625.00%
	Small credit loans (Note 5)		5,417	872,621	0.62%	90,357	1,668.03%	8,312	782,564	1.06%	39,158	471.10%
	Others (Note 6)	Secured	395,286	150,125,230	0.26%	577,436	146.08%	301,228	139,104,500	0.22%	965,759	320.61%
		Non-secured	46,306	13,835,868	0.33%	351,238	758.52%	50,887	10,714,714	0.47%	193,041	379.35%
Total amount			2,054,344	458,216,210	0.45%	6,531,703	317.95%	1,845,118	435,953,336	0.42%	6,344,810	343.87%

Type \ Item	December 31, 2018					December 31, 2017				
	NPL amount	Balance of receivable accounts	NPL rate	Allowance for bad debt	Allowance for bad debt coverage rate	NPL amount	Balance of receivable accounts	NPL rate	Allowance for bad debt	Allowance for bad debt coverage rate
Credit card	4,710	749,434	0.63%	27,453	582.87%	8,507	797,032	1.07%	32,560	382.74%
Non-recourse factoring (Note 7)	-	133,277	-	12,165	-	-	1,656,114	-	28,350	-

NPL or non-performing receivable accounts exempted from report

	December 31, 2018		December 31, 2017	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Amount exempted from report upon debt negotiation and performance (Note 8)	2,896	1,376	6,940	1,780
Performance of debt clearance program and rehabilitation program (Note 9)	9,103	17,680	7,481	16,613
Total	11,999	19,056	14,421	18,393

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.

(II) Status of credit risk concentration

December 31, 2018; Unit: NT$ 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%

December 31, 2017 Unit: NT$ in 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, 2017
1	Group C 016700 Real estate development	$ 3,148,737	7.25%
2	Group B 010892 Noodle products manufacturing	2,625,197	6.05%
3	Group E 012411 Iron and steel manufacturing	1,796,162	4.14%
4	Group K 012699 other electronic parts and components manufacturing without classification	1,776,807	4.09%
5	Group D 015500 Accommodation service	1,704,281	3.93%
6	Group L 016700 Real estate development	1,577,529	3.63%
7	Group F 016700 Real estate development	1,428,583	3.29%
8	Group G 014612 Wholesale of brick and tiles, gravels, cement, and their products.	1,327,851	3.06%
9	Group H 016700 Real estate development	1,171,800	2.70%
10	Group M 016700 Real estate development	1,141,157	2.63%

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.

(III) Interest rate sensitivity information

Interest rate sensitivity assets and liabilities analysis data (NTD)

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%

December 31, 2017

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	462,435,741	6,503,542	8,109,517	77,217,728	554,266,528
Interest rate sensitivity liabilities	151,989,766	276,148,497	90,493,177	13,711,029	532,342,469
Interest rate sensitivity gap	310,445,975	(269,644,955)	(82,383,660)	63,506,699	21,924,059
Net value					43,401,940
Interest rate sensitivity assets and liabilities rate					104.12%
Interest rate sensitivity gap and net worth rate					50.51%

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.
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, 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%

December 31, 2017

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	902,199	339,282	39,210	404,801	1,685,492
Interest rate sensitivity liabilities	525,683	954,563	142,981	-	1,623,227
Interest rate sensitivity gap	376,516	(615,281)	(103,771)	404,801	62,265
Net value					1,457,909
Interest rate sensitivity assets and liabilities rate					103.84%
Interest rate sensitivity gap and net worth rate					4.27%

Note: 1. This table reports the total amount, in US$, held by the headquarters and domestic branches of Taichung Commercial Bank, its international financial business branches and overseas branches, excluding contingent assets and contingent liabilities.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in US$)

(IV) Profitability:

Unit: %

Item		December 31, 2018	December 31, 2017
Return on assets	Before Income Tax	0.69	0.67
	After Income Tax	0.60	0.57
ROE	Before Income Tax	10.17	10.07
	After Income Tax	8.79	8.57
Net profit rate		37.55	35.10

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

(V) Analysis on maturity of assets and liabilities

Analysis of maturity structure of NTD

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

December 31, 2017

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	598,141,237	109,914,586	30,498,374	29,468,061	51,262,425	88,329,183	288,668,608
Main capital outflow upon maturity	710,537,090	36,411,396	37,325,982	88,778,387	108,514,499	171,244,522	268,262,304
Gap	(112,395,853)	73,503,190	(6,827,608)	(59,310,326)	(57,252,074)	(82,915,339)	20,406,304

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, 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

December 31, 2017

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	2,057,206	472,931	288,565	317,306	100,961	877,443
Main capital outflow upon maturity	2,875,529	557,042	748,449	554,700	839,630	175,708
Gap	(818,323)	(84,111)	(459,884)	(237,394)	(738,669)	701,735

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.

XLIX. 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.

L. 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, 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 financial assets	-	3,202	-	-	-	-	3,202
Other assets	140,863	-	-	-	-	-	140,863
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

	December 31, 2017						
	USD	RMB	JPY	AUD	Euro	Other foreign currencies	Total
Foreign currency financial assets							
Cash and cash equivalents	$ 3,561,323	$ 1,225,919	$ 658,529	$ 110,926	$ 259,379	$ 340,996	$ 6,157,072
Due from Central Bank and lend to Banks	53,586	91,300	-	-	-	337,821	482,707
Financial assets at fair value through profit and loss	210,043	-	-	-	-	290	210,333
Available-for-sale financial assets	158,825	-	-	-	-	-	158,825
Discounts and loans	32,528,042	1,260,225	295,904	406,267	491,123	867,454	35,849,015
Accounts receivable	5,143,858	1,853,624	117,420	19,623	511,021	76,434	7,721,980
Held-to-maturity financial assets	14,520,384	3,424,197	-	1,416,042	-	169,010	19,529,633
Other financial assets	900,335	-	-	-	-	-	900,335
Other assets	758,488	-	-	-	-	-	758,488
Foreign currency financial liabilities							
Due to Central Bank and banks	2,828,150	-	-	-	178,000	-	3,006,150
Shot-term borrowings	312,585	1,398,923	-	-	-	-	1,711,508
Customer deposits and remittances	43,392,506	3,263,127	788,466	2,159,266	472,269	1,354,753	51,430,387
Financial liabilities at fair value through profit and loss	71,728	-	-	-	-	290	72,018
Payables	2,926,385	172,634	71,286	7,683	448,365	302,777	3,929,130
Bills and bonds sold under repurchase agreements	2,105,229	-	-	-	-	-	2,105,229
Liability reserve	6,674	-	-	-	-	-	6,674
Other liabilities	96,007	64,612	113	-	4,112	44,528	209,372

The consolidated company's gain (loss) on foreign currency exchange (realized and unrealized) in 2018 and 2017 were NT$387,106 thousand and NT$(319,544) thousand, respectively. Due to the wide variety of foreign currency transactions, it is difficullt to disclose all exchange gains or losses based impact significance.

LI. 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	Mi Qi Ji, Ltd.	Other receivables	No	$ 170,000	$ -	$ -	6.50%	Necessary for offering short-term loan	$ -	Working capital	$ -	Real estate	$ 171,396	$ 185,896	$ 743,582	Note 9
2	Taichung Commercial Bank Lease Enterprise	Chang Hong International Development Co., Ltd.	〃	〃	50,000	21,989	21,989	4%-10%	〃	-	〃	226	Real estate	29,079	185,896	743,582	〃
3	Taichung Commercial Bank Lease Enterprise	Yuan Mao Construction Co., Ltd.	〃	〃	100,000	-	-	4%-10%	〃	-	〃	-	Stock	63,180	185,896	743,582	〃
4	Taichung Commercial Bank Lease Enterprise	Yan Xin Construction Co., Ltd.	〃	〃	95,654	64,170	64,170	4%-10%	〃	-	〃	661	Real estate	58,613	185,896	743,582	〃
5	Taichung Commercial Bank Lease Enterprise	General Energy Solutions	〃	〃	50,000	23,476	23,476	4%-10%	〃	-	〃	190	Refundable deposits	5,000	185,896	743,582	〃
6	Taichung Commercial Bank Lease Enterprise	Yi Lei Construction Co., Ltd.	〃	〃	65,000	63,050	63,050	4%-10%	〃	-	〃	649	Real estate	65,161	185,896	743,582	〃
7	Taichung Commercial Bank Lease Enterprise	Huang Chao Golden Hall Inc.	〃	〃	30,000	16,696	16,696	4%-10%	〃	-	〃	110	Refundable deposits	6,000	185,896	743,582	〃
8	Taichung Commercial Bank Lease Enterprise	Yuanli Engineering Co., Ltd.	〃	〃	50,000	35,678	35,678	4%-10%	〃	-	〃	367	N/A	-	185,896	743,582	〃
9	Taichung Commercial Bank Lease Enterprise	Kuang Ming Shipping	〃	〃	100,000	100,000	-	4%-10%	〃	-	〃	-	Refundable deposits	20,000	185,896	743,582	〃
10	TCCBL Co., Ltd. (B.V.I.)	EVER MERIT TRADING LIMITED	〃	〃	73,704	18,426	18,426	5.25%	〃	-	〃	184	Stock	61,911	78,223	312,890	Note 10
11	TCCBL Co., Ltd. (B.V.I.)	LEAGUE INTERNATIONAL LIMITED	〃	〃	30,710	7,678	7,678	4%-10%	〃	-	〃	46	Refundable deposits	3,071	78,223	312,890	〃
12	TCCBL Co., Ltd. (B.V.I.)	TCT CAPITAL CO., LTD	〃	〃	49,136	-	-	4%-10%	〃	-	〃	-	Refundable deposits	4,914	78,223	312,890	〃
13	TCCBL Co., Ltd. (B.V.I.)	CROSS BORDER PROFITS LIMITED	〃	〃	42,994	28,867	28,867	4%-10%	〃	-	〃	258	Refundable deposits	3,071	78,223	312,890	〃
14	TCCBL Co., Ltd. (B.V.I.)	TCT CAPITAL CO., LTD	〃	〃	49,136	49,136	49,136	4%-10%	〃	-	〃	442	Refundable deposits	4,914	78,223	312,890	〃
15	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Sanyuan Construction (Qingdao) Development Co., Ltd.	Loan by mandate	〃	169,936	-	-	10%	〃	-	Capital Expenditures	-	Real estate	1,783,693	291,216	291,216	Note 11
16	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Zhangjiajie Zhongjun Real Estate	〃	〃	26,832	26,832	26,832	9.6%	〃	-	〃	402	Real estate	241,086	291,216	291,216	〃

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.

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.	$ 654,029	$ 15,000	$ 15,000	$ -	$ -	1.15	$ 1,308,183	–	–	–
2	Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	Subsidiaries of Taichung Commercial Bank	11,153,738	2,510,000	1,221,512	377,733	-	66.99	18,859,563	–	–	–
2	Taichung Commercial Bank Lease Enterprise	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Subsidiaries of Taichung Commercial Bank	11,153,738	2,083,830	2,083,830	1,282,320	-	114.28	18,859,563	–	–	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. Holding of marketable securities at the end of the period Unit: Thousand shares / NT$ in 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	57,390	$ 593,987	1	$ 593,987	
	First Financial Holding	〃	〃	1,853	37,066	-	37,066	
	Yung Shin Global Holding	〃	〃	279	10,979	-	10,979	
	Oriental Union Chemical Corporation (OUCC)	〃	〃	500	12,900	-	12,900	
	Hua Nan Financial Holding	CHINA MAN-MADE FIBER CORPORATION is its corporate director.	Equity instrument investments measured at fair value through other comprehensive income- non-current	60,581	1,060,161	1	1,060,161	1,148 thousand shares pledged
	Maxigen Biotech Inc.	N/A	〃	569	13,178	1	13,178	
	Taiwan Tea Corporation	〃	〃	15,000	231,750	2	231,750	
	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	65,560	-	65,560	
	Domestic Emerging Stock Board							
	JiMicron Technology	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	270	3,482	-	3,482	
	Non listed (OTC) domestic stock							
	EVERSOL CORP.	N/A	Financial assets mandatorily measured at fair value through profit or loss- current	3,450	-	1	-	
	Sunny Bank	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	2,309	21,792	-	21,792	
	Formosa Imperial Wineseller Corp.	Affiliate	〃	1,900	-	10	-	
China Man-Made Fiber Corporation	Non listed (OTC) domestic stock							
	TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	CHINA MAN-MADE FIBER CORPORATION is its corporate director.	Equity instrument investments measured at fair value through other comprehensive income- non-current	11,542	$ 33,472	20	$ 33,472	
	WK Technology Fund	N/A	〃	598	7,174	3	7,174	
	Pu Shih Joint Venture(??)	〃	〃	682	3,683	2	3,683	
	Minchali Metal Industrial Co., Ltd.	〃	〃	7,193	91,348	3	91,348	

(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	
	TWSE	〃	〃	1,232	89,500	-	89,500	
	Everterminal Co., Ltd.	〃	〃	298	3,118	-	3,118	
	China Trade & Development Corp.	〃	〃	756	-	1	-	
	Chia Hsin Food and Synthetic Fiber Co., Ltd.	〃	〃	103	-	-	-	
	Taitung Business Bank	〃	〃	4,027	-	1	-	
	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	8,873	18	8,873	
	Beneficiary certificate							
	Reliance Wealth Bond Fund	Fund managed by Reliance Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	6,403	69,056	-	69,056	
	Reliance emerging stock portfolio fund	〃	〃	4,531	45,669	-	45,669	
	The RSIT First Digital Fund	〃	〃	1,842	47,911	-	47,911	
	Reliance Da-Fa Fund	〃	〃	1,505	38,284	-	38,284	
	Reliance Taiwan Main Stream Small & Medium Cap Fund	〃	〃	3,042	51,047	-	51,047	
	Yuanta Shanghai and Shenzhen	N/A	〃	1,500	16,110	-	16,110	
China Man-Made Fiber Corporation	Domestic corporate bonds							
	Taichung Commercial Bank financial bonds	Subsidiar 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	10,491	$ 107,005	-	$ 107,005	
	Non listed (OTC) domestic stock							
	Unicon Vision Corp.	N/A	Equity instrument investments measured at fair value through other comprehensive income- current	1,293	15,196	-	15,196	
	Formosa Imperial Wineseller Corp.	Affiliate	〃	2,000	-	10	-	
	Wan Tai Lease Co., Ltd.	N/A	〃	628	-	3	-	

(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	
	Beneficiary certificate							
	Reliance emerging stock portfolio fund	Fund managed by Reliance Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	2,004	20,196	-	20,196	
	Reliance Wealth Bond Fund	〃	〃	458	4,942	-	4,942	
	The RSIT First Digital Fund	〃	〃	67	1,746	-	1,746	
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	236,096	2,408,182	16	2,408,182	77,954 thousand shares pledged
	Yuan Ji Solar Technology	N/A	〃	2,322	15,096	1	15,096	
	Domestic Emerging Stock Board							
	JiMicron Technology	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	440	5,738	1	5,738	
Pan Asia Chemical Corporation	Non listed (OTC) domestic stock							
	TWSE	N/A	Equity instrument investments measured at fair value through other comprehensive income- non-current	254	$ 18,509	-	$ 18,509	
	Chung Chien Investment Co., Ltd.	Affiliate	〃	12,000	25,440	18	25,440	
	Chung Shing Textile Co., Ltd.	N/A	〃	120	-	-	-	
	Domestic corporate bonds							
	Taichung Commercial Bank financial bonds	Subsidiary of China Man-Made Fiber Corporation	Debt instrument investments measured at fair value through other comprehensive income- non-current	200,000	200,000	-	200,000	
Reliance 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	1,169	89,803	-	89,803	
	Beneficiary certificate							
	THE RSIT ENHANCED MONEY MARKET FUND	Fund managed by Reliance Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	1,023	12,221	-	12,221	

(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	〃	〃	160	4,073	-	4,073	
	The RSIT First Digital Fund	〃	〃	205	5,321	-	5,321	
	Reliance Chinese Selected Growth Equity Fund	〃	〃	815	8,030	-	8,030	
	Reliance Taiwan Main Stream Small & Medium Cap Fund	〃	〃	262	4,400	-	4,400	
	Reliance emerging stock portfolio fund	〃	〃	965	9,726	-	9,726	
	Yuanta S&P 500 single-day leveraged 1X inverse	N/A	〃	25	365	-	365	
	Shin Kong Multi-Asset	〃	〃	100	825	-	825	
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	965	9,993	-	9,993	
Chou Chin Industrial Co., Ltd.	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	Taichung Commercial Bank Co.	China Man-Made Fiber Corporation	Equity instrument investments measured at fair value through other comprehensive income-current	6,044	$ 61,649	-	$ 61,649	
	China Man-Made Fiber Corporation	Parent of Chou Chin Industrial Co., Ltd.	〃	55,514	566,247	4	566,247	45,000 thousand shares pledged
	Hua Nan Financial Holding	CHINA MAN-MADE FIBER CORPORATION is its corporate director.	〃	18,430	322,528	-	322,528	9,530 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	1,154	10,413	-	10,413	
	Beneficiary certificate							
	Reliance Wealth Bond Fund	Fund managed by Reliance Securities Investment Trust Co., Ltd.	Financial assets mandatorily measured at fair value through profit or loss- current	916	10,000	-	10,000	
	Reliance Taiwan Main Stream Small & Medium Cap Fund	〃	〃	111	2,000	-	2,000	
	Domestic corporate bonds							
	Taichung Commercial Bank financial bonds	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	750,000 thousand shares pledged
Chou Chang Corporation	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	Taichung Commercial Bank Co.	Subsidiary of China Man-Made Fiber Corporation	Equity instrument investments measured at fair value through other comprehensive income-non-current	12,073	123,142	-	123,142	10,000 thousand shares pledged

(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	China Man-Made Fiber Corporation	Ultimate parent of Chou Chin Industrial Co., Ltd.	〃	8,683	88,569	1	88,569	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	〃	404	2,603	1	2,603	
	Domestic corporate bonds							
	Taichung Commercial Bank financial bonds	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	350,000 thousand shares pledged

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	Taichung Commercial Bank common stocks	Investments adopting the equity method / consolidated and individual	Subscription of capital increase	Subsidiaries	735,234	$9,719,925	32,246	$ 328,914	-	$ -	$ -	$ -	785,861	$10,688,164

Note 1: The number of shares at the end of period includes stock dividends allocated in the period. The amount at the end of period includes the profit and loss and the other comprehensive income of subsidiaries, associate companies and joint venture adopting the equity method.

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.	China Man-Made Fiber Corporation Investee valued under equity method	Purchase	$ 4,246,032	23%	30~60 days	Not distinctive	30~90 days for the general transactions	($ 342,359)	(18%)	
China Man-Made Fiber Corporation	Pan Asia Chemical Corporation	Subsidiary of China Man-Made Fiber Corporation	Sale	(972,682)	5%	30~60 days	〃	〃	109,064	4%	
Pan Asia Chemical Corporation	China Man-Made Fiber Corporation	Parent company of Pan Asia Chemical Corporation	Purchase	972,682	64%	30~60 days	〃	〃	(109,064)	74%	
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Subsidiary of Chou Chin Industrial Co., Ltd.	Sale	(1,110,182)	44%	A/C 120 days	-	-	172,591	59%	
GREENWORLD FOOD CO., LTD.	Chou Chin Industrial Co., Ltd.	Parent company of GREENWORLD FOOD CO., LTD.	Purchase	1,110,182	80%	A/C 120 days	-	-	(172,591)	(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	Subsidiary of China Man-Made Fiber Corporation	$ 109,064	8.03	$ -	—	$ 90,106	$ -
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	A subsidiary of Chou Chin Industrial Co., Ltd.	172,591	5.72	-	—	129,561	-

9. Transactions in engaging in derivative financial instruments. (Note 8)

10. Other information: Amount of the business relationship and major transactions between parent company and subsidiaries and among 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)
	2018						
0	China Man-Made Fiber Corporation	Pan Asia Chemical Corporation	1	Sales revenue	$ 972,682	No significant difference from the general customer	2%
0	China Man-Made Fiber Corporation	Pan Asia Chemical Corporation	1	Accounts receivable	109,064	No significant difference from the general customer	-
0	China Man-Made Fiber Corporation	Taichung Commercial Bank Co.	1	Cash and cash equivalents	47,136	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Reliance Securities Investment Trust Co., Ltd.	3	Customer deposits and remittances	166,258	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Chou Chin Industrial Co., Ltd.	3	Interest Expenses	31,209	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	3	Customer deposits and remittances	1,124,787	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	3	Income from handling fees	200,000	No significant difference from the general customer	-
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Lease Enterprise	3	Customer deposits and remittances	139,351	No significant difference from the general customer	-
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Sales revenue	1,110,182	No significant difference from the general customer	3%
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Accounts receivable	172,591	No significant difference from the general customer	-
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Other income	119,336	No significant difference from the general customer	-
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Other receivables	51,828	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 Co.	Taichung City	Banking business	$ 6,355,643	$ 6,026,729	785,861	22	$ 10,688,164	$ 4,008,369	$ 894,873	294,000 thousand shares pledged
	Pan Asia Chemical Corporation	Taipei City	Petrochemical business	968,472	968,472	118,918	44	968,868	247,122	98,840	
	Nan Chung Petrochemical Corp.	Yunlin County	Petrochemical business	1,000,002	1,000,002	100,000	50	1,228,959	176,872	88,436	10,000 thousand shares pledged
	Deh Hsing Investment Co., Ltd.	Taipei City	General investment business	1,350,000	1,150,000	135,000	100	1,299,536	8,617	7,633	
	Reliance Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	6,295	6,295	922	3	11,767	(17,464)	(515)	
	Chou Chin Industrial Co., Ltd.	Changhua County	Manufacturing and trading	176,430	176,430	27,742	46	297,468	122,295	53,985	
	EUREKA INVESTMENT COMPANY LIMITED	Taipei City	General investment business	37,500	25,000	3,750	100	35,410	(354)	(354)	
	Melasse	Taipei City	Cosmetics and cleaning appliances manufacturing	14,500	14,500	1,450	50	14,450	660	330	
Pan Asia Chemical Corporation	Taichung Commercial Bank	Taichung City	Banking business	1,347,834	1,281,391	201,964	6	2,740,295	4,008,369	231,891	
	Reliance Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	15,738	15,738	979	3	12,525	(17,464)	(548)	
	Melasse	Taipei City	Cosmetics and cleaning appliances manufacturing	14,500	14,500	1,450	50	14,750	660	330	
Taichung Commercial Bank Co.	Taichung Commercial Bank Lease Enterprise	Taichung City	Leasing industry	1,800,000	1,800,000	185,000	100	1,858,956	81,821	81,821	
	Taichung Bank Insurance Agency Co., Ltd.	Taichung City	Insurance agency	6,000	6,000	128,600	100	1,828,479	360,429	360,420	
	Taichung Commercial Bank Securities Co., Ltd.	Taichung City	Securities business	1,500,000	1,500,000	150,000	100	1,383,843	219	219	
	Reliance Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	120,000	120,000	12,000	38	153,423	(17,464)	(6,716)	
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	British Virgin Islands	Financing, leasing and investments.	893,373	893,373	30,000	100	782,226	21,246	21,246	
TCCBL Co., Ltd.	Taichung Bank Leasing (Suzhou)	Suzhou	Financing Leasing and investments	893,373	893,373	186,329	100	728,040	8,660	8,660	
Deh Hsing Investment Co., Ltd.	Taichung Commercial Bank Co.	Taichung City	Banking business	86,017	82,468	10,787	-	152,744	4,008,369	12,415	4,500 thousand shares pledged
	Pan Asia Chemical Corporation	Taipei City	Petrochemical business	150,612	150,612	12,558	5	216,592	247,122	11,590	
	Reliance Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	20,162	9,900	1,716	6	21,939	(17,464)	(323)	
	Chou Chang Corporation	Taichung City	Distribution and warehousing of beverages	44,000	44,000	4,000	15	37,161	16,136	2,277	
	Chou Chin Industrial Co., Ltd.	Changhua County	Manufacturing and trading	10,243	10,243	1,482	3	32,344	122,295	3,069	
	Xiang-Feng Development	Taipei City	General investment business	283,000	200,000	28,300	100	266,380	(3,496)	(3,496)	
	Wei-Kang International	Taipei City	Retail	5,000	5,000	300	30	3,298	(3,670)	(1,101)	
	IOLITE COMPANY Ltd.	Samoa	General investment business	502,579	410,104	16,005	100	452,437	(11,315)	(11,315)	
	Storm Model Management	Taipei City	General Advertising Services	8,000	-	200	40	7,747	(2,544)	(254)	
IOLITE COMPANY Ltd.	Hammock (Hong Kong) Company Limited	Hong Kong	General investment business	470,685	378,540	15,000	100	421,723	(11,277)	(11,277)	
Hammock (Hong Kong) Company Limited	Hebei Hanoshi Contact Lens Co., Ltd.	Hebei Province	Manufacturing and trading	470,685	378,540	15,000	100	422,290	(11,014)	(11,014)	
	Precious Wealth International imited	Samoa	General investment business	10,969	-	375	100	11,489	(14)	(14)	
Hammock (Hong Kong) Company Limited	Hebei Hanoshi Contact Lens Co., Ltd.	Hebei Province	Manufacturing and trading	470,685	378,540	15,000	100	422,290	(11,014)	(11,014)	
Xiang-Feng Development	Tou-Ming Industry	Taipei City	Real estate trading and leasing industry	221,900	168,900	22,190	99	205,905	(3,289)	(3,287)	
Tou-Ming Industry	Jin-Bang-Ge Industry	Taipei City	Real estate trading and leasing industry	152,000	152,000	15,200	99	138,595	(2,917)	(2,898)	
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Taichung City	Food manufacturing, and distribution and warehousing of beverages	233,348	233,348	17,508	90	29,226	54,514	49,864	
	Chou Chang Corporation	Taichung City	Distribution and warehousing of beverages	307,977	307,977	13,054	48	121,292	16,135	7,784	
	Pan-Feng Industry	Taipei City	Restaurant industry	14,897	14,897	1,500	100	1,849	(2,875)	(2,875)	
	Bomy Enterprise	British Virgin Islands	General investment business	223,248	223,248	10,000	49	125,739	(24,173)	(11,694)	
	Yuju Universal Corporation	Samoa	General investment business	24,573	13,568	810	90	23,123	(1,911)	(1,720)	
	BONWELL PARISE Co., Ltd.	Samoa	International trade	1,832	-	60	40	1,808	(86)	(35)	

(Continued on next page)

(Continued from previous page)

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			
Yuju Universal Corporation	Noble House Glory	Japan	Short-term accommodation service	24,345	8,193	1,800	100	23,175	(1,773)	(1,773)	
GREENWORLD FOOD CO., LTD.	Chou Chang Corporation	Taichung City	Distribution and warehousing of beverages	1,470	1,470	51	-	328	16,135	-	
	Bomy Enterprise	British Virgin Islands	General investment business	52,306	52,306	2,650	13	33,333	(24,173)	(3,100)	
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	277,014	(24,355)	(24,173)	
Chou Chang Corporation	GREENWORLD FOOD CO., LTD.	Taichung City	Food manufacturing, and distribution and warehousing of beverages	11,224	11,224	1,133	6	6,390	54,514	3,350	

(III) Information about investment in Mainland China:

1. Names of investees in China, major business lines, paid-in capitals, method of investment, facts of outward and inward remittances, profit and/or loss in investments, shareholding percentages, book values of investment at end of the term, investment profit and/or loss having been remitted back, limits of investment in China

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		Amount remitted from Taiwan in accumulation at ending of the present term	Current period net gain (loss) of the investee	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
					Remittance	Regain						
Bomy Shanghai	OEM, production and marketing of canned vegetable and fruit juice, and beverages	$ 645,000 (USD 20,000)	Through a third region Investment to establish companies Re-investment	$ 638,972 (USD 19,850)	$ -	$ -	$ 638,972 (USD 19,850) (Note 4)	($ 24,355) (USD 808)	62% (Note 1)	($ 14,993) (USD 497) (2)C	$ 170,530 (USD 5,552)	$ -
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)	〃	378,540 (USD 12,000)	92,145 (USD3,000)	-	470,685 (USD 15,000)	(11,014) (RMB2,363)	100%	(11,014) (RMB2,363) (2)B	422,290 (RMB 77,172)	-
Taichung Bank Leasing (Suzhou)	Financing Leasing and investments	893,373 (RMB 186,329)	〃	893,373 (RMB 186,329)	-	-	893,373 (RMB186,329)	8,600 (RMB1,900)	29% (Note 3)	2,511 (RMB 551) (2)B	211,106 (RMB 47,206)	-

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)
$ 2,017,516 (US$35,300 and RMB186,329)	$2,201,806 （US$41,300 and RMB186,329）	$ 2,719,775

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 Taichung Bank Leasing through investment in companies in the third region.

Note 4: 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.

Note 5: 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 6: The foreign currency, if any, has been translated into NTD (USD1=NT$30.72, USD1=NT$30.15, CNY1=NT$4.47, CNY1=$4.56) 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)

LII. Segment information

(1) Revenues and operating results of segments

	Department income		Gain (loss) from operation	
	2018	2017	2018	2017
Chemical Industry Dept.	$ 14,765,426	$ 12,473,340	$ 348,099	$ 578,932
Chemical Fiber Department	7,023,347	5,793,367	(157,303)	(326,115)
Bank departments	16,315,947	15,286,755	4,759,883	4,355,212
Other Depts.	3,444,467	3,484,864	194,083	(401,085)
Total	$ 41,549,187	$ 37,038,326	$ 5,144,762	$ 4,206,944

Revenues reported above are generated from transactions with external customers. There were no inter-departmental sales generated on 2018 and 2017.

Interests of department refer to profits earned by each department, excluding the amounts from associate companies or joint venture recognized by using the equity method, rental income, interest income, disposal of real property, plant and equipment, income from disposal of investments, exchange income, valuation income of financial products, interest expense and 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, 2018	December 31, 2017
Segment assets		
Chemical Industry Dept.	$ 4,843,231	$ 5,247,741
Chemical Fiber Department	1,507,185	1,779,870
Construction Dept.	990,778	1,304,003
Bank departments	690,832,103	663,024,083
Others	22,733,645	20,373,523
Total segment assets	$ 720,906,942	$ 691,729,220

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, 2018 and 2017, 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, 2018 and 2017, 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.

Points of attention

As stated in Note 3 of the standalone financial statements, China Man-Made Fiber has since 2018 adopted the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards and IFRIC Interpretations as endorsed by the FSC in 2018 and chosen not to re-edit the standalone financial statements during the comparison periods. We did not revise the conclusions of our audit.

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 2018. 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 2018 included:

<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 is NT$1,186,121 thousand, revenue of the Chemical Department to specific customers is NT$905,081 thousand, accounting for 10% of the standalone net sales. The gross profit of the specific products and customers shows significant growth over the previous year. 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 in accordance with IFRS 15, including the shipping, customs 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 16 of the standalone financial statements, the amount of investment in Taichung Commercial Bank by China Man-Made Fiber adopting the equity method was NT$10,688,164 thousand, accounting for 27% of the total assets. 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 2018, the balance of discounting and advance and the expected credit loss from Taichung Commercial Bank are NT$452,594,552 thousand and NT$487,333 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.

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, 2018 and 2017 are NT$1,228,959 thousand and NT$1,216,290 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 2018 and 2017 are NT$88,436 thousand and NT$82,450 thousand, respectively. The information on investees in Note 37 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

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 2018 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.

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

March 22, 2019

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, 2018 and 2017

Unit: NTD thousand

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 3, 4, 6 and 33)	$ 2,218,749	6	$ 2,616,734	7
1110	Financial assets through profit and/or loss with measuring for the faire values-current (Note 3, 4 and 7)	988,569	3	885,367	2
1150	Notes receivable (Note 3, 4 and 12)	164,312	1	223,334	1
1170	Accounts receivable - non-related parties (Note 4, 9 and 12)	2,447,236	6	1,814,969	5
1180	Accounts receivable - related parties (Note 3, 4, 12 and 33)	109,064	-	133,182	-
1200	Other receivables (Note 3, 4, 12 and 33)	29,601	-	21,536	-
1220	Current income tax asset (Notes 4 and 27)	2,958	-	4,895	-
130X	Inventory (Note 4 and 13)	2,303,352	6	1,676,447	5
1410	Prepaid (Note 14)	797,830	2	939,679	3
1460	Non-current Assets Held for Sale - net (Notes 4, 15 and 34)	769,610	2	-	-
1470	Other current assets (Note 20 and 34)	162,928	-	172,275	-
11XX	Total current assets	9,994,209	26	8,488,418	23
	Non-Current assets				
1517	Financial assets at fair value through other comprehensive income- non-current (Note 3, 4 and 9)	1,677,531	4	-	-
1523	Financial assets available-for sales – non-current (Note 3, 4, 10 and 34)	-	-	997,897	3
1543	Financial assets measured at cost- non-current (Note 3, 4 and 11)	-	-	112,246	-
1550	Investment by equity method (Note 3, 4, 16 and 34)	14,544,622	37	13,190,878	37
1600	Real estates, plant and equipment - net (Notes 4, 17 and 34)	11,286,138	29	11,357,316	31
1760	Real estate investments - net (Note 4, 18 and 34)	990,778	3	1,688,808	5
1780	Intangible assets – net (Note 4 and 19)	9	-	45	-
1840	Deferred income tax assets – net (Notes 4 and 27)	273,168	1	237,434	1
1990	Other assets (Note 3 and 20)	118,155	-	104,475	-
15XX	Total non-current assets	28,890,401	74	27,689,099	77
1XXX	Total assets	$ 38,884,610	100	$ 36,177,517	100

Code	Liabilities and equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities				
2100	Short-term loans (Note 21 and 34)	$ 6,806,669	17	$ 4,398,509	12
2110	Short-term bills payable (Note 21)	449,507	1	299,479	1
2150	Payable notes	36,420	-	13,549	-
2170	Accounts payable - non-related parties	1,538,390	4	1,288,668	4
2180	Accounts payable - related parties (Note 33)	343,210	1	470,089	1
2219	Other accounts payable (Note 22)	342,738	1	306,850	1
2320	Long-term liability due in one year or one business cycle (Note 21 and 34)	1,036,138	3	918,938	2
2399	Other current liabilities	44,533	-	40,951	-
21XX	Total of current liabilities	10,597,605	27	7,737,033	21
	Non-current liabilities				
2540	Long-term loans (Note 21 and 34)	4,827,723	13	6,473,561	18
2550	Liability reserve (Note 4 and 23)	158,605	-	148,934	1
2570	Deferred tax liabilities (Note 4 and 27)	866,019	2	866,019	2
2670	Other liabilities (Note 4 and 24)	21,150	-	22,990	-
25XX	Total non-current liability	5,873,497	15	7,511,504	21
2XXX	Total liabilities	16,471,102	42	15,248,537	42
	Equity (Note 25)				
3110	Common stock capital	15,224,105	39	14,294,934	39
3200	Capital surplus	1,694,875	4	1,677,818	5
	Retained earnings				
3310	Legal reserve	718,272	2	638,873	2
3320	Special reserve	1,956,409	5	2,481,347	7
3350	Undistributed earnings	4,231,450	11	3,274,719	9
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	(54,591)	-	(41,611)	-
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	(129,103)	-	-	-
3425	Unrealized loss on available-for-sale financial assets	-	-	(169,191)	(1)
3500	Treasury stock	(1,227,909)	(3)	(1,227,909)	(3)
3XXX	Total equity	22,413,508	58	20,928,980	58
	Total Liabilities and Equity	$ 38,884,610	100	$ 36,177,517	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 22, 2019)

Chairman: Kuei-Hsien Wang   Responsible Person: Ming-Shang Chuang   Accounting Supervisor: Guo-Hua Lin

CHINA MAN-MADE FIBER CORPORATION

Individual Income Statement

January 1 to December 31, 2018 and 2017

Unit: NTD thousands, except Earnings Per Share (NTD)

Code		2018 Amount	2018 %	2017 Amount	2017 %
4000	Operating income (Note 4 and 33)	$ 20,064,863	100	$ 16,904,870	100
5000	Operating expenses (Note 4, 13, 26 and 33)	19,254,167	96	16,208,924	96
5900	Gross profit	810,696	4	695,946	4
5910	Realized (unrealized) gain on the subsidiary, affiliated company and joint ventures (Note 4)	1,947	-	(9,190)	-
5950	Realized gross profits	812,643	4	686,756	4
	Operating expenses (Note 4 and 26)				
6100	Marketing expenses	(487,903)	(3)	(402,125)	(2)
6200	Administrative and general affairs expenses	(268,349)	(1)	(235,765)	(2)
6000	Total operating expenses	(756,252)	(4)	(637,890)	(4)
6900	Operating profit	56,391	-	48,866	-
	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)	1,143,227	6	989,937	6
7100	Interest revenues (Note 4 and 33)	18,667	-	14,783	-
7130	Dividend income (Note 4)	40,481	-	39,565	-
7190	Other gains and losses (Note 26 and 33)	22,975	-	19,700	-
7230	Foreign exchange gain (loss) – net	144,290	1	(214,606)	(1)
7235	Gain (loss) on financial assets and liabilities at fair value through profit and loss (Note 4 and 26)	99,562	1	87,944	1
7610	Losses from disposal of property or equipment	(9,265)	-	(242)	-
7670	Impairment (Note 4, 11 and 26)	-	-	(10,954)	-
7510	Financial cost (Note 4 and 26)	(166,852)	(1)	(167,104)	(1)
7000	Total non-operating revenues and expenses	1,293,085	7	759,023	5
7900	Income before tax from continuing operations	1,349,476	7	807,889	5
7950	Income tax gains (expenses) (Note 4 and 27)	22,559	-	(13,902)	-
8200	Net profits of the current year	1,372,035	7	793,987	5
	Other comprehensive profit or loss				
	The items that are not re-classified as profit or loss				
8311	Determined Benefit Plan Reevaluation (Note 4 and 23)	(20,965)	-	(17,322)	-
8316	Unrealized valuation of the capital gain/loss from equity instrument at fair value through comprehensive income statement as other comprehensive income	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	(9)	-	(6,638)	-
8349	Income tax related to titles without reclassification (Notes 4 and 27)	6,824	-	2,945	-
8310		9,489	-	(21,015)	-
	Items that may be re-classified subsequently under profit or loss				
8362	Unrealized valuation gains of available-for-sale financial assets	-	-	67,520	-
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.	(16,238)	-	31,964	-
8360		(16,238)	-	99,484	-
8300	Other comprehensive income of the current year (net amount after taxation)	(6,749)	-	78,469	-
8500	Total amount of comprehensive income of the current year	$ 1,365,286	7	$ 872,456	5
	Earnings per share (Note 28)				
9750	Basic earnings per share	$ 1.13		$ 0.66	
9850	Diluted earnings per share	$ 1.13		$ 0.66	

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

(Refer to Auditor's Report presented by Deloitte & Touche dated March 22, 2019)

Chairman: Kuei-Hsien Wang   Responsible Person: Ming-Shang Chuang   Accounting Supervisor: Guo-Hua Lin

CHINA MAN-MADE FIBER CORPORATION

Individual Statements of Changes in Shareholders' Equity

January 1 to December 31, 2018 and 2017

Unit: NTD thousand

Code		Capital stock: Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Undistributed earnings	Other equity: Exchange differences from the translation of financial statements of foreign operations	Other equity: Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Other equity: Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Total equity
A1	Balance as of January 1, 2017	$ 14,294,934	$ 1,681,992	$ 638,873	$ 2,481,347	$ 2,501,747	($ 25,319)	$ -	($ 284,967)	($ 1,273,586)	$ 20,015,021
C7	Changes in shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	-	(8,282)	-	-	-	-	-	-	-	(8,282)
D1	2017 Profit	-	-	-	-	793,987	-	-	-	-	793,987
D3	Other comprehensive net income in 2017 (after tax)	-	-	-	-	(21,015)	(16,292)	-	115,776	-	78,469
N1	Share-based payment transaction (Note 29)	-	4,108	-	-	-	-	-	-	45,677	49,785
Z1	Balance as of December 31, 2017	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 (Note 16)	-	5,532	-	-	(6,483)	-	-	-	-	(951)
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	-	(226)	-	-	(3,456)
Q1	Equity instrument investment at fair value through other comprehensive income statement (Note 8)	-	-	-	-	(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 notes attached shall constitute an integral part of this individual financial statement.

(Refer to Auditor's Report presented by Deloitte & Touche dated March 22, 2019)

Chairman: Kuei-Hsien Wang | Responsible Person: Ming-Shang Chuang | Accounting Supervisor: Guo-Hua Lin

CHINA MAN-MADE FIBER CORPORATION
Individual Statements of Cash Flow
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

Code		2018	2017
	Cash flow from operating activities		
A10000	Current year net profit before taxation	$ 1,349,476	$ 807,889
A20100	Depreciation expenses	491,588	543,421
A20200	Amortization expenses	36	8,922
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	(99,562)	(87,944)
A20900	Financial costs	166,852	167,104
A21200	Interest revenue	(18,667)	(14,783)
A21300	Dividend income	(40,481)	(39,565)
A21900	Employee stock option compensation cost	-	4,232
A22400	Shareholding in profit of subsidiaries, affiliated company and joint ventures under the equity method	(1,143,227)	(989,937)
A22500	Loss on disposal and scrapping of property, plant and equipment	9,265	242
A23200	Gains from disposal of investment accounted for using equity method	(27)	-
A23500	Financial assets impairment loss	-	10,954
A23900	Unrealized gain on the subsidiary, affiliated company and joint ventures	(1,947)	9,190
	Net change in operating assets and liabilities		
A31110	Held-for-sale financial assets	-	13,886
A31115	Financial assets mandatorily measured at fair value through profit or loss	(21,647)	-
A31180	Accounts receivable	(559,140)	(313,048)
A31200	Inventory	(626,905)	(504,694)
A31230	Prepayments	141,849	75,589
A31240	Other current assets	9,370	15,861
A32180	Payables	179,687	155,665
A32230	Other current liabilities	5,529	(23,828)
A32200	Employee benefit liabilities reserve	(11,294)	(13,375)
A33000	Cash generated from operating activities	(169,245)	(174,219)
A33100	Interest received	20,615	14,844
A33200	Dividends received	482,754	534,961
A33300	Interest payment	(164,936)	(166,220)
A33500	Income tax payment	(4,414)	(13,068)
AAAA	Net cash inflow from operating activities	164,774	196,298
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	(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	-
B00300	Acquisition of available-for-sale financial assets	-	(20,000)
B01300	De-capitalization refunded monies of financial assets carried at cost	-	36,567
B01800	Acquisition of investment under the equity method	(541,414)	(150,000)
B02700	Acquisition of property, plant and equipment	(420,675)	(373,804)
B02800	Disposal of property, plant and equipment	77	827
B03700	Increase in refundable deposits	(13,680)	-
B03800	Decrease in Refundable deposits	-	203,516
B05400	Acquisition of investment property	(80,657)	-
B06800	Increase in other assets	(24)	(23)
BBBB	Net cash outflow from investing activities	(1,447,520)	(302,917)
	Cash flow from financing activities		
C00100	Increase of short-term loans	2,408,160	336,424
C00500	Increase (decrease) in short-term notes and bills payable	150,028	(46)
C01600	Proceeds from long-term loan	3,440,000	3,650,000
C01700	Re-payments of long-term borrowings	(4,968,638)	(3,958,648)
C03000	Increase in deposits received	-	76
C03100	Decrease in guarantee deposits	(1,840)	-
C04500	Cash dividend released	(142,949)	-
C04800	Proceeds from the stock option exercised by the employees	-	45,553
CCCC	Net cash inflow from financing activities	884,761	73,359
EEEE	Net decrease in cash and cash equivalents	(397,985)	(33,260)
E00100	Cash and cash equivalents balance – beginning of year	2,616,734	2,649,994
E00200	Cash and cash equivalents balance – end of year	$ 2,218,749	$ 2,616,734

The notes attached shall constitute an integral part of this individual financial statement.
(Refer to Auditor's Report presented by Deloitte & Touche dated March 22, 2019)

Chairman: Kuei-Hsien Wang Responsible Person: Ming-Shang Chuang Accounting Supervisor: Guo-Hua Lin

Notes to the Individual Financial Statements

January 1 to December 31, 2018 and 2017

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

I. Company Profile

(I) 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, 2018 is NT$15,224,105 thousand.

(II) The Company is primarily engaged in the following business lines:

1. Manufacture, processing and trading of artificial fiber, glass paper, polyamine fiber, polyester fiber, chemical products and raw materials thereof;
2. Development, manufacture and trading of the machines referred to in the preceding paragraph;
3. Manufacture and trading of ethylene glycol, eto ethylene oxide, nonylphenol, ethylene, LGP and petrochemical industry-related products;
4. Lease and sale of national housing and commercial buildings constructed by commissioned contractors;
5. Distribution, sorting, handling and storage of various products;
6. Management of supermarkets, trading of fresh foods, vegetables, fish, dried merchandise and various seasonings;
7. Production and sale of steam and industrial power generated by cogeneration (no power may be sold to energy users);
8. Agency and distribution of cogeneration and pollution-prevention equipment, and contract of installation work;
9. Manufacture and trading of oxygen, liquid oxygen, nitrogen, argon, liquid argon, CO_2 and compressed air;
10. Gas station.

(III) This parent company only financial statement is denominated in NT Dollar, the functional currency of the Bank.

II. Financial reporting date and procedures

The individual financial statements were approved for publication by the board of directors on March 18, 2019.

III. Application of new and revised standards and interpretation

(I) 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:

1. IFRS 9 "Financial Instruments" and related amendment

IFRS 9, "Financial Instruments" replaced IAS 39, "Financial Statements: Recognition and Measurement," and was adopted in conjunction with other standards such as the amended IFRS 7, "Financial Instruments: Disclosure." The new rules in IFRS 9 covered the classification, measurement and impairment of financial assets and general hedge accounting. Refer to Note 4 for further information on accounting principles.

The Company retroactively applied treatment of the classification, measurement and impairment of financial assets on January 1, 2018 and postponed the adoption of general hedge accounting for one year. Items removed on or before December 31, 2017 were not covered by IFRS9.

Classification, measurement and impairment of financial assets and liabilities

The Company evaluated the classification of financial assets effective on January 1, 2018 for retroactive adjustment on the basis of the reality and circumstances of the day and elected not to recompile the statements for comparison. As of January 1, 2018, the categories and book value of financial assets to be measured under IAS 39 and IFRS 9 and the changes therein are specified below:

Category of financial assets	Classification of measurement: IAS 39	Classification of measurement: IFRS 9	Book Value: IAS 39	Book Value: IFRS 9	Remark
Cash and cash equivalents	Loans and accounts receivable	Measured on the basis of cost after amortization	$ 2,616,734	$ 2,616,734	
Financial assets at fair value through profit and loss	Measured at fair values through profit and/or loss	Measured at fair values through profit and/or loss	885,367	885,367	
Notes receivable, accounts receivable, and other accounts receivable	Loans and accounts receivable	Measured on the basis of cost after amortization	2,172,330	2,172,330	(4)
Restricted assets (recognized in other current assets)	Loans and accounts receivable	Measured on the basis of cost after amortization	155,283	155,283	
Stock investment	Available-for-sale financial assets	Equity instrument investments measured at fair value through other comprehensive income	957,897	957,897	(2)
	Financial assets carried at cost	Equity instrument investments measured at fair value through other comprehensive income	112,246	264,848	(3)
Bond investment	Available-for-sale financial assets	Debt instrument investments measured at fair value through other comprehensive income	40,000	40,000	(1)
Refundable deposits (recognized in other assets)	Loans and accounts receivable	Measured on the basis of cost after amortization	104,475	104,475	

Changes in the categories of financial assets measured retroactively under IFRS 9 as of January 1, 2018 are specified below:

	Book value of December 31, 2018 (IAS 39)	Reclassification	Reevaluation	Book value of December 31, 2018 (IFRS 9)	Effect on retained earnings as of January 1, 2018	Effect on other equity as of January 1, 2018	Remark
Financial assets at fair value through profit and loss	$ 885,367	$ -	$ -	$ 885,367	$ -	$ -	
Financial assets at fair value through other comprehensive profit or loss							
-Debt instruments							
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	40,000	-	40,000	-	-	(1)
-Equity instruments							
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	957,897	-	957,897	-	-	(2)
Add: Reclassification on the basis of costs (IAS 39)	-	112,246	152,602	264,848	248,820	(96,218)	(3)
	885,367	1,110,143	152,602	1,262,745	248,820	(96,218)	
Financial assets on the basis of cost after amortization							
Add: Reclassification of loans and receivables (IAS 39)	-	5,048,822	-	5,048,822	-	-	(4)
Total	$ 885,367	$6,261,807	$ 152,602	$6,414,409	$ 248,820	($96,218)	

	Book value of December 31, 2018 (IAS 39)	Adjustments arising from initial application	Book value of December 31, 2018 (IFRS 9)	Effect on retained earnings as of January 1, 2018	Effect on other equity as of January 1, 2018	Remark
Investment under the equity method	$ 13,190,878	$ 99,042	$ 13,289,920	$ 37,311	$ 61,731	(5)

(1) With respect to the bond investments classified as "Financial assets available for sale" according to IAS 39, the assessment as of January 1, 2018 based on facts and circumstances determined that the purpose of the business model was to collect contractual cash flows, and the cash flows at the initial recognition was fully used to pay for the interest on principal and principal outstanding. The assessment also determined that the financial assets held was to collect contractual cash flows and for sale. They were classified as other comprehensive income measured at fair value and the expected credit loss was evaluated in accordance with IFRS 9.

(2) Financial assets in public (OTC) listed and OTC traded shares available for sale as classified by IAS 39 totals to $957,897,000 thousand, and by IFRS 9 classification is selected and designated as other general loss or gain as measured by fair value.

(3) Stocks not listed in TWSE (TPEx) measured on the basis of costs under IAS 39 amounted to NTD112,246 thousand and were classified as financial assets at fair value through comprehensive income statement with a new round of measurement at fair value under IFRS 9. The retrospective adoption resulted in an increase of retained earnings amounting to NTD248,820 thousand and a decrease of other equity amounting to NTD96,218 thousand as of January 1, 2018 through adjustment.

(4) Notes receivable, accounts receivable and other receivables are classified as loans and receivables per IAS 39, and classified as amortized financial assets measured by cost per IFRS 9, and also assessed as expectant credit loss.

(5) With its subsidiaries posthumously applicable to IFRS 9, the company has on Jan. 1, 2018 adopted the equity method for investment adjustment of an increase of $99,042 thousand, an increase of other equity adjustment by $61,731 thousand, retained earnings adjusted with an incr`ease of $37,311 thousand.

2. IFRS 15 "Revenue from Contracts with Customers" and relating amendments

IFRS 15 regulates the recognition principle for revenue from contracts with customers, which will replace IAS 18 "Revenue", IAS 11 "Construction Contracts" and relating interpretations. Refer to Note 4 for further information on accounting principles.

The Company after adopting IFRS 15 has income recognized according to the following steps:

(1) Identify customer contracts:
(2) Identify performance obligations in the contract;
(3) Determine the transaction price;
(4) Amortize transaction price to the performance obligations in the contract and
(5) Recognize income upon fulfilling performance obligation of the contract.

(II) Regulations Governing the Preparation of Financial Reports by Securities Issuers applicable in 2019 and the IFRSs recognized by the Financial Supervisory Commission

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
"2015 – 2017 annual improvement"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interest in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty under Income Tax Treatments"	January 1, 2019

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

Note 2: FSC permitted the adoption of this amendment before January 1, 2018

Note 3: The plan amendment, curtailment, or settlement after Jan. 1, 2019 apply to this amendment.

1. 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.

Definition of lease

At the adoption of IFRS 16 for the first time, 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.

At the time when IFRS 16 becomes applicable, except lowly priced asset leases and short-term leases choose for classifying the expenditures using the straight line basis, the other leases are recognized as utilization right asset and lease liability in the individual balance sheet. 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 other payables. Cash flows from operation lease were presented as operating activities in the individual statement of cash flows. Contracts classified as financing lease were recognized as leasehold assets and payable lease payment in the individual balance sheet.

The Company elected to adjust the accumulated influence under IFRS 16 in retrospect as retained earnings on January 1, 2019, and does not recompile comparative information.

At present, the treatment of the agreements of operation leases under IAS 17 the leasehold liabilities will be measured on the basis of the leasehold liability as of January 1, 2019 on all tenancy right assets on the remainder of lease payment at the discount rate of the Lessee for additional loan on that day. Further to the estimation of the following expediency, the recognized tenancy right will be subject to assessment for impairment under IAS 36.

The following expedient methods are expected to be 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 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.

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.

Predicted impacts on assets, liabilities and equity on January 1, 2019 are as follows:

	Book value of December 31, 2018	Adjustments arising from initial application	January 1, 2019 Adjusted face value
Right-of-use assets	$ -	$ 33,257	$ 33,257
Effect of assets	$ -	$ 33,257	$ 33,257

$ 11,297

	Book value of December 31, 2018	Adjustments arising from initial application	January 1, 2019 Adjusted face value
Lease liabilities – current	$ -	$ 12,677	$ 12,677
Lease liabilities – noncurrent	-	20,580	20,580
Effect of liabilities	$ -	$ 33,257	$ 33,257

2. IFRIC 23 “Uncertainty under Income Tax Treatments”
   IFRIC 23 clarifies that when there exists uncertainty in the accounting process for income tax, the Company shall assume that the competent authority can obtain all related data for investigation. If concluding that its accounting process for income tax is very likely to be accepted by the competent authority, the Company’s determination of taxable income, tax base, unused tax loss, unused tax credit, and the tax rate must be consistent with that in reporting income tax. If the competent authority is not very likely to accept the accounting process for income tax reported, the Company shall evaluate based on the most probable amount or expected value (i.e., the method that can better predict the uncertain final result shall be adopted). If the truth and situation change, the Company shall re-evaluate its judgment and estimation.
   Further to the above effects, the assessment of Company on other IFRSs as of the day this individual financial statement was approved for release did not cause significant influence on the financial position and consolidated financial performance.

(III) 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 “Definition of a business” in IFRS 3	January 1, 2020 (Note 2)
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 and IAS 8 “Definition of Materiality”	January 1, 2020 (Note 3)

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

Note 2: 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 3: This amendment is with prospective application for the annual reporting period starting after January 1, 2020.

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.

IV. Summary of important accounting policies

(I) Statement of Compliance

The individual financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

(II) 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 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.

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.

(III) 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.

(IV) Corporate Merger

Business combinations are accounted for using the acquisition method. Acquisition cost are expensed in the period in which the costs are incurred and the services are received.

Business reputation is based on the total amount of the transfer price tradeoff's fair value and the purchaser's previously held of the acquired party's equity at fair value on the acquisition date, and the recognizable asset and the assumed liability are measured by the net amounts on the acquisition date. If, after the re-measurement, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed still exceeds the total of the consideration transferred and the acquisition date fair value of the acquirer's previously-held equity interest in the acquiree, the difference is a bargain purchase in profit or loss and is immediately recognized in profit or loss.

(V) 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.

(VI) 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.

(VII) 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 and joint ventures.

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 and joint ventures, nevertheless, the amount of other comprehensive income so recognized was reclassified *pro rata* to the decrease ratio in the associate and joint ventures. 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.

(VIII) 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.

(IX) 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.

(X) 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.

(XI) 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.

(XII) 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.

(XIII) 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.

(1) Classification of measurement

<u>2018</u>

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 32 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.

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 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.

<u>2017</u>

Financial assets are classified into four categories, including financial assets measured at fair value through profit or loss, available-for-sale financial assets, and loans and receivables. The said classification is determined depending on the nature and purpose of the financial assets initially recognized.

A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profit or loss includes held-for-sale and designated financial assets measured at fair value through profit or loss.

The company, under the following circumstances, specifies financial asset to be measured by fair value on loss or gain:

a. Where the said designation could rule out or significantly reduce the inconsistency in measuring or recognition; or
b. The financial assets, financial liabilities or both, according to a written risk management or investment strategy, are managed at fair value with the

performance evaluated and the investment portfolio information provided to management within the Company is also based on the fair value; or

c. Where such would include one or multiple imbedded derivative financial instruments in combination (association) contract for integral designation.

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.

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets measured at fair value through profit or loss.

Financial assets available for sale are measured at fair value. If the change in book value of financial assets available for sale is exchange gain/loss from foreign currencies, recognize as profit or loss based on the interest income calculated under the effective interest rate. The same principle is applicable to the dividend of equity investment available for sale. The changes in the book value of the other available-for-sale financial assets are recognized in the other comprehensive profit or loss and are reclassified to the profit or loss upon disposal of the investment or when the impairment is confirmed.

The dividends of available-for-sale equity investments are recognized when the right in collection of the Company is established.

If the available-for-sale financial asset is an equity investment no open market price and the fair value cannot be reliably measured and the derivatives that are linked to the equity instrument without a market quote and the settlement must be completed with the equity instrument delivered, it is measured subsequently at cost, net of impairment loss, and it is individually booked as “Financial assets measured at cost.” If such financial assets could be subsequently measured at fair value, measure based on fair value and the difference between the book value and the fair value shall be recognized under other comprehensive income. In case of impairment, recognize as profit or loss.

C. Loans and accounts receivable

Loans and receivables (including notes receivable, accounts receivable, cash and cash equivalents and other accounts receivable) are measured at the amortized cost net of impairment loss in accordance with the effective interest method, but except for the insignificant interest of short-term receivables.

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

2018

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.

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.

2017

Except for the financial assets measured at fair value through profit or loss, the Company examines whether there is an evidence of impairment occurring on the other financial assets at each balance sheet date. When there is objective evidence of one or more events occurring after the initial recognition of financial assets with a resulting loss to the future cash flow of the financial asset, the impairment of the financial assets had already occurred.

For financial assets reported at amortized cost, such as, notes receivable, accounts receivable and other receivables, if such assets are assessed and concluded to be without any evident impairments, a collective assessment of the impairments should be initiated. The collective objective evidence of impairment occurring on the receivables may include the consolidated company's past experiences in collection, the increase in delayed payments over the average credit period of 60-day, and observable changes in national or regional economic situation related to the receivable arrears.

The impairment amount of the financial assets measured at amortized cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's original effective interest rate.

If the financial assets being recognized after the amortization of the cost showed a decrease of the amount of impairment in subsequent periods, and the decreased amount of impairment is related to the events after the recognition for impairment, the impairment so recognized previously shall be directly reversed or via the adjustment of provision of accounts and recognized as profit or loss. However, the amount of such reversal shall not exceed the cost after amortization before the recognition of impairment on the day of recognition.

When the fair value of the available-for-sale equity investments below cost and the decline is significant or persistent, it will be deemed as an objective evidence of impairment.

For the objective evidence of impairment of other financial assets, please refer to the note on financial assets booked at the amortized cost.

When available-for-sale financial asset is impaired, the cumulative loss previously recognized in the other comprehensive profit or loss will be reclassified into profit or loss.

The impairment loss of the available-for-sale equity instruments that is already recognized in the profit or loss may not be reversed through the profit or loss. The fair value reversed amount after recognizing the impairment losses is recognized in the other comprehensive profit or loss. If the fair value of the available-for-sale financial assets increased in the subsequent period and the increase is objectively linked to an event occurring after the impairment is recognized, the impairment loss is reversed and recognized in the profit or loss.

The impairment amount of the financial assets measured at cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's current market rate of return. The said impairment loss shall not be reversed in subsequent periods.

The impairment loss of all financial assets is directly deducted from the book value of the financial asset. However, the book value of the accounts receivable and loans is adjusted down by the allowance for bad debt. The accounts receivable and loans that are concluded to be uncollectible are written off against the allowance account. The amount previously written off and collected subsequently is credited to the allowance account. Except for writing off the uncollectible accounts receivable against the allowance account, the change in the book value of the allowance account is recognized as profit or loss.

(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.

By 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received, receivable and the cumulative gain or loss that had been recognized in other comprehensive profit and loss and accumulated in equity is recognized in profit or loss. Since 2018, on derecognition of a 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.

(XIV) Shares held in vault

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.

(XV) Recognition of revenue

<u>2018</u>

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. Sales 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

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. 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.

<u>106 years</u>

The revenue was recognized based on the consideration receivable or having been received, measured at fair values, deducted with estimated refunds, discounts claimed by customers or other similar allowances. Sales returns are appropriated reasonably in accordance with past experience and other factors.

1. Sales of products
   The sale of goods is recognized as income at the time when the following conditions are fully fulfilled:
   (1) The Company has the significant risks and returns of the instruments transferred to the buyer.
   (2) The Company does not involve in the management of the instruments sold nor maintain effective control.
   (3) The amount of income can be measured reliably.
   (4) Where the economic benefits linked up with the transactions were very likely to be flown to the Company; and
   (5) The transaction-related cost incurred or to be incurred can be measured reliably.

   When material is provided for processing, the significant risks and rewards related to the ownership of the finished goods have not been transferred; therefore, the material provided for processing is not treated as sales.
   Revenue generated from the sale of real property within the normal business scope is recognized when each real property is completed and delivered to the buyer. The guarantee and installment repayment collected when meeting the foresaid income recognition criteria pertain to those stated under the liquid liability in the individual balance sheet.
2. 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.
3. Dividend revenues and interest revenues
   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.
   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.

(XVI) Leasing

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.

(XVII) 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.

(XVIII) 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.

(XIX) 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.

(XX) Employee stock option

Employee Stock Option (ESO) is based on the fair value of the equity instrument and the optimized estimation of projected entitlement as of the day of transfer and recognized as expense under the straight line method within the period of projected entitlement, and subject to adjustment of capital surplus simultaneously – ESO. If gain is realized as of the day of transfer, recognize as expenses in full amount as of the transfer day.

V. 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.

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

As described in Note 4 (9) and (11), 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 to Note 15 and 16.

VI. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 603	$ 603
Bank checks and demand deposits	2,218,146	2,616,131
	$ 2,218,749	$ 2,616,734

VII. Financial instrument at fair value through profit and loss

	December 31, 2018	December 31, 2017
Financial assets - current		
Held-for-sale		
Non-derivative financial assets		

-Shares traded on the Taiwan Stock Exchange or OTC exchange	$ -	$ 504,842
-Foreign TSEC/GTSM listed shares	-	90,792
-Domestic corporate bonds	-	10,700
-Beneficiary certificate	-	279,033
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	$ 654,932	$ -
-Foreign TSEC/GTSM listed shares	65,560	-
-Beneficiary certificate	268,077	-
	$ 988,569	$ 885,367

VIII. **Financial assets at fair value through other comprehensive profit or loss-2018**

	December 31, 2018
Non-current	
Equity instrument investments measured at fair value through other comprehensive income	$ 1,567,531
Debt instrument investments measured at fair value through other comprehensive income	110,000
	$ 1,677,531

(I) Equity instrument investments measured at fair value through other comprehensive income

	December 31, 2018
Non-current	
Domestic investment	
Listed stocks and emerging stock	
Hua Nan Financial Holding Company common shares	$ 1,060,161
Taiwan Tea Corp. common shares	231,750
Maxigen Biotech Inc. common shares	13,178
JMicron Technology Corporation common shares	3,482
Unlisted/OTC	
Sunny Commercial Bank Co. common shares	21,792
WK Technology Fund Co. common shares	7,174
WK Technology Fund Co. common shares	3,683
Common stock of Minchali Metal Industrial Co., Ltd.	91,348
Taiwan Silk & Filament Weaving Development Co. common shares	33,472
Common stock of TWSE	89,500

Everterminal Co. common shares	3,118
	1,558,658
Foreign investments	
Unlisted/OTC	
Common stock of UNFON CONSTRUCTION CO., LTD (Hong Kong)	8,873
	$ 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. Said investments are initially classified, per IAS 39, as financial assets available for sale and financial assets measured by cost; for the reclassification and 2017 information, please refer to Note 3, 10 and11.
2. Among equity instrument investments measured by fair value in 2018 under other general loss or gain, Guo Guang Petrochemical Co. has been liquidated in full in the current year, hence the company classifies it in 2018 under other general loss or gain with a valuation gain at $4,123 thousand and past year's cumulative recognition of an unrealized valuation loss at $47,458 thousand under other equity item reclassified as retained earnings.
3. Among 2018 equity instrument investments measured by fair value under other general loss or gain, WK Technology Fund Co. has sought a capital reduction, thus returning company capital of 292,000 shares, totaling $2,922 thousand.
4. For circumstances of equity instruments posting for mortgaging guarantee under other general loss or gain measured by fair value, please refer to Note 34.

(II) Debt instrument investments measured at fair value through other comprehensive income

	December 31, 2018
Non-current	
Domestic investment	
Bank debentures of Taichung Commercial Bank	$ 110,000

1. The company holds of debt instruments are classified initially, per IAS 39, as financial assets available for sale; for the reclassification and 2017 information, please refer to Note 3 and 10.
2. 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.

IX. Credit risk management for investment in debt instruments – Year 2018

The company has invested of debt instruments are classified as financial assets measured by fair value under other general loss or gain.

December 31, 2018

	Measured at fair values through other comprehensive income
Total Book Value	$ 110,000
Loss allowance	-
Cost after amortization	110,000
Fair value adjustment	-
	$ 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, 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

X. Available-for-sale financial assets - non-current-2017

	December 31, 2017
Listed stocks and emerging stock	$ 957,897
Domestic financial deb	40,000
	$ 997,897

For information on mortgaged financial asset available for sale, refer to Note 34.

XI. Financial assets measured at cost- non-current-2017

	December 31, 2017
Domestic non-listed (OTC) company	$ 101,795
Foreign unlisted shares	10,451
	$ 112,246

(I) The unlisted/OTC equity investment referred to above of the Company is measured at cost less impairment losses on the balance sheet date, because a reasonable estimate of the fair value range is significant and the probability of a variety of estimates cannot be reasonably assessed, causing the Company's management to believe that the fair value cannot be reliably measured.

(II) The company holds of unlisted (un-OTC listed) share investment, upon evaluated, has an impairment loss of $10,954 thousand as classified in 2017.

XII. Notes receivable, accounts receivable, and other accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable		
Measured on the basis of cost after amortization		
Notes receivable's total book value amount	$ 164,312	$ 223,334
Less: Allowance for losses	-	-
	$ 164,312	$ 223,334

Accounts receivable
Measured on the basis of cost after amortization

Accounts receivable – nonrelated parties' total book value amount	$ 2,673,196	$ 2,040,929
Accounts receivable – related parties; total book value amount	109,064	133,182
Less: Allowance for losses	(225,960)	(225,960)
	$ 2,556,300	$ 1,948,151

Other receivables

Receivable tax refund	$ 26,382	$ 20,691
Others	5,151	2,777
Less: Allowance for losses	(1,932)	(1,932)
	$ 29,601	$ 21,536

(I) Accounts receivable and notes receivable

2018

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, 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:	2018
Beginning balance (IAS 39)	$ 230,830
Retroactive application of IFRS 9 adjustments	-
Beginning balance (IFRS 9)	230,830
Add: Impairment loss appropriated in current period	-
Balance - ending	$ 230,830

The foresaid receivables' loss reserve includes loss reserve for notes receivable, accounts receivable, other receivables and collection.

2017

The company's average credit period on goods sold falls between 30~90 days, and since history experience indicates accounts receivable exceeding 360 days is deemed unrecallable, the company reserves a 100% bad debt reserve on the account age of accounts receivable exceeding 360 days, and on accounts receivable with an account age between 60 days to 360 days, the bad debt reserve pertains to estimating an unrecallable amount by referencing the transaction opponent's past overdue record and by analyzing its current financial standing. For the overdue accounts receivable on the balance sheet date that is without the allowance for bad debts appropriated by the Company, since the credit quality has not been materially changed, the Company's management believes that the amount can be recovered; therefore, the Company does not have any collateral or other credit enhancements collected for the protection of the accounts receivable.

The age analysis of accounts receivables is as follows:	December 31, 2017
0 to 60 days	$ 1,750,830
61 to 90 days	316,514
91 to 180 days	106,767
Total	$ 2,174,111

The information above is the aging analysis on the basis of date of account establishment. The company has no overdue but unimpaired accounts receivable.

(II) Information on change to accounts receivable, other receivables and collection's bad debt reserve is as follows:

	2017
Balance, beginning of year	$ 230,830
Add: Currently appropriated bad debts expense	-
Balance, end of year	$ 230,830

XIII. Inventory

	December 31, 2018	December 31, 2017
Merchandise	$ 1,143,706	$ 1,024,857
Finished goods	566,855	231,900
Work in process	148,893	70,948
Raw materials	406,275	320,227
Supplies	37,623	28,515
	$ 2,303,352	$ 1,676,447

(I) The inventories of finished goods included the finished goods, by-products, supplies in transit and commissioned processed goods produced 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.

(II) The company's building/land available for sale in 2018 and as of Dec. 31, 2017 are both at $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 Dec. 31, 2018, upon evaluation, the net conversion value is at zero.

(III) The company's inventory-related cost of goods sold in 2018 and 2017 is at $19,258,689 thousand and $16,208,924 thousand respectively; the cost of goods sold includes loss on inventory price fall, which is both at $0; the work suspension loss is at $344,918 thousand and $510,487 thousand respectively.

(IV) As of Dec. 31, 2018 and 2017, the inventive price fall reserve is both at $358,488 thousand.

XIV. Prepayment

	December 31, 2018	December 31, 2017
Pre-paid expenses	$ 540,017	$ 601,868
Pre-paid material purchases	54,911	103,052
Tax credit	202,902	234,759
	$ 797,830	$ 939,679

XV. Available-for-sale noncurrent assets

	December 31, 2018	December 31, 2017
Land for sale	$ 769,610	$ -

(I) The company has had a resolution voted before the Aug. 9, 2016 board meeting, proposing to sell part of its investment-based real estate of the land in Yunlin Silk and Filament Weaving Industrial Zone, thus has reclassified said land as nonliquid asset available for sale, and later since it does not meet nonliquid asset conditions available for sale in 2017, it is reclassed to investment-based real estate item. The company has had a resolution voted before a 2018 board meeting reformulating a sales plan and is also actively seeking buyers, thus the land proposing for sale is reclassified as nonliquid asset available for sale. Please refer to Note 18.

(II) For information on mortgaged nonliquid asset available for sale, refer to Note 34.

XVI. Investment under the equity method

	December 31, 2018	December 31, 2017
Investment in subsidiaries	$ 13,315,663	$ 11,974,588
Investments in the affiliated company	$ 1,228,959	$ 1,216,290

(I) Investment in subsidiaries

	December 31, 2018	December 31, 2017
Listed (OTC) company		
Taichung Commercial Bank Co.	$ 10,688,164	$ 9,719,925
Pan Asia Chemical Corporation	968,868	872,845
Non-listed (OTC) company		

Deh Hsing Investment Co., Ltd.	1,299,536	1,088,194
Chou Chin Industrial Co., Ltd.	297,468	246,415
Reliance Securities Investment Trust Co., Ltd.	11,767	9,825
EUREKA INVESTMENT COMPANY LIMITED	35,410	23,264
Melasse	14,450	14,120
	$ 13,315,663	$ 11,974,588

The Company's ownership and voting rights in the equity of the subsidiary at the balance sheet date is as follows:

	December 31, 2018	December 31, 2017
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%
Reliance 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 2018 participated in Taichung Commercial Bank Co.'s cash reinvestment, where the company newly investing 32,246,000 shares, with newly increased cost at $328,914 thousand.
3. The company has in 2018 participated in De Hsing Investment Co.'s cash reinvestment, by newly investing 20,000,000 shares, with investment cost at $200,000 thousand.
4. The company has in 2018 participated in Ruei Jia Investment Co.'s cash reinvestment, by newly investing 1,250,000 shares, with investment cost at $12,500,000.
5. The 2018 and 2017 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.
6. For subsidiaries the company invests in by designated mortgage lien as the loan guarantee, please refer to Note 34.

(II) Investments in the affiliated company

1. The balance the company investing in affiliated enterprises is as follows:

	December 31, 2018	December 31, 2017
A major affiliated company		

Nan Chung Petrochemical Corp.	$ 1,228,959	$ 1,216,290

2. A major affiliated company

Company name	Nature of the operation	Main places of business operations	Shareholding and voting right ratio	
			December 31, 2018	December 31, 2017
Nan Chung Petrochemical Corp.	Petrochemical business	Yunlin County	50%	50%

Summary financial information of Nan-Chung Petrochemical:

	December 31, 2018	December 31, 2017
Total assets	$ 3,263,392	$ 3,502,729
Total Liabilities	805,473	1,070,150
Equity	2,457,919	2,432,579
The company's shareholding ratio	50%	50%
Book value of investment	$ 1,228,959	$ 1,216,290

	2018	2017
Operating income - current	$ 8,510,067	$ 8,033,324
Net income	$ 176,872	$ 164,900
Current period other comprehensive income	$ -	$ -

The 2018 and 2017 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 34.

XVII. Property, plant and equipment

	December 31, 2018	December 31, 2017
The book amount of each category		
Land	$ 2,926,476	$ 2,926,476
House and Building	1,149,328	1,218,581
Machine and Equipment	3,950,208	4,294,786
Transportation Equipment	4,523	3,780
Office Equipment	50,915	56,168
Construction in process and prepayment for machinery purchase	3,204,688	2,857,525
	$ 11,286,138	$ 11,357,316

	Land	House and Building	Machine and Equipment	Transportation Equipment	Office Equipment	Uncompleted construction and equipment pending inspection	Total
Cost							
Balance as of January 1, 2017	$ 2,926,476	$ 2,088,392	$ 9,567,742	$ 24,723	$153,791	$ 2,507,174	$17,268,298
Increase in current period	-	-	35,782	-	1,067	336,955	373,804
Decrease in current period	-	-	(7,833)	(5,320)	(24,782)	-	(37,935)
Reclassification in current period	-	4,724	15,462	788	3,206	13,396	37,576
Balance as of December 31, 2017	$ 2,926,476	$ 2,093,116	$ 9,611,153	$ 20,191	$133,282	$ 2,857,525	$17,641,743
Accumulated depreciation							
Balance as of January 1, 2017	$ -	$ 635,190	$ 4,533,974	$ 18,853	$ 92,528	$ -	$ 5,280,545
Increase in current period	-	70,543	463,759	1,263	7,554	-	543,119
Decrease in current period	-	-	(7,284)	(4,718)	(24,782)	-	(36,784)
Reclassification in current period	-	-	(23)	-	23	-	-
Balance as of December 31, 2017	$ -	$ 705,733	$ 4,990,426	$ 15,398	$ 75,323	$ -	$ 5,786,880
Accumulated impairment							
Balance as of January 1, 2017	$ -	$ 168,802	$ 326,023	$ 1,013	$ 1,791	$ -	$ 497,629
Increase in current period	-	-	-	-	-	-	-
Decrease in current period	-	-	(82)	-	-	-	(82)
Reclassification in current period	-	-	-	-	-	-	-
Balance as of December 31, 2017	$ -	$ 168,802	$ 325,941	$ 1,013	$ 1,791	$ -	$ 497,547
Net amount - January 1, 2017	$ 2,926,476	$ 1,284,400	$ 4,707,745	$ 4,857	$ 59,472	$ 2,507,174	$11,490,124
Net amount - December 31, 2017	$ 2,926,476	$ 1,218,581	$ 4,294,786	$ 3,780	$ 56,168	$ 2,857,525	$11,357,316
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

(I) 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

(II) The company's uncomplete project and equipment pending inspection payments primarily pertain to cost injection on the newly built turbine power plant, which have yet been reached an operable condition.

(III) The company's 2018 and 2017 capitalized finance cost at $184,517 thousand and $191,554 thousand respectively, and tis real estate, plant and equipment's capitalized financial cost amounts are at $17,665 thousand and $24,450 thousand respectively, with the yearly capitalization interest rates at 1.85% and 1.94% respectively.

(IV) For the state of real estate, plant and equipment pledged as collateral guarantee, please refer to Note 34.

XVIII. 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, 2017	$ 130,015	$ 419,748	$ 18,094	$ 793,826	$1,361,683
Increase in current period	-	-	-	-	-
Decrease in current period	-	-	-	-	-
Reclassification in current period	-	384,805	-	(37,576)	347,229
Balance as of December 31, 2017	$ 130,015	$ 804,553	$ 18,094	$ 756,250	$1,708,912

	Land at Chihsing Section, Wanhua, Taipei City	Land in Yunlin Spinning Industrial Par k	Real estate at Toulou Section, Yunlin	House and land at Erh Chung Pu Section, Sanchung District, New Taipei City	Total
Accumulated depreciation					
Balance as of January 1, 2017	$ -	$ -	$ -	$ 1,708	$ 1,708
Increase in current period	-	-	-	302	302
Decrease in current period	-	-	-	-	-
Balance as of December 31, 2017	$ -	$ -	$ -	$ 2,010	$ 2,010
Accumulated impairment					
Balance as of January 1, 2017	$ -	$ -	$ 18,094	$ -	$ 18,094
Increase in current period	-	-	-	-	-
Decrease in current period	-	-	-	-	-
Balance as of December 31, 2017	$ -	$ -	$ 18,094	$ -	$ 18,094
Net amount - January 1, 2017	$ 130,015	$ 419,748	$ -	$ 792,118	$1,341,881
Net amount - December 31, 2017	$ 130,015	$ 804,533	$ -	$ 754,240	$1,688,808
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					
Balance as of January 1, 2018	$ -	$ -	$ 18,094	$ -	$ 18,094
Increase in current period	-	-	-	-	-
Decrease in current period	-	-	-	-	-

	Land at Chihsing Section, Wanhua, Taipei City	Land in Yunlin Spinning Industrial Par k	Real estate at Toulou Section, Yunlin	House and land at Erh Chung Pu Section, Sanchung District, New Taipei City	Total
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

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

(I) Investment-based real estate's fair value has been appraised by independent appraisement co. Bao Yuan Real Estate Appraiser's Office appraiser Yeh Che Guang on Dec. 31, 2018 and 2017. The appraisal was based on the market evidence from the transaction prices of similar real estates, and the important assumptions and the fair value of the appraisal are as follows:

	December 31, 2018	December 31, 2017
Fair value	$ 1,116,524	$ 3,094,066
Asset earning power	18%	18%
The overall capital interest rate during development	2.09%	2.02%

(II) The company has in 2017 reclassified a portion of the building and land at Erchungpu Section, Sanchung District, New Taipei City into real estate, plant and equipment, which please refer to Note 17.

(III) For circumstances of reclassification on company investment-based real estate and nonliquid assets, please refer to Note 15.

(IV) 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 34.

XIX. Intangible asset

	December 31, 2018	December 31, 2017
Computer software	$ 9	$ 45
Shell Royalty	-	-
	$ 9	$ 45

	2018		2017	
	Computer software	Royalties	Computer software	Royalties
Cost				
Balance, beginning of year	$ 45	$ 159,052	$ 81	$ 167,938
Increase in current period	-	-	-	-
Amortized in current period	(36)	(-)	(36)	(8,886)

Reclassification	-	-	-	-
Balance, end of year	9	159,052	45	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	$ -	$ 45	$ -

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.

XX. Other assets

	December 31, 2018	December 31, 2017
Restricted assets	$ 155,307	$ 155,283
Refundable deposit	118,155	104,475
Others	7,622	16,992
Collection – net amount	-	-
	$ 281,084	$ 276,750
Current	$ 162,929	$ 172,275
Non-current	118,155	104,475
	$ 281,084	$ 276,750

The collection detail is as follows:

	December 31, 2018	December 31, 2017
Delinquent Accounts	$ 2,938	$ 2,938
Less:loss reserve – collection	(2,938)	(2,938)
	$ -	$ -

For loss reserve, please refer to Note 12.

XXI. Borrowing

(I) Shot-term borrowings

	December 31, 2018	December 31, 2017
Secured loans		
- Bank loans	$ 1,250,000	$ 700,000
Unsecured loans		
-Credit loan	850,000	750,000
-Material procurement loan	4,706,669	2,948,509
	5,556,669	3,698,509
	$ 6,806,669	$ 4,398,509

1. The bank loan interest rate in 2017 and 2016 is at between 1.20%~1.35% and 1.20%~1.34% respectively.
2. For the foresaid loan collateral information, please refer to Note 34

(II) Short-term notes payable

	December 31, 2018	December 31, 2017
Payable commercial paper	$ 450,000	$ 300,000
Less: Discount of short-term notes and bills payable	(493)	(521)
	$ 449,507	$ 299,479

The commercial notes payable's interest rate as of Dec. 31, 2018 and 2017 are both between 1.20%~1.21%.

(III) Long-term borrowings

	December 31, 2018	December 31, 2017
Secured loans		
Bank loan	$ 5,863,861	$ 7,392,499
Less: Amount due in one year	(1,036,138)	(918,938)
Long-term borrowings	$ 4,827,723	$ 6,473,561

1. The company's Taiwan Cooperative Bank-led syndicated long-term borrowing in 2018 and as of Dec. 31, 2017 is at $2,699,500 thousand and $4,004,900 thousand respectively, with loan interest rate currently at 1.85%, which the company has in Jan. and Jul. 2018 repay the loan principal early by $400, thousand,000, with repayment by period per the loan contract in each year, and with $905,400,000 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. The company's Taiwan Business Bank mid- to long-term borrowing in 2018 and as of Dec. 31, 2017 is both at $250,000,000, with loan interest rate currently at 1.37%, and with repayment by period per the contract in each year starting in Mar. 2019, and with $17,20

thousand becoming due in the future one year, where said loan pertains to posting company headquarters and related land and building as the collateral.

3. The company's long-term borrowing with Mizuho Bank in 2018 and as of Dec. 31, 2017 is both at $300,000 thousand, with loan interest rate currently at 1.30%, with onetime repayment initially due in Dec. 2019, and later extended to a onetime repayment in Dec. 2020.
4. The company's Taiwan Land bank long-term loan in 2018 and as of Dec. 31, 2017 are at $74,461 thousand and $87,999, thousand respectively, with loan interest rate currently at 1.50%, with repayment by period per the loan contact in each year, with $13,538,000 becoming due in the future one year, where said loan pertains to posting company headquarters and related land and building as the collateral.
5. The company's Union Bank long-term borrowing in 2018 and as of Dec. 31, 2017 are at $349,900 thousand and $499,600 thousand respectively, with loan interest rate currently at between 1.56%~1.59%, with repayment initially scheduled to start in May 2019 yearly per the loan contract, and later extended to May 2020 yearly for repayment by period per the loan contract, where said loan pertains to posting 106,000,000 Taichung Bank shares as the collateral.
6. The company's Banhsin Bank long-term borrowing in 2018 and as of Dec. 31, 2017 are both at $500,000 thousand, with loan interest rate currently at 1.55%, with onetime repayment initially expiring in May 2019, and later extended to a onetime repayment expiring in June 2020, where said loan pertains to posting the New Taiwan City Sanchung District construction site and building as the collateral.
7. The company's Sunny Bank long-term borrowing in 2018 and as of Dec. 31, 2017 are both at $600,000 thousand, with interest rate currently at 1.50%, with onetime repayment initially expiring in Aug. 2019, and later extended to a onetime repayment in Aug. 2020, where said loan pertains to posting 95,000, thousand Taichung Bank shares as the collateral.
8. The company's Jihsun Bank long-term borrowing in 2018 and as of Dec. 31, 2017 is at $340,000 thousand and $500,000, thousandrespectively, with loan interest rate currently at 1.50%, for onetime repayment initially expiring in Oct. 2019, later extended to a onetime repayment in Oct. 2020, where said loan pertains to posting 93,000,000 Taichung Bank shares as the collateral.
9. The company's Taiwan Cooperative Bank's long-term borrowing in 2017 and as of Dec. 31, 2017 are both at $650,000,000, with loan interest rate currently at 1.50%, and repayment by schedule per the contract is to begin yearly starting in Feb. 2010, where said loan pertains to posting company Yunlin Douliu land and building as the collateral.
10. The company's Kaohsiung Bank borrowing as of Dec. 31, 2018 is at $100 thousand ,000, with loan interest rate currently at 1.50%, and is to be repaid in one lump sum at $100,000,000 at expiry in Nov. 2019 in the future one year.
11. Please refer to Note 34 for the collateral of the long-term borrowings:

XXII. Other payables

	December 31, 2018	December 31, 2017
Payable salary & bonus	$ 146,606	$ 140,394
Equipment accounts payable	42,715	35,628
Payable repair and maintenance expense	40,708	31,110
Payable utilities expense	10,632	13,675
Payable export expense	8,979	11,380
Payable pension	4,895	4,773

Payable insurance premium	8,518	9,189
Others	79,685	60,701
	$ 342,738	$ 306,850

XXIII. Provision for liabilities

	December 31, 2018	December 31, 2017
Net determined benefit liability	$ 158,605	$ 148,934

(I) 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.

(II) 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, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 278,395	$ 248,923
The fair value of plan assets	(119,790)	(99,989)
Appropriation shortage	158,605	148,934
Net determined benefit liability	$ 158,605	$ 148,934

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, 2017	$ 234,375	($ 89,388)	$ 144,987
Service cost			
Current service cost	2,588	-	2,588
Interest expenses (revenues)	3,222	(1,274)	1,948
Recognized in the profit or loss	5,810	(1,274)	4,536
Reevaluation			
Return on plan assets	-	412	412
Actuarial loss – change in the assumption of the census	586	-	586

Actuarial loss – change in financial assumptions	2,931	-	2,931
Actuarial loss – adjustment through experience	13,393	-	13,393
Recognized in the other comprehensive profit of loss	16,910	412	17,322
Employer appropriation	-	(16,303)	(16,303)
Planned asset payment	(8,172)	6,564	(1,608)
December 31, 2017	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

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, 2018	December 31, 2017
Discount rate	1.13%	1.25%
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, 2018	December 31, 2017
Discount rate		
Increase by 0.25%	($ 6,146)	($ 5,953)
Decrease by 0.25%	$ 6,360	$ 6,170
The expected rate of increase in salaries		
Increase by 0.25%	$ 6,109	$ 5,942
Decrease by 0.25%	($ 5,936)	($ 5,764)

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, 2018	December 31, 2017
Amount projected for appropriation in 1 year	$ 15,728	$ 6,637
Average maturity of determined benefit obligation	11 years	12 years

XXIV. Other liabilities

	December 31, 2018	December 31, 2017
Deferred loan item	$ 19,210	$ 19,210
Deposits received	1,940	3,780
	$ 21,150	$ 22,990

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, 2018	December 31, 2017
Jin-Bang-Ge Industry	$ 19,210	$ 19,210

XXV. Equity

(I) Paid-in capital

	December 31, 2018	December 31, 2017
Authorized number of shares (thousand shares)	1,680,000	1,470,000
Authorized capital	$ 16,800,000	$ 14,700,000
Number of shares issued with fully paid-in capital (thousand shares)	1,522,410	1,429,493
Outstanding capital	15,224,105	14,294,934

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends. The Company's paid-in capital was NTD14,294,934 thousand on January 1, 2011, divided into 1,429,493 thousand shares at NTD 10 per share and offered as common stock in whole.

The company has had a resolution voted before the June 12, 2018 shareholders' meeting for a reinvestment on undistributed earnings at $929,171 thousand dividing into 92,917,000 shares, with each share at $10 par value, and all in common shares, and as of Dec. 31, 2018, the company's paid-capital has increased to $15,224,105,000, dividing into 1,522,410,000 shares, with each share at $10 par value, and all in common shares.

(II) Capital surplus

	December 31, 2018	December 31, 2017
For covering loss carried forward, payment in cash or capitalization as equity shares (1)		
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	182,135
Transaction of treasury stock (cash dividends paid to subsidiaries)	137,443	122,489
May not be used for any purpose.		
Employees' stock options	2,600	2,600
	$1,694,875	$1,677,818

1. 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.

(III) 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 26 (6) 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.

The company's 2016 after-tax deficit, as voted before the June 8, 2017 shareholders' meeting, has forgone earning distribution, in addition to a resolution on 2017 earnings distribution proposal voted before the June 12, 2018 scheduled shareholders' meeting, which is as follows:

	Earnings Distribution Proposal	Dividend Per Share (NTD)
Legal reserve	$ 79,399	$ -
Special reserve	(524,938)	-
Cash dividends	142,949	0.10
Stock dividends	929,171	0.65

The Company had resolved in the board meeting the earnings distribution of 2018 on March 18, 2019 as follows:

	Earnings Distribution Proposal	Dividend Per Share (NTD)
Legal reserve	$ 137,204	$ -
Special reserve	(20,283)	-
Cash dividends	152,241	0.10
Stock dividends	989,567	0.65

The proposal for the distribution of earnings in 2018 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 2019.

With regard to earnings distribution proposal voted before company shareholders' meeting, please log in to Taiwan Stock Exchange's "public information observatory" to inquire.

(IV) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	2018	2017
Balance, beginning of year	($ 41,611)	($ 25,319)
Share amount on the subsidiaries' conversion differential amount adopting the equity method	(12,980)	(16,292)
Balance, end of year	($ 54,591)	($ 41,611)

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	2018
Beginning balance (IAS 39)	$ -
Effect of retroactive applicability IFRS 9	(203,678)
Beginning balance (IFRS 9)	(203,678)
Accrued in current year	
Unrealized gain or loss	
Equity instruments	23,639
Share of subsidiaries using the equity method	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.	43,335
Balance - ending	($ 129,103)

3. Unrealized gain (loss) on available-for-sale financial assets

	2017
Balance as of January 1, 2017	($ 284,967)
Accrued in current year	
Unrealized gain or loss	67,520
Share of subsidiaries using the equity method	48,256
Balance as of December 31, 2017	($ 169,191)

	2018
Balance as of January 1, 2018 (IAS 39)	($ 169,191)
Effect of retroactive applicability IFRS 9	169,191
Balance as of January 1, 2018 (IFRS 9)	$ -

(V) Treasury stock

The statement and changes of the Company's treasury stock in 2018 and 2017:

Cause	Transferring stocks to employees (Thousand Shares)	Shares of parent company held by subsidiaries (in thousand shares)	Total (thousand shares)
Number of shares as of January 1, 2017	5,689	291,815	297,504
Increase in current period	-	-	-
Decrease in current period	(5,689)	-	(5,689)
Number of shares as of December 31, 2017	-	291,815	291,815
Number of shares on January 1, 2018	-	291,815	291,815
Increase in current period	-	18,969	18,969
Decrease in current period	-	-	-
Number of shares on December 31, 2018	-	310,784	310,784

1. The company has in 2017 transferred 5,689,000 shares held in vault to its employees, with shares held in vault's transfer cost at $45,677 thousand.
2. The company has in 2018 issued its shares to its subsidiaries totals to 18,969,000 shares.
3. as of 2018 and Dec. 31, 2017, 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, 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	275,479

Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	8,683	35,136	33,656
		$ 1,227,909	$ 1,597,112
December 31, 2017			
Pan Asia Chemical Corporation	221,686	$ 971,926	$ 1,103,456
Deh Hsing Investment Co., Ltd.	9,850	25,787	99,982
Chou Chin Industrial Co., Ltd.	52,126	195,060	247,504
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	8,153	35,136	31,447
		$ 1,227,909	$ 1,482,389

4. 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.

XXVI. Business units in continuing operation income

Income from continuing operations department includes the following items

(I) Other income and earnings and expense and loss

	2018	2017
Rent income (Note 33)	$ 5,500	$ 5,399
Income derived from sales of substandard goods and scraps	3,366	-
Others	14,109	14,301
	$ 22,975	$ 19,700

(II) Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2018	2017
The realized gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Stock	$ 20,481	$ 13,968
Bonds	(27)	(34)
Beneficiary certificate	46	411
	20,500	14,345
The valuation gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Stock	107,160	47,159
Bonds	(15)	96
Beneficiary certificate	(28,083)	26,344
	79,062	73,599
	$ 99,562	$ 87,944

(III) Financial costs

	2018	2017
Interest from bank borrowings	$ 184,517	$ 191,554
Less: classified real estate, plant and equipment (Note 17)	(17,665)	(24,450)
Interest from bank borrowings	$ 166,852	$ 167,104

(VI) Depreciation and amortization

	2018	2017
Property, plant, and equipment expenses	$ 491,405	$ 543,119
Depreciations of Investment Property	183	302
Intangible assets amortization expenses	36	8,922
	$ 491,624	$ 552,343
Consolidation of depreciation expenses based on functions		
Operating cost	$ 484,351	$ 535,907
Operating expenses	7,237	7,514
	$ 491,588	$ 543,421
Consolidation of amortization expenses based on functions		
Operating cost	$ -	$ 8,886
Operating expenses	36	36
	$ 36	$ 8,922

(V) Employee benefits expenses

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
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 23)	3,414	1,023	4,437
	17,604	4,394	21,998
Total employee benefits expenses	$ 451,262	$ 137,017	$ 588,279

2017

	Operating cost	Operating expenses	Total
Short-term employee benefits			
Salary & wage	$ 377,141	$ 97,370	$ 474,511
Labor insurance and national health insurance	35,695	6,098	41,793
Remuneration to Directors	-	6,404	6,404
Other employee benefits expenses	25,107	13,218	38,325
	437,943	123,090	561,033
Pension expenses			
Defined contribution pension plan	13,415	3,016	16,431
Defined benefit plan (Note 23)	3,524	1,012	4,536
	16,939	4,028	20,967
Total employee benefits expenses	$ 454,882	$ 127,118	$ 582,000

As of 2018 and Dec. 31, 2017, the company employee count is at 738 persons and 744 persons respectively, and among them the director count doubling as employees is all at 7 persons.

(VI) 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. The Company's profit sharing bonus to employees and compensation to directors for 2018 and 2017, respectively, had been approved by the Board of Directors of the Company held on March 18, 2019 and March 23, 2018, respectively.

Estimate on ratio

	2018	2017
Remuneration to employees	1.0%	1.0%
Remuneration to directors/supervisors	0.3%	0.3%

Amount

	2018	2017
Remuneration to employees	$ 13,673	$ 8,185
Remuneration to directors/supervisors	$ 4,102	$ 2,456

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.

The actual amount for remuneration to employees, Directors and Supervisors in 2017 and 2016 did not vary from the amount recognized in the individual financial statements of 2017 and 2016.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Board of Taichung Commercial Bank in 2019 and 2018, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

(VII) Impairment loss

	2018	2017
Net profit of financial assets measured at cost	$ -	$ 10,954

XXVII. Continuing department income tax

(I) Main components of income tax expense (profit) recognized in profit or loss:

	2018	2017
Income tax expenses in the current period		
Prior years adjustment	$ 6,351	$ 11,728
Deferred tax		
Accrued in current year	12,990	2,174
Change in tax rate	(41,900)	-
	(28,910)	2,174
Income tax expense (income) recognized in profit and loss	($ 22,559)	$ 13,902

Adjustment of accounting income and income tax expense (gains) is as follows:

	2018	2017
Income before tax from continuing operations	$ 1,349,476	$ 807,889
The reconciliation of imputed income taxes on pretax income at statutory tax rate to income tax expense. (adopted tax rates of 20% and 17% for 2018 and 2017, respectively).	$ 269,895	$ 137,341
Non-deductible expenses and losses for tax purposes	3,358	1,982
Non-taxable income	(253,489)	(189,843)
Unrecognized deductible temporary differences	(6,774)	52,694
Change in tax rate	(41,900)	-
Income tax expense of prior years adjusted in the current year	6,351	11,728
Income tax expense (income) recognized in profit and loss	($ 22,559)	$ 13,902

The Company is subject to 17% tax. In February, 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the applicable tax rate to undistributed earnings in 2018 was reduced from 10% to 5%. As the earnings distribution to be resolved in the 2019 shareholders' meeting remains uncertain, the potential income tax consequence of levying an additional 5% income tax on the 2018 undistributed earnings cannot be reliably determined.

(II) Income tax benefits recognized in the other comprehensive profit or loss

	2018	2017
Deferred tax		
Accrued in current year		
- Re-evaluation of determined benefit plan	($ 6,824)	($ 2,945)

(III) Current income tax asset

	December 31, 2018	December 31, 2017
Current income tax asset		
Tax refund receivable	$ 2,958	$ 4,895

(IV) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

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	$ 34,141	($ 2,996)	$ -	$ 31,145
Inventory	9,484	1,674	-	11,158
Loss allowance	34,832	5,049	-	39,881
	35,270			
Others		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
Deferred tax liabilities				
Temporary difference				
Allowance for land increment value tax	$ 866,019	$ -	$ -	$ 866,019

2017

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	$ -	$ -	$ 34,141
Inventory	9,484	-	-	9,484
Allowance for bad debt	35,597	(765)	-	34,832
Others	33,734	(1,409)	2,945	35,270
	112,956	(2,174)	2,945	113,727
Loss credit	123,707	-	-	123,707
	$ 236,663	($ 2,174)	$ 2,945	$ 237,434
Deferred tax liabilities				
Temporary difference				
Allowance for land increment value tax	$ 866,019	$ -	$ -	$ 866,019

(V) The deductible temporary differences of deferred income tax assets not recognized on the balance sheet

	December 31, 2018	December 31, 2017
Deductible temporary differences		
Defined benefits plan	$ -	$ 148,582
Allowance to reduce inventory to market	282,592	282,592
	$ 282,592	$ 431,174

(VI) Unused losses credit related information

Loss deduction as at December 31, 2018:

Uncredited balance	Last year of credit
$ 476,968	2026

(VII) 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.

XXVIII. Earnings per share

Unit: NTD per share

	2018	2017
Basic earnings per share	$ 1.13	$ 0.66
Diluted earnings per share	$ 1.13	$ 0.66

When calculating earnings per share, the impact of the stock dividend had been retroactively adjusted. The payment date of bonus shares is on September 4, 2018. Due to retrospective adjustment, the 2017 basic and diluted earnings per share changes are as follows:

Unit: NTD per share

	Cum-dividend	Ex-dividend
Basic earnings per share	$ 0.70	$ 0.66
Diluted earnings per share	$ 0.70	$ 0.66

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net profits of the current year	2018	2017
Net profits of the current year	$ 1,372,035	$ 793,987

Quantity

Unit: Thousand Shares

	2018	2017
Weighted average common stock shares used to calculate basic earnings per share	1,211,626	1,206,324
Effect of dilutive potential common stock:		
Remuneration to employees	1,508	806
Weighted average common stock shares used to calculate diluted earnings per share	1,213,134	1,207,130

If the Company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings 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 diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

XXIX. Shares Agreement on basis of payout

Employee stock option plan

The company has in Nov. 217 followed three employee share-pledging plans to assign its employees with share pledging rights of 900 units, 2,743 units and 2,046 units respectively, where each unit is eligible to pledge for one thousand shares of common shares. It is granted to employees who meet the Company's specific conditions. With the share-pledging right's sustaining period being 1 day, the certificate holder may exercise the assigned share-pledging right throughout the share-pledging right's sustaining period, with the share-pledging exercising price at $8.18, $8.17 and $7.78 respectively.

Employee stock option information is as below:

Employees' stock options	2017 Unit
Outstanding stock options – beginning	-
Vested this year	5,689
Waived during the year	-
Implemented this current year	(5,689)
Overdue in the current year	-
Outstanding stock options – ending	-
Executable at end of year	-

The median fair value on the weighed share-pledging rights assigned in the current year (yuan/per share)	$ 0.74

The company's employee share-pledging rights assigned to its employees in Nov. 2017 have all adopted the Black-Scholes pricing model, with input figures adopted by the pricing model as follows:

	November 2017	November 2017	November 2017
Grant-date price	NT$ 8.86	NT$ 8.86	NT$ 8.86
Exercise price	NT$ 8.18	NT$ 8.17	NT$ 7.78
Expected fluctuation rate	22.288%	22.288%	22.288%
Duration	1 day	1 day	1 day
Expected dividend rate	0%	0%	0%
Risk-free interest rate	0%	0%	0%

Recognized remuneration cost for NT$4,232 thousand in 2017.

XXX. Operating lease contract

(I) The Company is the lessee.

Business leasing pertains to leasing land and aircraft, with the lease period being 1 ~ 5 years When the leasing period ends, the company does not have the priority purchasing right on the leased land and aircraft.

The total future minimum lease payments of the non-cancelable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 36,329	$ 41,320
1 to 5 years	623	1,785
More than 5 year	-	-
	$ 36,952	$ 43,105

(II) The Company is the lessor.

The business lease pertains to leasing out company-owned real estate, plant and equipment, with leasing periods fall between 5~10 years.

The total future minimum lease payments of the non-cancelable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 3,858	$ 4,591
1 to 5 years	57	280
More than 5 year	-	-
	$ 3,915	$ 4,871

XXXI. 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. There are no change to the company's overall strategy.

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.

XXXII. Financial instruments

(I) 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.

(II) Information on fair value – financial instruments at fair value on repetition.

1. Information on levels of fair value of financial instruments

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
Financial assets at fair value through profit and loss				
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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit and loss				

Stock investment	$ 595,634	$ -	$ -	$ 595,634
Bond investment	10,700	-	-	10,700
Others	279,033	-	-	279,033
Available-for-sale financial assets				
Stock investment	957,897	-	-	957,897
Bond investment	40,000	-	-	40,000

2. Financial instruments are adjusted according to Level 3 fair value.
   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

   2017: None.

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 (OTC) at TWSE	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%	($ 10,628)

The transfer between Level 1 and Level 2 fair value did not occur in 2018 and 2017.

(III) Categories of financial instruments

	December 31, 2018	December 31, 2017
Financial Assets		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	$ 988,569	$ 885,367

Loans and accounts receivable (Note 1)	-	5,048,822
Available-for-sale financial assets (Note 2)	-	1,110,143
Financial assets on the basis of cost after amortization (Note 3)	5,242,424	-
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	1,567,531	-
Debt instrument	110,000	-
<u>Financial Liabilities</u>		
Measured at cost after amortization (Note 4)	15,380,795	14,169,643

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 loans and receivables measured by cost.

Note 2: The balance covers the balance of available-for-sale financial assets and financial assets on the basis of cost.

Note 3: the balance include 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 amortized financial asset measured by cost.

Note 4: 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.

(IV) Purpose and policy of financial risk management

The company's primary financial instruments include equity and debt investment, accounts receivable, accounts payable and borrowing. 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 40% 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.

<u>Sensitivity analysis</u>

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			
	2018		***2017***	
Profit and loss	$	42,724	$	53,614

(2) Interest rate risk

Interest rate risk exposure is due to the entities within 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, 2018		December 31, 2017	
With fair value interest rate risk				
- Financial Assets	$	155,307	$	155,283
- Financial Liabilities		7,256,176		4,697,988
Contain cash flow interest rate risk				
- Financial Assets		110,000		40,000
- Financial Liabilities		5,863,861		7,392,499

<u>Sensitivity analysis</u>

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 2018 and 2017 will also be decreased/increased by $131,205 thousand and $1209 thousand.

(3) Other price oriented risks.

The company has incurred equity pricing exposure for investing in OTC equity securities investment and beneficiary certificates. The company's equity pricing risk primarily concentrates on equity instructions at Taiwan Stock Exchange.

<u>Sensitivity analysis</u>

The below listed sensitivity analysis has been sought by equity pricing exposure on the balance sheet date.

If the equity price rising/falling by 15%, the company's pretax general loss or gain in 2018 and 2017 will be increased/decreased by $305,343,000 thousand and $273,676,000 thousand respectively, due to fluctuations to the fair value of equity instruments/financial assets available for sale as measured by fair value.

2. Credit risk

Credit risk refers to the risk that the 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 2018 and 2017 are at 10% and 10% respectively to the total monetary-based assets; state of other transaction opponents' credit risk concentration in 2018 and 2017 are at 33% and 22% 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, 2018 and 2017.

(1) Liquidity and interest rate risk table of 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, 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	-	60	40	24	1,816	1,940

December 31, 2017

	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	$ 420,000	$2,373,238	$1,605,271	$ -	$ -	$4,398,509
Short-term notes payable	-	300,000	-	-	-	300,000
Long-term borrowings	-	229,735	229,734	459,469	6,473,561	7,392,499
Payables	1,925,574	116,665	36,823	-	94	2,079,156

Deposits received	-	60	40	24	3,656	3,780

(2) Financing amount

	December 31, 2018	December 31, 2017
Bank loan amount (renewal must be with the mutual agreement)		
The loan quota used	$ 13,120,037	$ 12,090,487
The loan quota not yet used	2,594,636	3,532,085
	$ 15,714,673	$ 15,622,572

XXXIII. Related Party Transactions

(I) 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
Reliance 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
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

Name	Affiliation
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
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

(II) 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	2018	2017
Pan Asia Chemical Corporation	$ 972,682	$ 659,156

(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	2018	2017
Nan Chung Petrochemical Corp.	$ 4,246,032	$ 3,976,276
Pan Asia Chemical Corporation	5,034	4,073
	$ 4,251,066	$ 3,980,349

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

	2018		2017	
Name	Balance - ending	Interest revenue	Balance - ending	Interest revenue
Hua Nan Bank	$ 111,807	$ 181	$ 106,293	$ 121
Taichung Commercial Bank	47,136	3,720	61,454	1,679
	$ 158,943	$ 3,901	$ 167,747	$ 1,800

4. Receivable (payable) accounts from related parties

Name	December 31, 2018	December 31, 2017
Accounts receivable		
Pan Asia Chemical Corporation	$ 109,064	$ 133,182
Payable accounts and notes		
Nan Chung Petrochemical Corp.	$ 342,359	$ 468,898
Pan Asia Chemical Corporation	851	1,191
	$ 343,210	$ 470,089
Other receivables		
Pan Asia Chemical Corporation	$ 204	$ 204
Chou Chin Industrial Co., Ltd.	252	210
	$ 456	$ 414

5. Rental revenue

Name	2018	2017
Pan Asia Chemical Corporation	$ 3,187	$ 3,187
Others	240	249
	$ 3,427	$ 3,436

The rental was negotiated and agreed based on the rental prevailing in the neighborhood, and payable per month.

6. Other income

Name	2018	2017
Hua Nan Bank	$ 6,799	$ 7,884
Pan Asia Chemical Corporation	3,847	3,848
Chou Chin Industrial Co., Ltd.	240	200
TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	96	96
Midea	-	2
	$ 10,982	$ 12,030

The company's 2018 and 2017 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.

(III) Remuneration to the management

	2018	2017
Short-term employee benefits	$ 20,288	$ 14,231
Retirement benefits	458	566
	$ 20,746	$ 14,797

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:

(IV) Othe related party transaction

1. The company has in Nov. 2018 participated in Taichung Commercial Bank Co.'s cash reinvestment and has also increased the investment amount to $328,914 thousand, and since the pledged has not been made per the shareholding percentage, it reduces the shareholding percentage to 22.29% from 22.33%.
2. The company has in 2018 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.
3. The company as in 2018 participated in Ruei Jia Investment Co.'s cash reinvestment, by newly investing in 1,250,000 shares, with investment cost at $12,500 thousand, and with the shareholding percentage remains unchanged.

XXXIV. **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, 2018	December 31, 2017
Restricted assets-current-pledged time deposit	$ 155,307	$ 155,283
Common share investment (financial asset classified in the account available for sale)	-	19,229
Common share investment (financial asset classified in the account as other general loss or gain, measured by fair value – nonliquid)	20,090	-

Investment under the equity method	4,121,464	4,008,361
Nonliquid asset pending for sale – Yunlin Textile Industrial Zone land	769,610	-
Investment in real estate-Land of Yunlin Spinning Industiral Park	34,943	804,553
Investment-based real estate – the land and building at Erchungpu Section, Sanchung District	704,475	713,552
Property, plant and equipment- Land	2,863,895	2,863,895
Real estate, plant and equipment – property and building	373,509	391,689

The fund and investment-common stock furnished as security is stated as following:

	December 31, 2018	December 31, 2017
Available-for-sale financial assets-non-current-Hua Nan Financial Holding	-	1,148 thousand shares
The financial assets measured for the fair values through other comprehensive income- non-current-Hua Nan Financial Holding	1,148 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	294,000 thousand shares	294,000 thousand shares

XXXV. 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:

(I) The guarantee notes already issued by the Company are stated as following:

	December 31, 2018	December 31, 2017
Banking facility	$ 14,676,846	$ 13,242,634
Advance payment and performance bond	320,000	320,000
	$ 14,996,846	$ 13,562,634

(II) As of December 31, 2018 and 2017, the company has issued but not used of letters of credit are at $1,952,154 thousand and $2,242,366 thousandrespectively.

(III) 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.

XXXVI. **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, 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

	Foreign Currency	Foreign Exchange Rate	Book Value
Financial Liabilities			
Monetary Items			
USD	10,183	30.72	312,765

December 31, 2017

	Foreign Currency	Foreign Exchange Rate	Book Value
Financial Assets			
Monetary Items			
USD	$ 104,961	29.76	$ 3,123,646
EURO	2,051	35.57	72,962
JPY	94,145	0.2642	24,873
Financial Liabilities			
Monetary Items			
USD	7,332	29.76	218,186

The merged company's 2018 and 2017 foreign currency exchange loss or gain (loss) (including realized and unrealized) is at $387 44,290 thousand and (314.609thousand) 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.

XXXVII. Disclosures

(I) Material transactions and (III) transfer investment information:

1. Loans to others. Refer to page 212 for detail)
2. Endorsements/guarantees to others. Refer to page 213 for detail)
3. Marketable securities – ending. Refer to pp.214-218 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 218 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 219 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.221-222 for detail)

(II) 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 213).
(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. 28, 2019, 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$3,070,342,00 and the capital lending's period ending balance is at NT$430,063,000; 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

Year / Item	2017	2018	Variation	
			Amount	%
Current assets	542,862,601	561,120,444	18,257,843	3.36%
Fund and investment	122,159,154	132,718,662	10,559,508	8.64%
Property, plant and equipment	22,382,631	22,428,871	46,240	0.21%
Intangible assets	190,332	192,246	1,914	1.01%
Other assets	4,134,502	4,446,719	312,217	7.55%
Total assets	691,729,220	720,906,942	29,177,722	4.22%
Current liabilities	611,282,167	635,141,266	23,859,099	3.90%
Long term liabilities	7,576,939	5,713,623	(1,863,316)	(24.59%)
Other liabilities	19,470,723	21,771,265	2,300,542	11.82%
Total liabilities	638,329,829	662,626,154	24,296,325	3.81%
Capital stock	14,294,934	15,224,105	929,171	6.50%
Capital surplus	1,677,818	1,694,875	17,057	1.02%
Retained earnings	6,394,939	6,906,131	511,192	7.99%
Other items	(1,438,171)	(1,411,603)	26,568	1.85%
Non-controlling interest	32,470,411	35,867,280	3,396,869	10.46%
Total equity	53,399,391	58,280,788	4,881,397	9.14%
Note: the most recent two years' increase/decrease exceeds 20%: Decrease to the long-term liability primarily pertains to repayment at expiry.				

II. Financial performance (extra-industry combined information)

(I) Financial performance comparison analysis table

Unit: NTD thousand

Year / Item	2017	2018	Increase (decrease)	Variation %
Income	37,038,326	41,549,187	4,510,861	12.18%
Expenses	(32,831,382)	(36,404,425)	3,573,043	10.88%
Income before tax from continuing operations	4,206,944	5,144,762	937,818	22.29%
Income tax (expenses) gains	(743,253)	(735,127)	(8,126)	(1.09%)
Net profit after tax from continuing operations	3,463,691	4,409,635	945,944	27.31%
Net profit attributable to parent company	793,987	1,372,035	578,048	72.80%
Net profit attributable to non-controlling interest	2,669,704	3,037,600	367,896	13.78%
Earnings per share	0.66	1.13	0.47	71.21%
Description on the most recent two year's fluctuation of an increase or decrease exceeding 20%: The ongoing business departments' pretax net earnings, ongoing business departments' after-tax net earnings, net earnings that belong to the parent company owner and earnings per share, which are up from the previous period, primarily stems from differential in foreign currency exchange loss or gain.				

(II) 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
43,284,182	8,457,822	(659,087)	42,625,095	Not applicable	Not applicable

(I) Changes of cash flow in current year analysis:

1. Operating activities: derived from operating activity net cash inflow at $8,457,822 thousand, which primarily stems from a reduction in discounting and loan amount.
2. Investment activities: cash outflow stems from investment activities is at

$12,750,14 thousand, which primarily stems from amortized financial asset measured by cost.

3. Fundraising activity: fundraising activity has generated of the cash inflow is at $3,636,698,000 thousand, which primarily stems from issuing financial bonds.

(II) Responsive measures and liquidity analysis on cash flow deficits: not applicable.

(III) 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
42,625,095	9,728,557	(788,790)	46,885,736	Not applicable	Not applicable

IV. The impact of the most recent year's major capital expenditure to finance operation: the company's 2018 capital expenditure is at approximately $400 million, which bears no critical impact to company finance operation, with expenditure primarily being the turbine power II plant's plant launching cost, where said plant is expected to join in formal operation by March 2019.

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 2018 investments adopting the equity method, the investment in its affiliated enterprise Nan Chung Petrochemical Corp. recognizes a gain of NT$88,436 thousand, in addition to investment in financial asset gain measured by fair value at NT$ thousand.

VI. Risk disclosure

(I) 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	2017	2018
Exchange gain (loss) (A)	(319,544)	387,106
Interest receipt (expenditure)(B)	8,021,227	8,258,162
Operating revenue (C)	37,038,226	41,549,187
A/C	(0.86%)	0.93%
B/C	21.66%	19.88%

2. The impact of the most recent year's inflation to company loss or gain: to judge by 2018'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.

(II) 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	2,510,000
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.

(III) 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.

(IV) 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.

(V) 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.

(VI) 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.

(VII) Expected result and possible risks of mergers and acquisitions and Counter assessments: None.

(VIII) The expected benefits from plant expansion, the potential risks associated, and the responsive measures: None.

(IX) 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.

(X) 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.

(XI) The effects, risks and responsive measures associated with changes in management: not applicable.

(XII) Litigation or nonlitigation incident: Shan Hung Construction's project payout dispute case, which has yet created a critical impact to company finance operations.

(XIII) Other important risks and response measures: None

VII. Other important disclosures: none

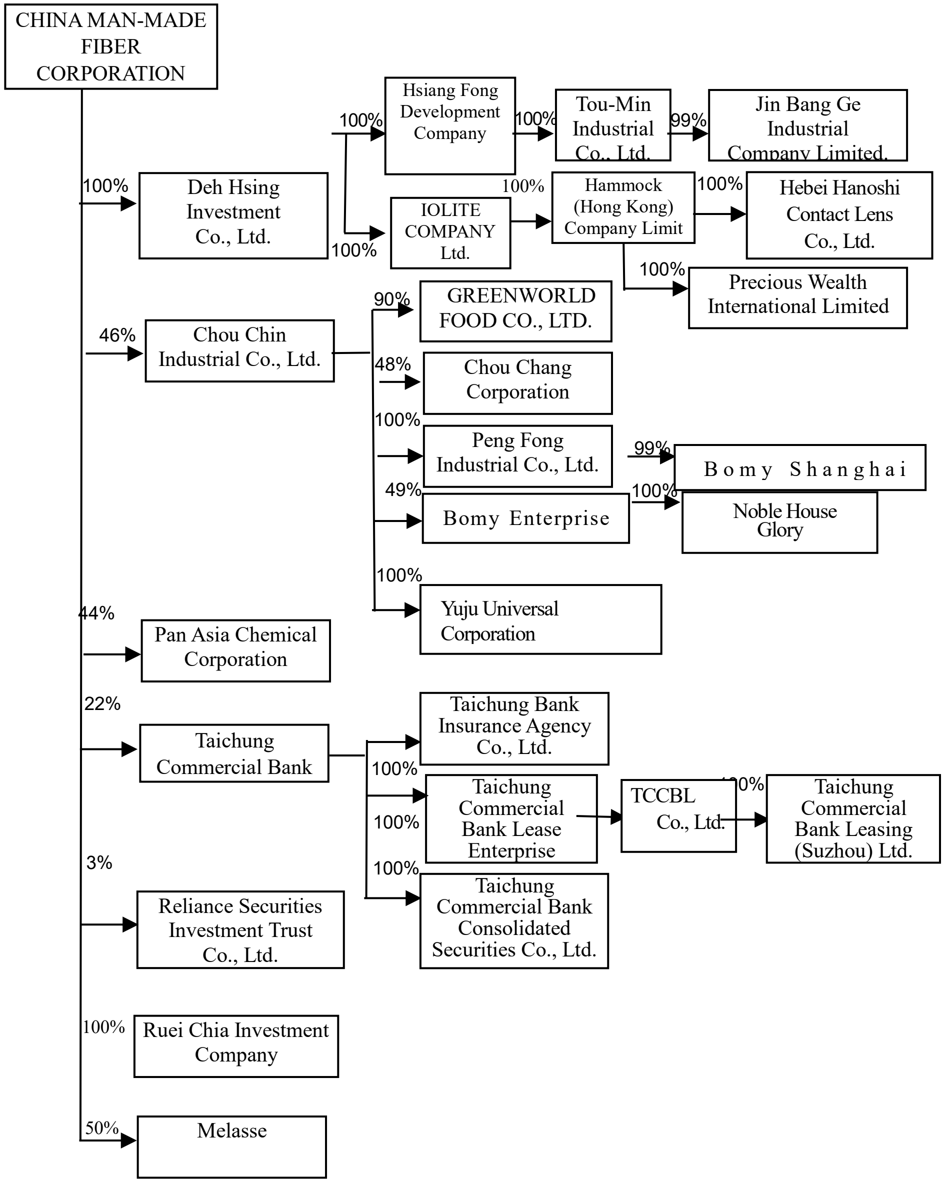
Eight. Special remarks

I. Affiliated companies

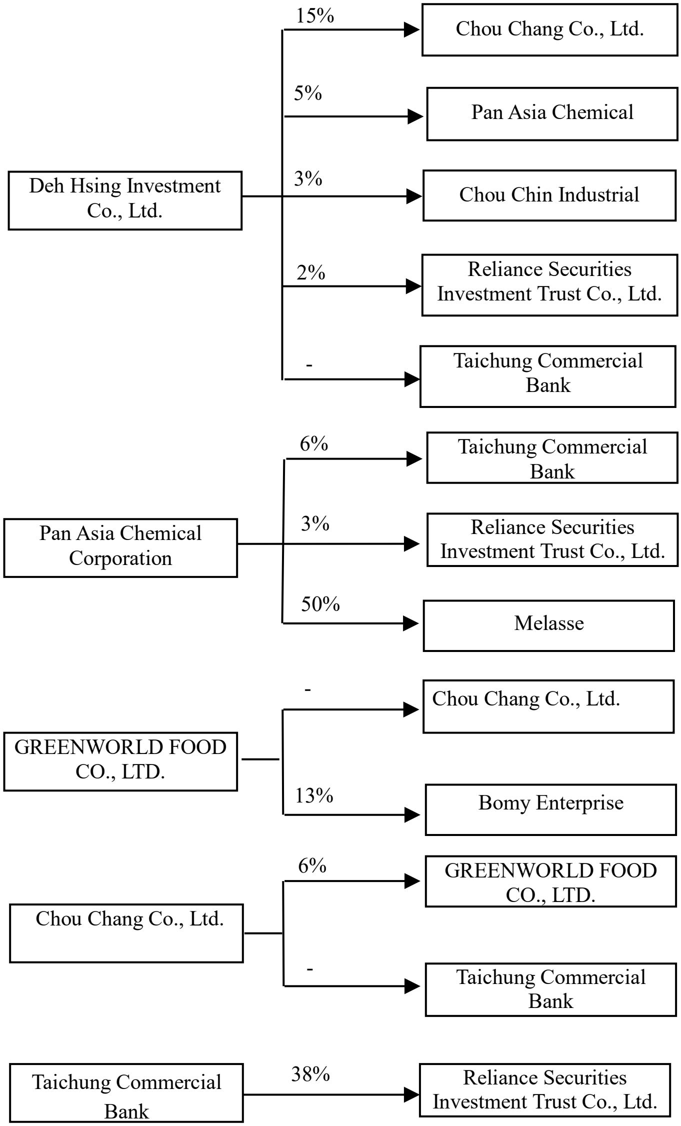
(I) Affiliates consolidated business report

1. Organization chart for affiliates:

    (1) The controlling Company and subsidiary companies:



(2)Cross-investment: None.
(3)Subsidiaries and subsidiaries:



2. Basic information of various affiliated enterprises Unit: New Taiwan dollar per thousand yuan/ foreign currency per thousand dollars

Name of enterprise	Date of establishment	Address	Paid-in capital	Major operations
Controlling company: CHINA MAN-MADE FIBER CORPORATION	44.05.11	No.8, Jingjian Rd., Dashe Dist., Kaohsiung City	15,224,105	The petrochemical industry and construction industry.
Subsidiary companies: Deh Hsing Investment Co., Ltd.	87.02.19	10F, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	1,350,000	General investment business.
Chou Chin Industrial Co., Ltd.	61.12.14	No.14, Xingye Rd., Fuxing Township, Changhua County	600,706	Manufacturing and trading.
Pan Asia Chemical Corporation	71.04.06	11F., No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	2,678,198	Petrochemical business.
Taichung Commercial Bank	42.08.22	No. 87, Min Chuan Road, West District, Taichung	35,255,084	Banking business as permitted under the Banking Act.
Reliance Securities Investment Trust Co., Ltd.	84.06.01	4F., No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	312,000	Securities investment trust business.
GREENWORLD FOOD CO., LTD.	82.03.06	10F., No.138, Sec. 2, Hankou Rd., Xitun Dist., Taichung City	195,000	Manufacturing and trading.
Chou Chang Corporation	83.10.07	9F., No.138, Sec. 2, Hankou Rd., Xitun Dist., Taichung City	270,600	Manufacturing and trading.
Taichung Bank Insurance Agency Co., Ltd.	96.09.26	No. 80-4, Ching Hua N. Rd., Peitun Dist., Taichung	1,286,000	Insurance agency .
Taichung Commercial Bank Lease Enterprise	101.01.13	4F-5, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	1,850,000	Financing Leasing.
TCCBL Co., Ltd.	101.06.13	P.O. Box 957,Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	893,373	Leasing and investments.
Taichung Commercial Bank Leasing (Suzhou) Ltd.	101.12.11	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.	102.05.02	1, 2F, No. 45, Min Zu Rd., Central Dist., Taichung	1,500,000	Securities and futures business
Ruei Chia Investment Company	100.01.25	10F, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	37,500	General investment business.
Peng Fong Industrial Co., Ltd.	100.01.27	9F., No.138, Sec. 2, Hankou Rd., Xitun Dist., Taichung City	15,000	The restaurant industry.
Melasse	100.10.31	11F., No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	29,000	Cosmetics and cleaning appliances manufacturing.
Hsiang Fong Development Company	100.01.31	7F.-2, No.76, Songjiang Rd., Taipei City	283,000	Investment in real estate.
Tou-Min Industrial Co., Ltd.	102.03.27	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.	103.02.21	9F., No.181, Sec. 3, Minquan E. Rd., Songshan Dist., Taipei City	153,000	The real estate buying/selling industry.
IOLITE COMPANY LIMITED	97.01.14	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	502,579	General investment business.
Precious Wealth International Limited	107.01.18	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD 375	General investment business.
Hammock (Hong Kong) Company Limited	103.12.03	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.	105.01.15	Hebei Province Langfang Emerging Industry Demonstration Area south of Lungchun Avenue and west	470,685	Manufacturing and trading.

		of Lungshiang Road		
Bomy Enterprise	86.09.19	Sea Mcadow House, Blackburne Highway (P.O. Box 116) Road Town, Tortola, British Virgin Islands.	USD 20,550	General investment business.
Bomy Shanghai	81.10.30	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	$90,000 Japanese yen	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 diverse service 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:	47,304	3.11%
		Kuei-Hsien Wang	-	-
	Vice Chairman	Chung Chien Investment Co., Ltd. Representative:	39,662	2.61%
		Ming-Shan Chuang	4	-
	Director	Pan Asia Investment Co., Ltd. Representative:	47,304	3.11%
		Kuei-Fong Wang	27	-
		Ming-Hsiung Huang	35	-
	Director	Chung Chien Investment Co., Ltd. Representative:	39,662	2.61%
		Yung-Ta Liu	-	-
		Kuo-Ching Chen	164	0.01%
	Independent director	De-Wei Li	-	-
		Chin-Tsai Li	-	-
		Li-Yeh Hsu	-	-
	President	Ming-Shan Chuang	4	-
Subsidiary companies: Deh Hsing Investment Co., Ltd.	Chairman	China Man-Made Fiber Corporation Representative:	135,000	100.00%
		Kuei-Hsien Wang	-	-
	Director	China Man-Made Fiber Corporation Representative:	135,000	100.00%
		Po-Nine Lin	-	-
		Yung-Ta Liu	-	-
	Supervisor	China Man-Made Fiber Corporation Representative:	135,000	100.00%
		Jeh-Yi Wang	-	-
Chou Chin Industrial Co., Ltd.	Chairman	Da Fa Investment Co., Ltd. Representative:	16,064	26.74%
		Kuei-Hsien Wang	-	-
	Director	Da Fa Investment Co., Ltd. Representative:	16,064	26.74%
		Kuei-Fong Wang	-	-
		Shun-Tai Lung	-	-
		Ming-Hsiung Huang	-	-
		Hsiao-Chieh Lin	-	-
	Supervisor	Chou Chang Co., Ltd. Representative:	404	0.67%
		Da-Yin Yeh	-	-
		Chien-Rong Gong	-	-
Pan Asia Chemical Corporation	Chairman	Chung Chien Investment Co., Ltd. Representative:	13,723	5.12%
		Kuei-Hsien Wang	-	-
	Director	Sheng Jen Knitting Plant Co., Ltd. institutional representatives:	16,608	6.20%
		Yung-Ta Liu	-	-
		Kuei-Fong Wang	1,068	0.40%
	Director	Chung Chien Investment Co., Ltd. Representative:	13,723	5.12%
		Jeh-Yi Wang	65	0.02%
	Independent director	De-Wei Li	-	-
		Chin-Tsai Li	-	-
		Li-Yeh Hsu	-	-
	President	Jeh-Yi Wang	65	0.02%
Taichung Commercial Bank	Chairman	Representative to Hsu Tian Investment Co., Ltd.:	95,881	2.72%
		Kuei-Fong Wang	394	0.01%
	Managing Director	Representative to Hsu Tian Investment Co., Ltd.:	95,881	2.72%
		Ming-Hsiung Huang	-	-
	Director	Representative to Hsu Tian Investment Co., Ltd.:	95,881	2.72%
		Hsin-Ching Chang	-	-
		Lai-Hsiang Tsai	-	-
		Ming-Hsiung Huang	-	-
		Wei-Liang Lin	-	-
		Deh-Wei Chia	192	-
	Director	Representative to Ho Yang Management Consultant Co., Ltd.:	1,792	0.05%
		Chien-Hui Huang	-	-
	Director	Representative of Pan Asia Chemical Corporation:	201,964	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	192	-
Taichung Bank Insurance Agency Co., Ltd.	Chairman	Taichung Commercial Bank Representative:	128,600	100.00%
		Ching-Kun Lin	-	-
	Director	Taichung Commercial Bank Representative:	128,600	100.00%
		Chung-Ping Yang	-	-
		Li-Tzu Lai	-	-
	Supervisor	Taichung Commercial Bank Representative:	128,600	100.00%
		Kai-Yu Lin	-	-
Taichung Commercial Bank Lease Enterprise	Chairman	Taichung Commercial Bank Representative:	185,000	100.00%
		Wei-Liang Lin	-	-
	Director	Taichung Commercial Bank Representative:	185,000	100.00%
		Ming-Hsiung Huang	-	-
		Kuo-Ming Lo	-	-
		Yi-Yuan Tung	-	-
		Kuo-Chun Liu	-	-
	Supervisor	Taichung Commercial Bank Representative:	185,000	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 Representative:	-	100.00%
		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%
		Chin-Min Liao	-	-
		Chun-Sheng Lin	-	-
		Kang-Chi Chou	-	-
		Ching-Kun Lin	-	-
	Supervisor	Taichung Commercial Bank Representative:	150,000	100.00%
		Chen-Ying Wu	-	-
Reliance Securities Investment Trust Co., Ltd.	Chairman	Da Fa Investment Co., Ltd. Representative:	1,959	6.28%
		Shi-Yi Chiang	-	-
	Vice Chairman	Da Fa Investment Co., Ltd. Representative:	1,959	6.28%
		Ming-Hsiung Huang	-	-
	Director	Da Fa Investment Co., Ltd. Representative:	1,959	6.28%
		Ya-Mei Lee	-	-
		Meng-Liang Chang	-	-
		Po-Nine Li	-	-
	Supervisor	Deh Hsing Investment Co., Ltd. Representative:	576	1.85%
		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	5.80%
		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		China Man-Made Fiber Corporation		100.00%
	Chairman	Representative:	3,750	
		Hsiao-Chieh Lin	-	-
		China Man-Made Fiber Corporation		100.00%
	Director	Representative:	3,750	
		Kai-Yu Lin	-	-
		Chung-Ping Yang	-	-
		China Man-Made Fiber Corporation		100.00%
	Supervisor	Representative:	3,750	
		Chien-Rong Gong	-	-
		Deh Hsing Investment Co., Ltd.		100.00%
Hsiang Fong Development Company	Chairman	Representative:	28,300	
		Hsiao-Chieh Lin	-	-
		Deh Hsing Investment Co., Ltd.		100.00%
	Director	Representative:	28,300	
		Jih-Lung Lin	-	-
		Ming-Shuan Lin	-	-
		Deh Hsing Investment Co., Ltd.		100.00%
	Supervisor	Representative:	28,300	
		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	-	-
	Director / President	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	0.65%
Bomy Enterprise	Director	Kuei-Hsien Wang	10,000	48.66%
		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	15	0.75%
		representatives:		
		Feng Hsu	-	-
	Supervisor	Bomi International Co., Ltd. representative:	1,985	99.25%
		Kuo-Ching Chen	-	-
		Chou Chin Industrial Co., Ltd.		90.00%
Yuju Universal Corporation	Director	Representative:	810	
		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

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	$ 15,224,105	$ 38,884,610	$ 16,471,102	$ 22,413,508	$ 20,064,863	$ 1,349,476	$ 1,372,035	$ 1.13
Subsidiary companies:								
Deh Hsing Investment Co., Ltd.	1,350,000	1,380,356	120	1,380,236	-	8,617	8,617	0.06
Chou Chin Industrial Co., Ltd.	600,706	3,174,722	1,880,956	1,293,766	2,509,468	123,295	122,295	2.04
Pan Asia Chemical Corporation	2,678,198	7,329,940	2,711,772	4,618,168	1,856,511	245,949	247,122	0.92
Taichung Commercial Bank	35,255,084	684,158,607	636,334,954	47,823,653	10,675,023	4,638,172	4,008,369	1.18
Reliance Securities Investment Trust Co., Ltd.	312,000	406,735	7,835	398,900	33,146	(17,464)	(17,464)	(0.56)
GREENWORLD FOOD CO., LTD.	195,000	489,431	387,088	102,343	1,983,913	60,502	54,514	2.80
Chou Chang Corporation	270,600	595,618	344,187	251,431	15,014	16,493	16,139	0.60
Taichung Bank Insurance Agency Co., Ltd.	1,286,000	2,073,947	245,468	1,828,479	873,392	452,868	360,429	2.80
Taichung Commercial Bank Lease Enterprise	1,850,000	6,246,621	4,387,665	1,858,956	254,195	96,840	81,821	0.44
TCCBL Co., Ltd.	893,373	1,203,189	420,963	782,226	22,006	21,246	21,246	-
Taichung Commercial Bank Leasing (Suzhou) Ltd.	893,373	2,926,473	2,198,433	728,040	143,629	14,702	8,660	-
Taichung Commercial Bank Consolidated Securities Co., Ltd.	1,500,000	2,106,656	722,813	1,383,843	222,325	8,421	219	-
Peng Fong Industrial Co., Ltd.	15,000	2,069	235	1,834	-	(2,875)	(2,875)	(1.92)
Ruei Chia Investment Company	37,500	35,490	80	35,410	-	(354)	(354)	(0.09)
Hsiang Fong Development Company	283,000	266,460	80	266,380	-	(3,496)	(3,496)	(0.12)
Melasse	29,000	31,719	2,819	28,900	9,934	660	660	0.23
Tou-Min Industrial Co., Ltd.	222,000	206,077	80	205,997	-	(3,289)	(3,289)	-
Jin Bang Ge Industrial Company Limited.	153,000	196,587	57,080	139,507	-	(2,917)	(2,917)	-
IOLITE COMPANY LIMITED	502,579	452,477	40	452,437	58	(11,315)	(11,315)	-
Precious Wealth International Limited	USD 375	11,489	-	11,489	-	(14)	(14)	-
Hammock (Hong Kong) Company Limited	470,685	422,290	567	421,723	-	(11,277)	(11,277)	-
Hebei Hanoshi Contact Lens Co., Ltd.	470,685	423,577	1,287	422,290	151	(11,014)	(11,014)	-
Bomy Enterprise	USD 20,550	259,437	1,044	258,393	-	(24,173)	(24,173)	-
Bomy Shanghai	USD 20,000	283,179	4,071	279,108	11,185	(24,355)	(24,355)	-
Yuju Universal Corporation	USD 900	25,692	-	25,692	-	(1,911)	(1,911)	-
Noble House Glory	$90,000 Japanese yen	23,187	12	23,175	-	(1,773)	(1,773)	-

(II) 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.

(III) Disclaimer on affiliated enterprises

Statement of Declaration

The Bank Affiliation Report 2018 (from January 1, 2018 to December 31, 2018) 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 22, 2019

CPA's Review Comments

To CHINA MAN-MADE FIBER CORPORATION:

The certified public accountant has duly audited China Manmade Fiber Corp.'s 2018 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 22, 2019 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 2018 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 2018 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

Certified public accountant Oscar Shih

Hsu Wen-Ya, CPA

Securities and Futures Commission Approval No.
Tai-Cai-Zheng (6) No. 0930128050

Securities and Futures Commission Approval No.
Tai-Tsai-Cheng (VI) No. 0920123784

March 22, 2019

(IV) 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	39,661,820	2.61%	16,276,000	Vice Chairman Director Director	Ming-Shan Chuang Yung-Ta Liu Kuo-Ching Chen
Pan Asia Investment Co., Ltd.	Indirectly control over the HR, finance or operation of the Bank	47,303,844	3.11%	18,574,000	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 / Amount acquired	Share count liquidated / Amount liquidated	Investment Gain (Loss)	Holding share count as of Dec. 31, 2018 / Amount held	State of mortgage lien designation	The amount of endorsement guarantee the company has made	The amount the company lends to its subsidiaries
Pan Asia Chemical Corporation	2,678,198	Self-owned Capital	44%	107/01/01~ 108/02/28	14,410	0	0	236,096	Yes	0	0
					Note	0		928,426			
Deh Hsing Investment Co., Ltd.	1,350,000	Self-owned Capital	100%	107/01/01~ 108/02/28	641	0	0	10,491	N/A	0	0
					Note	0		84,123			
Chou Chin Industrial Co., Ltd.	600,706	Self-owned Capital	46%	107/01/01~ 108/02/28	3,388	0	0	55,514	N/A	0	0
					Note	0		208,245			
Chou Chang Corporation	270,600	Self-owned Capital	22%	107/01/01~ 108/02/28	530	0	0	8,683	N/A	0	0
					Note	0		26,459			

Note: The company distributes share dividends to its subsidiaries in 2018.

IV. Other supplementary information: None

Nine. 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