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日勝化工股份有限公司
EVERMORE CHEMICAL INDUSTRY CO., LTD.



2018 ANNUAL REPORT

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V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.**VI. The Company's website: <http://www.twemc.com/>**

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One. Letter to Shareholders

I. Operating Results for 2018

(I) Results of Business Plans

In 2018, the Company's consolidated net operating revenue was NT\$ 3,675,769,000, the consolidated net profits after tax were NT\$ 10,367, the consolidated basic earnings per share (EPS) after tax was NT\$ 0.1, and the diluted earnings per share was NT\$ 0.1. Please refer to the table below for details.

The annual operating revenue for 2018 increased compared with 2017 because the prices for principal raw materials of some products continued to rise since 2017 until the third quarter of 2018 when there was a rapid reversal. During such period, partial contribution to the operating revenue was made by an increase in selling prices for covering costs. In addition, other categories of products were sold at a certain quantity and price which remained unchanged; however, the rapid decline in the prices for raw materials in the third quarter, and hesitation of customers resulted in lower selling prices which affected gross profits, the allowance for inventory falling price loss derived from annual settlement resulted in a decline in gross margin compared to last year. Moreover, there was a reduction in the net profits before and after tax due to exchange rate impact and the adjustments to policies for provision of the allowance for bad debts in accordance with international accounting standards.

Operating Performance:

Unit: NT\$ 1,000

Item	2018	2017	Growth Rate
Operating Revenue	3,675,769	3,325,124	10.55%
Operating Profits	73,902	112,011	-34.02%
Net profits before tax	54,165	106,399	-49.09%

(II) Budget Implementation

The Company has not disclosed the financial forecasts for the year of 2018.

(III) Financial Revenue and Expenditure

As of December 31, 2018, the total assets were NT\$ 2,983,111,000, the total liabilities were NT\$ 1,601,455,000, the debt ratio was 53.68%, and the current ratio was 139.69%.

(IV) Analysis of Profitability

Item	2018	2017
Return on assets (%)	0.84	2.58
Return on equity (%)	0.74	4.41
Income before tax/paid-in capital (%)	5.44	10.70
Net profit margin (%)	0.28	1.88
Earnings per share (NT\$)	0.10	0.63

(V) Status of Research and Development

1. R & D expenses spent in this year:

Item	2018
Amount (NT\$ 1,000)	74,124
Proportion to operating revenue (%)	2.02%

2. The technologies or products developed successfully:

- A. High-value acrylate monomer/methacrylate monomer produced in a toluene-free manufacture process
- B. Environmentally friendly solvent-free moisture-curing liquid polyurethane adhesive

- C. Environmentally friendly solvent-free and general-purpose adhesive for flexible packaging of high strength
- D. Reactive polyurethane hot melt adhesive of high moisture permeability for environmentally friendly solvent-free textile
- E. Environmentally friendly and solvent-free 2K PU for split leather intermediate layer
- F. Migration-resistant high molecular weight polyester plasticizer
- G. Hydrolysis-resistant comfortable insole system materials in energy-saving process

II. Summary of Annual Business Plan for 2019

(I) Business Policies

1. In terms of the application of products in the downstream industry, continuous attention should be paid to sports and leisure sectors, including the demand for functional materials in sports shoes, clothes, bags, equipment, outdoor activities, etc.; the Company plans to integrate upstream development and marketing with downstream development and marketing, and broaden cooperation with international brands; continue to expand the application of traditional woodware to 3C photoelectric coatings, the application of PU resin in construction, electronics and automotive-related industry to explore niche-type industries.
2. For product development, we continue to develop green and environmentally friendly materials that keep up with modern trends, including solvent-free based 1 component PU, 2K PU, thermoplastic PU, Aqueous Based PU, and low-energy UV-cured acrylic resin; and low-pollution products with low energy consumption in the course of processing, in order to find a way for building a green Earth.
3. In order to further keeping close links with the brand customers who serve the sports industry, we continue to invest in the mass production and development of solvent-free functional PU films, and deeply exploit the application market of functional textile bonding, and solvent-free PU synthetic leather.
4. In terms of resource integration by the Group, we will continue to strengthen the complementation of production and sales between the plants located in Nangang, Taiwan and Huangjiang, Guangdong; it is also necessary to combine the marketing channels of AICA and other subsidiaries in the field of optoelectronics and coatings to expand the integration effect in Greater China, to continue to invest in human resources in Southeast Asia, and to develop feasible cooperation and investment programs in addition to developing the market.

(II) Expected Sales Volume and Its Basis

Unit: MT

Type of Products	PU resin	PE resin	Other products
Quantity	39,230	1,877	2,789

The above-mentioned expected quantities are based on the annual sales in 2018, with reference to the estimate of the overall economic situation for 2019.

(III) Significant Policies for Production and Sales

1. To stabilize the quality of products, meet customer requirements, and improve customer loyalty.
2. To quickly respond to the customer's demand for special specifications of products and capture the market as soon as possible.
3. To strengthen the development of new products and customers, and take the initiative to pay close attention to the market.

III. The Company's development strategies in the future will be influenced by the external competitive environment, regulatory environment and overall business environment:

(I) The Company's Development Strategies in the Future

- To strengthen the function of the Group: Set up the general manager's office, integrate the executive functions of the Group, and the operational affairs of each business unit, enhance the functional level of the Group, and make full use of internal resources to maximize value.
- To enhance the ability of the dedicated teams to take charge: keep the group's finance, marketing, R&D and supply chain functioned as the group's management center, with each department focused on the operation and management of specific areas, so that they are responsible for their respective goals and strategies, and create profits.
- To continuously review and focus on core competencies: Carry out internal evaluation of the value and scalability of core competencies, and innovate products and sustain core capabilities by exerting the existing capabilities of marketing and R&D.
- To build a service-oriented business model: The key to the future business strategy of EVERMORE CHEMICAL is re-examining the characteristics of the existing industrial value chains with innovative thinking and vision, finding new niche, creating differentiated value, and developing the service-oriented corporate culture of T2.5 generation manufacturing.
- Beginning with the end: Start with meeting the needs of the terminal industry and the market based on the core capabilities of precision chemistry and materials technology, and deeply explore and focus on the niche market. Looking ahead, we will focus on the overall solution in the year, by going beyond the original product application market, integrating the existing technologies of products with innovative thinking, providing customers with higher added value and developing innovative production process that keeps up with the green trends of carbon reduction and low pollution in the future.
- To improve production technology, product quality, yield rate and other related production processes through the cooperation model of international subcontracting.
- To expand the fields of construction, optoelectronics, adhesives, etc. through the AICA cooperation platform to improve business performance and profitability.
- To actively expand the Southeast Asia and emerging markets.
- To continuously recruit and train outstanding talents to achieve medium- and long-term organizational goals.
- To develop new products with high added value and enhance internal core technologies based on industry trends and customer needs.
- In addition to focusing on the development of green and environmentally friendly products, we will also contribute to the construction of green earth by responding to environmental awareness and reducing waste output.

(II) Impact of the external competitive environment, regulatory environment and overall business environment, and countermeasures

The overall business environment, including international prosperity, regional political factors, crude oil prices, trade agreements, environmental regulations of each country and exchange rates, will have impact on the operation of the chemical industry. In terms of raw materials, with reference to the prices for crude oil and supply of raw materials in the market, we will purchase raw materials with competitive price advantage if appropriate to cut product costs; with respect to trade agreements, by taking into consideration of the status of each production base of the group, and with reference to the terms of the trade agreements for territories, we will take advantage of the Group's supply chain platform and adopt a more flexible marketing strategy; as the development of chemical industry is limited by the heightening environment

protection awareness of each country, the Company gradually reduces its dependence on high-pollution energy, promotes lean production and strengthens the recycling of internal wastes, reduces waste emissions, and continues to develop environmentally friendly products in response to market development needs in the future; at the same time, in response to the changes in the business environment, we will overcome excessive dependence on a single market, and gradually strengthen the development of the Southeast Asian market.

Today, ladies and gentlemen, thanks for taking the time to attend the General Meeting of the Company. All employees of the Company will adhere to the consistent business philosophy, and will meet challenges with extreme caution like walking on thin ice, and create profits to share with shareholders and give back the society. We wish all the shareholders good health and good luck!

Chairman: Ho Wen Chieh

Manager: Huang Chang Tse

Accounting Manager: Chen Hsiang Li

Two. Company Profile

I. Company Profile

(I) Date of Incorporation: May 15, 1989

(II) Corporate Milestones:

1. Status of merger and acquisition: Upon merge of Ri Xing Investment Co., Ltd. on August 31, 2003, the Company is the surviving company and Ri Xing the extinguishing company.
2. Strategic investments in affiliated enterprises:
 - (1) The Company owned Topco (Shanghai) Co., Ltd. wholly upon the capital increase in 2008.
 - (2) The Company increased capital in Dongguan Pou Chien Shoe Materials Co., Ltd. in cash in 2008, and the equity in said company held by the Company remained 51%.
 - (3) The Company acquired 100% of the equity in Giant Star Trading Co., Ltd. in 2009.
 - (4) The Company disposed of the equity in the subsidiary, Jinjiang Defu Resin Co., Ltd., held by it in 2009.
 - (5) The Company owned Wenzhou Detai Resin Co., Ltd. wholly upon the capital increase in 2010.
 - (6) Upon capital increase in Chem-Mat Technologies Co., Ltd., the Company didn't subscribe for shares in proportion to its shareholding; as a result, the Company's shareholding declined until 47.92% in 2010.
 - (7) The Company increased in capital in Giant Star Trading Co., Ltd. in 2012.
 - (8) The Company disposed of the whole equity in the subsidiary, Wenzhou Detai Resin Co., Ltd., in 2012.
 - (9) The Company wholly owned Liberty Bell Investments LTD. upon cash capital increase in 2013.
 - (10) The Company increased capital in Giant Star Trading Co., Ltd. and recapitalized the undistributed earnings.
 - (11) The Company acquired 52.08% of the equity in Chem-Mat Technologies Co., Ltd. from the other shareholders in 2014 and, therefore, wholly owned said company.
 - (12) The Company's subsidiary, NEOLITE INVESTMENTS LIMITED, sold the whole equity held by it in its three subsidiaries in Jiangsu Province, China in 2015.
 - (13) The Company acquired 48% of the equity in TOP WELL ELASTIC TECHNOLOGY CO., LTD. in Thailand upon participating in the capital increase in 2016.
 - (14) The Company founded LEADERSHIP (SHANGHAI) CO., LTD. in April 2017.
 - (15) The Company recapitalized the earnings from Giant Star Trading Co., Ltd., NT\$26 million, in July 2017
 - (16) Giant Star Trading Co., Ltd. was reformed into a company limited by shares in April 2018.
3. Reorganization: None.
4. Major transfer or conversion of equity by directors, supervisors, or shareholders with more than 10% ownership interest:

Director Ho Wen Chieh, Director Pou Chien Enterprise Co., Ltd. (represented by Lu Ching Chu), Director Liu Wei Tung, Supervisor Pou Chien Technology Co., Ltd. (represented by Sung Chien Shih) and Supervisor Lu Hui Pin participated in the

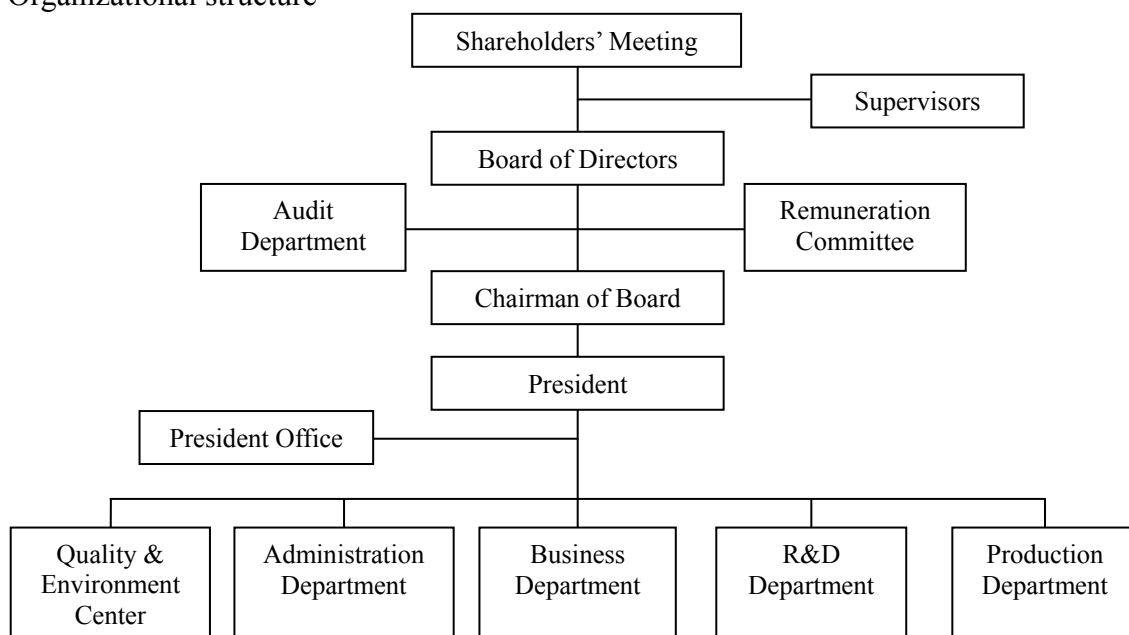
public tender for acquisition of AICA Kogyo Company Limited in Japan on January 16, 2018.

5. Any change in managerial control: None.
6. Any material change in operating methods or type of business: None.
7. Any other matters of material significance that could affect shareholders' equity: None.

Three. Corporate Governance Report

I. Organization

1. Organizational structure



2. Tasks of principal departments

Principal departments	Tasks
<1> Audit Department	Responsible for auditing and evaluating the status and operation of the internal control system by department.
<2> President Office	Responsible for the Group's business strategies, project supervision and business integration.
<3> Quality & Environment Center	Responsible for the Company's environmental protection, safety and health operations.
<4> Administration Department	Responsible for the Company's information disclosure, personnel, establishment of management systems, procurement, general affairs, legal affairs, accounting and finance, et al.
<5> Business Department	Responsible for marketing development and credit investigation, product sale and after-sale services.
<6> R&D Department	Responsible for research and development of new products, research, improvement and service of production technology, establishment of the Company's product quality goal, and incoming and outgoing quality inspection.
<7> Production Department	Responsible for production of the Company's products, purchase of raw materials and supplies, stock-in, production process and engineering affairs.

II. Director, supervisor, president, vice presidents, assistant vice presidents, chiefs of all the Company's departments and branch units:

1. Information about directors and supervisors (1)

April 29, 2019

Job title	Nationality or place of registration	Name	Gender	Date of election (appointment)	Term of office	Date when first elected	Shares held at time of election		Number of shares held currently		Shares currently held by spouse or underage children		Shares held in the names of others		Major (Academic Degree) Experience	Concurrent positions in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other department heads, directors or supervisors		
							Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %			Job title	Name	Relationship
Chairman of Board	the R.O.C.	Ho Wen Chieh	Male	June 26, 2018	3	April 24, 1989	6,973,532	7.02	6,973,532	7.02	820,656	0.83	0	0.00	Bachelor Jye Hwa Chemical Industrial Co., Ltd. Sales manager	The Company's Chairman of Board Chairman of Board of Chem-Mat Technologies Co., Ltd. and Giant Star Trading Co., Ltd.	None.	None.	None.
Corporate director	Japan	Aica Kogyo Company, Limited	-	June 26, 2018	3	March 7, 2018	49,793,388	50.10	49,793,388	50.10	0	0.00	0	0.00	-	-	None.	None.	None.
Representative of Aica Kogyo Company, Limited	Japan	Dodo So	Male	June 26, 2018	3	March 7, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor The Tokai Bank, Ltd. (now known as MUFG Bank)	Director of Aica Kogyo Company, Limited Director of Aica Asia Pacific Holding Pte. Ltd.	None.	None.	None.
Representative of Aica Kogyo Company, Limited	Japan	Omura Nobuyuki	Male	June 26, 2018	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor Mitsui & Co., Ltd.	Note 1	None.	None.	None.

Job title	Nationality or place of registration	Name	Gender	Date of election (appointment)	Term of office	Date when first elected	Shares held at time of election		Number of shares held currently		Shares currently held by spouse or underage children		Shares held in the names of others		Major (Academic Degree) Experience	Concurrent positions in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other department heads, directors or supervisors		
							Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %			Job title	Name	Relationship
Representative of Aica Kogyo Company, Limited	Japan	Ebihara Kenji	Male	June 26, 2018	3	March 7, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor Leader of 1st Adhesive Development Team of Aica Kogyo Company, Limited, Chief of Electronic Materials Section, Development Dept. of the electronic company, Chief R&D Center Officer	Director of Aica Kogyo Company, Limited Director of NISHI TOKYO CHEMIX Corporation	None.	None.	None.
Corporate director	the R.O.C.	Baojian Enterprise Co., Ltd.	-	June 26, 2018	3	June 26, 2018	3,352,771	3.37	3,352,771	3.37	0	0.00	0	0.00	-	-	None.	None.	None.
Corporate representative of Baojian Enterprise Co., Ltd.	the R.O.C.	Tsai Nai Yong	Male	June 26, 2018	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Junior high school Vice President, Global Supply Chain Administration of Pou Chen Group	Note 2	None.	None.	None.
Independent director	the R.O.C.	Chen Chao Hui	Male	June 26, 2018	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Master Director/President of Taiwan Region and President of Asia-Pacific Region of INVISTA (TAIWAN) LIMITED, and President of Asia-Pacific Region of DUPONT TAIWAN LIMITED	Chairman of Board of Ya Fu Enterprise Co., Ltd. and Ya Fu Energy Storage Co., Ltd.	None.	None.	None.

Job title	Nationality or place of registration	Name	Gender	Date of election (appointment)	Term of office	Date when first elected	Shares held at time of election		Number of shares held currently		Shares currently held by spouse or underage children		Shares held in the names of others		Major (Academic Degree) Experience	Concurrent positions in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other department heads, directors or supervisors		
							Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %			Job title	Name	Relationship
Independent director	Japan	Higashiyama Mikio	Male	June 26, 2018	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor Chairman of Board of MITSUI & CO. (Taiwan), LTD.	None.	None.	None.	None.
Supervisor	the R.O.C.	Liu Wei Tung	Male	June 26, 2018	3	March 7, 2018	2,255,412	2.27	2,255,412	2.27	88,574	0.09	0	0.00	Bachelor Da Yi Chemical Co., Ltd. Vice President, EVERMORE CHEMICAL INDUSTRY CO, LTD. President, Giant Star Trading Co., Ltd. Chairman of Board	None.	None.	None.	None.
Supervisor	the R.O.C.	Lu Hui Pin	Male	June 26, 2018	3	March 7, 2018	2,196,193	2.21	2,196,193	2.21	2,647	0.00	0	0.00	Graduated from senior vocational high school Vice President of EVERMORE CHEMICAL INDUSTRY CO, LTD.	None.	None.	None.	None.
Supervisor	the R.O.C.	Su Yi Hsiu	Male	June 26, 2018	3	March 7, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Master Investigation Officer of Investigation Bureau, Ministry of Justice, Prosecutor of Taiwan New Taipei District Prosecutors Office, Attorney-at-Law of Kuroda Law Offices (??)	None.	None.	None.	None.

- Note 1: Director of Aica Kogyo Company, Limited, Director of Aica Asia Pacific Holding Pte. Ltd., Director of NISHI TOKYO CHEMIX Corporation, Director of Kunshan Aica Kogyo Co., Ltd., Director of AICA Trading (Shanghai) Co., Ltd.
- Note 2: Subsidiary of Yue Yuen Industrial (Holdings) Limited, Director of Pou Chien Technology Co., Ltd., EVERMORE CHEMICAL INDUSTRY CO, LTD., Chang Yang Materials Co., Ltd., Yuan Cheng Materials and Technology Co., Ltd., and Limao Digital Printing Co., Ltd.; non-Executive Director of Qi Li International Trading Co., Ltd.; Supervisor of Bao Hui Investment Co., Ltd..

Table 1: Major shareholders of corporate shareholders

April 29, 2019

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders	
	Name of Shareholder	Shareholding
Aica Kogyo Company, Limited	1. The Master Trust Bank of Japan, Ltd. (Trust Account)	8.59%
	2. Japan Trustee Services Bank, Ltd. (Trust Account)	6.17%
	3. Business Connections Shareholding Association of Aica Kogyo Company, Ltd.	3.16%
	4. Japan Trustee Services Bank, Ltd. (Trust Account No.9)	2.29%
	5. Employee Shareholding Association of Aica Kogyo Company, Ltd.	2.19%
	6. BBH for Matthews Japan Fund	2.00%
	7. SUMITOMO LIFE INSURANCE COMPANY	2.16%
	8. MUFG Bank, Ltd.	1.92%
	9. Dai Nippon Printing Co., Ltd.	1.91%
	10. Denka Company Limited	1.81%
Baojian Enterprise Co., Ltd.	POU CHIEN CHEMICAL (Holding) CO., LTD., a British Virgin Islands-based company	100%

Table 2: Major shareholders of the major shareholder who is a juristic person referred to in Table 1

April 29, 2019

Name of Juristic Person	Major Shareholders of Juristic Person	
	Name of Shareholder	Shareholding
The Master Trust Bank of Japan, Ltd. (Trust Account)	1. Mitsubishi UFJ Trust and Banking Corporation	46.5%
	2. Nippon Life Insurance Company	33.5%
	3. Meiji Yasuda Life Insurance Company	10.0%
	4. The Norinchukin Trust and Banking Co., Ltd.	10.0%
Japan Trustee Services Bank, Ltd .	1. Sumitomo Mitsui Trust Holdings, Inc.	66.7%
	2. Resona Bank, Limited	33.3%
Business Connections Shareholding Association of Aica Kogyo Company, Ltd.	Cannot be accessed due to practical restrictions.	-
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	1. Sumitomo Mitsui Trust Holdings, Inc.	66.7%
	2. Resona Bank, Limited	33.3%
Employee Shareholding Association of Aica Kogyo Company, Ltd.	Cannot be accessed due to practical restrictions.	-
BBH for Matthews Japan Fund	Cannot be accessed due to practical restrictions.	-
SUMITOMO LIFE INSURANCE COMPANY	Cannot be accessed due to practical restrictions.	-
MUFG Bank, Ltd.	1. Japan Trustee Services Bank, Ltd. (Trust Account)	5.1%
	2. The Master Trust Bank of Japan, Ltd.(Trust Account)	4.8%
	3. SSBTC Client Omnibus	2.6%
	4. Japan Trustee Services Bank, Ltd. (Trust Account No.5)	1.9%
	5. Japan Trustee Services Bank, Ltd. (Trust Account No.9)	1.6%
	6. Japan Trustee Services Bank, Ltd. (Trust Account No.1)	1.4%
	7. Japan Trustee Services Bank, Ltd. (Trust Account No.2)	1.4%
	8. STASE STREET BANK WEST CLIENT-TREATY 505234	1.4%
	9. JP MORGAN CHASE BANK	1.3%
	10. BNY Mellon For Depositary Receipt Holders	1.3%

Name of Juristic Person	Major Shareholders of Juristic Person	
	Name of Shareholder	Shareholding
Dai Nippon Printing Co., Ltd.	1. The Master Trust Bank of Japan, Ltd. (Trust Account)	8.4%
	2. Japan Trustee Services Bank, Ltd. (Trust Account)	5.6%
	3. The Dai-ichi Life Insurance Company, Limited	2.9%
	4. Employee Shareholding Association of Dai Nippon Printing Co., Ltd.	2.4%
	5. Mizuho Bank, Ltd.	2.3%
	6. Japan Trustee Services Bank, Ltd. (Trust Account No.9)	2.2%
	7. Japan Trustee Services Bank, Ltd. (Trust Account No.5)	1.6%
	8. Nippon Life Insurance Company	1.5%
	9. JP MORGAN CHASE BANK	1.3%
	10. BNY Mellon For Depositary Receipt Holders	1.2%
Denka Company Limited	1. The Master Trust Bank of Japan, Ltd. (Trust Account)	10.9%
	2. Japan Trustee Services Bank, Ltd. (Trust Account)	8.0%
	3. Trust and Custody Services Bank, Ltd. (Mizuho Bank Retirement Benefits Trust Account)	3.6%
	4. National Mutual Insurance Federation of Agricultural Cooperatives	3.1%
	5. Mitsui Life Insurance Company Ltd.	2.7%
	6. STASE STREET BANK WEST CLIENT-TREATY 505234	2.1%
	7. Japan Trustee Services Bank, Ltd. (Trust Account No.5)	1.7%
	8. SSBTC Client Omnibus	1.6%
	9. Mitsui Sumitomo Insurance Company Ltd.	1.6%
	10. JP MORGAN CHASE BANK	1.4%
POU CHIEN CHEMICAL (Holding) CO., LTD., a British Virgin Islands-based company	KEY INTERNATIONAL CO., LTD (BVI)	100%

Note: Said information was provided by the corporate shareholders. The Company made the disclosure based on such information only.

Information about directors and supervisors (2)

April 29, 2019

Name	Qualifications	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private college / university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Ho Wen Chieh			✓					✓	✓	✓	✓	✓	✓	✓	0
Aica Kogyo Company, Limited Representative: Dodo So			✓		✓	✓	✓	✓		✓	✓	✓	✓		0
Aica Kogyo Company, Limited Representative: Omura Nobuyuki			✓		✓	✓	✓	✓		✓	✓	✓	✓		0
Aica Kogyo Company, Limited Representative: Ebihara Kenji			✓		✓	✓	✓	✓		✓	✓	✓	✓		0
Baojian Enterprise Co., Ltd. Representative: Tsai Nai Yung			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chen Chao Hui			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Higashiyama Mikio			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liu Wei Tung			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Lu Hui Pin			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Su Yi Hsiu		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

- Note 1: A “✓” is marked in the space beneath a condition number when a director/supervisor has met that condition during the two (2) years prior to election and during his or her period of service. The conditions are as follows:
- (1) Not an employee of the Company or any of the Company's affiliates.
 - (2) Not a director or a supervisor of any of the Company's affiliates (unless the person is an independent director appointed by the Company, its parent company, or a subsidiary pursuant to the Act or the local laws and regulation).
 - (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another person's name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural person shareholders.

- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the preceding three subparagraphs.
- (5) Is not the director, supervisor, or employee of a corporate shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest corporate shareholders in terms of shareholdings.
- (6) Is neither a director, supervisor, managerial officers, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.
- (7) Is not a professional individual who, or an owner, partner, director, supervisor, or managerial officers of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the Company or to any affiliate of the company, or a spouse thereof, provided that this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations on the Establishment of Remuneration Committees by TWSE/TPEX Listed Companies and their Exercise of Powers.
- (8) Is not the spouse or relative within the second degree of kinship of another director.
- (9) Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
- (10) Not elected as a government unit, juristic person, or their representative as prescribed in Article 27 of the Company Act.

2. Information about president, vice presidents, assistant vice presidents, chiefs of all the Company's departments and branch units:

April 29, 2019

Job title	Nationality	Name	Gender	Date of election (appointment)	Shares held		Shares currently held by spouse or underage children		Shares held in the names of others		Major (Academic Degree) Experience	Concurrent positions in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as managerial officers		
					Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %			Job title	Name	Relationship
President	the R.O.C.	Huang Chang Tse	Male	July 1, 2016	93	0.00	5,000	0.01	0	0.00	Master Pou Chen Corporation	Director of Chem-Mat Technologies Co., Ltd. Director of Giant Star Trading Co., Ltd.	None.	None.	None.
Group Vice President	the R.O.C.	Li Ching Sung	Male	April 1, 2019	0	0.00	0	0.00	0	0.00	Bachelor EVERMORE CHEMICAL INDUSTRY CO, LTD Business Department Manager	None.	None.	None.	None.
Business Department Director	the R.O.C.	Wang Shih Chieh	Male	April 1, 2019	0	0.00	3,040	0.00	0	0.00	PhD EVERMORE CHEMICAL INDUSTRY CO, LTD R&D Department Manager	None.	None.	None.	None.
Administration Department Director	the R.O.C.	Wu Pao Hua	Male	December 1, 2017	25,000	0.03	0	0.00	0	0.00	Bachelor EVERMORE CHEMICAL INDUSTRY CO, LTD Management Department Manager	Supervisor of Giant Star Trading Co., Ltd.	None.	None.	None.

Job title	Nationality	Name	Gender	Date of election (appointment)	Shares held		Shares currently held by spouse or underage children		Shares held in the names of others		Major (Academic Degree) Experience	Concurrent positions in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as managerial officers		
					Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %			Job title	Name	Relationship
R&D Department Director	the R.O.C.	Liu Shih Wei	Male	April 1, 2019	0	0.00	0	0.00	0	0.00	PhD EVERMORE CHEMICAL INDUSTRY CO, LTD R&D Department Manager	None.	None.	None.	None.

III. Remuneration to directors, supervisors, president and vice presidents of the Company in the most recent year:

1. Remuneration to directors (including independent directors)

December 31, 2018 Unit: NT\$

1. Remuneration to directors (including independent directors)																						December 31, 2018				Unit: NT\$	
Job title	Name	Remuneration to directors								Sum of A, B, C, and D as percentage of income after tax (%)		Remuneration from concurrently servings as employees								Sum of A, B, C, D, E, F and G as percentage of income after tax (%)		Remuneration from investees other than subsidiaries					
		Remuneration (A)		Pension upon retirement (B)		Remuneration to directors (C)		Professional practice expenses (D)				Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)		Remuneration to employees (G)											
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	Cash	Stock	Cash	Stock		The Company	Companies included into the financial statement			
Chairman of Board	Ho Wen Chieh	0	0	0	0	225,749	225,749	1,387,500	1,392,500	15.5598%	15.6081%	1,895,865	2,271,335	0	0	36,245	0	36,245	34.1951%	37.8648%	0						
Director	Liu Wei Tung (Discharged on January 16, 2018)																										
Director	Baojian Enterprise Co., Ltd.																										
	Representative: Lu Ching Chu (Discharged on January 16, 2018)																										
Independent director	Wu Hsien Ming (Discharged on June 26, 2018)																										
Independent director	Ho Ching Fu (Discharged on June 26, 2018)																										
Independent director	Chen Chao Hui (New elected on June 26, 2018)																										
Independent director	Higashiyama Mikio (new elected on June 26, 2018)																										
Director	Aica Kogyo Company, Limited (new elected on March 7, 2018)																										
	Representative: Dodo So (New elected on March 7, 2018)																										
	Representative: Omura Nobuyuki (New elected on June 26, 2018)																										
	Representative: Ebihara Kenji (New elected on March 7, 2018)																										
Director	Baojian Enterprise Co., Ltd. (New elected on June 26, 2018)																										
	Representative: Tsai Nai Yung (New elected on June 26, 2018)																										
Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement (e.g., as an advisor other than employee) in the most recent year: None.																											

Breakdown of Remuneration

Breakdown of remuneration paid to directors of the Company	Name of Director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	Companies included into the financial statement H	The Company	Companies included into the financial statement I
Less than 2,000,000	Ho Wen Chieh, Liu Wei Tung, Baojian Enterprise Co., Ltd., Lu Ching Chu, Tsai Nai Yong, Aica Kogyo Company, Limited, Dodo So, Ebihara Kenji, Omura Nobuyuki, Wu Hsien Ming, Ho Ching Fu, Chen Chao Hui, Higashiyama Mikio	Ho Wen Chieh, Liu Wei Tung, Baojian Enterprise Co., Ltd., Lu Ching Chu, Tsai Nai Yong, Aica Kogyo Company, Limited, Dodo So, Ebihara Kenji, Omura Nobuyuki, Wu Hsien Ming, Ho Ching Fu, Chen Chao Hui, Higashiyama Mikio	Liu Wei Tung, Baojian Enterprise Co., Ltd., Lu Ching Chu, Tsai Nai Yong, Aica Kogyo Company, Limited, Dodo So, Ebihara Kenji, Omura Nobuyuki, Wu Hsien Ming, Ho Ching Fu, Chen Chao Hui, Higashiyama Mikio	Liu Wei Tung, Baojian Enterprise Co., Ltd., Lu Ching Chu, Tsai Nai Yong, Aica Kogyo Company, Limited, Dodo So, Ebihara Kenji, Omura Nobuyuki, Wu Hsien Ming, Ho Ching Fu, Chen Chao Hui, Higashiyama Mikio
2,000,000 (inclusive)~5,000,000 (exclusive)			Ho Wen Chieh	Ho Wen Chieh
5,000,000 (inclusive)~10,000,000 (exclusive)				
10,000,000 (inclusive)~15,000,000 (exclusive)				
15,000,000 (inclusive)~30,000,000 (exclusive)				
30,000,000 (inclusive)~50,000,000 (exclusive)				
50,000,000 (inclusive)~100,000,000 (exclusive)				
More than 100,000,000				
Total	13	13	13	13

2. Remuneration to supervisors

December 31, 2018 Unit: NT\$

Job title	Name	Remuneration to supervisors						Sum of A, B and C as percentage of income after tax (%)		Remuneration from investees other than subsidiaries
		Remuneration (A)		Compensation (B)		Professional practice expenses (C)				
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	
Supervisor	Pou Chien Technology Co., Ltd.	0	0	87,384	87,384	1,320,000	1,320,000	13.5743%	13.5743%	0
	Representative: Sung Chien Shih (Discharged on January 16, 2018)									
Supervisor	Liu Wei Tung (New elected on March 7, 2018)									
Supervisor	Lu Hui Pin (New elected on March 7, 2018)									
Supervisor	Su Yi Hsiu (New elected on March 7, 2018)									

Breakdown of Remuneration

Breakdown of remuneration paid to supervisors of the Company	Name of supervisor	
	A+B+C	
	The Company	Companies included into the financial statement D
Less than 2,000,000	Lu Hui Pin, Pou Chien Technology Co., Ltd., Sung Chieh Shih, Liu Wei Tung, Su Yi Hsiu,	Lu Hui Pin, Pou Chien Technology Co., Ltd., Sung Chieh Shih, Liu Wei Tung, Su Yi Hsiu,
2,000,000 (inclusive)~5,000,000 (exclusive)		
5,000,000 (inclusive)~10,000,000 (exclusive)		
10,000,000 (inclusive)~15,000,000 (exclusive)		
15,000,000 (inclusive)~30,000,000 (exclusive)		
30,000,000 (inclusive)~50,000,000 (exclusive)		
50,000,000 (inclusive)~100,000,000 (exclusive)		
More than 100,000,000		
Total	5	5

3. Remuneration to president and vice presidents

December 31, 2018

Unit: NT\$

Job title	Name	Salary (A)		Pension upon retirement (B)		Bonuses and special allowance, et al.		Remuneration to employees (D)				Sum of A, B, C, and D as percentage of income after tax (%)		Remuneration from investees other than subsidiaries
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Huang Chang Tse	3,420,960	3,420,960	0	0	582,234	582,234	65,196	0	65,196	0	39.2398%	39.2398%	0
Group Chief Marketing Officer (CMO)	Li Ching Sung													

Note: 1. If the director holds the position as the president or vice president concurrently, the remuneration to him/her shall be disclosed in this Table and the table for remuneration to directors (including independent directors).

Breakdown of Remuneration

Breakdown of remuneration paid to president and vice presidents of the Company	Name of President/Vice President	
	The Company	Companies included into the financial statement E
Less than 2,000,000	Li Ching Sung	Li Ching Sung
2,000,000 (inclusive)~5,000,000 (exclusive)	Huang Chang Tse	Huang Chang Tse
5,000,000 (inclusive)~10,000,000 (exclusive)		
10,000,000 (inclusive)~15,000,000 (exclusive)		
15,000,000 (inclusive)~30,000,000 (exclusive)		
30,000,000 (inclusive)~50,000,000 (exclusive)		
50,000,000 (inclusive)~100,000,000 (exclusive)		
More than 100,000,000		
Total	2	2

4. Names of managerial officers entitled to employee remuneration and amount entitled:

December 31, 2018 Unit: NT\$

	Job title	Name	Stock (projected amount)	Cash (projected amount)	Total	As percentage of income after tax (%)
Managerial officers	President	Huang Chang Tse	0	110,513	110,513	1.0659%
	Group Chief Marketing Officer (CMO)	Li Ching Sung				
	Director	Wang Shih Chieh				
	Financial Manager	Wu Pao Hua				
	Accounting Manager	Chen Hsiang Li				

5. Amount of compensation 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, and the respective proportion of such compensation to the income after tax referred to in the entity or separate financial statements, as well as the policies, standards, and packages by which it was paid, the procedures through which the compensation was determined, and its association with business performance and future risks.

(1) Analysis on the proportion of amount of compensation paid to the directors, supervisors, president, and vice presidents to the income after tax referred to in the entity or separate financial statements:

A. Analysis on the proportion of amount of compensation paid to the Company's directors, supervisors, president, and vice presidents to the income after tax referred to in the entity or separate financial statements:

Item Job title	2018		2017	
	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Director	15.56%	15.61%	2.74%	2.76%
Supervisor	13.57%	13.57%	1.01%	1.01%
President and Vice President	39.24%	39.24%	7.27%	7.27%

B. The remuneration to directors/supervisors included into the compensation paid to directors/supervisors for the most recent two years was calculated at 2% of the earnings before deduction of the remuneration. Meanwhile, the directors'/supervisors' professional practice fees were raised in 2018. The proportion of the compensation paid for the two years to the income after tax

was affected by the inclusion of the fixed pay to directors who were also employees and changes in the current income. Accordingly, the variance through the two years should not be considered unreasonable.

- C. The compensation paid to the president and vice president in 2018 was less than that paid in 2017. The decrease in the proportion of the income after tax in 2018 from 2017 resulted from the decrease in net income in 2018 from 2017.
- (2) Policies, standards, and packages by which the compensation was paid, the procedures through which the compensation was determined, and its association with business performance and future risks:
 - A. The remuneration to directors/supervisors, president and vice presidents has determined and expressly stated in the Articles of Incorporation. The remuneration to president and vice presidents has been approved by the Chairman of Board and passed by the Board of Directors when they were hired. The allocation of related compensation shall be subject to the review by the Remuneration Committee as required.
 - B. Allocation of the compensation varies depending on the business performance and future risks.

IV. Status of corporate governance
(I) Operations of Board of Directors

Information about operations of Board of Directors

The Board held 7(A) meetings in 2018. The attendance of directors/supervisors is summarized as follows:

Job title	Name	Count of actual presence (in attendance) (B)	Count of presence by proxy	Actual presence (in attendance) rate (%) 【B/A】	Remark
Chairman of Board	Ho Wen Chieh	7	0	100%	Re-elected on June 26, 2018
Corporate director (Representative of Aica Kogyo Company, Limited)	Dodo So	5	0	100%	By election on March 7, 2018
Corporate director (Representative of Aica Kogyo Company, Limited)	Omura Nobuyuki	3	0	100%	Elected upon the re-election on June 26, 2018
Corporate director (Representative of Aica Kogyo Company, Limited)	Ebihara Kenji	5	0	100%	By election on March 7, 2018
Corporate director (Representative of Baojian Enterprise Co., Ltd.)	Tsai Nai Yong	2	1	67%	Elected upon the re-election on June 26, 2018
Independent director	Wu Hsien Ming	4	0	100%	Discharged upon the re-election on June 26, 2018
Independent director	Ho Ching Fu	4	0	100%	Discharged upon the re-election on June 26, 2018
Independent director	Chen Chao Hui	3	0	100%	Elected upon the re-election on June 26, 2018
Independent director	Higashiyama Mikio	3	0	100%	Elected upon the re-election on June 26, 2018
Supervisor	Liu Wei Tung	5	0	100%	By election on March 7, 2018
Supervisor	Lu Hui Pin	5	0	100%	By election on March 7, 2018
Supervisor	Su Yi Hsiu	5	0	100%	By election on March 7, 2018

Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

1. The circumstances referred to in Article 14-3 of the Securities and Exchange Act:

Meeting Date	Term	Contents of Motion	Opinions of All Independent Directors	The Company's Resolution of Independent Directors' Opinions
January 19, 2018	1st in 2018	Motion for loaning of fund to Liberty Bell Investments LTD. Motion for loaning of fund to the Company by the subsidiary, NEOLITE INVESTMENTS LTD. Motion for change of the CPAs	No comments.	N/A.
March 23, 2018	3rd in 2018	Motion for amendments to the Operating Procedure for Loaning of Fund and Endorsement & Guarantee Motion for amendments to the Operating Procedure for Loaning of Fund and Endorsement & Guarantee of the subsidiary, NEOLITE INVESTMENTS LTD. Motion for the endorsement/guarantee made by the Company for Liberty Bell Investments LTD.	No comments.	N/A.
November 12, 2018	7th in 2018	Motion for loaning of fund by the subsidiary, NEOLITE INVESTMENTS LTD., to LIBERTY BELL INVESTMENTS LTD.	No comments.	N/A.

2. Any documented objections or qualified opinions raised by independent director against the Board's resolutions in relation to matters other than those described above:
None.

II. Status of directors' recusal due to a conflict of interest:

Where the motion proposed at the Board meeting involves any director's conflict of interest, the director shall recuse himself/herself from discussion on the motion.

Director Ho Wen Chieh, as a stakeholder in the motion for allocation of 2017 year-end bonus to managerial officers discussed at the Board meeting on January 19, 2018, recused himself from the discussion and resolution on the motion voluntarily.

III. An evaluation of targets for strengthening of the functions of the Board during the current and the most recent years, and measures taken toward achievement thereof:

In order to well found the Company's corporate governance and strengthen the functions of the Board, two independent directors were assigned to participate in the operations of the Board. In 2018, the independent directors were present at each of the Board meetings in person in 2018 to participate in the decision making about the Company's finance, business and important business plan.

- (II) Status of operations of the Audit Committee or participation in Board meetings by the supervisors:
1. Status of operations of the Audit Committee: The Company has not yet established an audit committee.
 2. Information about participation in Board meetings by the supervisors:

Status of participation in Board meetings by the supervisors

The Board held 7 (A) meetings in 2018. The attendance thereto is summarized as follows:

Job title	Name	Count of actual in attendance (B)	Actual in attendance rate (%) 【B/A】	Remark
Supervisor	Liu Wei Tung	5	100%	By election on March 7, 2018
Supervisor	Lu Hui Pin	5	100%	By election on March 7, 2018
Supervisor	Su Yi Hsiu	5	100%	By election on March 7, 2018

Other items to be stated:

I. Formation and duties of supervisors:

1. Communication between supervisors and the Company's employees & shareholders:
The Company's supervisors will visit the Company and employees from time to time to verify the Company's overview of finance and business, and also attend the Board meetings to communicate with employees, and the general shareholders' meeting to answer the questions posed by shareholders each year.
2. Communication between supervisors and internal audit officers and CPAs:
 - (1) Communication between the Company's supervisors and internal audit officers:
 - A. The internal audit officers conduct the random check per the audit plan and verify related certificates on a monthly basis, and compile the audit results into the audit report and submit the report to the Chairman of Board. They also submit the audit report to the supervisors via email or in person on a monthly basis. Should the supervisors have any opinion, they would communicate with the internal audit officers in person or via phone or email. For the time being, on dissenting opinion is received upon the feedback.
 - B. The internal audit officers attend the Board meetings and submit the audit report. Directors and supervisors are allowed to communicate with the internal audit officers face to face on the contents of the report and any questions about it to control the Company's internal audit status in a timely manner.
 - (2) Communication between the Company's supervisors and CPAs:
The Company's supervisors will communicate with the CPAs about the contents of the Company's financial statements in a timely manner, and review the financial statements audited and certified by the CPAs at the end of each fiscal year and issue their review report thereon. Therefore, the supervisors are held maintaining a fair communication channel with the CPAs.

II. Supervisors' attendance to the Board meeting to state their opinion:

The Company's supervisors attended each of the Board meetings in the most recent year and the current year. Notwithstanding, they didn't raise any objection toward the motions discussed at the Board meetings.

(III) Status of corporate governance, and deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
I. Whether the Company has established rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?		V	The Company has established the “Parliamentary Rules for Directors’ Meetings” to govern the notification, frequency, submission of motions, avoidance of conflict of interest and deferred review on motions for the directors’ meetings to enhance the validity and timeliness of operations of the directors’ meetings. The Company also established various regulations in accordance with the Company Act and related laws, most of which were primarily intended to signify the key spirit and principle for the corporate governance.	The Company has not yet established or disclosed its corporate governance best-practice principles.
II. Equity structure and shareholders’ equity				
(I) Whether the Company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?		V	(I) So far, the Company has not yet established any internal operating procedures. Notwithstanding, shareholders may access “Contact Us” on the Company’s website, and the Company will have its dedicated staff to accept, assess and respond to the suggestions, questions, dispute and legal actions raised by shareholders. So far, no dispute has arisen.	(I) The Company has not yet established the internal operating procedure. Notwithstanding, the spokesman and related units will be responsible for resolving the related matters.
(II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders?	V		(II) The changes in shares held by insiders are reported on a monthly basis (or from time to time, if necessary).	(II) No deviation. The monthly report on changes in shares held by insiders serves as the basis for follow-up.
(III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliate?	V		(III) Except important decision which shall be subject to approval of the Board of Directors, the various subsidiaries’ operations are managed by the subsidiaries’	(III) No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
(IV) Whether the Company has established internal policies that prevent insiders from trading securities based on non-public information?	V		<p>management independently. Various operations are carried out in a just and reasonable manner pursuant to existing norms in written form.</p> <p>(IV) The Company's ethical management best-practice principles and operating procedure for handling of internal important information govern the non-disclosure requirements about the confidential and business sensitive information accessed by directors, supervisors, managerial officers, employees and controlling shareholders for business. Meanwhile, the Company engages in the educational propagation about related laws and regulations each year to prohibit the Company's insiders from trading securities based on non-public information on the market.</p>	(IV) No deviation.
<p>III. Composition and duties of Board of Directors</p> <p>(I) Whether the Board of Directors has diversified policies regulated and implemented substantively according to the composition of the members?</p> <p>(II) Whether the Company, in addition to establishing the Remuneration Committee and Audit Committee pursuant to laws, is willing to establish any other functional committees voluntarily?</p> <p>(III) Whether the Company has defined the regulations governing appraisal on</p>	V	<p>V</p> <p>V</p>	<p>(I) The Board members are composed in accordance with the Articles of Incorporation, and the composition is implemented precisely.</p> <p>(II) Except the Remuneration Committee established by the Company pursuant to laws, the Company has not yet established any other functional committees so far.</p> <p>(III) The Company has not yet established the regulations governing appraisal on</p>	<p>(I) No deviation.</p> <p>(II) Not yet established any other functional committees.</p> <p>(III) Not yet established.</p>

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>performance of the Board of Directors and the approach to conduct the appraisal, and whether it conducts the performance appraisal periodically each year?</p> <p>(IV) Whether the Company assesses the independence of the CPAs periodically?</p>	V		<p>performance of the Board of Directors.</p> <p>(IV) The Company assesses the independence and competence of the CPAs pursuant to the assessment form each year, and reports the assessment report to the Board of Directors.</p>	(IV) No deviation.
<p>IV. Where the Company is a TWSE/TPEX listed company, has the Company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholders' meetings under laws, company registration and changes registration, preparation of board meeting and shareholders' meeting minutes, etc.)?</p>	V		<p>The Company's Administration Department is designated as a unit involved in corporate governance, responsible for the corporate governance operations. Including: Convention of board meetings and shareholders' meetings under laws, company registration and changes registration, preparation of board meeting and shareholders' meeting minutes, and providing directors with the information needed to perform their duties.</p>	No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
V. Whether the Company has established a communication channel with the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set up the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	V		(I) Communication channel with stakeholders: 1. The Company has set up the Stakeholder Section on the the Company's website to provide the stakeholders with the contact person and contact No.. 2. Meanwhile, the Company also set up the tangible "employees' opinion mailbox" available for the employees to provide opinion or file complaints. (II) The Company responds to the stakeholders regarding their concerns adequately via said communication channel.	No deviation.
VI. Whether the Company has commissioned a professional shareholders service agent to handle shareholders service affairs?	V		The Company has appointed KGI Securities, Stock Administration Dept. to handle the shareholders service affairs on behalf of it.	No deviation.
VII. Information disclosure (I) Whether the Company has established a website that discloses financial, business, and corporate governance-related information? (II) Whether there are other means for disclosure adopted by the Company (e.g. set up an English website, with the personnel dedicated to gathering and disclosing relevant information, properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website, et al.)?	V V		(I) The Company has set up its website engaged in disclosing the information about the Company's finance, business and corporate governance. Company's website: http://www.twemc.com (II) The Company has its dedicated staff collect related information and disclose the Company's important information, and also practices the spokesman system.	No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors and supervisors)?	V		<ol style="list-style-type: none"> 1. Employee rights: The Company has established the regulations governing workers' retirement and regulations governing managerial officers' retirement for its employees and managerial officers. The Company set up the "Workers' Welfare Committee" to allocate the benefit periodically to provide the expenditure needed by various activities. The Company convenes the "labor-management coordination meeting" periodically and values the harmonious relationship between the labor and management very much, respects the employees' suggestions and claims for work, and practices OHSAS18001 occupational safety and health management to raise the awareness toward safety. 2. Employee care, investor relations, supplier relations and stakeholders' interests: The Company establishes the two-way communication channel and values related personnel's right. 3. Continuing education of directors/supervisors: The Company propagates the channels and messages about continuing education of directors/supervisors from time to time, and discloses the status of continuing education on MOPS. 4. Implementation of risk management policies and risk measurements, and implementation of customer policy: Strict implementation of the same pursuant to the Company's internal 	No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			<p>control system may mitigate the risk effectively.</p> <p>5. Maintenance of liability insurance for the Company's directors and supervisors: The Articles of Incorporation expressly states that "The Company may obtain directors/supervisors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship/supervisorship." as the legal basis for maintenance of the liability insurance for directors/supervisors. The Company will also take out additional insurance, if necessary.</p>	
<p>IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies:</p> <p>(I) Notes to the result of the Corporate Governance Evaluation of 5th Term: The Company will check the operations which fail to satisfy the evaluation standards upon announcement of the evaluation result each year to correct the deficiencies successively and implement the correction strictly. For information disclosure, the Company will adjust and update the annual report, and the contents disclosed on the Company's website to make the Company's information more transparent and mitigate information asymmetry.</p> <p>(II) The priority corrective actions and measures against the remaining deficiencies: For the latest corporate governance evaluation, enactment of the relevant principles, rules and procedures will be identified as the priority corrective action to be taken.</p>				

(IV) Disclose the composition, responsibilities, and functioning of the Company's Remuneration Committee, if any:

1. Information about Remuneration Committee members

Position	Qualifications Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)								Number of positions as a Remuneration Committee member in other public listed companies	Remark The End
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private college / university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Wu Hsien Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	None.	Discharged on June 26, 2018
Independent director	Ho Ching Fu			✓	✓	✓	✓	✓	✓	✓	✓	✓	None.	Discharged on June 26, 2018
Others	Tao Hung Wen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None.	Appointed (re-elected) on August 10, 2018
Independent director	Higashiyama Mikio			✓	✓	✓	✓	✓	✓	✓	✓	✓	None.	Appointed (new elected) on August 10, 2018
Independent director	Chen Chao Hui			✓	✓	✓	✓	✓	✓	✓	✓	✓	None.	Appointed (new elected) on August 10, 2018

Note 1: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two (2) years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the Company or any of the Company's affiliates.
- (2) Not a director or a supervisor of the Company or any of its affiliates, unless the person is an independent director appointed by the Company, its parent company, or a subsidiary pursuant to the Act or the local laws and regulation.
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another person's name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural person shareholders.

- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the preceding three subparagraphs.
- (5) Is not the director, supervisor, or employee of a corporate shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest corporate shareholders in terms of shareholdings.
- (6) Is neither a director, supervisor, managerial officers, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.
- (7) Is not a professional individual who, or an owner, partner, director, supervisor, or managerial officers of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

2. Responsibilities of the Company's Remuneration Committee:

The Committee shall perform the following duties honestly with due diligence as a good administrator and propose its motions to the Board of Directors for discussion. Notwithstanding, the motion about salary and remuneration of supervisors submitted to the Board of Directors shall be limited to that about the salary and remuneration expressly stated in the Articles of Incorporation or determined by the Board of Directors upon resolution by a shareholders' meeting:

- (1) Periodically review the articles of association of the Company's Remuneration Committee, and propose the suggestions about amendments thereto.
- (2) Determine and periodically review the annual and long-term performance goals and remuneration policy, system, standard and structure for the Company's directors, supervisors and managerial officers.
- (3) Periodically assess the achievement of performance goals by the Company's directors, supervisors and managerial officers, and determine the contents and amount of the remuneration to each individual director, supervisor and managerial officer.

3. Operations of Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Term of office: From August 10, 2018 to June 25, 2021; the Committee has held 3(A) meetings during the most recent year, and the Committee members' qualification and attendance are summarized as follows:

Job title	Name	Count of actual presence (B)	Count of presence by proxy	Actual presence ratio (%) (B/A)	Remark
Convener	Wu Hsien Ming	1	0	100	Discharged on June 26, 2018
Member	Ho Ching Fu	1	0	100	Discharged on June 26, 2018
Member	Tao Hung Wen	3	0	100	Re-elected on August 10, 2018
Convener	Higashiyama Mikio	2	0	100	New elected on August 10, 2018
Member	Chen Chao Hui	2	0	100	New elected on August 10, 2018

Other items to be stated:

I. The Board of Directors does not adopt, or amends the Remuneration Committee's suggestions: None.

II. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in writing: None.

(V) Status of corporate social responsibility:

Scope of Assessment		Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
		Yes	No	Summary	
I.	Implementation of corporate governance				
(I)	Whether the Company has defined corporate social responsibility policies within the Company, and reviewed the progress and effectiveness of such policies?		V	(I) The Company has not yet established its corporate social responsibility policy or system. Notwithstanding, the Company definitely supports its employees to participate in activities related to environmental protection, community participation and social contribution, and strictly performs its social responsibility in accordance with laws and regulations.	(I) The Company has not yet established its own “corporate social responsibility best-practice principles”. Notwithstanding, the Company handles the relevant matters in accordance with the Corporate Social Responsibilities Best-Practice Principles for TWSE/TPEX Listed Companies. The subparagraphs (II), (III) and (IV) are held complying with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
(II)	Whether the Company organizes any corporate social responsibility education and training program periodically?	V			
(III)	Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	V		(II) The Company engages in the propagation of educational training to directors/supervisors from time to time in accordance with the Model Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies, and provides them with the information about professional training programs for reference from time to time.	
(IV)	Whether the Company has defined some reasonable remuneration policy, integrated corporate social responsibility policies with employees’ performance evaluation, and established some clear and effective reward/disciplinary system?	V		(III) The Company establishes the unit dedicated to (concurrently engaged in) promoting corporate social responsibility, namely the functional corporate sustainability committee (CSR Committee). The CSR Committee refers to the the supreme-level corporate sustainability organization in EVERMORE CHEMICAL INDUSTRY CO., LTD. The Committee members consist	

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			<p>of the president, President Office and department heads, dedicated to integrating the organizational resources and upgrading efficiency and responsible for operations of the Committee, coordination of projects, and collection and execution of data.</p> <p>(IV) The Company has defined the reasonable remuneration policy. Meanwhile, the Company integrates corporate social responsibility policies with employees' performance evaluation, and renders reward or discipline based on the performance appraisal result to encourage the employees to grow with the Company.</p>	
<p>II. Fostering a sustainable environment</p> <p>(I) Whether the Company endeavours to upgrade the efficient use of available resources, and the use of eco-friendly materials?</p> <p>(II) Whether the Company establishes environmental policies suitable for the Company's industrial characteristics?</p> <p>(III) Whether the Company is aware of how climate change impacts business operations, or conducts investigation into greenhouse gases, or defines some energy saving and carbon/greenhouse gas reduction strategies?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company carries out classification and recycling of industrial waste, and entrusts the waste disposal organization recognized by Environmental Protection Administration. The Company practices the environmental protection requirements, and focus the future product sale and R&D on green production to provide customers with products which satisfy the ROHS (EU hazardous substance) requirements.</p> <p>(II) The Company passed ISO 14001 certification, as it may mitigate the impact to the environment in the process of production.</p> <p>(III) In response to energy saving & carbon reduction and environmental protection, the Company worked with Experimental Forest</p>	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			<p>Office of National Taiwan University in November 2009 to boost the “Enterprise Forestation Plan” and adopted the forestation land occupying an area of 1 hectare, in order to reduce damage to the ecological environment.</p> <p>The Company’s subsidiaries in the mainland China also constructed waste water/waste gas treatment facilities to satisfy the local governments’ relevant requirements.</p> <p>For the sustainability issue, please refer to the Company’s CSR report for details.</p>	
<p>III. Preserving Public Welfare</p> <p>(I) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human rights conventions?</p> <p>(II) Whether the Company establishes any employee complaint mechanism and channel, and takes care of such complaints adequately?</p> <p>(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?</p> <p>(IV) Whether the Company establishes the mechanism for periodic communication with employees, and sends notification to employees of the circumstances which might materially affect the operation in a</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company establishes the work rules and management regulations for its employees in accordance with Labor Standard Act and related laws. It defines the labor-management right and obligation in accordance with labor-related laws and also respects the principles about labors’ basic human rights recognized globally.</p> <p>The subsidiaries in the mainland China maintain insurance for their employees and established labor unions in accordance with the local social insurance requirements.</p> <p>(II) The employees may file complaints via the website or employees’ opinion mailbox, which will be processed by the Company adequately.</p> <p>(III) The Company performs the on-the-job health check for its active workers periodically and the noise and lung function</p>	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>reasonable manner?</p> <p>(V) Whether the Company establishes some effective career development training plan for employees?</p> <p>(VI) Whether the Company establishes the related consumer protection policies and complaint procedures toward the R&D, procurement, production, operation and service procedures?</p> <p>(VII) Whether the Company markets and labels products and services in accordance with the related laws and international practices?</p> <p>(VIII) Whether the Company assesses the supplier's record in environmental protection and society before trading with the supplier?</p> <p>(IX) Whether the contract between the Company and its main supplier includes the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract at any time?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>checkup for workers engaged in the work that would cause hazard to health particularly, and carries out the fire protection safety training periodically. The Occupational Safety and Health Committee convenes the meeting periodically to propose motions about health and safety, and improve and follow up the same.</p> <p>(IV) The Company engages in the business propagation at each monthly meeting, and convenes the labor-management meeting periodically to communicate with the employees.</p> <p>(V) The Company establishes the effective career development training plan for its employees periodically.</p> <p>(VI) The Company's customers are manufacturers. The Company's official website discloses related contact persons and contact numbers available for the stakeholders to file complaints. The relevant department is responsible for responding to the complaints.</p> <p>(VII) The Company markets and labels products and services in accordance with the related laws and international practices.</p> <p>(VIII) The Company will assess the supplier's record in environmental protection and society before trading with the supplier.</p> <p>(IX) The contract between the Company and its main supplier does include the provision stating that where the supplier is suspected</p>	

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			of violating its corporate social responsibility policies and renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract at any time.	
IV. Enhancing Information Disclosure (I) Whether the Company discloses relevant and reliable information relating to corporate social responsibility on its website or MOPS?	V		The Company has already prepared the “CSR Report”, and disclose the same on the Company’s website and MOPS.	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
V. If the Company has established its own corporate social responsibility best-practice principles in accordance with the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: Please refer to the “(III) Status of corporate governance, and deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof” paragraph.				
VI. Other information that enables a better understanding of the Company's corporate social responsibility: <ol style="list-style-type: none"> 1. The Company upholds the spirits for Simplicity & Firmness, Research & Innovation, Sustainability and Profit Sharing and the practical management philosophy pursuing constant improvement, and establishes the fair two-way communication channel to serve customers trading with it and create the value chain for the community of shared life. 2. The Company has donated the sponsorship for carnivals to Taiwan Fund for Children and Families and participated in the bazaar physically since 2009, in order to feed back to the society through participation in the public welfare activities. 3. The Company’s plant uses its best efforts to protect the environment to achieve the sustainability and corporate social responsibility. The multiple advanced pollution prevention equipment owned by the plant is stated as following: Please refer to the CSR report. A. Liquid-injected incinerator: The particulate matter emission control standard values applicable to such equipment are 50mg/Nm ³ (new pollution sources) and 100 mg/Nm ³ (existing pollution sources) in the process of combustion. The plant has reviewed the boilers and incinerators and adopted the eco-friendly fuel (change from heavy oil to natural gas) since 2014, in order to commit itself to practice the “recognition of environmental safety and fulfillment of improvement” declared by the SHE policy. The plant processes the high-concentration COD waterbody generated by evacuation in the process of production of the "polyester polyol". If it exceeds the waste water treatment load, it will be treated by the incinerator at the plant in accordance with the “Small-Sized Waste Incinerator Dioxin Control and Emission Standards". Meanwhile, the Boiler Air Pollutant Emissions Standards has been made public on September 19, 2018. The particulate matter emission control value applicable to the existing boilers should be 30 mg/Nm ³ (since July 1, 2020). As the plant adopts such eco-friendly fuel as natural gas, the permit extension test report shows that the particulate matter emission control value is <30				

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>mg/Nm³.</p> <p>B. Waste water treatment equipment: Store, manage and treat the esterified water D-1505 waste (sewage) water and cooling waste water generated in the process of the production of the "polyester polyol", and domestic waste water in the form of ultra-high, high and low-concentration COD waterbody. The waste water treatment equipment invested by the plant is engaged in discharging the organic matters contained in the waste water treated and decomposed by the two-step biological treatment process in the equalization basin upon mixing into the sewage sewer of the industrial park. The discharged water quality upon the treatment satisfies the industrial park’s emission standard (COD<640mg/L).</p> <p>C. Organic gas biological filter bed treatment equipment: In order to process VOCs effectively, the plant adopts high-efficiency low-carbon volatile organic matter control technology, the biological filter bed, to process the Company’s VOCs of odor substance or organic compounds, in accordance with the “Volatile Organic Compounds Air Pollution Control and Emission Standards”.</p>				
VII. If the Company’s CSR report has met the assurance standards of relevant certification institutions, they shall be stated below: The Company’s CSR report has not yet been certified by a third party.				

(VI) Status of the Company's ethical management and adoption of related measures:

Scope of assessment		Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
		Yes	No	Summary	
I.	Enactment of ethical management policy and program				
(I)	Whether the Company expressly states the ethical management policy and its fulfillment by the Board of Directors and the management in its Articles of Incorporation and public documents?	V		(I) The Company has established its own ethical corporate management best-practice principles and disclosed the same on the MOPS. Any amendments to the principles shall be subject to approval of the Board of Directors.	No deviation.
(II)	Whether the Company defines the policy against unethical conduct, and expressly states the SOP, guidelines and reward and disciplinary & complaint systems for misconduct, and also implements the policy precisely?	V		(II) The Company defines in Article 6 of its own ethical corporate management best-practice principles the policy against unethical conduct, and expressly states in the same Article the SOP, guidelines and reward and disciplinary & complaint systems for misconduct.	
(III)	Whether the Company takes any preventative measures against the operating activities involving highly unethical conduct under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" or within other operating areas?	V		(III) The Company expressly states the type of interests and defines scope of prevention in its own ethical corporate management best-practice principles.	
II.	Implementation of ethical management				
(I)	Whether the Company assesses a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	V		(I) The Company will assess the trading counterpart's ethical management record, and expressly state the ethical management best-practice principles to be followed.	No deviation.
(II)	Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting ethical corporate management under supervision by the Board of	V		(II) The Company's "ethical corporate management best-practice principles" provide that the Board of Director shall designate a unit dedicated to establishing, supervising and implementing the ethical	

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>Directors and reporting the status thereof to the Board of Directors periodically?</p> <p>(III) Whether the Company defines any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?</p> <p>(IV) Whether the Company has fulfilled the ethical management by establishing an effective accounting system and internal control system, and had an internal audit unit conduct periodic audits, or appointed a CPA to conduct audits?</p> <p>(V) Whether the Company organizes internal/external education training program for ethical management periodically?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>corporate management policy and preventive program, if necessary, and to reporting the status thereof to the Board of Directors periodically. For the time being, the unit is acted by Administration Department.</p> <p>(III) The Company's directors, supervisors and managerial officers may state to the Company's management voluntarily from time to time whether there is any conflict of interest between them and the Company. If any motion proposed at a directors' meeting involves a conflict of interest with them per se or any juristic persons represented by them and thereby causes harm to the Company's interest, they may state their opinion and responses and be prohibited from participating in discussion and voting. They shall recuse themselves from discussion and voting or exercising voting power on behalf of any other director. The directors shall be self-disciplined, and prohibited from backing up each other inadequately.</p> <p>(IV) The Company has established the internal control system and accounting system which operate effectively. The internal auditors will audit related transactions periodically and report the audit result to the Board of Directors.</p> <p>(V) The Company will organize internal/external education training program</p>	

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			for ethical management periodically, and promote the program from time to time.	
<p>III. Status of the Company's whistleblowing system</p> <p>(I) Whether the Company defines a specific whistleblowing and reward system, and establishes some convenient whistleblowing channel, and assigns competent dedicated personnel to deal with the situation?</p> <p>(II) Whether the Company defines the standard operating procedure and nondisclosure mechanism toward the investigation of whistleblowing cases as accepted?</p> <p>(III) Whether the Company adopts any measures to prevent the whistleblowers from being abused after the whistleblowing?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) The whistleblower may feed the violation of the ethical management principles back to Administration Department in writing. Administration Department shall keep the whistleblower's identity and contents of the whistleblowing case in confidence. The Company disciplines the personnel acting against the ethical management principles pursuant to the relevant personnel regulations. If the personnel disagree with the discipline, they may file an appeal based on the facts.</p> <p>(II) The Company's "ethical corporate management best-practice principles" and "guidelines of ethical conduct" have defined the standard operating procedure for investigation into the whistleblowing cases and related nondisclosure mechanism.</p> <p>(III) The Company has established the "Operating Procedure for Whistleblowing Channels and Protection of Whistleblowers" (November 12, 2018) to define the procedure for investigation into the whistleblowing cases and related nondisclosure mechanism.</p>	No deviation.

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
IV. Enhancing Information Disclosure (I) Whether the Company discloses its ethical corporate management best-practice principles and effect of implementation thereof on its website and MOPS?	V		The Company's ethical corporate management best-practice principles are disclosed on the Company's website and the MOPS.	No deviation.
V. If the Company has established its own ethical corporate management best-practice principles in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company's "ethical corporate management" has been passed at the directors' meeting on March 21, 2011. The Company upholds the practical management philosophy for "Simplicity & Firmness, Research & Innovation, Sustainability and Profit Sharing" pursuing constant improvement. Meanwhile, the Company establishes the fair corporate governance and risk control mechanism and creates the operating environment for sustainability based on the ethical corporate management, in order to satisfy the spirits upheld in the ethical corporate management for TWSE/TPEX Listed Companies.				
VI. Other information that enables a better understanding of the Company's ethical corporate management: (e.g. review and amendments on the ethical corporate management best-practice principles established by itself): None.				

(VII) Search for the Company's Corporate Governance Best-Practice Principles, and related regulations, if any: The Company has not yet established its corporate governance best-practice principles.

(VIII) Other important information material to the understanding of corporate governance within the Company: Please refer to the "Corporate Governance" section on the MOPS at <http://mops.twse.com.tw/> concerning the "establishment of the corporate governance rules and regulations".

(IX) Implementation of the internal control system

1. Statement of Declaration on Internal Control



EVERMORE CHEMICAL INDUSTRY CO, LTD
Statement of Declaration on Internal Control System

Date: March 21, 2019

The following declaration had been made based on the 2018 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers of the Company, and that such a system has been implemented within the Company. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance, and protecting the security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws are achieved.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the existing system continues to be effective. The criteria defined in "the Regulations" include five elements depending on the management control process: 1. environment control; 2. risk assessment; 3. control process; 4. information and communication; and 5. supervision. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.
- IV. The Company has adopted the said criteria to validate the effectiveness of its internal control system design and execution.
- V. In accordance with the assessment result referred to in the preceding paragraph, the Company believes that the design and implementation of our internal control system (including monitoring and management on subsidiaries) as of December 31, 2018, including the achievement rate of effectiveness and efficiency of operations and reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws, are effective and may reasonably ensure the achievement of aforementioned goals.
- VI. The Statement of Declaration will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. Any illegalities such as misrepresentations or concealments in said published contents will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal responsibilities.

- VII. The Statement was passed unanimously without objection by all 7 Directors present at the Board meeting dated March 21, 2019.

EVERMORE CHEMICAL INDUSTRY CO, LTD

Chairman of Board:
Ho Wen Chieh (seal/signature)

General Manager:
Huang Chang Tse (seal/signature)

2. The special internal control audit report issued by the CPA, if any: N/A.

- (X) Punishment of the Company or its internal personnel in accordance with law, the Company's punishment of its internal personnel for violating internal control system regulations, main deficiencies, and improvements during the most recent year and up to the date of publication of the annual report: None.

- (XI) Important resolutions reached in the shareholder's meeting and Board meetings during the most recent year and up to the date of publication of the annual report:
1. Shareholders' meeting minutes available in 2018 and until the date of publication of the annual report:

Date		Contents	Resolutions	Status
March 7, 2018 Special Shareholders' Meeting	Matters to be Discussed	1. Motion for amendments to the Company's Articles of Association.	Passed unanimously.	Implemented in accordance with the amended Articles of Incorporation.
	Elections	1. Motion for by-election of 2 directors and 3 supervisors.	Passed unanimously.	Already done.
General shareholders' meeting on June 26, 2018.	Matters to be Ratified	1. Motion for ratification of 2017 business report and financial statements.	Passed unanimously.	-
		2. Motion for ratification the earning distribution plan in 2017.	Passed unanimously.	Already allocated the cash dividend totaling NT\$49,694,000 on September 14, 2018.
	Matters to be Discussed	1. Motion for amendments to the "Operating Procedure for Loaning of Fund and Endorsement & Guarantee".	Passed unanimously.	Implemented in accordance with the amended operating procedure.
	Elections	1. Motion for re-election of 7 directors (including 2 independent directors) 3 supervisors.	Passed unanimously.	Already done.
	Miscellaneous	1. Motion for termination of the non-competition restrictions imposed on new directors.	Passed unanimously.	

2. Important resolution by Board meetings in 2018 and until the date of publication of the annual report:

Date	Contents	Resolution
January 19, 2018	<ol style="list-style-type: none"> 1. Motion for loaning of fund to Liberty Bell Investments LTD. 2. Motion for loaning of fund to the Company by the subsidiary, NEOLITE INVESTMENTS LTD. 3. Motion for change of the CPAs. 4. Motion for assessment on independence and competence of the CPAs certifying the Company's financial statements. 5. Motion for amendments to the Company's Articles of Association. 6. Convention of special shareholders' meeting. 7. Motion for allocation of 2017 year-end bonus to managerial officers. 	Passed unanimously.
February 8, 2018	<ol style="list-style-type: none"> 1. Motion for presentation of the Company's 2017 Statement of Declaration on Internal Control System under laws. 2. Motion for adjustment of the Company's organizational chart. 3. Motion for re-appointment of the investees' directors. 4. Motion for termination of the non-competition restrictions imposed on managerial officers. 5. Motion for review on qualifications of candidates for director/supervisor. 	Passed unanimously.
March 23, 2018	<ol style="list-style-type: none"> 1. Motion for change in the contract with CHB. 2. Motion for renewal of the short-term loan contract with Mega Bank. 3. Motion for amendments to the Operating Procedure for Loaning of Fund and Endorsement & Guarantee. 4. Motion for amendments to the Operating Procedure for Loaning of Fund and Endorsement & Guarantee of the subsidiary, NEOLITE INVESTMENTS LTD. 5. Motion for the endorsement/guarantee made by the Company for Liberty Bell Investments LTD. 6. Motion for allocation of 2017 remuneration to employees and directors/supervisors. 7. Motion for review on 2017 entity financial statements and consolidated financial statements 8. Motion for 2017 earnings distribution. 9. Motion for convention of 2018 general shareholders' meeting. 10. Motion for allocation of 2017 remuneration to directors/supervisors. 11. Motion for allocation of 2017 employee remuneration to managerial officers. 12. Motion for establishment of the Company's "Regulations Governing Payment of Remuneration to Directors, Supervisors and Functional Committee Members". 13. Motion for change in remuneration to directors/supervisors. 	Passed unanimously.
May 7, 2018	<ol style="list-style-type: none"> 1. Motion for renewal of the short-term loan contract with Bank of Taiwan. 2. Motion for review on qualifications of candidates for director/supervisor. 3. Motion for termination of the non-competition restrictions imposed on new directors and their representatives. 	Passed unanimously.

Date	Contents	Resolution
June 26, 2018	1. Motion for election of the Chairman of Board.	Passed unanimously.
August 10, 2018	1. Motion for 2017 earnings distribution. 2. Motion for appointment of the investees' directors/supervisors. 3. Motion for appointment of Remuneration Committee members.	Passed unanimously.
November 12, 2018	1. Motion for 2019 internal audit plan. 2. Motion for authorizing Chairman of Board to renew the bank loan and promissory note. 3. Motion for increase in financing by MUFG Bank, Ltd. Taipei Branch. 4. Motion for establishment of the Company's "Operating Procedure for Whistleblowing Channels and Protection of Whistleblowers". 5. Motion for loaning of fund to LIBERTY BELL INVESTMENTS LTD. 6. Motion for change of the deputy spokesman. 7. Motion for 2019 budget. 8. Motion for remuneration to directors/supervisors.	Passed unanimously.
February 1, 2019	1. Motion for loaning of fund to the Company by the subsidiary, NEOLITE INVESTMENTS LTD. 2. Motion for assessment on independence and competence of the CPAs certifying the Company's financial statements. 3. Motion for amendments to the Regulations Governing Assessment on Independence and Competence of CPAs. 4. Motion for allocation of 2018 year-end bonus to managerial officers.	Passed unanimously.
March 21, 2019	1. Motion for establishment of the Company's "Standard Operating Procedure for Processing Directors' Requirements". 2. Motion for transfer of managerial officers. 3. Motion for renewal of endorsement/guarantee made for Liberty Bell Investments LTD. 4. Motion for presentation of the Company's 2018 Statement of Declaration on Internal Control System under laws. 5. Motion for amendments to the Company's Articles of Association. 6. Motion for amendments to the "Procedures for Acquisition or Disposition of Assets". 7. Motion for amendments to the "Operating Procedure for Loaning of Fund and Endorsement & Guarantee". 8. Motion for termination of the non-competition restrictions imposed on the Company's directors and their representatives. 9. Motion for allocation of 2018 remuneration to employees and directors/supervisors. 10. Motion for review on 2018 entity financial statements and consolidated financial statements. 11. Motion for 2018 earnings distribution. 12. Motion for convention of 2019 general shareholders' meeting.	8th Motion To pass at next meeting, and the others passed unanimously.

- (XII) The main contents of important resolutions passed by the Board of Directors regarding in which directors in which directors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of the annual report: None.
- (XIII) Summarization of resignation or dismissal of the Company's Chairman, president, accounting managers, financial managers, internal auditor managers and R&D managers during the most recent year and up to the date of publication of the annual report:

April 29, 2019

Job title	Name	Date of onboard	Date of discharge	Cause of resignation or discharge
R&D Department Manager	Wang Shih Chieh	August 8, 2016	April 1, 2019	Discharged upon transfer of duties
R&D Department Manager	Liu Shih Wei	April 1, 2019	-	New appointed upon transfer of duties

V. Information about CPA Professional Fee:

Breakdown of information about CPA professional fee

Name of CPAs Firm	Name of CPA		Audit Period	Remark
Deloitte Taiwan	Chiang Shu Ching	Wu Li Tung	January 1, 2018 ~ December 31, 2018	

Currency Unit: NTD thousand

Range of Amount		Fee Items	Audit Fees	Non-Audit Fees	Total
1	Less than 2,000 thousand			✓	
2	2,000 thousand (inclusive)~4,000 thousand		✓		✓
3	4,000 thousand (inclusive)~6,000 thousand				
4	6,000 thousand (inclusive)~8,000 thousand				
5	8,000 thousand (inclusive)~10,000 thousand				
6	More than 10,000 thousand (inclusive)				

- (I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto: None.
- (II) Replacement of the CPAs firm and reduction in audit fees paid during the year of replacement compared with the previous year: N/A.
- (III) Reduction in the audit fees by more than 15% from the previous year: None.

(IV) The assessment report on independence of the CPA certifying the Company's financial statements:

According to the Company's "Regulations Governing Assessment on Independence and Competence of CPAs", the Company conducted the assessment on independence and competence of the CPAs as following, and submitted the assessment to the Company's 1st Board meeting in 2018.

Item No.	Scope of Assessment	Yes	No	Remark
1.	Do the CPAs act as the Company's external auditors for no more than 7 years consecutively?	V		
2.	Do the CPAs not collect any related commission?	V		
3.	Do the CPAs not hold any shares in the Company?	V		
4.	Do the CPAs not hold any regular position in the Company with fixed pay concurrently?	V		
5.	Do the CPAs not co-invest or share profit with the Company?	V		
6.	Do the CPAs not hold the position as directors, supervisors or managerial officers or any position that might affect the audited cases materially in the Company, currently or within the most recent two years?	V		
7.	Are the CPAs not the relatives of the Company's directors, supervisors or managerial officers, or staff holding the position that might affect the audited cases materially?	V		
8.	Whether the audit service team satisfies the criteria about independence referred to in Statement No. 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China?	V		Statement of Declaration
9.	Whether the review or audit report is completed within the agreed time limit?	V		
10.	Whether the audit report guarantees specific accuracy?	V		
11.	Whether the CPAs pose positive suggestions against the Company's management system and internal control audit, and whether the same are recorded?	V		
12.	Whether the CPAs provide the Company with the information about update and amendments to laws & regulations and relevant training courses voluntarily?	V		
13.	Whether the CPAs help the Company communicate and coordinate with the competent authority?	V		

Date of Assessment: January 19, 2018

Assessment result: ☒ Satisfy ☐ Not satisfy the criteria about independence and competence of CPAs.

- VI. Information about Replacement of CPAs: None.
- VII. Name of CPAs Firm or its affiliates in which the Company's Chairman, president, financial or accounting manager is an employee over the past year: None.
- VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent year and until the date of publication of the annual report:

Job title	Name	2018 (Note 1)		Ended on April 29, 2019	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman of Board	Ho Wen Chieh	(5,027,000)	0	0	0
New director	Aica Kogyo Company, Limited	49,793,388	0	0	0
	Representative: Dodo So (Note 3)	0	0	0	0
	Representative: Omura Nobuyuki (Note 4)	0	0	0	0
	Representative: Ebihara Kenji (Note 3)	0	0	0	0
New director	Baojian Enterprise Co., Ltd. (Note 4)	0	0	0	0
	Representative: Tsai Nai Yung (Note 4)	0	0	0	0
Independent director	Chen Chao Hui (New elected on June 26, 2018)	0	0	0	0
Independent director	Higashiyama Mikio (new elected on June 26, 2018)	0	0	0	0
Independent director	Wu Hsien Ming (Discharged on June 26, 2018)	0	0	0	0
Independent director	Ho Ching Fu (Discharged on June 26, 2018)	0	0	0	0
Discharged from director	Baojian Enterprise Co., Ltd. (Note 2)	(8,624,000)	0	0	0
	Representative: Lu Ching Chu (Note 2)	0	0	0	0
Discharged from director New supervisor	Liu Wei Tung (Note 2 & Note 3)	(2,880,000)	0	0	0
New supervisor	Lu Hui Pin (Note 2 & Note 3)	(2,963,130)	0	0	0
New supervisor	Su Yi Hsiu (Note 3)	0	0	0	0
Discharged from supervisor	Pou Chien Technology Co., Ltd. (Note 2)	(6,269,000)	0	0	0
	Representative: Sung Chien Shih (Note 2)	0	0	0	0
President	Huang Chang Tse	0	0	0	0
Group Vice President	Li Ching Sung	0	0	0	0
Director	Wang Shih Chieh	0	0	0	0
Financial Manager	Wu Pao Hua	0	0	0	0
Accounting Manager	Chen Hsiang Li	0	0	0	0
Director	Liu Shih Wei (New elected on April 1, 2019)	0	0	0	0

Note: 1. Information about transfer of equity interests:
The transfer of equity interests by the Company's directors, supervisors, managerial officers, or

shareholders with a stake of more than 10 percent in 2018 was completed in the market. Meanwhile, all of the counterparts for the transfer of equity interests were the persons other than related parties.

2. The directors and supervisors participated in the acquisition of AICA Kogyo Company Limited on January 16, 2018. As a result, the quantity of shares held by them upon the transfer was less than a majority of that held by them on the date of election and they were discharged from the position as directors and supervisors naturally.
3. Considering that the vacancies of directors attained one-thirds of the whole directors and all supervisors were discharged, the Company convened the special shareholders' meeting on March 7, 2018 pursuant to Article 210 and Article 217-1 of the Company Act.
4. The Company convened the shareholders' meeting for reelection on June 26, 2018.
5. Information about pledge of equity interests: None.

IX. Information on the relationship of the ten largest shareholders, related parties, spouse, or relative within the second degree of kinship:

Information about the relationship of the ten largest shareholders

April 29, 2019

Name	Shareholdings by oneself		Shares held by spouse or underage children		Total shares held in the names of others		Disclosure of information on related parties defined in the Statement of Financial Accounting Standards No. 6 or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names or designations, and relationships		Remark
	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Quantity of shares	Shareholding %	Designation (or name)	Relationship	
Representative of Aica Kogyo Company, Limited: Dodo So Representative: Omura Nobuyuki Representative: Ebihara Kenji	49,793,388	50.10%	0	0	0	0	None.	-	-
Ho Wen Chieh	6,973,532	7.02%	820,656	0.83%	0	0	Li Tsui Chu	Spouse	-
Ho Chi Lin	4,005,000	4.03%	0	0	0	0	Ho Wen Chieh	Child	-
Ho Han Jen	4,005,000	4.03%	3,000	0	0	0	Ho Wen Chieh	Child	-
Baojian Enterprise Co., Ltd. Chairman of Board: Lu Ching Chu	3,352,771	3.37%	0	0	0	0	Pou Chien Technology Co., Ltd.	Same as the Chairman of Board	-
Pou Chien Technology Co., Ltd. Chairman of Board: Lu Ching Chu	2,437,750	2.45%	0	0	0	0	Baojian Enterprise Co., Ltd.	Same as the Chairman of Board	-
Yue Dean Technology Co., LTD. Chairman of Board: Sung Chien Shih	2,290,760	2.30%	0	0	0	0	None.	-	-
Liu Wei Tung	2,255,412	2.27%	88,574	0.09%	0	0	None.	-	-
Lu Hui Pin	2,196,193	2.21%	2,647	0.00%	0	0	None.	-	-
Hsu Chun Liang	1,477,139	1.49%	171,098	0.17%	0	0	None.	-	-

- X. The number of shares held by the Company, its directors, supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company on the same investee and also, the consolidated comprehensive shareholding ratio: None.

Four. Information on Capital Raising

I. Capital and Shares

(I) Source of capital

Year / Month	Issue price	Authorized capital stock		Paid-in capital stock		Remark					
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Offset by any property other than cash	Effective date	Doc. No.	Amount	Others
May 1989	NT\$10	600,000	6,000,000	600,000	6,000,000	Own capital	None.	-	Initial capital at the time of incorporation	6,000,000	None.
October 2006	NT\$13.25	120,000,000	1,200,000,000	89,700,000	897,000,000	Cash capital increase by private placement	None.	October 18, 2006	Jing-Shou-Shang-Zi No. 09501234720	100,000,000	None.
August 2008	NT\$10	120,000,000	1,200,000,000	93,288,000	932,880,000	Recapitalized from earnings	None.	August 20, 2008	Jing-Shou-Shang-Zi No. 09701207050	35,880,000	None.
November 2011	NT\$10	120,000,000	1,200,000,000	91,788,000	917,880,000	Annulment of treasury stock Capital decrease	None.	November 24, 2011	Jing-Shou-Shang-Zi No. 10001268740	-15,000,000	None.
March 2013	NT\$13.87	120,000,000	1,200,000,000	102,388,000	1,023,880,000	Cash capital increase	None.	March 13, 2013	Jing-Shou-Shang-Zi No. 10201045750	106,000,000	None.
February 2015	NT\$10	120,000,000	1,200,000,000	99,388,000	993,880,000	Annulment of treasury stock Capital decrease	None.	November 24, 2011	Jing-Shou-Shang-Zi No. 10001268740	-30,000,000	None.

Note: Only the information about the capital at the time of incorporation and for the most recent five years is available.

Type of share	Authorized capital			Remark
	Outstanding (Note 1)	Unissued	Total	
Common shares	99,388,000	20,612,000	120,000,000	-

Note: 1. The stock refers to stock traded on TWSE.
2. Information relevant to the aggregate reporting policy: None.

(II) Shareholders' structure

April 29, 2019

Quantity / Shareholders' Structure	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of persons	1	2	11	2,886	11	2,911
Shares held	126	980,197	8,467,461	40,055,071	49,885,145	99,388,000
Shareholding (%)	0	0.99	8.51	40.31	50.19	100.00

(III) Distribution of equity

April 29, 2019

Shareholding category	Number of shareholders	Shares held	Shareholding
1 ~ 999	1,427	175,075	0.18
1,000 ~ 5,000	1,032	2,160,048	2.17
5,001 ~ 10,000	183	1,425,088	1.43
10,001 ~ 15,000	71	906,024	0.91
15,001 ~ 20,000	25	474,520	0.48
20,001 ~ 30,000	61	1,529,171	1.54
30,001 ~ 40,000	14	492,055	0.50
40,001 ~ 50,000	18	827,624	0.83
50,001 ~ 100,000	38	2,622,929	2.64
100,001 ~ 200,000	19	2,483,316	2.50
200,001 ~ 400,000	6	1,500,604	1.51
400,001 ~ 600,000	1	528,006	0.53
600,001 ~ 800,000	1	704,608	0.71
800,001 ~ 1,000,000	3	2,707,328	2.72
More than 1,000,001	12	80,851,604	81.35
Total	2,911	99,388,000	100.00

Note: The Company didn't offer preferred stock.

(IV) List of major shareholders

Shareholders with a stake of 5 percent or greater

April 29, 2019

Name of Major Shareholder	Shares held	Shareholding
Aica Kogyo Company, Limited	49,793,388	50.10%
Ho Wen Chieh	6,973,532	7.02%
Ho Chi Lin	4,005,000	4.03%
Ho Han Jen	4,005,000	4.03%
Baojian Enterprise Co., Ltd.	3,352,771	3.37%
Pou Chien Technology Co., Ltd.	2,437,750	2.45%
Yue Dean Technology Co., LTD.	2,290,760	2.30%
Liu Wei Tung	2,255,412	2.27%
Lu Hui Pin	2,196,193	2.21%
Hsu Chun Liang	1,477,139	1.49%

(V) Information on market value, net worth, earnings and dividends per share during the most recent two years

Item \ Year		2017	2018	Ending on March 31, 2019 (Note 8)
Market value per share (Note 1)	Highest	19.40	19.55	15.85
	Lowest	12.15	13.30	14.80
	Average	17.03	16.62	15.47
Net worth per share (Note 2)	Before distribution	14.22	13.90	14.2
	After distribution	13.72	13.75 (Note 9)	Undistributed
Earnings per share	Weighted average shares (thousand shares)	99,388	99,388	99,388
	Earnings per share (before adjustment/after adjustment) (Note 3)	0.63	0.1	0.26
Stock dividend per share	Cash dividend	0.5	0.15 (Note 9)	Undistributed
	Stock bonus	Stock dividend from retained earnings	-	-
		Stock dividend from capital surplus	-	-
	Accumulated unpaid dividend (Note 4)		-	-
ROI analysis	P/E ratio (before adjustment / after adjustment) (Note 5)		22.37	158.20
	P/D ratio (Note 6)		28.18	105.47
	Cash dividend yield (Note 7)		3.55%	0.95%

Note 1: Please identify the highest and lowest market price per share of common stock for each fiscal year and calculate each fiscal year's average market price based on the trading value and trading volume of each year.

Note 2: Please apply the number of the outstanding issued shares at the end of year as the basis and specify it based on the distribution resolved by the shareholders' meeting of next year.

Note 3: If retroactive adjustment is needed due to allocation of stock bonus, please identify the earnings per share before and after the adjustment.

Note 4: If the equity securities issue terms and conditions require that the stock dividends undistributed in the year may be accumulated and distributed until the year in which earnings are generated, please disclose the stock dividends accumulated and undistributed until the end of the year separately.

Note 5: P/E ratio = Average closing price per share for the year/Earnings per share.

Note 6: P/D ratio = Average closing price per share for the year/Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

Note 8: The information about net worth per share and earnings per share shall refer to the information available during the most recent quarter until the date of publication of the annual report, which has been audited (reviewed) by the CPA, while the other sections shall specify the information available in the current year until the date of publication of the annual report.

Note 9: Passed by the Board of Directors, but pending resolution by a shareholders' meeting.

(VI) Dividend policy and implementation thereof

1. The Company's dividend policy:

If there are surpluses in the Company's final accounts, taxes and accumulated losses shall be paid out of such surpluses first, 10% of them shall be set aside as statutory surplus reserves, a provision for or reversal of special surplus reserves shall be made according to law, with the balance of such earnings (if any) paid to shareholders as dividends after a resolution is adopted at the general meeting.

The Company is engaged in the manufacture and sale of PU resin. It is a technology-intensive, mature and profitable chemical industry. Due to the need for technological upgrading, it is possible for the Company to expand its factories in the next few years. With reference to the remaining dividend policy and to the extent meeting optimal capital budget and the requirements for dilution of earnings per share, the annual surpluses allocated per year account for at least 50% of the surpluses available for distribution in principle, when dividends are declared to shareholders, the proportion of cash dividends shall not be less than 25%.

2. Implementation thereof:

The dividend proposed to be distributed at the shareholders' meeting satisfies the Company's dividend policy:

	_____ allocated per share (NT\$)	Source
Cash dividend	0.15	Undistributed earnings
Total	0.15	*

3. Expected significant changes in the dividend policy: None.

(VII) The effects of stock bonus proposed at this general shareholders' meeting on business performance and earnings per share: N/A.

(VIII) Remuneration to employees, directors and supervisors

1. The percentages or ranges with respect to remuneration to employees, directors and supervisors, as set forth in the Company's Articles of Incorporation

If the Company makes profits in the year, 3% to 5% of the profits shall be reserved to pay employee remuneration and no more than 2% of the profits reserved to pay director and supervisor remuneration. However, if the Company has accumulated losses, the profits shall be reserved in advance to cover the losses.

2. The basis for estimating the amount of remuneration to employees, directors and supervisors, for calculating the number of shares to be distributed as the remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

(A) The basis for estimating the amount of remuneration to employees, directors and supervisors for the current period:

Based on the percentages resolved by the Board of Directors or defined under the Articles of Incorporation (at 3%~5% and 2%)

(B) The basis for calculating the number of shares to be distributed as the remuneration to employees:

The operating costs or operating expenses for the current year were stated

based on the closing price applicable on the date preceding to the date of resolution made by the shareholders' meeting and by taking the ex-right and ex-dividend factors into account.

- (C) The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure: The significant changes in the amount distributed per resolution made by the Board of Director prior to the date of approval and publication of the annual financial statements, if any, were stated as the initial annual expenses, while the changes in the amount after the date of approval and publication of the financial statements should be treated as the changes in accounting estimates and stated in next year.

3. Allocation of remuneration passed by the Board meeting:

- (A) According to the motion for allocation of 2018 remuneration passed by the Board meeting on March 21, 2019, the remuneration to employees should be NT\$782,833, and the remuneration to directors/supervisors NT\$313,133, both to be allocated in cash.

- (B) No remuneration to employees was allocated in the form of stock.

4. Actual allocation of remuneration to employees and directors in the previous year:

- (A) The actual allocation of remuneration to employees, directors and supervisors in 2017:

Unit: NT\$

Item	Initial motion for allocation passed by the Board meeting	Actual allocation	Variance
Remuneration to employees	3,751,886	3,751,886	0
Remuneration to directors/supervisors	1,500,754	1,500,754	0

- (B) If there is any discrepancy between said amount and the estimated amount of remuneration to employees, directors and supervisors for the fiscal year the remuneration was recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: None.

- (IX) Repurchase of the Company's shares: None.

II. Status of corporate bond: None.

III. Status of preferred stock: None.

IV. Status of overseas deposit receipts: None.

V. Status of employee stock option certificates: None.

VI. Status of issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VII. Implementation of capital utilization plan: None.

Five. Overview of Operations

I. Descriptions of business

(I) Scope of business

1. Major lines of business:

- (1) Manufacture and sale of synthetic resin
- (2) Manufacture and sale of synthetic chemical raw materials (except for controlled items).
- (3) Manufacture and sale of resin additives and additives.
- (4) Synthetic membrane and sheet materials for semi-finished goods and finished goods by resin reaction.
- (5) Import and export trade business related to the above-mentioned products.
- (6) Business operations and investments related to the above-mentioned products.

2. Relative weight of each business line:

Type of product	% of consolidated operating revenue
PU synthetic resin	79%
PE resin	12%
Other products	9%
Total	100%

3. Current products of the Company:

- A. Synthetic PU resin for leather.
- B. PU resin for coating.
- C. PU resin for split leather.
- D. Polyester polyol resin.
- E. TDI Based - Low Free Monomer Type cross-linking agent.
- F. Adhesive for shoes.
- G. PU resin for printing ink.
- H. TPU compound.
- I. Waterproof and moisture PU resin.
- J. Aqueous Based PU resin.
- K. Surface treatment agents.
- L. Pu foam system materials for shoes.
- M. Adhesive for packing food.
- N. Reaction-type hot melt adhesive.
- O. UV products
- P. Solvent-free PU system membrane and sheet materials.
- Q. Reforming TPU composite materials.
- R. Other foundry products.

4. New products planned for development:

The Company plans to develop the following new products:

- A. Reactive polyurethane hot melt adhesive of eco-friendly solvent-free paper materials
- B. Non-yellowing type and thermoplastic polyurethane film for car wrap.
- C. Reactive polyurethane hot melt adhesive of eco-friendly solvent-free materials for woodworking.
- D. Thermoplastic polyurethane film for car decorations.
- E. Eco-friendly solvent-free adhesive for flexible packaging of aluminum foil bonding.

- F. High-flexibility midsole polyurethane system materials and wear resistant, heat resistant and plastic polyurethane outsole for automated one-piece sport shoes.
- G. Low-density, light-weight and high-flexibility polyurethane system materials.
- H. Eco-friendly and solvent-free 2K PU for car leather intermediate layer.
- I. Hydrolysis resistant polyurethane thermoplastic polyurethane particle for shoes materials.
- J. PU PSA for mobile phone screen protectors.

(II) Overview of the industry:

1. Overall economic situation for 2019:

The overall market demand appeared to decline in 2018 as the sign for the world economic cycle per decade. Besides, the tense relationship between China and the USA resulted in the downward adjustment of economic growth in various countries. The orders for finished products placed with downstream suppliers were not as good as they were in the past years. The multiple changes in the international situations affected the structure and ecology of production. The rising of China made it become the second largest economy in the world, following the USA only. China owned remarkable production capacity, and even overcapacity, in the supply chain consisting of upstream, midstream and downstream dealers. Given the effect produced by multiple national policies, the structure of capital changed in China and risk was raised accordingly. Meanwhile, the strict environmental protection and safety policies affected the chemical engineering industry seriously. Lots of factories were ordered to restrict or stop production, and even shut down for violations of the relevant rules frequently. As a result, the supply and demand tended to be imbalanced and thereby caused the price to fluctuate sharply. The four major economies, including the USA, China, Europe and Japan, appeared to grow stably. Notwithstanding, the overall market demand didn't increase significantly, particularly in the staple merchandise. Further, the booming online information development changed the structure of market demand and created a more diversified, rapid and up-date trend. The demand for quality was upgraded continuously and, therefore, caused the products to encounter more challenges in such competitiveness as production cost, mobility and development ability.

Irrelevant with the upstream raw materials and supplies or the downstream finished products, the PU-related industry was one of the industries which needed to deal with the overcapacity problem in China. The problem in the industry's supply chain, i.e. oversupply, cut the profit earnable by suppliers significantly. Meanwhile, given the influence of the operating structure of transactions in the market of China, despite the oversupply of upstream raw materials and supplies, the inversed operation resulted in the significant increase in the price of raw materials and supplies, which affected not only the supply in the domestic market of China but also the supply and price in the Asian market. The short-term drastic fluctuations also increased the difficulty in the midstream and downstream dealers' operations greatly, who were forced to bear the related costs independently and tend to operate more and more conservatively. As a result, It was impossible for the industry's overall economic performance to break the record in 2017. Although the turnover was increased as a result of the increase in the price of raw materials and supplies, it was still impossible to reflect the cost to the end market thoroughly and, therefore, the profit declined obviously.

2. Related industries in 2018:

PU upstream raw materials:

The oversupply still existed in the overall market in 2017. The overcapacity problem was especially serious in China. Notwithstanding, in 2018, China implemented stricter environmental protection and safety policies, which posed strong impacts on the upstream, midstream and downstream segments of the supply chain in the chemical engineering industry. A lot of factories were ordered to restrict production or stop production and thereby caused the unstable supply in the market. As far as TDI was concerned, the high price sustained in the market of China in 2017 and drove the external market price to rise relatively. Finally, it was impossible for the low demand to support the supply and, therefore, the unit price declined significantly in Q4. Despite no direct relationship was involved, the increase in TDI drove the drastic increase in other PU staple raw materials and supplies, such as MDI and AA, from Q3 to Q4, namely the average increase ranging from 10% to 20%. In Q4, the price also declined due to the weakening market demand.

Downstream segment of the industry:

The overall demand kept shrinking. The global economic recession didn't improved thoroughly. The overcapacity of the industries in China showed that the economic structure problem has not yet resolved. Meanwhile, the policies dedicated to dealing with the regional environmental protection issues in the territories including China and Taiwan still continued and thereby increased the entire costs of the upstream and downstream dealers, including the cost for purchase of raw materials and supplies, production cost and transportation cost, and it was impossible to reflect the same to the market completely.

3. Looking forward to 2019, the global economy is expected to become weakening. The Sino-US Trade War resulted in the structural changes to the international economy and also changes to the interaction between regional and global economic structures. The frequent fluctuation in international exchange rates against USD brought the uncertainty about future development and challenges to the operations. Given the Cold War between the cross-straits and failure of diplomatic relations to break through the situation, trade barriers have produced great pressure on Taiwan's competitiveness in exports. China kept adjusting its GDP downward and implementing stricter environmental protection policies. Therefore, how to continue the development of products developed in response to environmental protection issues in 2018 and break through the existing difficulties and predicament to produce differentiated products is the key for the Company to achieve results in 2019, e.g. solvent-free synthetic resin. In consideration of the changes of economic structure in Asia, many countries transferred the past reliance on China and the South Asia market became more active following Taiwan's New Southbound Policy. Vietnam became a country with increasing GDP. Therefore, it is necessary for the Company to invest more resources there.

According to the Group's regional development strategy, the Group had to adjust its allocation of resources inevitably and expand its business in the South East Asia market, under the pressure produced by the risk over external market changes in China. Therefore, since 2014, the Group has started its arrangement. The Group set up a sales location in Thailand by the end of 2017, in order to integrate the sales in Thailand, Malaysia, Indonesia and Cambodia, et al.. Meanwhile, it has established the technical service center in Vietnam since 2015. In 2018, the Group needed to expand the center's functionality and achieved

results step by step. In 2019, it continued to increase the investment of resources in Vietnamese market.

At the beginning of 2018, AICA Group from Japan has contributed capital to the Group and created the consolidated effect of the two groups. EVERMORE CHEMICAL's PU product portfolio included the adhesive related to woodworking, flooring, industry and automobiles and, therefore, extended to the market in Japan and also launched into the markets in Korea, China and South East Asia. In 2019, the Company will continue to invest resources and develop the markets and products which the consolidated effects of the groups are applicable to make the product portfolio more well-founded and expand the market sales step by step.

The Company kept focusing on green products. In 2016, in response to the customers' demand for environmental protection policies, the Company modified the solvent and reduced the volume thereof. Upon achievement of specific results, the Company will continue to expand the scope, and keep improving the quality and market and expanding the application and promotion with respect to reduction of solvent, solvent-free synthetic resin, eco-friendly plastic compound, UV lithography products and solvent-free PU films. Further, the Company will use the core technology, such as reaction-type hot melt adhesive, and launched into such application markets as wood, construction, electronics and automobiles from the existing textile laminating market.

(III) Overview of technology and R&D:

1. R&D expenses already invested during the most recent year and until the date of publication of the annual report:

Item	2018	January~March 2019
Consolidated R&D expenses (NTD thousand)	74,124	18,704
% of consolidated operating revenue (%)	2.02%	2.64%

2. The technologies or products developed successfully:
 - A. High-value acrylate monomer/methacrylate monomer produced in a toluene-free manufacture process.
 - B. Environmentally friendly solvent-free moisture-curing liquid polyurethane adhesive.
 - C. Environmentally friendly solvent-free and general-purpose adhesive for flexible packaging of high strength.
 - D. Reactive polyurethane hot melt adhesive of high moisture permeability for environmentally friendly solvent-free textile.
 - E. Environmentally friendly and solvent-free 2K PU for split leather intermediate layer.
 - F. Migration-resistant high molecular weight polyester plasticizer.
 - G. Hydrolysis-resistant comfortable insole system materials in energy-saving process.

(IV) Long-term and short-term business development plans:

1. Short-term plan:

Subject to the application and attribute of the products, the products are categorized into the five major types, namely PUR, PUS, CLA, TPU and UV:

A. PUR:

Utilize the strength in production capacity, work with downstream customers, enhance the reciprocal relationship between development and sales, develop foundry business, arrange integration and adjustment rapidly in response to the downstream customers' need and national environmental protection policies, integrate products to achieve effective cost control, create advantages and expand market to upgrade operating profit, and continue to develop solvent-reduced, aqueous based and solvent-free products and expand market sales and the application of solvent; meanwhile, actively use AICA to identify the need for high value-added products in the Japanese market.

B. CLA:

Under the pressure from mass production and price war of the equivalents in China, including the general type, trimer or low free monomer type cross-linking agent, the Company will organize sales channels, increase direct customers, cut the intermediate costs, increase competitiveness, and develop the market by direct sales to avoid excessive concentrated sales, and also increase sales in the South East Asian market at the same time. The Company will also increase differentiated products, e.g. development and sale of non-yellowing type hardeners.

C. PUS:

Control the timing to re-apply PU to sport shoes brands, work with such brands as Nike, adidas and Puma, strive for purchase orders by improving the functionality of PU and the processing process; meanwhile, invest the promotion and sale of polyether insoles and high-flexibility materials under brand; use the core technology to development and apply flexible packaging multi-layer film and coating lamination market, break through dependence of the traditional solvent-based synthetic resin on solvent, and develop towards solvent-free products.

D. TPU:

Control key customers and deepen the reciprocal strategic cooperation with customers; use AICA to develop the Japanese market; invest in development of non-yellowing type polyether raw materials, existing cross-strait production capacity; stabilize quality and maintain the key customers to keep the full shipment and gross profit satisfying the production capacity.

E. UV:

Expand the market supply, and the sale in South East Asia in addition to Taiwan and China, and sell the products needed by AICA in Japan, and use AICA to launch into the Japanese market; adopt the sales strategy based on the general monomers to develop customized high-value added oligomers products.

F. PU reaction-type hot melt adhesive:

The entire solution for reduction of solvent has been applied in the textile laminating industry. Meanwhile, with the consolidated effect from AICA, the Company also launched into the woodworking and flooring markets in Japan and South East Asia.

- G. Make use of the AICA consolidated benefit platform, new locations and service centers to market products in South East Asia; develop new markets based on the existing value and new products, and expand the Group's development in South East Asia.

2. Long-term plan:

Continue to deal with the future market demand; transform and adjust the product portfolio to develop toward PU series products and coatings business; launch into the construction, electronics and automobile industries at the same time; introduce high-rank technology and work with partners strategically; continue to orient the improvement toward eco-friending process and sell eco-friendly products, in hopes of becoming a supplier in the green industry value chain.

- A. Exert the maximum benefit from AICA consolidated effects.
- B. Continue to develop low-pollution eco-friendly and green carbon-reduction products in response to the future market trend and to secure the leadership in the market.
- C. Integrate the products and resources; control costs effectively; upgrade the added value and profit generated by products.
- D. Continue to evaluate the second location or factory after Thailand in the Pacific Asia region to expand the overseas business locations outside China.
- E. The existing products are developed based on the market demand and toward high-value added PU synthetic resin.
- F. Actively expand the market share of UV lithography products to achieve the value of economies of scale.
- G. Utilize solvent-free PU technology to develop and sell various important customized products.
- H. Based on the core technology, launch into the electronics, construction and automobile industries, and expand the markets in South East Asia and South North Asia, e.g. Japan and Korea.

II. Production and marketing situation

(I) Market analysis:

1. Territories where main products are marketed:

The Company is a chemical manufacturer specialized in PU resin and related products. The Company keeps transforming in response to the industrial environment in the market, and also adjusts its operating structure voluntarily in hopes of pursuing transforming development based on the existing resources. The Company has achieved positive development in diversity of products or expansion of customers' markets to keep the Company's sustainability.

The sales value and domestic marketing/export of the Company's products during the most recent two years (%):

Unit: NTD thousand

Territory \ Amount	2017		2018	
	Sales value	%	Sales value	%
Domestic	833,643	25%	883,425	24%
China	2,118,223	64%	2,014,694	55%
Others	373,258	11%	777,650	21%
Total	3,325,124	100%	3,675,769	100%

2. Market share, future market demand and supply, and market's growth potential:

(1) Market share:

The Company's products are diversified and applied to various industries, and cover multiple downstream industries and areas. The PUR products account for about 25~30% market share upon evolution of the downstream market. The CLA products are manufactured by domestic leading suppliers and, therefore, are more competitive, accounting for about 48~53% market share. For the time being, the Company is the only supplier of PUS products domestically. There are multiple TPU product suppliers and such product primarily adopts eco-friendly materials. Most peer companies develop such product actively. The Company's TPU products account for about 15% market share. Further, the Company developed the UV lithography products late. The major suppliers in the market primarily refer to Eternal Materials Co., Ltd., DSM and Qualipoly Chemical Corp. Besides, the Korea-based companies including MION and KPC also launched into the market by offering low-price products. Therefore, the market share of the Company's UV lithography products is estimated as 8~10% for the time being.

(2) Future market demand and supply, and market's growth potential:

The PU industry is ultimately applied to the livelihood and consumption extensively. The market demand in various industries grows stably relatively. However, it is still impossible to balance the entire supply and demand in a short term due to the oversupply. The price of upstream raw materials keeps fluctuating sharply and frequently and thereby affects the downstream suppliers' quotation, profitability and willingness to accept orders. Besides, the abnormal climate caused by the global warming makes the demand for eco-friendly materials stronger than ever. Especially, the threshold for launch into the markets of low free monomer type TDI hardener, reaction-type hot melt adhesive products and UV lithography products is high, as said products require high technology. Therefore, it is still impossible to balance the supply and demand, while the demand is still more than the supply in said markets. Further, the demand for low-solvent/solvent-free synthetic resin increases accordingly. Notwithstanding, in consideration of the industrial ecology and integration required by changes in the production process, the demand will grow, but will not do so rapidly. After going through such unstable political and economic condition as European and USA Debt Crisis, the market is recovering strongly and the demand will be upgraded relatively to maintain the growth momentum.

3. Competitive niche

- (1) In consideration of the high integration of key raw materials, the turnover of raw materials and supplies is rapid and takes shape and thereby increases the advantages for purchases.
- (2) The staff engaged in production and sale have long-term experience and also maintain fair interactive relationship with customers. Therefore, they may provide fair service quality and rapid service efficiency to raise customers' satisfaction.
- (3) Develop green products and UV lithography products to seek breakthrough growth in the economies of scale.
- (4) Continue to introduce resources to R&D team's new product technology to cultivate its R&D and innovative ability to deal with the development needs driven by the changeable industrial environment.

- (5) With the experience in acting as OEM of international leading suppliers and recognition from the suppliers, the Company may develop toward professional technology and keep improving production and management to control costs and upgrade competitiveness.
 - (6) The products are diversified enough to satisfy and serve the different needs from customers and different applications.
 - (7) Introduce the Japanese technology to enhance the competitiveness of products.
4. Analysis on positive and negative factors for future development and responsive measures:
- (1) Positive factors:
 - A. The development of products is considered more well-founded among peer companies. The downstream industry is distributed widely and corresponds to the basic livelihood necessities, and thereby causes low operating risk.
 - B. Transfer the weight of distribution of products actively, and add UV lithography products as the focus to enhance the effects in future operating revenue and profitability.
 - C. To develop TPU products, the Company combines the strength of the Group's member companies, and achieve amicable sale results, insofar as the product quality and valuable customers remain stable.
 - D. The Company's investees introduce the application of high-end precision technology to the photoelectric industry from the traditional market to create higher added value.
 - E. The Company has definite planning for eco-friendly products in the future and owns specific core technology and experience. In the meantime, the Company has sought the cooperation from the suppliers of equipment and end production to export and introduce the products to markets in their entirety. Accordingly, the product structure may be developed and well-founded better.
 - F. AICA consolidated effects for new products and new markets.
 - (2) Negative factors:
 - A. International trade tariff issues:
Such unstable factor as the Sino-US Trade War caused the cold war between the cross straits, which keeps affecting Taiwan's international trade profoundly. The tariff barriers imposed by various countries on Taiwan weaken Taiwan's strength in supply of staple merchandise.
Responsive measures: Utilize the production capacity of China effectively and adopt export to take advantage of the strength in tariff in China; meanwhile, evaluate the feasibility for establishment of the second factory or business location after Thailand to run the markets directly and more quickly; develop the markets of the countries which have signed trade agreements with Taiwan strongly to mitigate the tariff impact, and committed to researching and developing differentiated high-end products to maintain the Company's growth and sustainability.
 - B. The price of raw materials and supplies fluctuates drastically, and Taiwan lacks the suppliers engaged in producing the raw materials:
As no suppliers are engaged in producing such raw materials and supplies as AA, MDI and TDI, et al., and it is impossible to upgrade the entire market scale of Taiwan or pose the clustering effect, the suppliers no longer value the market as they were and, therefore,

reduce their support. As a result, the relevant enterprises' earnings are lowered directly.

Responsive measures: Adopt the Group's purchase model to enhance the ability to negotiate price. Meanwhile, develop the upstream and downstream strategies at the same time to create a win-win situation, and secure the advantageous conditions on in-depth partnership.

C. Potential risk in emerging markets of South East Asia:

Responsive measure: Establish the procedure for effective control over logistics and cash flow.

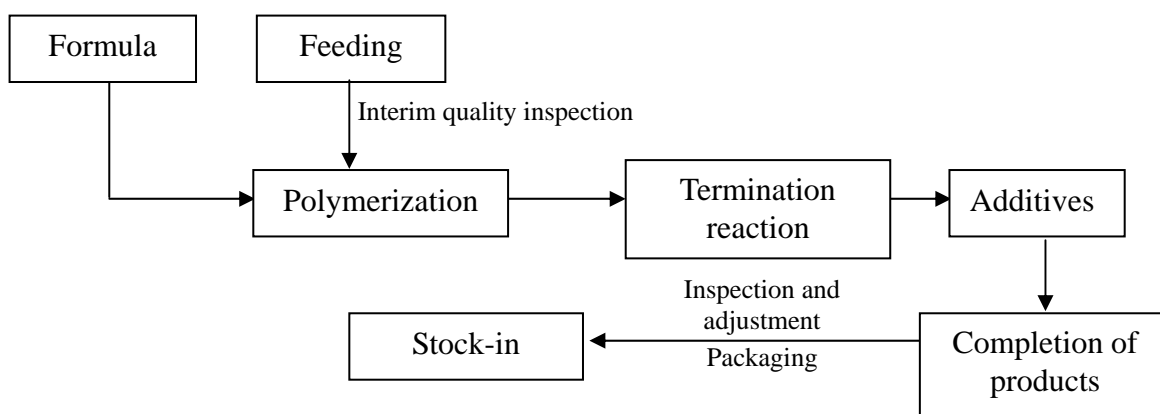
(II) Important purpose and production process of main products:

The PU resin produced by the Company is primarily supplied for the purpose of waterproof processing and printing ink coating of synthetic leather, split leather, genuine leather and textiles, and adhesive for shoes, while the polyester polyol resin is supplied for the purpose of PU synthetic resin and TPU.

The foam system materials for shoes are primarily supplied to the OEMs of such renowned brands as Nike and Adidas, et al..

TPU is primarily supplied for industrial purpose and shoes materials and accessories.

Production process of main products:



(III) Supply of main raw materials:

Name of raw material	Main supplier
AA	Vendor A
MDI	Vendor N
TDI	Vendor C
EAC	Vendor D
Additives for coating	Vendor O

(IV) A list of any suppliers (customers) accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the most recent two years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each:

1. The information about any suppliers accounting for 10 percent or more of the Company's total procurement for the most recent two years:

Unit: NTD thousand

	2017				2018				Ending until Q1 of 2019			
Item	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the net procurement amount ending until Q1 of the year (%)	Relationship with the issuer
	Supplier D	314,811	12		Supplier D	353,798	12	None.	Supplier D	72,252	13	None.
	Others	2,346,007	88		Supplier N	302,853	10	None.	Supplier N	67,077	12	
					Others	2,289,825	78		Others			
	Net procurement	2,660,818	100		Net procurement	2,946,476	100		Net procurement	552,524	100	

2. The information about any customers accounting for 10 percent or more of the Company's total sales for the most recent two years:

Unit: NTD thousand

	2017				2018				Ending until Q1 of 2019			
Item	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the net sales amount ending until Q1 of the year (%)	Relationship with the issuer
	Others	3,325,124	100		Others	3,675,769	100		Others	707,529	100	
	Net sales	3,325,124	100		Net sales	3,675,769	100		Net sales	707,529	100	

Note: No operating revenue from one single customer accounting for 10% or more of the consolidated operating revenue generated in 2017, 2018 and Q1 of 2019.

(V) Production volume and value for the most recent two years

Unit: Tons/NTD thousand

Year Production volume/value		2017			2018		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products							
PU synthetic resin		-	36,673	2,531,903	-	37,866	2,852,595
PE resin		-	8,550	436,403	-	8,575	459,067
Other products		-	618	106,191	-	1,640	82,899
Total		65,868	45,841	3,074,497	65,868	48,081	3,394,561

Note: The reaction tanks engaged in production of PU resin permit the production of said products. Therefore, the overall production capacity is identified.

(VI) Sales volume and value for the most recent two years

Unit: Tons/NTD thousand

Sales volume and value Main products		Year	2017				2018			
			Domestic marketing		Export		Domestic marketing		Export	
			Volume	Value	Volume	Value	Volume	Value	Volume	Value
PU synthetic resin			8,710	671,964	25,137	1,846,440	8,771	715,926	26,297	2,161,958
PE resin			364	27,574	2,524	154,080	398	30,468	2,571	164,537
Other products			352	134,105	2,517	490,961	375	137,031	2,413	465,849
Total			9,426	833,643	30,178	2,491,481	9,544	883,425	31,281	2,792,344

Note: The domestic marketing refers to the sale to domestic customers. The others are attributed to export.

III. Employees

Information about the employees employed for the most recent two years and until the date of publication of the annual report:

Year		2017	2018	Ending on March 31, 2019
Number of employees	General officers	200	198	200
	Direct labors	125	123	120
	Total	325	321	320
Average age		38.19	38.88	38.79
Average service seniority		7.94	8.37	8.33
Academic background percentage	Doctor	2%	2%	2%
	Master	11%	11%	11%
	College/University	40%	39%	39%
	Senior high school	29%	30%	30%
	Below senior high school	18%	18%	18%

Note: Said employees include various subsidiaries' employees.

IV. Information about the expenses of environmental protection:

Total losses (including damages) and fines incurred due to pollution of environment during the most recent year and until the publication date of the annual report, and future responsive strategies (including improvement measures) and expenses likely to be incurred (including an estimate of losses, fines, and damages resulting from any failure to adopt the corresponding strategy, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible):

1. The “fine for violation of rules and increased sewage processing expenses”, NT\$328,057, were incurred because SS and COD contained in the discharged waste water on November 14, 2018 were beyond the “Criteria Governing Quality of Water Discharged by Nangang Industrial Park Sewerage System Users”.
Future responsive strategies (including improvement measures):
The sewage generated after the outfall tank were washed will be pumped back to the same water tank. Meanwhile, the Company will establish the inspection record about cleaning of the outfall tank and waste water outfall.
Expenses to be incurred for subsequent control:
Clean up the sediment accumulated in the equalization basin for years and look for the sludge dewatering equipment to improve or replace the existing one.
2. The relevant laws and regulations become strict increasingly in response to changes in the conditions. The plant uses its best effort to satisfy the environmental protection requirements to achieve the sustainability and corporate social responsibility. The multiple advanced pollution prevention equipment owned by the plant is stated as following:
 - 2.1 Liquid-injected incinerator:
The particulate matter emission control standard values applicable to such equipment are 50mg/Nm³ (new pollution sources) and 100 mg/Nm³ (existing pollution sources) in the process of combustion. The plant has reviewed the boilers and incinerators and adopted the eco-friendly fuel (change from heavy oil to natural gas) since 2014, in order to commit itself to practice the “recognition of environmental safety and fulfillment of improvement” declared by the SHE policy. The plant processes the high-concentration COD waterbody generated by evacuation in the process of production of the "polyester polyol". If it exceeds the waste water treatment load, it will be treated by the incinerator at the plant in accordance with the “Small-Sized Waste Incinerator Dioxin Control and Emission Standards”. Meanwhile, the Boiler Air Pollutant Emissions Standards has been made public on September 19, 2018. The particulate matter emission control value applicable to the existing boilers should be 30 mg/Nm³ (since July 1, 2020). As the plant adopts such eco-friendly fuel as natural gas, the permit extension test report shows that the particulate matter emission control value is <30 mg/Nm³.
 - 2.2 Waste water treatment equipment:
Store, manage and treat the esterified water D-1505 waste (sewage) water and cooling waste water generated in the process of the production of the "polyester polyol", and domestic waste water in the form of ultra-high, high and low-concentration COD waterbody. The waste water treatment equipment invested by the plant is engaged in discharging the organic matters contained in the waste water treated and decomposed by the two-step biological treatment process in the equalization basin upon mixing into the sewage sewer of the industrial park. The discharged water quality upon the treatment satisfies the industrial park’s emission standard (COD<640mg/L).
 - 2.3 Organic gas biological filter bed treatment equipment:
In order to process VOCs effectively, the plant adopts high-efficiency low-carbon volatile organic matter control technology, the biological filter bed, to process the Company’s VOCs of odor substance or organic compounds. Comply with the “Volatile Organic Compounds Air Pollution Control and Emission Standards”.

3. Social responsibility for keeping improving the environmental impacts and reduction of pollution and waste:

The Company commits itself to adjusting the production process to improve the non-hazardous waste water generated from production of UM. In 2016, the Company invested in a set of drying equipment engaged in separating the water and solid contained in the non-hazardous waste water generated from production of UM. The liquid waste was processed by the waste water equipment of the plant, while the solid waste was disposed of and processed by the competent authority on behalf of the Company. Upon reviewing the performance of such drying equipment in 2018, the Company continued to invest in the drying equipment for the 2nd stage.

V. Relations between laborers and employer

- (I) The Company's employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee benefit plans:

In order to provide the employees with welfare, the Company contributes the welfare fund pursuant to laws, and have the representatives of laborers and employer form the Workers' Welfare Committee in charge of disbursement of the welfare fund and implementation of the following measures: (1) Domestic/overseas travel for employees; (2) Season and festival gifts to employees; (3) Marriage, funeral and festive subsidy for employees; (4) Allowance and subsidy for employees' injury, sickness and hospitalization; (5) Birthday celebration for employees; (6) Purchase of the sport facilities for table tennis, billiard balls and basketballs, et al.; (7) Subsidy for various club activities.

2. Continuing education and training of employees:

A. The Company establishes the educational training regulations and drafts the annual educational training plan to upgrade the quality of human resource and enhance employees' knowledge and skills required for their duties. The Company organizes the internal and external training per the need for training from various departments each year.

B. Status of the Company's educational training in 2018:

Number of person	Hours	Expenses incurred
2,305 persons	6,555 hours	809 thousand

3. Certificates and qualifications designated by the competent authority as acquired by the staff involved in financial transparency work:

2 internal auditors and 2 financial managers.

4. Retirement system:

In response to implementation of the pension act under the new system, the Company contributes 6% of the salary per laborer to the Bureau of Labor Insurance according to the Labor Pension Act on a monthly basis.

The Company's regulations governing managerial officers' retirement were approved by the Board of Directors on February 19, 2003, and reported to the shareholders' meeting on June 18, 2003. The Company contributes 8% of the total salary per managerial officer as the reserve fund for pension on a monthly basis.

The employees of subsidiaries in China pay the insurance premium according to the social insurance systems defined by various local governments.

5. Labor-management agreement:
The labor-management coordination meeting is held on a quarterly basis. Both of the laborers and management may negotiate with each other to create a win-win situation at the meeting.
 6. Code of conduct and ethics for employees:
The Company has established the work rules and management regulations for employees to enable the employees to better understand their right and obligation. Meanwhile, the Company demands that each employee should sign the “Letter of Undertaking” when he/she is hired, which expressly states that when holding a position in the Company, the employee shall not act against the Company’s rules or embezzle the Company’s financial fund or loans, or engage in any other illegal activities that cause loss to the Company.
 7. Measures for preserving employees' interests and rights:
The Company has set up the opinion mailbox for employees, which is handled by the dedicated staff who completely respect the employees’ interest and right to state their own opinions.
- (II) Any loss sustained as a result of labor disputes during the most recent year and up to the date of publication of the annual report, and an estimate of losses incurred to date or likely to be incurred in the future, and the responsive measures:
1. No labor dispute or loss has arisen or sustained during the most recent year and up to the date of publication of the annual report.
 2. The Company respects employees’ interest and right in work and leads the employees to perform their routine duties under the humanized management model. In the meantime, the Company also establishes various work response mechanisms, e.g. proposal of motions, labor-management meetings and monthly meetings, et al., and maintains fair communication channels with employees.

VI. Important contracts

Nature of Contract	Principal	Duration of Contract	Main Contents	Restrictive Clauses
Long-term loan	Bank of Taiwan	May 2017 ~ May 2020	Long-term loan	Per the contract
Long-term loan	Mega Bank	March 2017 ~ March 2022	Long-term loan	Per the contract
Long-term loan	CHB	May 2017 ~ May 2022	Long-term loan	Per the contract

Six. Overview of Finance

I. Condensed financial information for the past five years

(I) Condensed balance sheet

Unit: NTD thousand

Item \ Year		Financial information for the past five years (Note 1)					Ending on March 31, 2019 Financial information (Audited by the CPAs)
		2018	2017	2016	2015	2014	
Current assets		2,028,103	2,074,044	1,918,087	1,860,269	2,628,718	2,001,898
Property, plant and equipment		890,423	954,162	794,673	826,566	794,244	872,165
Intangible assets		4,247	4,710	2,558	3,196	4,673	3,752
Other assets		60,338	41,013	110,312	46,174	105,860	80,991
Total assets		2,983,111	3,073,929	2,825,630	2,736,205	3,533,495	2,958,806
Current liabilities	Before distribution	1,451,871	1,493,270	1,321,263	1,156,856	1,933,580	1,402,520
	After distribution	Note 2	1,542,964	1,370,957	1,256,244	1,993,213	N/A.
Noncurrent liabilities		149,584	167,561	73,860	109,186	139,899	144,738
Total liabilities	Before distribution	1,601,455	1,660,831	1,395,123	1,266,042	2,073,479	1,547,258
	After distribution	Note 2	1,710,525	1,444,817	1,365,430	2,133,112	N/A.
Equity attributed to the owner of parent company		1,381,656	1,413,098	1,430,507	1,470,163	1,396,521	1,411,548
Capital		993,880	993,880	993,880	993,880	1,023,880	993,880
Capital surplus		98,017	98,017	98,017	98,017	101,808	98,017
Retained earnings	Before distribution	291,928	331,255	318,246	344,402	279,756	317,615
	After distribution	Note 2	281,561	268,552	245,014	220,123	N/A.
Other equity		(2,169)	(10,054)	20,364	33,864	24,868	2,036
Treasury stock		-	-	-	-	(33,791)	-
Non-controlling equity		-	-	-	-	63,495	-
Total equity	Before distribution	1,381,656	1,413,098	1,430,507	1,470,163	1,460,016	1,411,548
	After distribution	Note 2	1,363,404	1,380,813	1,370,775	1,400,383	N/A.

Note 1: The financial information adopted IFRSs.

Note 2: The motion for 2018 earnings distribution is pending resolution by the shareholders' meeting.

(II) Condensed consolidated statement of comprehensive income

Unit: NTD thousand (except EPS at NT\$)

Item \ Year	Financial information for the past five years (Note 1)					Ending on March 31, 2019 Financial information (Audited by the CPAs)
	2018	2017	2016	2015	2014	
Operating Revenue	3,675,769	3,325,124	3,007,333	3,361,317	4,492,846	707,529
Gross profit	442,567	466,076	549,782	671,176	583,654	133,602
Operating income	73,902	112,011	178,783	196,472	105,902	35,949
Non-operating revenue and expenditure	(19,737)	(5,612)	(62,713)	(16,121)	(17,330)	3,409
Net profits before tax	54,165	106,399	116,070	180,351	88,572	39,358
Income from continuing operations before income tax	10,367	62,703	73,232	119,911	56,780	25,687
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss)	10,367	62,703	73,232	119,911	56,780	25,687
Other comprehensive income (net after tax)	7,885	(30,418)	(13,500)	7,138	26,492	4,205
Total comprehensive income	18,252	32,285	59,732	127,129	83,272	29,892
Net income attributed to the owner of parent company	10,367	62,703	73,232	124,279	74,293	25,687
Net income attributed to the non-controlling equity	-	-	-	(4,288)	(17,513)	-
Total comprehensive income attributed to the owner of parent company	18,252	32,285	59,732	133,275	98,551	29,892
Total comprehensive income attributed to the non-controlling equity	-	-	-	(6,146)	(15,279)	-
Earnings per share	0.10	0.63	0.74	1.25	0.75	-

Note 1: The financial information adopted IFRSs.

(III) Condensed entity balance sheet

Unit: NTD thousand

Year		Financial information for the past five years (Note 1)				
		2018	2017	2016	2015	2014
Current assets		762,835	894,683	696,876	652,327	854,593
Property, plant and equipment		648,268	687,383	506,886	513,141	481,104
Intangible assets		1,283	1,377	1,943	2,338	4,565
Other assets		992,072	952,416	1,036,544	992,591	916,290
Total assets		2,404,458	2,535,859	2,242,249	2,160,397	2,256,552
Current liabilities	Before distribution	897,102	973,231	749,498	594,526	726,499
	After distribution	Note 2	1,022,925	799,192	693,914	786,132
Noncurrent liabilities		125,700	149,530	62,244	95,708	133,532
Total liabilities	Before distribution	1,022,802	1,122,761	811,742	690,234	860,031
	After distribution	Note 2	1,172,455	861,436	789,622	919,664
Equity attributed to the owner of parent company		1,381,656	1,413,098	1,430,507	1,470,163	1,396,521
Capital		993,880	993,880	993,880	993,880	1,023,880
Capital surplus		98,017	98,017	98,017	98,017	101,808
Retained earnings	Before distribution	291,928	331,255	318,246	344,402	279,756
	After distribution	Note 2	281,561	268,552	245,014	220,123
Other equity		(2,169)	(10,054)	20,364	33,864	24,868
Treasury stock		-	-	-	-	(33,791)
Non-controlling equity		-	-	-	-	-
Total equity	Before distribution	1,381,656	1,413,098	1,430,507	1,470,163	1,396,521
	After distribution	Note 2	1,363,404	1,380,813	1,370,775	1,336,888

Note 1: The financial information adopted IFRSs.

Note 2: The motion for 2018 earnings distribution is pending resolution by the shareholders' meeting.

(IV) Condensed entity statement of comprehensive income

Unit: NTD thousand (except EPS at NT\$)

Item \ Year	Financial information for the past five years (Note 1)				
	2018	2017	2016	2015	2014
Operating Revenue	1,722,183	1,701,576	1,457,822	1,502,699	1,973,556
Gross profit	117,321	172,961	184,649	194,186	169,701
Operating income	(18,191)	27,620	35,640	54,204	36,898
Non-operating revenue and expenditure	32,751	42,165	43,288	81,375	45,976
Net profits before tax	14,560	69,785	78,928	135,579	82,874
Income from continuing operations before income tax	10,367	62,703	73,232	124,279	74,293
Loss from discontinued operations	-	-	-	-	-
Net profit (loss)	10,367	62,703	73,232	124,279	74,293
Other comprehensive income (net after tax)	7,885	(30,418)	(13,500)	8,996	24,258
Total comprehensive income	18,252	32,285	59,732	133,275	98,551
Net income attributed to the owner of parent company	10,367	62,703	73,232	124,279	74,293
Net income attributed to the non-controlling equity	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	18,252	32,285	59,732	133,275	98,551
Total comprehensive income attributed to the non-controlling equity	-	-	-	-	-
Earnings per share	0.10	0.63	0.74	1.25	0.75

Note 1: The financial information adopted IFRSs.

Names and audit opinions of the CPAs for the most recent five years:

Year	Name of CPAs Firm	Name of CPA	Audit Opinion
2014	Deloitte Taiwan	Chiang Shu Ching and Cheng Te Jun	Unqualified opinion
2015	Deloitte Taiwan	Chiang Shu Ching and Cheng Te Jun	Unqualified opinion
2016	Deloitte Taiwan	Chiang Shu Ching and Cheng Te Jun	Unqualified opinion
2017	Deloitte Taiwan	Chiang Shu Ching and Wu Li Tung	Unqualified opinion
2018	Deloitte Taiwan	Chiang Shu Ching and Wu Li Tung	Unqualified opinion

II. Financial analysis for the past five years:

(I) Financial analysis - consolidated financial statements

Analysis items \ Year		Financial analysis for the most recent five years (Note 1)					Variance for the most recent two years (%)	Ending on March 31, 2019	Remark
		2018	2017	2016	2015	2014			
Financial structure(%)	Ratio of liabilities to assets	53.68	54.02	49.37	46.26	58.68	-0.63	52.29	
	Ratio of long-term capital to property, plant and equipment	171.96	165.65	189.30	191.07	201.43	3.81	178.44	
Solvency %	Current ratio	139.68	138.89	145.17	160.80	135.95	0.57	142.74	
	Quick ratio	91.86	94.18	101.50	114.89	97.17	-2.46	90.29	
	Interest coverage ratio	3.84	7.56	9.89	8.42	3.23	-49.21	8.37	A
Operational ability	Receivables turnover (counts)	3.42	3.40	3.17	2.73	2.92	0.59	2.67	
	Average cash collection days	106.72	107.35	115.14	133.69	125.00	-0.59	136.84	
	Inventory turnover (counts)	4.74	4.59	4.43	4.20	5.46	3.27	3.19	
	Payables turnover (counts)	8.46	7.92	8.29	7.45	7.05	6.82	6.27	
	Average inventory turnover days	77.00	79.52	82.39	86.90	66.84	-3.17	114.58	
	Property, plant and equipment turnover (counts)	3.98	3.80	3.7	4.14	5.60	4.74	3.14	
	Total assets turnover (counts)	1.21	1.12	1.08	1.07	1.23	8.04	0.94	
Profitability	Return on assets (%)	0.84	2.58	3.02	4.47	2.47	-67.44	3.98	A
	Return on equity (%)	0.74	4.41	5.04	8.19	3.82	-83.22	7.28	A
	Income before tax/paid-in capital (%)	5.44	10.70	11.67	18.14	8.65	-49.16	15.84	A
	Net profit margin (%)	0.28	1.88	2.43	3.56	1.26	-85.11	3.63	A
	Earnings per share (NT\$)	0.10	0.63	0.74	1.25	0.75	-84.13	0.26	A
Cash flow	Cash flow ratio (%)	2.74	-1.75	20.48	44.03	4.07	-256.57	3.19	B
	Cash flow adequacy ratio (%)	103.60	99.28	170.24	114.05	30.58	4.35	120.31	
	Cash reinvestment ratio (%)	-0.34	-2.69	6.36	16.76	1.03	-87.36	1.53	B
Leverage	Operating leverage	4.15	3.06	2.32	2.14	1.27	35.62	2.74	C
	Financial leverage	1.34	1.16	1.07	1.14	1.59	15.52	1.17	

Please explain the reasons for changes in each financial ratio by more than 20% during the most recent two years:

- Primarily a result of the price war among peer companies and fluctuation of raw materials & supplies price and foreign exchange rate resulting in the decrease in profit and increase in loans, thereby resulting in the increase in interest expenses in 2018.
- Primarily a result of the better receipts and upgrading of utilization efficiency of assets generating the net cash inflow from operating activities in 2018, while it was still impossible to cover the cash dividend.
- Primarily a result of the increase in operating revenue, and the price war among peer companies and fluctuation of raw materials & supplies price and foreign exchange rate resulting in the decrease in operating income in 2018.

Note 1: The financial information adopted IFRSs.

Note 2: The formula about the financial analysis:

1. Financial structure

(1) Ratio of assets to liabilities=Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant and equipment=(Total equity+Noncurrent liabilities)/Property, plant and equipment, net.

2. Solvency
 - (1) Current ratio=Current assets/Current liabilities.
 - (2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liabilities.
 - (3) Interest coverage ratio=Income tax and income before interest expenses/Current interest expenses.
3. Operational ability
 - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/Balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
 - (2) Average cash collection days=365/Receivables turnover.
 - (3) Inventory turnover=Cost of goods sold/Average inventory.
 - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = Net sales/Balance of average accounts payable (including accounts payable and notes payable resulting from operation).
 - (5) Average inventory turnover days=365/Inventory turnover.
 - (6) Property, plant and equipment turnover=Net sales/Average property, plant and equipment, net.
 - (7) Total assets turnover=Net sales/Average total assets.
4. Profitability
 - (1) Return on assets=[Profit or loss after tax+Interest expenses × (1- tax rate)]/Average total assets.
 - (2) Return on equity=Profit or loss after tax+Average total equity.
 - (3) Net profit margin=Profit or loss after tax/Net sales.
 - (4) Earnings per share=(Income attributed to the owner of parent company-Preferred stock dividend)/Weighted average number of outstanding shares. (Note 3)
5. Cash flow
 - (1) Cash flow ratio =Net cash flow from operating activities/Current liabilities.
 - (2) Net cash flow adequacy ratio=Net cash flow from operating activities during the most recent five years/(Capital expenses+Increase in inventory+Cash dividends) during the most recent five years.
 - (3) Cash reinvestment ratio=(Net cash flow from operating activities-Cash dividends)/(Gross property, plant and equipment+Long-term investments+Other noncurrent assets+working capital). (Note 4)
6. Leverage:
 - (1) Operating leverage=(Net operating revenues-Variable operating costs and expenses)/Operating profit (Note 5)
 - (2) Financial leverage=Operating profit/(Operating profit-Interest expenses).

Note 3: When calculating the earnings per share referred to in the preceding paragraph, please note that:

1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In the case of capital increase or treasury stock transactions, the calculation shall take the period of circulation into account when calculating the weighted average number of outstanding shares.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the income after tax or add the loss after tax. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the income after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.

Note 4: Cash flow analyses shall take the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 5: The issuer is required to classify operating costs and expenses between fixed and variable portions. Any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

(II) Financial analysis - Entity financial statements under IFRSs

Analysis items		Year	Financial analysis for the most recent five years (Note 1)					Variance for the most recent two years (%)	Remark
			2018	2017	2016	2015	2014		
Financial structure(%)	Ratio of liabilities to assets		42.53	44.27	36.20	31.95	38.11	-3.93	
	Ratio of long-term capital to property, plant and equipment		232.52	227.33	294.49	305.15	318.03	2.28	
Solvency %	Current ratio		85.03	91.92	92.97	109.72	117.63	-7.50	
	Quick ratio		51.49	56.55	53.73	68.37	77.76	-8.95	
	Interest coverage ratio		2.59	9.48	16.84	26.09	16.96	-72.68	A
Operational ability	Receivables turnover (counts)		3.89	3.99	4.10	3.88	4.33	-2.48	
	Average cash collection days		93.83	91.47	89.02	94.07	84.29	2.58	
	Inventory turnover (counts)		4.66	4.58	4.49	4.60	5.71	1.75	
	Payables turnover (counts)		6.20	5.52	5.97	6.72	7.05	12.32	
	Average inventory turnover days		78.32	79.69	81.29	79.35	63.92	-1.72	
	Property, plant and equipment turnover (counts)		2.57	2.84	2.85	3.02	4.14	-9.51	
	Total assets turnover (counts)		0.69	0.71	0.66	0.68	0.89	-2.82	
Profitability	Return on assets (%)		0.71	2.91	3.51	5.83	3.53	-75.60	A
	Return on equity (%)		0.74	4.41	5.04	8.67	5.40	-83.22	A
	Income before tax/paid-in capital (%)		1.46	7.02	7.94	13.64	8.09	-79.20	A
	Net profit margin (%)		0.60	3.68	5.02	8.27	3.76	-83.70	A
	Earnings per share (NT\$)		0.10	0.63	0.74	1.25	0.75	-84.13	A
Cash flow	Cash flow ratio (%)		8.54	-4.23	9.40	34.35	5.86	-301.89	B
	Cash flow adequacy ratio (%)		63.64	41.21	74.61	81.22	38.78	54.43	B
	Cash reinvestment ratio (%)		1.16	-3.93	-1.32	6.98	-0.33	-129.52	B
Leverage	Operating leverage		-5.45	5.11	4.05	2.69	4.61	-206.65	C
	Financial leverage		0.66	1.42	1.16	1.11	1.16	-53.52	D

Please explain the reasons for changes in each financial ratio by more than 20% during the most recent two years:

- A. Primarily a result of the price war among peer companies and fluctuation of raw materials & supplies price and foreign exchange rate resulting in the decrease in profit and increase in loans, thereby resulting in the increase in interest expenses in 2018.
- B. Primarily a result of the better receipts and reduction of inventory generating higher net cash inflow from operating activities in 2018.
- C. Primarily a result of the increase in operating revenue, and the price war among peer companies and fluctuation of raw materials & supplies price and foreign exchange rate resulting in the operating loss in 2018.

Note 1: The financial information adopted IFRSs.

Note 2: The formula about the financial analysis:

1. Financial structure

(1) Ratio of assets to liabilities=Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant and equipment=(Total equity+Noncurrent liabilities)/Property, plant and equipment, net.

2. Solvency
 - (1) Current ratio=Current assets/Current liabilities.
 - (2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liabilities.
 - (3) Interest coverage ratio=Income tax and income before interest expenses/Current interest expenses.
3. Operational ability
 - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/Balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
 - (2) Average cash collection days=365/Receivables turnover.
 - (3) Inventory turnover=Cost of goods sold/Average inventory.
 - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = Net sales/Balance of average accounts payable (including accounts payable and notes payable resulting from operation).
 - (5) Average inventory turnover days=365/Inventory turnover.
 - (6) Property, plant and equipment turnover=Net sales/Average property, plant and equipment, net.
 - (7) Total assets turnover=Net sales/Average total assets.
4. Profitability
 - (1) Return on assets=[Profit or loss after tax+Interest expenses × (1- tax rate)]/Average total assets.
 - (2) Return on equity=Profit or loss after tax+Average total equity.
 - (3) Net profit margin=Profit or loss after tax/Net sales.
 - (4) Earnings per share=(Income attributed to the owner of parent company-Preferred stock dividend)/Weighted average number of outstanding shares. (Note 3)
5. Cash flow
 - (1) Cash flow ratio =Net cash flow from operating activities/Current liabilities.
 - (2) Net cash flow adequacy ratio=Net cash flow from operating activities during the most recent five years/(Capital expenses+Increase in inventory+Cash dividends) during the most recent five years.
 - (3) Cash reinvestment ratio=(Net cash flow from operating activities-Cash dividends)/(Gross property, plant and equipment+Long-term investments+Other noncurrent assets+working capital). (Note 4)
6. Leverage:
 - (1) Operating leverage=(Net operating revenues-Variable operating costs and expenses)/Operating profit (Note 5)
 - (2) Financial leverage=Operating profit/(Operating profit-Interest expenses).

Note 3: When calculating the earnings per share referred to in the preceding paragraph, please note that:

1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In the case of capital increase or treasury stock transactions, the calculation shall take the period of circulation into account when calculating the weighted average number of outstanding shares.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the income after tax or add the loss after tax. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the income after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.

Note 4: Cash flow analyses shall take the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 5: The issuer is required to classify operating costs and expenses between fixed and variable portions. Any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

III. Supervisors' review report on latest financial statements

EVERMORE CHEMICAL INDUSTRY CO, LTD

Supervisor's Review Report

The Company's individual financial statement and consolidated financial statements prepared and submitted by the Board of Directors for 2018 have been audited, and determined as sufficient to appropriately reflect the Company's financial position, business results and cash flows by the accountants from Deloitte Touche Tohmatsu Limited, *i.e.* Jiang Shujing and Wu Lidong. The Audit Report together with the Business Report and earning distribution plan are determined as qualified after review by supervisors. Reports have been submitted in accordance with the provisions of Article 219 of the Taiwan's Company Act.

Best Regards

General Shareholders' Meeting of EVERMORE CHEMICAL INDUSTRY CO, LTD
for 2019

Supervisor: Liu Wei Tung

Supervisor: Lu Hui Pin

Supervisor: Su Yi Hsiu

March 21, 2019, Taiwan

IV.Latest financial statements

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Evermore Chemical Industry Co., Ltd.

By:

Wen-Chieh Ho
President

March 21, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Evermore Chemical Industry Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Evermore Chemical Industry Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the audit of the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Impairment Assessment of Accounts Receivable

The impairment assessment of accounts receivable is based on the management's consideration of the possibility of recovering accounts receivable and the provision for known issues. The impairment assessment of trade receivables is subject to the management's judgments and the balance of accounts receivable is significant. Therefore, the impairment assessment of accounts receivable was deemed to be one of the key audit matters. Refer to Notes 4, 5 and 7 to the accompanying consolidated financial statements for the accounting policies related to disclosures on accounts receivable.

Our key audit procedures performed in respect to impairment assessment of accounts receivable included the following:

1. We understood the corresponding management's allowance for impairment loss of trade receivables and tested the correctness of trade receivables aging report, along with the allowance provision for doubtful trade receivables amount.
2. We verified the collection of individual outstanding overdue receivables and confirmed the possibility of recovering the outstanding external payments to confirm the adequacy of bad debts.
3. We assessed the reasonableness of receivables recoverable ratio and previous year's bad debt write-offs based on the customer's historical payment to verify the reasonableness of the proposed bad debt policy.

Valuation of Inventories

Due to the frequent fluctuations in international crude oil prices, fierce market competition and rapid changes in the technology of the chemical industry, the impact of net realizable value on the financial statements is significant when the estimated inventory cost and net realizable value are low at the balance sheet date. Since the decision on net realizable value of the inventory involves more estimates and judgments, the inventory evaluation was deemed to be one of the key audit matters. Refer to Notes 4, 5 and 8 to the accompanying consolidated financial statements for the accounting policies related to disclosures on inventory.

Our key audit procedures performed in respect to valuation of inventories included the following::

1. We understood and tested whether management managed the inventory of normal and stagnant goods under appropriate control.
2. We obtained assessment data related to the lower of inventory cost and net realizable value prepared by the management, extracted the estimated selling price information to the most recent sales record, and assessed the basis and reasonableness of the management's estimated net realizable value.
3. We reviewed the inventory status and assessed the appropriateness of depreciation losses for obsolete or defective goods in inventory carried out at the end of the year.

Other Matter

We have also audited the parent company only financial statements of Evermore Chemical Industry Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 236,825	8	\$ 347,871	11
Notes receivable (Notes 4, 5 and 7)	136,458	5	165,180	5
Trade receivables from unrelated parties (Notes 4, 5 and 7)	799,508	27	734,800	24
Trade receivables from related parties, net (Notes 4, 5, 7 and 25)	92,886	3	95,999	3
Other receivables (Note 25)	19,589	1	16,989	1
Current tax assets (Notes 4 and 21)	8,079	-	5,696	-
Inventories (Notes 4, 5 and 8)	694,361	23	667,633	22
Other financial asset - current (Notes 4, 9, 15 and 26)	1,570	-	1,554	-
Prepayments (Notes 4 and 14)	38,240	1	38,165	1
Other current assets	<u>587</u>	<u>-</u>	<u>157</u>	<u>-</u>
Total current assets	<u>2,028,103</u>	<u>68</u>	<u>2,074,044</u>	<u>67</u>
NON-CURRENT ASSETS				
Investment accounted for using the equity method (Notes 4 and 11)	2,990	-	6,932	1
Property, plant and equipment (Notes 4, 12 and 26)	890,423	30	954,162	31
Investment properties, net (Notes 4 and 13)	1,393	-	1,542	-
Intangible assets (Note 4)	4,247	-	4,710	-
Deferred tax assets (Notes 4 and 21)	11,827	-	6,779	-
Prepayments for equipment	24,742	1	6,445	-
Refundable deposits	1,525	-	1,276	-
Long-term prepayments for lease (Notes 4 and 14)	<u>17,861</u>	<u>1</u>	<u>18,039</u>	<u>1</u>
Total non-current assets	<u>955,008</u>	<u>32</u>	<u>999,885</u>	<u>33</u>
TOTAL	<u>\$ 2,983,111</u>	<u>100</u>	<u>\$ 3,073,929</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Notes 15 and 26)	\$ 781,947	26	\$ 788,916	26
Short-term bills payable (Note 15)	129,975	5	149,907	5
Notes payable	97,998	3	101,806	3
Trade payables (Note 25)	278,609	9	285,698	9
Other payables (Notes 16 and 25)	105,876	4	110,303	4
Current tax liabilities (Notes 4 and 21)	12,561	1	11,430	1
Provisions - current (Notes 4 and 17)	808	-	1,435	-
Current portion of long-term bank borrowings (Notes 15 and 26)	34,664	1	34,664	1
Other current liabilities	<u>9,433</u>	<u>-</u>	<u>9,111</u>	<u>-</u>
Total current liabilities	<u>1,451,871</u>	<u>49</u>	<u>1,493,270</u>	<u>49</u>
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Notes 15 and 26)	82,085	3	116,749	4
Deferred tax liabilities (Notes 4 and 21)	67,005	2	50,334	1
Guarantee deposits	<u>494</u>	<u>-</u>	<u>478</u>	<u>-</u>
Total non-current liabilities	<u>149,584</u>	<u>5</u>	<u>167,561</u>	<u>5</u>
Total liabilities	<u>1,601,455</u>	<u>54</u>	<u>1,660,831</u>	<u>54</u>
EQUITY				
Ordinary shares - par value of NT\$10, authorized shares of 120,000 thousand shares, issued capital of 99,388 thousand shares	993,880	33	993,880	32
Capital surplus	98,017	3	98,017	3
Retained earnings				
Legal reserve	201,804	7	195,534	6
Special reserve	10,054	-	-	-
Unappropriated earnings	80,070	3	135,721	5
Other equity	<u>(2,169)</u>	<u>-</u>	<u>(10,054)</u>	<u>-</u>
Total equity	<u>1,381,656</u>	<u>46</u>	<u>1,413,098</u>	<u>46</u>
TOTAL	<u>\$ 2,983,111</u>	<u>100</u>	<u>\$ 3,073,929</u>	<u>100</u>

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

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
NET SALES REVENUES (Notes 4 and 25)	\$ 3,675,769	100	\$ 3,325,124	100
COST OF GOODS SOLD (Notes 8, 20 and 25)	<u>3,233,202</u>	<u>88</u>	<u>2,859,048</u>	<u>86</u>
GROSS PROFIT	<u>442,567</u>	<u>12</u>	<u>466,076</u>	<u>14</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	164,254	5	163,533	5
General and administrative expenses	115,013	3	113,036	4
Research and development expenses	74,124	2	77,496	2
Expected credit loss (Notes 4 and 7)	<u>15,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>368,665</u>	<u>10</u>	<u>354,065</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>73,902</u>	<u>2</u>	<u>112,011</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Share of loss of associates (Note 4)	(3,338)	-	(659)	-
Interest income	1,215	-	886	-
Other income	10,143	-	14,092	-
Foreign exchange gain (loss), net (Note 20)	(6,883)	-	184	-
Interest expenses (Note 20)	(19,057)	(1)	(16,203)	-
Other expenses	<u>(1,817)</u>	<u>-</u>	<u>(3,912)</u>	<u>-</u>
Total non-operating income and expenses	<u>(19,737)</u>	<u>(1)</u>	<u>(5,612)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	54,165	1	106,399	3
INCOME TAX EXPENSE (Notes 4 and 21)	<u>43,798</u>	<u>1</u>	<u>43,696</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>10,367</u>	<u>-</u>	<u>62,703</u>	<u>2</u>

(Continued)

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 10,611	-	\$ (36,522)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	<u>(2,726)</u>	<u>-</u>	<u>6,104</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>7,885</u>	<u>-</u>	<u>(30,418)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 18,252</u>	<u>-</u>	<u>\$ 32,285</u>	<u>1</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 0.10</u>		<u>\$ 0.63</u>	
Diluted	<u>\$ 0.10</u>		<u>\$ 0.63</u>	

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

(Concluded)

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company					Other Equity	
			Retained Earnings (Note 19)		Unappropriated Earnings (Note 21)	Exchange Differences on Translating Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus (Note 19)	Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2017	\$ 993,880	\$ 98,017	\$ 188,211	\$ -	\$ 130,035	\$ 20,364	\$ 1,430,507
Appropriation of 2016 earnings							
Legal reserve	-	-	7,323	-	(7,323)	-	-
Cash dividends distributed by the Company - NT\$0.5 per share	-	-	-	-	(49,694)	-	(49,694)
Net profit for the year ended December 31, 2017	-	-	-	-	62,703	-	62,703
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(30,418)	(30,418)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	62,703	(30,418)	32,285
BALANCE AT DECEMBER 31, 2017	993,880	98,017	195,534	-	135,721	(10,054)	1,413,098
Appropriation of 2017 earnings							
Legal reserve	-	-	6,270	-	(6,270)	-	-
Special reserve	-	-	-	10,054	(10,054)	-	-
Cash dividends distributed by the Company - NT\$0.5 per share	-	-	-	-	(49,694)	-	(49,694)
Net profit for the year ended December 31, 2018	-	-	-	-	10,367	-	10,367
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	7,885	7,885
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	10,367	7,885	18,252
BALANCE AT DECEMBER 31, 2018	\$ 993,880	\$ 98,017	\$ 201,804	\$ 10,054	\$ 80,070	\$ (2,169)	\$ 1,381,656

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

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 54,165	\$ 106,399
Adjustments for:		
Depreciation expenses	97,319	101,524
Amortization expenses	1,708	941
Expected credit loss	15,274	-
Reversal of impairment gain on trade receivables	-	(4,878)
Interest expenses	19,057	16,203
Interest income	(1,215)	(886)
Share of loss of associates	3,338	659
Gain on disposal of property, plant and equipment	(48)	(128)
Impairment loss recognized on non-financial assets	16,396	917
Gain on foreign exchange, net	(1,426)	(1,282)
Net changes in operating assets and liabilities		
Notes receivable	29,022	(49,003)
Trade receivables	(77,541)	(131,267)
Other receivables	(2,635)	3,503
Inventories	(42,942)	(92,098)
Prepayments	(75)	15,477
Other current assets	(1,173)	18,031
Notes payable	(3,808)	(34,568)
Trade payables	(7,046)	89,278
Other payables	(4,963)	(10,799)
Provisions	(627)	(45)
Other current liabilities	322	1,839
Cash generated from operations	93,102	29,817
Interest received	1,199	870
Interest paid	(19,274)	(15,756)
Income tax paid	(35,153)	(41,191)
Net cash generated from (used in) operating activities	39,874	(26,260)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(19,705)	(43,736)
Proceeds from disposal of property, plant and equipment	48	250
Increase in refundable deposits	(264)	(917)
Decrease in refundable deposits	54	149
Payments of intangible assets	(1,244)	(3,645)
Decrease in other financial assets	-	5,005
Increase in prepayments for equipment	(28,530)	(164,786)
Net cash used in investing activities	(49,641)	(207,680)

(Continued)

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 4,421,898	\$ 4,723,975
Repayments of short-term borrowings	(4,438,813)	(4,567,338)
Proceeds (repayments) from short-term bills payable	(19,932)	38
Proceeds from long-term borrowings	-	173,300
Repayments of long-term borrowings	(34,664)	(78,179)
Dividends paid to owners of the Company	<u>(49,694)</u>	<u>(49,694)</u>
Net cash generated from (used in) financing activities	<u>(121,205)</u>	<u>202,102</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>19,926</u>	<u>(59,409)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(111,046)	(91,247)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>347,871</u>	<u>439,118</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 236,825</u>	<u>\$ 347,871</u>

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

(Concluded)

EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Evermore Chemical Industry Co., Ltd. (the “Company”) was incorporated in 1989. The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) in 2002 after being traded on the Taipei Exchange (“TPEX”) since 2000.

The Company mainly engages in the manufacturing and selling of synthetic resin, synthetic chemistry and investment related business operations.

AICA Kogyo Company Limited (AICA) in Japan announced to acquire the shares of the Company through a tender offer on November 16, 2017. The expected date for commencement of payment was on January 5, 2018. AICA acquired 50.1% shares of the Company on January 16, 2018 and became the parent company.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 21, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Group’s accounting policies:

- 1) IFRS 9 “Financial Instruments” and related amendments

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

Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 347,871	\$ 347,871
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	1,012,968	1,012,968
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	1,554	1,554
Refundable deposits	Loans and receivables	Amortized cost	1,276	1,276

Notes receivable, trade receivables and other receivables that were classified as loans and receivables under IAS 39 are now classified as at amortized cost with an assessment of expected credit loss under IFRS 9.

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

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

When retrospectively applying IFRS 15 has no significant effect on the Group’s assets, liabilities and equity as of January 1, 2018.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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

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

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

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

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for identifying lease agreements and the accounting of lessor and lessee, and will supersede IAS 17 “Lease”, IFRIC 4 “Determining Whether an Arrangement Contains Lease” and a number of related interpretations.

Definition of a lease

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

The Group as lessee

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

The accounting of the Company as lessee is not expected to have a material impact.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	\$ 757	\$ (757)	\$ -
Prepayments for leases - non-current	17,861	(17,861)	-
Right-of-use assets	<u>-</u>	<u>18,618</u>	<u>18,618</u>
Total effect on assets	<u>\$ 18,618</u>	<u>\$ -</u>	<u>\$ 18,618</u>

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assessed that there would be no material impact of the initial application of other standards and the amendments to interpretations on its financial position and results of operations.

- c. New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and

- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

Before 2018, the fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the fair value on initial recognition. Starting from 2018, the fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition.

Refer to Note 10 and Table 5 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are recognized in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities are translated into the presentation currency - New Taiwan dollars. As follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period, income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, finished goods and merchandise. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When impairment loss is evaluated the entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increase.

When a group entity transacts with its associates, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are carried at cost. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in profit years. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at amortized cost.

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes and trade receivables at amortized cost, other receivables, other financial assets and refundable deposits) are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2017

Loans and receivables (including cash and cash equivalent, notes and trade receivables, other receivables, other financial assets, and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

2018

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

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life a financial instrument.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

Financial assets at amortized cost, such as cash and cash equivalents, notes and trade receivables, other receivables, other financial asset and refundable deposits are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For a financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversal. The amount of the reversal shall be recognized in profit or loss.

3) Derecognition of financial assets

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

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

Financial liabilities

1) Subsequent measurement

The financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Provision

Provision are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

2018

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

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

2017

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

1) Sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee and operating lease payments are recognized as expenses on a straight-line basis over the lease term.

Contingent rentals are recognized as expenses in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and petty cash	\$ 1,939	\$ 4,134
Checking accounts and demand deposits	219,147	323,113
Cash equivalent		
Time deposits with original maturities of less than 3 months	<u>15,739</u>	<u>20,624</u>
	<u>\$ 236,825</u>	<u>\$ 347,871</u>
<u>Interest rate per annum (%)</u>		
Demand deposits	0.01-0.48	0.01-0.35
Time deposits	2	1.32

7. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
Notes receivable - operating	\$ 136,458	\$ 165,180
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 136,458</u>	<u>\$ 165,180</u>

	December 31	
	2018	2017
<u>Trade receivables - unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 850,254	\$ 785,827
Less: Allowance for impairment loss	<u>(50,746)</u>	<u>(51,027)</u>
	<u>\$ 799,508</u>	<u>\$ 734,800</u>

Trade receivables - related parties

At amortized cost		
Gross carrying amount	\$ 110,359	\$ 97,044
Less: Allowance for impairment loss	<u>(17,473)</u>	<u>(1,045)</u>
	<u>\$ 92,886</u>	<u>\$ 95,999</u>

a. Notes receivable

The aging of notes receivable was as follows:

	December 31	
	2018	2017
Not past due	\$ 136,458	\$ 165,180
Past due	<u>-</u>	<u>-</u>
	<u>\$ 136,458</u>	<u>\$ 165,180</u>

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

b. Trade receivables

In 2018

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
Expected credit loss rate	0%-1%	0%-20%	5%-50%	100%	
Gross carrying amount	\$ 861,323	\$ 27,436	\$ 17,864	\$ 53,990	\$ 960,613
Loss allowance (Lifetime ECL)	<u>(7,963)</u>	<u>(1,723)</u>	<u>(4,543)</u>	<u>(53,990)</u>	<u>(68,219)</u>
Amortized cost	<u>\$ 853,360</u>	<u>\$ 25,713</u>	<u>\$ 13,321</u>	<u>\$ -</u>	<u>\$ 892,394</u>

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

	For the Year Ended December 31 2018
Balance, beginning of period (IAS 39)	\$ 52,072
Adjustment on initial application of IFRS 9	<u>-</u>
Balance, beginning of period (IFRS 9)	52,072
Add: Net remeasurement of loss allowance	15,274
Loss: Amounts written off	(335)
Foreign exchange gains and losses	<u>1,208</u>
Balance, end of period	<u>\$ 68,219</u>

In 2017

The average credit period on sales of goods was 30-90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized that it is on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

The aging of receivables was as follows:

	December 31, 2017
Up to 60 days	\$ 529,955
61-90 days	152,366
91-120 days	55,422
Over 120 days	<u>145,128</u>
	<u><u>\$ 882,871</u></u>

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

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

	December 31, 2017
Up to 60 days	\$ 95,963
61-90 days	<u>371</u>
	<u><u>\$ 96,334</u></u>

The above aging schedule was based on the number of past due days from the end of credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 11,897	\$ 91,725	\$ 103,622
Add: Impairment losses recognized on receivables	363	1,006	1,369
Less: Impairment losses reversed	(2,625)	(3,622)	(6,247)
Less: Amounts written off during the year as uncollectible	-	(40,548)	(40,548)
Foreign exchange translation gains and losses	<u>-</u>	<u>(6,124)</u>	<u>(6,124)</u>
Balance at December 31, 2017	<u><u>\$ 9,635</u></u>	<u><u>\$ 42,437</u></u>	<u><u>\$ 52,072</u></u>

These amounts mainly related to customers that were in severe financial difficulties. The Group did not hold any collateral over these balances.

8. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 323,185	\$ 314,014
Merchandise	91,257	79,752
Raw materials and supplies	267,937	267,319
Inventory in transit	<u>11,982</u>	<u>6,548</u>
	<u>\$ 694,361</u>	<u>\$ 667,633</u>

The nature of the cost of goods sold was as follows:

	For the Year Ended December 31	
	2018	2017
Cost of inventories sold	\$ 3,186,067	\$ 2,829,945
Inventory write-downs	16,396	917
Unallocated production overhead	<u>30,739</u>	<u>28,186</u>
	<u>\$ 3,233,202</u>	<u>\$ 2,859,048</u>

9. OTHER FINANCIAL ASSETS - CURRENT

The time deposits with original maturities over 3 months from the date of acquisition. For pledged assets information, refer to Note 26.

10. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

Investor	Investee	% of Ownership	
		December 31	
		2018	2017
The Company	NEOLITE INVESTMENTS LIMITED (NEOLITE)	100	100
	CHEM-MAT TECHNOLOGIES CO., LTD (CHEM-MAT)	100	100
	GIANT STAR TRADING CO., LTD (GIANT STAR)(Note)	100	100
	EVERMAT INVESTMENT LIMITED (EVERMAT)	-	100
CHEM-MAT	NEOTOP INVESTMENT LIMITED (NEOTOP)	100	100
GIANT STAR	NEOWIN INVESTMENT LIMITED (NEOWIN)	100	100
NEOTOP	TOPCO (SHANGHAI) CO., LTD (TOPCO)	100	100
NEOWIN	LEADERSHIP (SHANGHAI) CO., LTD (LEADERSHIP)	100	100

(Continued)

Investor	Investee	% of Ownership	
		December 31	
		2018	2017
NEOLITE	LIBERTY BELL INVESTMENTS LTD. (LIBERTY BELL)	100	100
LIBERTY BELL	POU CHIEN CHEMICAL CO.,LTD (POU CHIEN)	100	100

(Concluded)

Note: In April, 2018, GIANT STAR changed its organization type to a company limited by shares and changed its name to GIANT STAR TRADING CO., LTD.

Refer to Tables 5 and 6 following the notes to consolidated financial statements for the information on subsidiaries' places of incorporation and principal places of business.

GIANT STAR spent USD\$205 thousand and established NEOWIN in July 2017. At the same month NEOWIN spent USD200 thousand and transferred investment to LEADERSHIP at 100% shareholding ratio.

On March 2018, the board of directors resolved the liquidation of EVERMAT. The liquidation had been completed and \$820 thousand worth of asset was recovered in April 2018; thus, the related income and expenses were excluded from the consolidated statements of comprehensive income.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investee Company	December 31			
	2018		2017	
	Carrying Amount	Percentage of Ownership and Voting Rights	Carrying Amount	Percentage of Ownership and Voting Rights
<u>Unlisted Company</u>				
TOPWELL ELASTIC TECHNOLOGY CO., LTD (TOPWELL)	\$ 2,990	48%	\$ 6,932	48%

Refer to Table 5 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The share of profit or loss and other comprehensive income of investments in associates accounted for using the equity method for the years ended December 31, 2018 and 2017 were based on the associates' audited financial statements for the same years as those of the Company.

12. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2018						
	Balance, Beginning of Year	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance, End of Year
<u>Cost</u>						
Land	\$ 392,315	\$ -	\$ -	\$ -	\$ -	\$ 392,315
Buildings	557,118	2,822	-	3,641	6,197	569,778
Machinery and equipment	1,047,304	12,782	(1,613)	6,455	10,020	1,074,948
Transportation equipment	17,676	2,484	-	-	64	20,224
Other equipment	209,685	2,796	(102)	137	1,165	213,681
	<u>2,224,098</u>	<u>\$ 20,884</u>	<u>\$ (1,715)</u>	<u>\$ 10,233</u>	<u>\$ 17,446</u>	<u>2,270,946</u>
<u>Accumulated depreciation</u>						
Buildings	292,862	\$ 31,010	\$ -	\$ -	\$ 5,587	329,459
Machinery and equipment	827,610	48,670	(1,613)	-	8,712	883,379
Transportation equipment	14,629	960	-	-	66	15,655
Other equipment	134,835	16,530	(102)	-	767	152,030
	<u>1,269,936</u>	<u>\$ 97,170</u>	<u>\$ (1,715)</u>	<u>\$ -</u>	<u>\$ 15,132</u>	<u>1,380,523</u>
	<u>\$ 954,162</u>					<u>\$ 890,423</u>
Year Ended December 31, 2017						
	Balance, Beginning of Year	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance, End of Year
<u>Cost</u>						
Land	\$ 248,175	\$ -	\$ -	\$ 144,140	\$ -	\$ 392,315
Buildings	525,612	3,933	(86)	46,513	(18,854)	557,118
Machinery and equipment	1,020,831	28,522	(8,266)	30,919	(24,702)	1,047,304
Transportation equipment	16,708	-	(683)	1,899	(248)	17,676
Other equipment	202,154	7,480	(4,533)	7,435	(2,851)	209,685
	<u>2,013,480</u>	<u>\$ 39,935</u>	<u>\$ (13,568)</u>	<u>\$ 230,906</u>	<u>\$ (46,655)</u>	<u>2,224,098</u>
<u>Accumulated depreciation</u>						
Buildings	276,341	\$ 30,142	\$ (43)	\$ -	\$ (13,578)	292,862
Machinery and equipment	804,225	53,406	(8,192)	(543)	(21,286)	827,610
Transportation equipment	14,165	1,376	(683)	-	(229)	14,629
Other equipment	124,076	16,451	(4,528)	543	(1,707)	134,835
	<u>1,218,807</u>	<u>\$ 101,375</u>	<u>\$ (13,446)</u>	<u>\$ -</u>	<u>\$ (36,800)</u>	<u>1,269,936</u>
	<u>\$ 794,673</u>					<u>\$ 954,162</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	
Main buildings	25-50 years
Additional project	2-50 years
Others	5 years
Machinery and equipment	2-10 years
Transportation equipment	5 years
Other equipment	
Office equipment	2-10 years
Landscape gardening	15 years
Other	2-20 years

Property, plant and equipment pledged by the Group as collateral for bank borrowings is set out in Note 26.

13. INVESTMENT PROPERTIES, NET

	Balance, Beginning of Year	Additions	Balance, End of Year
<u>For the year ended December 31, 2018</u>			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>2,978</u>	<u>\$ 149</u>	<u>3,127</u>
	<u>\$ 1,542</u>		<u>\$ 1,393</u>
<u>For the year ended December 31, 2017</u>			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>2,829</u>	<u>\$ 149</u>	<u>2,978</u>
	<u>\$ 1,691</u>		<u>\$ 1,542</u>

The following items of investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings	
Main buildings	25 years

The management was unable to reliably measure the fair value of the Group's investment property located in Zhongli City, because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determines that the fair value of the investment property is not reliably measurable.

14. PREPAYMENTS FOR LEASE

	December 31	
	2018	2017
Current asset (classified as prepayments)	\$ 757	\$ 734
Non-current asset	<u>17,861</u>	<u>18,039</u>
	<u>\$ 18,618</u>	<u>\$ 18,773</u>

Prepaid lease payment includes land use right in mainland China and is recognized as annual expense on an average basis over 17 to 46 years. The leased lands were utilized to build manufacturing facilities, office buildings and employee dormitory facilities.

15. BORROWINGS

a. Short-term bank borrowings

	December 31	
	2018	2017
Credit borrowings	\$ 663,570	\$ 642,719
Secured borrowings	90,000	108,260
Usance letters of credit	<u>28,377</u>	<u>37,937</u>
	<u>\$ 781,947</u>	<u>\$ 788,916</u>

Rates of interest per annum (%)

Credit borrowings	1.28-2.89	1.28-2.89
Secured borrowings	1.38	1.38-6.10
Usance letter of credit	1.28-1.38	1.28-1.38

Refer to Note 26 for the bank borrowings secured by the Group's freehold land, buildings and other financial assets.

b. Short-term bills payable

	December 31	
	2018	2017
Commercial paper	\$ 130,000	\$ 150,000
Less: Unamortized discounts on bills payable	<u>(25)</u>	<u>(93)</u>
	<u>\$ 129,975</u>	<u>\$ 149,907</u>

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate (%)
<u>For the year ended December 31, 2018</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 13	\$ 69,987	0.84
International Bills Finance Corporation	<u>60,000</u>	<u>12</u>	<u>59,988</u>	1.04
	<u>\$ 130,000</u>	<u>\$ 25</u>	<u>\$ 129,975</u>	
<u>For the year ended December 31, 2017</u>				
Mega Bills Finance Co., Ltd.	\$ 80,000	\$ 43	\$ 79,957	1.04-1.06
International Bills Finance Corporation	<u>70,000</u>	<u>50</u>	<u>69,950</u>	1.04
	<u>\$ 150,000</u>	<u>\$ 93</u>	<u>\$ 149,907</u>	

c. Long-term bank borrowings

	December 31	
	2018	2017
<u>Secured borrowings</u>		
Due on May 2020	\$ 47,827	\$ 61,831
Due on May 2022	36,422	47,082
Due on March 2022	32,500	42,500
Less: Current portion	<u>(34,664)</u>	<u>(34,664)</u>
Long-term borrowings	<u>\$ 82,085</u>	<u>\$ 116,749</u>
Rates of interest per annum (%)	1.38-1.41	1.38-1.41

Refer to Note 26 for the borrowings secured by the Group's freehold land and buildings.

16. OTHER PAYABLES

	December 31	
	2018	2017
Payable for salaries and bonus	\$ 32,473	\$ 35,572
Payable for commissions	9,245	10,345
Payable for freight	8,197	7,682
Payable for employee's compensation and remuneration of directors and supervisors	2,756	6,826
Payable for purchase of equipment	2,518	1,339
Others	<u>50,687</u>	<u>48,539</u>
	<u>\$ 105,876</u>	<u>\$ 110,303</u>

17. PROVISIONS - CURRENT

The provision for sales returns and rebates is based on historical experience, management's judgments and other known reasons to estimate the product returns and rebates that may occur in the year. The provision is recognized as a reduction of sales in the year of the related goods sold.

18. RETIREMENT BENEFIT PLANS

The Company, CHEM-MAT and GIANT STAR of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Subsidiaries in China participate in social insurance schemes managed and coordinated by local government agencies. The plan is a system of determining the payment, and paying the pension insurance premium to the government in exchange for managing the social insurance plan, which is included in the current expense when the offer is made.

19. EQUITY

a. Capital surplus

	December 31	
	2018	2017
Issuance of common shares	\$ 70,860	\$ 70,860
Treasury share transactions	<u>27,157</u>	<u>27,157</u>
	<u>\$ 98,017</u>	<u>\$ 98,017</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

b. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 20-b.

The dividend policy considers the future operating expansion and capital expenditures meet the best capital budget and diluted earnings per share, and the annual allocated surplus accounts for at least 50% of the available surplus. Distribution of profits may also be made by way of cash dividend provided; however, the ratio of share dividend shall exceed 25% of total distribution.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June, 2018 and 2017, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share(NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 6,270	\$ 7,323		
Special reserve	10,054	-		
Cash dividends	49,694	49,694	\$ 0.5	\$ 0.5

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 21, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,037	
Special reserve reversed	(7,885)	
Cash dividends	14,908	\$ 0.15

The appropriations of earnings for 2018 are subject to the resolution of the shareholders in their meeting to be held on June 27, 2019.

20. NET PROFIT

- a. Employee benefits expense, depreciation and amortization expense

	Operating Costs	Operating Expenses	Total
<u>For the year ended December 31, 2018</u>			
Salaries expense	\$ 77,792	\$ 109,372	\$ 187,164
Labor and health insurance	5,158	6,128	11,286
Post-employment benefits			
Defined contribution plans	2,381	7,951	10,332
Other employee benefits	5,281	11,662	16,943
Depreciation expense	68,875	28,444	97,319
Amortization expense	150	1,558	1,708
<u>For the year ended December 31, 2017</u>			
Salaries expense	77,854	110,460	188,314
Labor and health insurance	5,066	5,877	10,943
Post-employment benefits			
Defined contribution plans	2,338	7,780	10,118
Other employee benefits	4,846	11,927	16,773
Depreciation expense	72,780	28,744	101,524
Amortization expense	145	796	941

- b. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of 3% to 5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 21, 2019 and March 23, 2018, respectively, as follows:

	For the Year Ended December 31	
	2018	2017
Employees' compensation (5%)	\$ 783	\$ 3,752
Remuneration of directors and supervisors (2%)	313	1,501

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 are available at the Market Observation Post System website of the Taiwan Stock Exchange.

c. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 58,759	\$ 24,060
Foreign exchange losses	<u>(65,642)</u>	<u>(23,876)</u>
Net gains (losses)	<u>\$ (6,883)</u>	<u>\$ 184</u>

21. TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 34,308	\$ 34,125
Income tax on unappropriated earnings	1,400	1,668
Adjustments for prior years	<u>(1,807)</u>	<u>3</u>
	<u>33,901</u>	<u>35,796</u>
Deferred tax		
In respect of the current year	208	7,900
Adjustments to deferred tax attributable to changes in tax rates and laws	7,882	-
Adjustments for prior years	<u>1,807</u>	<u>-</u>
	<u>9,897</u>	<u>7,900</u>
Income tax expense recognized in profit or loss	<u>\$ 43,798</u>	<u>\$ 43,696</u>

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	\$ 10,833	\$ 18,088
Nondeductible expenses in determining taxable income	24,862	23,465
Not recognized income in determining taxable income	(5,066)	(6,157)
Income tax on unappropriated earnings	1,400	1,668
Effect of different tax rate of group entities operating in other jurisdictions	3,887	6,874
Investment tax credits used	-	(245)
Adjustments for prior years' tax	-	3
Effect of tax change	<u>7,882</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 43,798</u>	<u>\$ 43,696</u>

In 2017, the applicable corporate income tax rate used by the group entities in the Republic of China ("ROC") was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

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

b. Deferred tax assets and liabilities

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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>For the year ended December 31, 2018</u>				
Deferred tax assets				
Temporary differences				
Write-downs of inventory	\$ 3,074	\$ 478	\$ -	\$ 3,552
Exchange differences on translating the financial statements of foreign operations	1,151	-	1,157	2,308
Investment accounted for using the equity method	-	897	-	897
Others	<u>2,554</u>	<u>1,236</u>	<u>-</u>	<u>3,790</u>
	6,779	2,611	1,157	10,547
Tax losses	<u>-</u>	<u>1,280</u>	<u>-</u>	<u>1,280</u>
	<u>\$ 6,779</u>	<u>\$ 3,891</u>	<u>\$ 1,157</u>	<u>\$ 11,827</u>
Deferred tax liabilities				
Temporary differences				
Investment accounted for using the equity method	\$ 32,796	\$ 7,894	\$ -	\$ 40,690
Exchange differences on translating the financial statements of foreign operations	43	-	2,883	2,926
Others	<u>17,495</u>	<u>5,894</u>	<u>-</u>	<u>23,389</u>
	<u>\$ 50,334</u>	<u>\$ 13,788</u>	<u>\$ 2,883</u>	<u>\$ 67,005</u>

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>For the year ended December 31, 2017</u>				
Deferred tax assets				
Temporary differences				
Write-downs of inventory	\$ 2,830	\$ 244	\$ -	\$ 3,074
Exchange differences on translating the financial statements of foreign operations	1,012	-	139	1,154
Others	<u>3,490</u>	<u>(936)</u>	<u>-</u>	<u>2,554</u>
	<u>\$ 7,332</u>	<u>\$ (692)</u>	<u>\$ 139</u>	<u>\$ 6,779</u>
Deferred tax liabilities				
Temporary differences				
Investment accounted for using the equity method	\$ 32,049	\$ 747	\$ -	\$ 32,796
Exchange differences on translating the financial statements of foreign operations	6,133	-	(6,090)	43
Others	<u>11,034</u>	<u>6,461</u>	<u>-</u>	<u>17,495</u>
	<u>\$ 49,216</u>	<u>\$ 7,208</u>	<u>\$ (6,090)</u>	<u>\$ 50,334</u>

c. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised for CHEN-MAT:

Unused Amount	Expiry Year
\$ 6,400	117

d. Income tax assessments

Income tax returns of the Company and Giant Star through 2015, and Chem-Mat through 2016 have been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Shares (NT\$)
<u>For the year ended December 31, 2018</u>			
Basic earnings per share			
Profit for the period attributable to owners of the Company	\$ 10,367	99,388	<u>\$ 0.10</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>108</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 10,367</u>	<u>99,496</u>	<u>\$ 0.10</u>

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Shares (NT\$)
<u>For the year ended December 31, 2017</u>			
Basic earnings per share			
Profit for the period attributable to owners of the Company	\$ 62,703	99,388	<u>\$ 0.63</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>261</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 62,703</u>	<u>99,649</u>	<u>\$ 0.63</u>

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

23. CAPITAL MANAGEMENT

The Group manages their capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group regularly review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Financial instruments carried at fair value

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable as follows:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 inputs are unobservable inputs for the asset or liability

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

2) Financial instruments not carried at fair value

The fair value of financial assets and financial liabilities is determined in the following:

- a) The fair value of short-term financial instruments is estimated by their book value on the balance sheet for the carrying amount at the end of reporting period because the maturity date is close to the reporting date or the payment price is similar to the carrying amount. The book value should be a reasonable basis for the estimated fair value. This method is applied to cash and cash equivalents, notes and trade receivables, other receivables, other financial assets, refundable deposits, short-term loans, short-term bills payable, other payables and guarantee deposits received.
- b) The fair value of long-term borrowings (including current portion) is determined using the discounted value of future cash flows. If the Company's long-term borrowings rate is a floating rate, the book value is equal to the fair value.

b. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 1,288,361	\$ -
Loans and receivables (Note 2)	-	1,363,669

Financial liabilities

Financial liabilities at amortized cost (Note 3)	1,511,648	1,588,521
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Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other receivables, other financial asset and refundable deposits.

Note 2: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other receivable, other financial assets and refundable deposits.

Note 3: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables, other payables and long-term borrowings (including current portion).

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk

The Groups have foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Group's sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period. A positive number below indicates an increase in post-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and the balances below would be negative.

	<u>For the Year Ended December 31</u>	
	2018	2017
NTD:USD	\$ 2,547	\$ 2,699
RMB:USD	3,276	4,011
NTD:RMB	386	709

The sensitivity rate used by the Group when reporting foreign currency risk internally to key management personnel is 1%, which represents management's assessment of the reasonably possible change in foreign exchange rates.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

Interest rate risk

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

	<u>December 31</u>	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 17,309	\$ 67,136
Financial liabilities	390,880	450,726
Cash flow interest rate risk		
Financial assets	219,056	278,072
Financial liabilities	637,791	639,510

Sensitivity analysis

If interest rate had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease/increase by \$1,047 thousand and \$904 thousand, respectively.

2) Credit risk

The Group's transactions are targeted at reputable financial and securities institutions, and it also transacts with a number of financial institutions to spread the risks, so the probability of default from contractual counterparty is very low; even if the other party defaults, the Group will not suffer significant loss.

The Group is required to go through the credit confirmation procedure only after it has dealt with the approved third party, and the policy of the Group is to conduct credit transactions with the customer, and to regularly assess the possibility of recovering the receivables while providing appropriate allowances for doubtful debts, so the Group doesn't expect the possibility of major losses.

3) Liquidity risk

The Group has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities, obtaining the loan commitment, and continuously monitoring forecasted and actual cash flows as well as the maturity profiles of financial assets and liabilities. As of December 31, 2018 and 2017, the Group had available unutilized bank loan facilities of \$394,503 thousand and \$533,644 thousand, respectively.

Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

To the extent that interest flows are at floating rate, the undiscounted amounts was derived from the interest rate curve at the end of the reporting period.

	December 31, 2018	
	Less Than 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>		
Non-interest bearing liabilities	\$ 482,483	\$ -
Variable interest rate liabilities	555,706	82,085
Fixed interest rate liabilities	<u>390,880</u>	<u>-</u>
	<u>\$ 1,429,069</u>	<u>\$ 82,085</u>

	December 31, 2017	
	Less Than 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>		
Non-interest bearing liabilities	\$ 497,807	\$ -
Variable interest rate liabilities	522,761	116,749
Fixed interest rate liabilities	<u>450,726</u>	<u>-</u>
	<u>\$ 1,471,294</u>	<u>\$ 116,749</u>

25. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Group and its related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
AICA	The Company's parent
PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Others (affiliated company of the Company's legal director) (Note)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Others (affiliated company of the Company's legal director) (Note)
TOPWELL	Associate

Note: On January 16, 2018, the director of the Company's legal person was dismissed for the transfer of shares more than one-half of the shares held at the time of election, and during the re-election at the shareholders' meeting on June 26, 2018, one director was elected.

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2018	2017
Sales	Others	\$ 109,489	\$ 69,640
	Associate	103,284	104,745
	Parent entity	9,895	-
	Fellow subsidiary	<u>617</u>	<u>-</u>
		<u>\$ 223,285</u>	<u>\$ 174,385</u>

The sales transactions of the Group to related parties are quoted based on the differences between the products and the acceptance of the market, and the credit period is from 60 days to 180 days.

c. Purchases of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2018	2017
Purchases of goods	Parent entity	\$ <u>5,823</u>	\$ <u>-</u>

The purchase price and payment term between the Group and related parties were similar to those for third parties.

d. Receivables from related parties

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

Line Item	Related Party Category/Name	December 31	
		2018	2017
Net trade receivables	Associate		
	TOP WELL	\$ 68,877	\$ 88,252
	Others	16,871	7,747
	Parent entity	<u>7,138</u>	<u>-</u>
		<u>\$ 92,886</u>	<u>\$ 95,999</u>

The outstanding trade receivables from related parties were unsecured.

e. Payables to related parties

The following balances of trade payables from related parties were outstanding at the end of the reporting period.

Line Item	Related Party Category/Name	December 31	
		2018	2017
Payables	Parent entity	\$ <u>2,456</u>	\$ <u>-</u>
Other payables	Others	<u>252</u>	<u>260</u>

f. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 8,009	\$ 9,801
Post-employment benefits	<u>195</u>	<u>195</u>
	<u>\$ 8,204</u>	<u>\$ 9,996</u>

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2018	2017
Property, plant and equipment	\$ 265,672	\$ 275,515
Other financial assets - current	<u>1,570</u>	<u>1,554</u>
	<u>\$ 267,242</u>	<u>\$ 277,069</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2018 and 2017, unused letters of credit amounted to approximately US\$373 thousand and US\$485 thousand, respectively.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,178	30.715 (USD:NTD)	\$ 466,192
RMB	8,679	4.472 (RMB:NTD)	38,812
RMB	91,562	0.145597 (RMB:USD)	409,465
<u>Financial liabilities</u>			
Monetary items			
USD	6,886	30.715 (USD:NTD)	211,503
RMB	54	4.472 (RMB:NTD)	241
RMB	18,313	0.145597 (RMB:USD)	81,896

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,993	29.76 (USD:NTD)	\$ 594,992
RMB	15,926	4.565 (RMB:NTD)	72,702
RMB	103,979	0.153394 (RMB:USD)	474,664

Financial liabilities

Monetary items			
USD	10,923	29.76 (USD:NTD)	325,068
RMB	405	4.565 (RMB:NTD)	1,849
RMB	16,113	0.153394 (RMB:USD)	73,556

The Group is mainly exposed to the USD and RMB. The following information was aggregated by the functional currencies of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gain (losses) were as follows:

For the Year Ended December 31				
2018		2017		
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.149 (USD:NTD)	\$ (21,069)	30.432 (USD:NTD)	\$ 21,481
NTD	1 (NTD:NTD)	15,911	1 (NTD:NTD)	(19,405)
RMB	4.560 (RMB:NTD)	<u>(1,725)</u>	4.507 (RMB:NTD)	<u>(1,892)</u>
		<u>\$ (6,883)</u>		<u>\$ 184</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held. (None)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)

- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
 - 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (None)
 - 9) Trading in derivative instruments. (None)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 4)
 - 11) Information on investees. (Table 5)
- b. Information on investments in mainland China.
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 4)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 4)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's segment information is disclosed as follows:

- a. Segment revenues and results
- 1) Domestic operations - manufacturing and sales in Taiwan.
 - 2) Asia operations - manufacturing and sales in Asian countries except Taiwan.

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit	
	Year Ended December 31		Year Ended December 31	
	2018	2017	2018	2017
Domestic operations	\$ 1,420,773	\$ 1,428,673	\$ 29,370	\$ 94,582
Asia operations	<u>2,254,996</u>	<u>1,896,451</u>	<u>44,532</u>	<u>17,429</u>
Total for continuing operations	<u>\$ 3,675,769</u>	<u>\$ 3,325,124</u>	73,902	112,011
Share of loss of associates accounted for using the equity method			(3,338)	(659)
Interest income			1,215	886
Foreign exchange gain (loss), net			(6,883)	184
Interest expense			(19,057)	(16,203)
General income and benefits			10,143	14,092
General expenses and losses			<u>(1,817)</u>	<u>(3,912)</u>
Profit before tax			<u>\$ 54,165</u>	<u>\$ 106,399</u>

Segment revenue reported above represents the revenue generated from external customers. The inter-segment sales during the years ended December 31, 2018 and 2017 were \$500,148 thousand and \$502,149 thousand, respectively.

Segment profit represents the profit earned by each segment without share of loss of associates accounted for using the equity method, interest income, foreign exchange gain (loss), net, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2018	2017
<u>Segment assets</u>		
Domestic operations	\$ 1,724,016	\$ 1,920,820
Asia operations	1,242,708	1,137,844
Unallocated assets	<u>16,387</u>	<u>15,265</u>
Consolidated total assets	<u>\$ 2,983,111</u>	<u>\$ 3,073,929</u>
<u>Segment liabilities</u>		
Domestic operations	\$ 923,720	\$ 1,080,775
Asia operations	610,729	529,722
Unallocated liabilities	<u>67,005</u>	<u>50,334</u>
Consolidated total liabilities	<u>\$ 1,601,454</u>	<u>\$ 1,660,831</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
- 2) All liabilities were allocated to reportable segments other than deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

c. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products.

	For the Year Ended December 31	
	2018	2017
PU resin	\$ 2,754,414	\$ 2,516,308
Polyester polyol	195,630	186,256
Others	<u>725,725</u>	<u>622,560</u>
	<u>\$ 3,675,769</u>	<u>\$ 3,325,124</u>

d. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	For the Year Ended December 31	
	2018	2017
China (including Hong Kong)	\$ 2,327,808	\$ 2,401,975
Taiwan	453,395	409,206
Others	<u>894,566</u>	<u>513,943</u>
	<u>\$ 3,675,769</u>	<u>\$ 3,325,124</u>

e. Information about major customers

No other single customers contributed 10% or more to the Group's revenue for both 2018 and 2017.

TABLE 1

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Lender	Borrower (Note 1)	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	LIBERTY BELL	Other receivables	Yes	\$ 122,860 (USD 4,000)	\$ 122,860 (USD 4,000)	\$ -	(Note 3)	Necessary for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 138,166 (Note 4)	\$ 552,662 (Note 4)	
1	NEOLITE	LIBERTY BELL	Other receivables	Yes	92,145 (USD 3,000)	92,145 (USD 3,000)	49,144 (USD 1,600)	(Note 3)	Necessary for short-term financing	-	Operating capital	-	-	-	315,990 (Note 5)	315,990 (Note 5)	
		The Company	Other receivables	Yes	61,430 (USD 2,000)	61,430 (USD 2,000)	61,430 (USD 2,000)	(Note 3)	Necessary for short-term financing	-	Operating capital	-	-	-	315,990 (Note 5)	315,990 (Note 5)	

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: The ending balance amount has been approved by the board of directors.

Note 3: Interest rate according to bank loan contract.

Note 4: The loan and limit of the individual target and the total limit are respectively 10% of the net worth of the Company and cannot exceed the total monthly transaction amount in the most recent year and 40% of net worth of the Company.

Note 5: The loan and limit and total limit of individual funds are limited to 50% of the net worth of NEOLITE.

TABLE 2

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Company	LIBERTY BELL	Refer to Note 10 of consolidated financial statements	\$ 690,828 (Note)	\$ 464,325 (USD 15,000)	\$ 460,725 (USD 15,000)	\$ 363,156 (USD 11,823)	-	33.35%	\$ 967,159 (Note)	Y	-	-	

Note: The guarantee limit and maximum limit for individual entity are 50% and 70% of the net worth of the Company, respectively.

TABLE 3

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% of Total	
The Company	LIBERTY BELL	(Note 1)	Sale	\$ (198,804)	(12)	T/T 90 days	Note 3	-	\$ 29,363	7	
LIBERTY BELL	The Company	(Note 1)	Purchase	198,804	13	T/T 90 days	Note 3	-	(29,363)	(30)	
The Company	NEOLITE	(Note 1)	Sale	(189,291)	(11)	T/T 90-180 days	Note 3	-	46,169	11	
NEOLITE	The Company	(Note 1)	Purchase	189,291	100	T/T 90-180 days	Note 3	-	(46,169)	(60)	

Note 1: Refer to Note 10 to the consolidated financial statements.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Note 3: The price of sales transactions with related parties is quoted based on product differentiation and market condition.

TABLE 4

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Investee Company (Note)	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Company	NEOLITE	1	Trade receivables	\$ 46,169	T/T 90-180 days	2
		NEOLITE	1	Sales	189,291	T/T 90-180 days	5
		CHEM-MAT	1	Trade receivables	8,441	T/T 90 days	-
		CHEM-MAT	1	Sales	22,362	T/T 90 days	1
		LIBERTY BELL	1	Trade receivables	29,363	T/T 90 days	1
		LIBERTY BELL	1	Other receivables	11,145	-	-
		LIBERTY BELL	1	Sales	198,804	T/T 90 days	5
		LEADERSHIP	1	Trade receivables	15,039	T/T 180 days	1
		LEADERSHIP	1	Sales	18,218	T/T 180 days	-
		GIANT STAR	1	Other income	336	-	-
		LIBERTY BELL	2	Trade receivables	5,928	T/T 90 days	-
		LIBERTY BELL	2	Other receivables	49,480	-	2
1	NEOLITE	LIBERTY BELL	2	Other payables	3,614	-	-
		LIBERTY BELL	2	Sales	14,249	T/T 90 days	-
		LIBERTY BELL	2	Other income	3,085	-	-
		The Company	3	Other receivables	61,497	-	2
		TOPCO	2	Sales	3,100	T/T 90 days	-
		LEADERSHIP	2	Trade receivables	33,369	T/T 90 days	1
2	CHEM-MAT	LEADERSHIP	2	Sales	35,215	T/T 90 days	1
		The Company	3	Sales	319	T/T 90 days	-
		The Company	3	Trade receivables	778	T/T 90 days	-
		The Company	3	Sales	1,789	T/T 90 days	-
		TOPCO	2	Trade receivables	2,841	T/T 90 days	-
		TOPCO	2	Sales	6,070	T/T 90 days	-
3	GIANT STAR	CHEM-MAT	2	Trade receivables	278	T/T 90 days	-
		CHEM-MAT	2	Sales	363	T/T 90 days	-
		GIANT STAR	3	Sales	2,194	T/T 75 days	-
		LIBERTY BELL	2	Trade receivables	442	T/T 75 days	-
		LIBERTY BELL	2	Sales	1,260	T/T 75 days	-
		The Company	3	Trade receivables	1,792	T/T 90 days	-
4	TOPCO	The Company	3	Sales	5,323	T/T 90 days	-
		LEADERSHIP	2	Trade receivables	1,134	T/T 60 days	-
		LEADERSHIP	2	Sales	1,134	T/T 60 days	-
		LEADERSHIP	2	Sales	1,134	T/T 60 days	-
5	LIBERTY BELL	The Company	3	Trade receivables	1,792	T/T 90 days	-
		The Company	3	Sales	5,323	T/T 90 days	-
		LEADERSHIP	2	Trade receivables	1,134	T/T 60 days	-
		LEADERSHIP	2	Sales	1,134	T/T 60 days	-

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: Relationship of counterparty: (1) parent entity to subsidiary; (2) subsidiary to subsidiary; (3) subsidiary to parent entity.

TABLE 5

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currencies, or In Thousands of Shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount		
The Company	NEOLITE	British Virgin Islands	Financial investment and international trade	\$ 413,902	\$ 413,902	13,059	100	\$ 629,182	\$ 9,646	\$ 9,646
	GIANT STAR	Taichung City	Trading of chemical raw materials	97,367	97,367	12,600	100	202,690	25,332	25,332
	CHEM-MAT	Nantou County	Coating, pigments and industrial additives wholesale	111,484	111,484	7,199	100	125,683	(3,480)	(1,556)
	TOPWELL	Thailand	Synthetic resin trading business	8,326	8,326	932	48	2,990	(6,956)	(3,338)
	CHEM-MAT	Delaware	Investment industry	-	719	-	-	-	21	(Note 2)
GIANT STAR	NEOTOP	Samoa	Financial investment and international trade	58,800	58,800	-	100	165,045	35,613	(Note 2)
	NEOWIN	Samoa	Financial investment and international trade	6,242	6,242	-	100	1,690	(3,452)	(Note 2)
NEOLITE	LIBERTY BELL	British Virgin Islands	Financial investment and international trade	563,243	563,243	21,000	100	472,230	16,534	(Note 2)
				USD 18,126	USD 18,126				USD 540	

Note 1: Significant intercompany accounts and transactions have been eliminated except for TOPWELL.

Note 2: Not applicable.

TABLE 6

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note3)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
TOPCO	Wholesale of chemical products	\$ 32,399 CNY 8,053	(Note 1)	\$ 26,450 USD 820	\$ -	\$ -	\$ 26,450 USD 820	\$ 35,644 CNY 7,815	100%	\$ 35,644 CNY 7,815	\$ 164,960 CNY 36,887	\$ 63,247 CNY 13,091
POU CHIEN	Production and sales of PU resin	518,956 USD 16,000	(Note 1)	244,425 USD 7,576	-	-	244,425 USD 7,576	16,534 USD 540	100%	16,534 USD 540	472,230 USD 15,375	-
LEADERSHIP	Wholesale of chemical products	6,090 CNY 1,355	(Note 1)	6,090 USD 200	-	-	6,090 USD 200	(3,428) (CNY 759)	100%	(3,428) (CNY 759)	1,592 CNY 356	-
Wenzhou Detai Resin Co., Ltd	Production and sales of PU resin	38,879 CNY 9,973	(Note 1)	33,690 USD 1,045	-	-	33,690 USD 1,045	- (Note 4)	- (Note 4)	- (Note 4)	- (Note 4)	2,928 CNY 701
Jinjiang Defu Resin Co., Ltd.	Production and sales of PU resin	38,879 CNY 10,000	(Note 1)	6,290 USD 195	-	-	6,290 USD 195	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)	-
Wenzhou Evermore Shoes Materials Co., Ltd	Production and sales of PU resin	97,197 CNY 24,830	(Note 1)	26,127 USD 810	-	-	26,127 USD 810	- (Note 6)	- (Note 6)	- (Note 6)	- (Note 6)	9,526 CNY 2,281

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 402,745 (USD 12,496)	\$ 911,805 (USD 28,826)	(Note 8)

- Note1: Investments in mainland China were through companies established in the third region.
- Note2: Including investment in equipment and expertise, but not including the surplus of investment in China's investment business, and reinvestment of investment in the third region.
- Note3: The financial statements of the investee were audited by the ROC parent company's CPA during the same period.
- Note4: Wenzhou Detai was completely liquidated in September 2012, it no longer holds equity and investment amount, and the Investment Commission has been informed. The documents submitted for review are still being processed.
- Note5: Jinjiang Telford was completely liquidated in 2009, it no longer holds equity and investment amount, and the Investment Commission has been informed. The documents submitted for review are still being processed.
- Note6: Wenzhou Swins Evermore Shoes Material was completely liquidated in 2007, it no longer holds equity and investment amount, and the Investment Commission has been informed. The documents submitted for review are still being processed.
- Note7: The amount of investment approved by the Investment Commission, MOEA is USD 28,826 thousand. And the use of the third region investment business (NEOLITE) is subject to the surplus of the mainland investment business, and the investment in mainland China is USD 5,591 thousand not included in the limit.
- Note8 As the Company has obtained the certificate of qualification for operational headquarters issued by the Industrial Development Bureau, MOEA, the upper limit on investment in mainland China pursuant to "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

V. Latest entity financial statements audited and certified by CPAs

NDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Evermore Chemical Industry Co., Ltd.

Opinion

We have audited the accompanying financial statements of Evermore Chemical Industry Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the audit of the Company's financial statements for the year ended December 31, 2018 are stated as follows:

Impairment Assessment of Trade Receivables

The impairment assessment of trade receivables is based on the management's consideration of the possibility of recovering trade receivables and the provision for known issues. The impairment assessment of trade receivables is subject to the management's judgments and the balance of trade receivables is significant. Therefore, the impairment assessment of trade receivables was deemed to

be one of the key audit matters. Refer to Notes 4, 5 and 7 to the Company's financial statements for the accounting policies related to disclosures on trade receivables.

Our key audit procedures performed in respect to impairment assessment of trade receivables included the following:

1. We understood the corresponding management's allowance for impairment loss of trade receivables and tested the correctness of trade receivables aging report, along with the allowance provision for doubtful trade receivables amount.
2. We verified the collection of individual outstanding overdue receivables and confirmed the possibility of recovering the outstanding external payments to confirm the adequacy of bad debts.
3. We assessed the reasonableness of receivables recoverable ratio and previous year's bad debt write-offs based on the customer's historical payment to verify the reasonableness of the proposed bad debt policy.

Valuation of Inventories

Due to the frequent fluctuations in international crude oil prices, fierce market competition and rapid changes in the technology of the chemical industry, the impact of net realizable value on the financial statements is significant when the estimated inventory cost and net realizable value are low at the balance sheet date; Since the decision on net realizable value of the inventory involves more estimates and judgments, the inventory evaluation was deemed to be one of the key audit matters. Refer to Notes 4, 5 and 8 to the Company's financial statements for the accounting policies related to disclosures on inventory.

Our key audit procedures performed in respect to valuation of inventories included the following:

1. We understood and tested whether management managed the inventory of normal and stagnant goods under appropriate control.
2. We obtained assessment data related to the lower of inventory cost and net realizable value prepared by the management, extracted the estimated selling price information to the most recent sales record, and assessed the basis and reasonableness of the management's estimated net realizable value.
3. We reviewed the inventory status and assessed the appropriateness of depreciation losses for obsolete or defective goods in inventory carried out at the end of the year.

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

Management is responsible for the preparation and fair presentation of the 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 the Company's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2019

Notice to Readers

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

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 28,654	1	\$ 57,262	2
Notes receivable (Notes 4, 5, 7 and 23)	70,215	3	73,254	3
Trade receivables from unrelated parties, net (Notes 4, 5 and 7)	231,370	10	270,164	11
Trade receivables from related parties, net (Notes 4, 5, 7 and 23)	106,312	4	122,496	5
Other receivables (Note 23)	18,479	1	20,774	1
Current tax assets (Notes 4 and 19)	2,249	-	-	-
Inventories (Notes 4, 5 and 8)	300,874	13	344,291	13
Other financial asset - current (Notes 4, 9 and 24)	1,570	-	1,554	-
Other current assets	<u>3,112</u>	<u>-</u>	<u>4,888</u>	<u>-</u>
Total current assets	<u>762,835</u>	<u>32</u>	<u>894,683</u>	<u>35</u>
NON-CURRENT ASSETS				
Investment accounted for using the equity method (Notes 4 and 10)	960,545	40	940,852	37
Property, plant and equipment (Notes 4, 11 and 24)	648,268	27	687,383	27
Investment properties, net (Notes 4 and 12)	1,393	-	1,542	-
Computer software, net (Note 4)	1,283	-	1,377	-
Deferred tax assets (Notes 4 and 19)	5,662	-	3,554	-
Prepayments for equipment	24,224	1	6,445	1
Refundable deposits	<u>248</u>	<u>-</u>	<u>23</u>	<u>-</u>
Total non-current assets	<u>1,641,623</u>	<u>68</u>	<u>1,641,176</u>	<u>65</u>
TOTAL	<u>\$ 2,404,458</u>	<u>100</u>	<u>\$ 2,535,859</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Notes 13 and 24)	\$ 390,410	16	\$ 427,037	17
Short-term bills payable (Note 13)	129,975	6	129,926	5
Notes payable (Note 23)	79,766	3	87,940	4
Trade payables (Note 23)	149,965	6	199,859	8
Other payables (Notes 14 and 23)	108,069	5	81,554	3
Current tax liabilities (Notes 4 and 19)	-	-	5,014	-
Provisions - current (Notes 4 and 15)	808	-	1,435	-
Current portion of long-term bank borrowings (Notes 13 and 24)	34,664	2	34,664	1
Other current liabilities	<u>3,445</u>	<u>-</u>	<u>5,802</u>	<u>-</u>
Total current liabilities	<u>897,102</u>	<u>38</u>	<u>973,231</u>	<u>38</u>
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Notes 13 and 24)	82,085	3	116,749	5
Deferred tax liabilities (Notes 4 and 19)	<u>43,615</u>	<u>2</u>	<u>32,781</u>	<u>1</u>
Total non-current liabilities	<u>125,700</u>	<u>5</u>	<u>149,530</u>	<u>6</u>
Total liabilities	<u>1,022,802</u>	<u>43</u>	<u>1,122,761</u>	<u>44</u>
EQUITY				
Ordinary share - par value of NT\$10, authorized shares of 120,000 thousand shares, issued capital of 99,388 thousand shares	993,880	41	993,880	39
Capital surplus	98,017	4	98,017	4
Retained earnings				
Legal reserve	201,804	8	195,534	8
Special reserve	10,054	1	-	-
Unappropriated earnings	80,070	3	135,721	5
Other equity	<u>(2,169)</u>	<u>-</u>	<u>(10,054)</u>	<u>-</u>
Total equity	<u>1,381,656</u>	<u>57</u>	<u>1,413,098</u>	<u>56</u>
TOTAL	<u>\$ 2,404,458</u>	<u>100</u>	<u>\$ 2,535,859</u>	<u>100</u>

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

EVERMORE CHEMICAL INDUSTRY CO., LTD.

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

	2018		2017	
	Amount	%	Amount	%
NET SALES REVENUES (Notes 4 and 23)	\$ 1,722,183	100	\$ 1,701,576	100
COST OF GOODS SOLD (Notes 8, 18 and 23)	<u>1,604,862</u>	<u>93</u>	<u>1,528,615</u>	<u>90</u>
GROSS PROFIT	117,321	7	172,961	10
UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	(3,804)	-	(3,561)	-
REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	<u>3,561</u>	<u>-</u>	<u>3,766</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>117,078</u>	<u>7</u>	<u>173,166</u>	<u>10</u>
OPERATING EXPENSES (Note 18)				
Selling and marketing expenses	48,725	3	54,753	3
General and administrative expenses	42,754	2	46,076	3
Research and development expenses	<u>43,790</u>	<u>3</u>	<u>44,717</u>	<u>2</u>
Total operating expenses	<u>135,269</u>	<u>8</u>	<u>145,546</u>	<u>8</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(18,191)</u>	<u>(1)</u>	<u>27,620</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates (Note 4)	30,084	2	44,072	3
Interest income	124	-	99	-
Other income (Note 23)	2,159	-	8,110	-
Foreign exchange gain (loss), net (Note 18)	10,211	1	(1,385)	-
Interest expenses (Note 23)	(9,133)	(1)	(8,229)	(1)
Other expenses (Note 18)	<u>(694)</u>	<u>-</u>	<u>(502)</u>	<u>-</u>
Total non-operating income and expenses	<u>32,751</u>	<u>2</u>	<u>42,165</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	14,560	1	69,785	4
INCOME TAX EXPENSE (Notes 4 and 19)	<u>4,193</u>	<u>-</u>	<u>7,082</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>10,367</u>	<u>1</u>	<u>62,703</u>	<u>4</u>

(Continued)

EVERMORE CHEMICAL INDUSTRY CO., LTD

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 10,611	-	\$ (36,522)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	<u>(2,726)</u>	<u>-</u>	<u>6,104</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>7,885</u>	<u>-</u>	<u>(30,418)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 18,252</u>	<u>1</u>	<u>\$ 32,285</u>	<u>2</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.10</u>		<u>\$ 0.63</u>	
Diluted	<u>\$ 0.10</u>		<u>\$ 0.63</u>	

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

(Concluded)

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company					Other Equity	
			Retained Earnings (Note 17)		Unappropriated Earnings (Note 19)	Exchange Differences on Translating Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus (Note 17)	Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2017	\$ 993,880	\$ 98,017	\$ 188,211	\$ -	\$ 130,035	\$ 20,364	\$ 1,430,507
Appropriation of 2016 earnings							
Legal reserve	-	-	7,323	-	(7,323)	-	-
Cash dividends distributed by the Company - NT\$ 0.5 per share	-	-	-	-	(49,694)	-	(49,694)
Net profit for the year ended December 31, 2017	-	-	-	-	62,703	-	62,703
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(30,418)	(30,418)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	62,703	(30,418)	32,285
BALANCE AT DECEMBER 31, 2017	993,880	98,017	195,534	-	135,721	(10,054)	1,413,098
Appropriation of 2017 earnings							
Legal reserve	-	-	6,270	-	(6,270)	-	-
Special reserve	-	-	-	10,054	(10,054)	-	-
Cash dividends distributed by the Company - NT\$ 0.5 per share	-	-	-	-	(49,694)	-	(49,694)
Net profit for the year ended December 31, 2018	-	-	-	-	10,367	-	10,367
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	7,885	7,885
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	10,367	7,885	18,252
BALANCE AT DECEMBER 31, 2018	\$ 993,880	\$ 98,017	\$ 201,804	\$ 10,054	\$ 80,070	\$ (2,169)	\$ 1,381,656

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

EVERMORE CHEMICAL INDUSTRY CO., LTD.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 14,560	\$ 69,785
Adjustments for:		
Depreciation expenses	58,666	57,562
Amortization expenses	1,245	706
Interest expenses	9,133	8,229
Interest income	(124)	(99)
Share of profit of subsidiaries and associates	(30,084)	(44,072)
Gain on disposal of property, plant and equipment	(48)	(206)
Impairment loss recognized on non-financial assets	14,191	533
Realized gross loss (profit) on sales to subsidiaries	243	(205)
Loss on foreign exchange, net	3,056	95
Net changes in operating assets and liabilities		
Notes receivable	3,039	(17,266)
Trade receivables	54,835	(78,217)
Other receivables	1,638	2,791
Inventories	29,226	(50,661)
Other current assets	1,776	(973)
Notes payable	(8,174)	(37,500)
Trade payables	(49,439)	61,223
Other payables	(9,395)	(891)
Provisions	(627)	(45)
Other current liabilities	(2,357)	287
Cash generated from (used in) operations	91,360	(28,924)
Interest received	108	83
Interest paid	(9,346)	(7,797)
Income tax paid	(5,456)	(4,619)
Net cash generated from (used in) operating activities	76,666	(41,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(7,957)	(17,032)
Proceeds from disposal of property, plant and equipment	48	250
Increase in refundable deposits	(237)	(1)
Decrease in refundable deposits	12	54
Decrease (increase) in other receivables from related parties	687	(11,114)
Payments for intangible assets	(1,151)	(140)
Decrease in other financial assets	-	5,005
Increase in prepayments for equipment	(27,781)	(158,578)
Dividend received	20,759	25,344
Net cash used in investing activities	(15,620)	(156,212)

(Continued)

EVERMORE CHEMICAL INDUSTRY CO., LTD.

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

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,712,973	\$ 1,794,629
Repayments of short-term borrowings	(1,749,988)	(1,621,106)
Proceeds from short-term bills payable	49	46
Proceeds from long-term borrowings	-	173,300
Repayments of long-term borrowings	(34,664)	(78,179)
Increase in other payables	31,670	29,760
Dividends paid to owners of the Company	<u>(49,694)</u>	<u>(49,694)</u>
Net cash generated from (used in) financing activities	<u>(89,654)</u>	<u>248,756</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,608)	51,287
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>57,262</u>	<u>5,975</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 28,654</u>	<u>\$ 57,262</u>

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

(Concluded)

EVERMORE CHEMICAL INDUSTRY CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

1. GENERAL INFORMATION

Evermore Chemical Industry Co., Ltd. (the “Company”) was incorporated in 1989. The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) in 2002 after being traded on the Taipei Exchange (“TPEX”) since 2000.

The Company mainly engages in the manufacturing and selling of synthetic resin, synthetic chemistry and investment related business operations.

AICA Kogyo Company Limited (AICA) in Japan announced to acquire the shares of the Company through a tender offer on November 16, 2017. The expected date of commencement of payment was on January 5, 2018. AICA acquired 50.1% shares of the Company on January 16, 2018 and became the parent company.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 21, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations of (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company’s accounting policies:

- 1) IFRS 9 “Financial Instruments” and related amendments

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

Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 57,262	\$ 57,262
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	486,688	486,688
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	1,554	1,554
Refundable deposits	Loans and receivables	Amortized cost	23	23

Notes receivable, trade receivables and other receivables that were classified as loans and receivables under IAS 39 are now classified as at amortized cost with an assessment of expected credit loss under IFRS 9.

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

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

When retrospectively applying IFRS 15 has no significant effect on the Company's assets, liabilities and equity as of January 1, 2018.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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

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

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

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

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for identifying lease agreements and the accounting of lessor and lessee, and will supersede IAS 17 “Lease”, IFRIC 4 “Determining Whether an Arrangement Contains Lease” and a number of related interpretations.

1) Definition of a lease

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

2) The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The accounting of the Company as lessee is not expected to have a material impact.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company assessed that there would be no material impact of the initial application of other standards and the amendments to interpretations on its financial position and results of operations.

- c. New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

The subsidiaries and associates are incorporated in the financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between standalone and consolidated basis of consolidation are adjusted in the “investments accounted for using the equity method”, the “share of profit of subsidiaries” and related equity.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are recognized in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting financial statements, the functional currencies of the Company and its entities are translated into the presentation currency, the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period, income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, finished goods and merchandise. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

f. Investment accounted for using the equity method

1) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries and associates.

Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of equity of subsidiaries.

Changes in the Company's ownership interests in a subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction. Differences between the carrying amounts of the investment and the fair value of consideration paid or received are directly recognized in equity.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When impairment loss is evaluated the entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increase.

When a Company entity transacts with its associates, profits and losses on these transactions are recognized in the financial statements only to the extent of interests in the associate that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are carried at cost. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in profit years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

2018

Financial assets are classified into the following categories: financial assets at amortized cost.

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes and trade receivables at amortized cost, other receivables, other financial asset and refundable deposits) are measured at amortized cost, which equals to the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2017

Loans and receivables (including cash and cash equivalent, notes and trade receivables, other receivables, other financial assets, and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

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

The Company always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life a financial instrument.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

Financial assets at amortized cost, such as cash and cash equivalents, notes and trade receivables, other receivables, other financial asset and refundable deposits are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For a financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment is resversed. The amount of the reversal shall be recognized in pfofit or loss.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

The financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Provision

Provision are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

m. Revenue recognition

2018

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

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

2017

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

1) Sale of goods

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Company takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and petty cash	\$ 26	\$ 20
Checking accounts and demand deposits	28,628	36,618
Cash equivalent		
Time deposits with original maturities of less than 3 months	-	20,624
	<u>\$ 28,654</u>	<u>\$ 57,262</u>
<u>Interest rate per annum (%)</u>		
Demand deposits	0.01-0.48	0.01-0.35
Time deposits	-	1.32

7. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
Notes receivable - operating	\$ 70,215	\$ 73,254
Less: Allowance for impairment loss	-	-
	<u>\$ 70,215</u>	<u>\$ 73,254</u>

	December 31	
	2018	2017
<u>Trade receivables - unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 236,993	\$ 274,743
Less: Allowance for impairment loss	<u>(5,623)</u>	<u>(4,579)</u>
	<u>\$ 231,370</u>	<u>\$ 270,164</u>

Trade receivables - related parties

At amortized cost		
Gross carrying amount	\$ 106,312	\$ 123,540
Less: Allowance for impairment loss	<u>-</u>	<u>(1,044)</u>
	<u>\$ 106,312</u>	<u>\$ 122,496</u>

a. Notes receivable

The aging of notes receivable was as follows:

	December 31	
	2018	2017
Not past due	\$ 70,215	\$ 73,254
Past due	<u>-</u>	<u>-</u>
	<u>\$ 70,215</u>	<u>\$ 73,254</u>

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

b. Trade receivables

In 2018

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
Expected credit loss rate	0%-1%	10%	20%-50%	100%	
Gross carrying amount	\$ 331,465	\$ 8,235	\$ 1,886	\$ 1,719	\$ 343,305
Loss allowance (Lifetime ECL)	<u>(2,703)</u>	<u>(824)</u>	<u>(377)</u>	<u>(1,719)</u>	<u>(5,623)</u>
Amortized cost	<u>\$ 328,762</u>	<u>\$ 7,411</u>	<u>\$ 1,509</u>	<u>\$ -</u>	<u>\$ 337,682</u>

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

	For the Year Ended December 31, 2018
Balance, beginning of period (IAS 39)	\$ 5,623
Adjustment on initial application of IFRS 9	<u>-</u>
Balance, beginning of period (IFRS 9)	5,623
Add: Net remeasurement of loss allowance	<u>-</u>
Balance, end of period	<u>\$ 5,623</u>

In 2017

The average credit period on sales of goods was 30-90 days. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized that it is on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

The aging of receivables was as follows:

	December 31, 2017
0-60 days	\$ 227,451
61-90 days	70,670
91-120 days	34,720
Over 120 days	<u>65,442</u>
	<u><u>\$ 398,283</u></u>

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

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

	December 31, 2017
Less than and including 60 days	<u><u>\$ 16,322</u></u>

The above aging schedule was based on the number of past due days from the end of the credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment
Balance at January 1, 2017	\$ 5,623
Add: Impairment losses recognized on receivables	<u>-</u>
Balance at December 31, 2017	<u><u>\$ 5,623</u></u>

These amounts mainly related to customers that were in severe financial difficulties. The Company did not hold any collateral over these balances.

8. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 182,535	\$ 203,369
Merchandise	1,745	701
Raw materials and supplies	112,830	138,497
Inventories in transit	<u>3,764</u>	<u>1,724</u>
	<u><u>\$ 300,874</u></u>	<u><u>\$ 344,291</u></u>

The nature of the cost of goods sold was as follows:

	For the Year Ended December 31	
	2018	2017
Cost of inventories sold	\$ 1,569,910	\$ 1,510,578
Inventory write-downs	14,191	533
Unallocated production overhead	<u>20,761</u>	<u>17,504</u>
	<u>\$ 1,604,862</u>	<u>\$ 1,528,615</u>

9. OTHER FINANCIAL ASSETS - CURRENT

The time deposits with original maturities over 3 months from the date of acquisition. For pledged assets information, refer to Note 24.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	\$ 957,555	\$ 933,920
Investments in associates	<u>2,990</u>	<u>6,932</u>
	<u>\$ 960,545</u>	<u>\$ 940,852</u>

Refer to Table 4 and Table 5 for the main businesses and products and countries of incorporation of the subsidiaries and associates.

The investments in subsidiaries and associates accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments were based on the subsidiaries and associates financial statements which have been audited for the same years.

a. Investments in subsidiaries

	December 31			
	2018		2017	
Investee Company	Carrying Amount	Percentage of Ownership and Voting Rights	Carrying Amount	Percentage of Ownership and Voting Rights
<u>Unlisted Companies</u>				
NEOLITE INVESTMENTS LIMITED (NEOLITE)	\$ 629,182	100%	\$ 605,162	100%
GIANT STAR TRADING CO., LTD (GIANT STAR) (Note)	202,690	100%	196,735	100%
CHEM-MAT TECHNOLOGIES CO., LTD (CHEM-MAT)	<u>125,683</u>	100%	<u>132,023</u>	100%
	<u>\$957,555</u>		<u>\$933,920</u>	

Note: In April, 2018, GIANT STAR changed its organization type to a company limited by shares and changed its name to GIANT STAR TRADING CO., LTD.

b. Investments in associates

Investee Company	December 31			
	2018		2017	
	Carrying Amount	Percentage of Ownership and Voting Rights	Carrying Amount	Percentage of Ownership and Voting Rights
<u>Unlisted Company</u>				
TOPWELL ELASTIC TECHNOLOGY CO., LTD (TOPWELL)	\$ 2,990	48%	\$ 6,932	48%

11. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2018				
	Balance, Beginning of Year	Additions	Deductions	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Buildings	227,882	895	-	3,642	232,419
Machinery and equipment	707,225	7,468	(1,043)	6,360	720,010
Transportation equipment	9,347	-	-	-	9,347
Other equipment	152,819	1,037	(28)	-	153,828
	<u>1,443,167</u>	<u>\$ 9,400</u>	<u>\$ (1,071)</u>	<u>\$ 10,002</u>	<u>1,461,498</u>
<u>Accumulated depreciation</u>					
Buildings	101,651	\$ 14,126	\$ -	\$ -	115,777
Machinery and equipment	546,107	32,146	(1,043)	-	577,210
Transportation equipment	7,016	657	-	-	7,673
Other equipment	101,010	11,588	(28)	-	112,570
	<u>755,784</u>	<u>\$ 58,517</u>	<u>\$ (1,071)</u>	<u>\$ -</u>	<u>813,230</u>
	<u>\$ 687,383</u>				<u>\$ 648,268</u>
	Year Ended December 31, 2017				
	Balance, Beginning of Year	Additions	Deductions	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 201,755	\$ -	\$ -	\$ 144,139	\$ 345,894
Buildings	178,812	2,644	(87)	46,513	227,882
Machinery and equipment	678,426	5,810	(2,700)	25,689	707,225
Transportation equipment	8,131	-	(683)	1,899	9,347
Other equipment	145,853	4,802	(4,294)	6,458	152,819
	<u>1,212,977</u>	<u>\$ 13,256</u>	<u>\$ (7,764)</u>	<u>\$ 224,698</u>	<u>1,443,167</u>

(Continued)

Year Ended December 31, 2017					
	Balance, Beginning of Year	Additions	Deductions	Reclassification	Balance, End of Year
<u>Accumulated depreciation</u>					
Buildings	\$ 88,068	\$ 13,626	\$ (43)	\$ -	\$ 101,651
Machinery and equipment	517,356	31,451	(2,700)	-	546,107
Transportation equipment	7,105	594	(683)	-	7,016
Other equipment	<u>93,562</u>	<u>11,742</u>	<u>(4,294)</u>	<u>-</u>	<u>101,010</u>
	<u>706,091</u>	<u>\$ 57,413</u>	<u>\$ (7,720)</u>	<u>\$ -</u>	<u>755,784</u>
	<u>\$ 506,886</u>				<u>\$ 687,383</u>
					(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	
Main buildings	25-50 years
Additional project	3-50 years
Machinery and equipment	2-10 years
Transportation equipment	5 years
Other equipment	
Office equipment	2-8 years
Landscape gardening	15 years
Other	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 24.

12. INVESTMENT PROPERTIES, NET

	Balance, Beginning of Year	Additions	Balance, End of Year
<u>For the year ended December 31, 2018</u>			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>2,978</u>	<u>\$ 149</u>	<u>3,127</u>
	<u>\$ 1,542</u>		<u>\$ 1,393</u>

	Balance, Beginning of Year	Additions	Balance, End of Year
<u>For the year ended December 31, 2017</u>			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>2,829</u>	<u>\$ 149</u>	<u>2,978</u>
	<u>\$ 1,691</u>		<u>\$ 1,542</u>

The following items of investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings	
Main buildings	25 years

The management was unable to reliably measure the fair value of the Company investment property located in Zhongli City, because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Company determines that the fair value of the investment property is not reliably measurable.

13. BORROWINGS

a. Short-term bank borrowings

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Credit borrowings	\$ 272,033	\$ 299,100
Secured borrowings	90,000	90,000
Usance letters of credit	<u>28,377</u>	<u>37,937</u>
	<u>\$ 390,410</u>	<u>\$ 427,037</u>

Rates of interest per annum (%)

Credit borrowings	1.28-1.35	1.28-1.32
Secured borrowings	1.38	1.38
Usance letter of credit	1.28-1.38	1.28-1.38

Refer to Note 24 for the bank borrowings secured by the Company's freehold land, buildings and other financial assets.

b. Short-term bills payable

	December 31	
	2018	2017
Commercial paper	\$ 130,000	\$ 130,000
Less: Unamortized discounts on bills payable	<u>(25)</u>	<u>(74)</u>
	<u>\$ 129,975</u>	<u>\$ 129,926</u>

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate (%)
<u>For the year ended December 31, 2018</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 13	\$ 69,987	0.84
International Bills Finance Corporation	<u>60,000</u>	<u>12</u>	<u>59,988</u>	1.04
	<u>\$ 130,000</u>	<u>\$ 25</u>	<u>\$ 129,975</u>	
<u>For the year ended December 31, 2017</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 50	\$ 69,950	1.04
International Bills Finance Corporation	<u>60,000</u>	<u>24</u>	<u>59,976</u>	1.04
	<u>\$ 130,000</u>	<u>\$ 74</u>	<u>\$ 129,926</u>	

c. Long-term bank borrowings

	December 31	
	2018	2017
<u>Secured borrowings</u>		
Due on May 2020	\$ 47,827	\$ 61,831
Due on May 2022	36,422	47,082
Due on March 2022	32,500	42,500
Less: Current portion	<u>(34,664)</u>	<u>(34,664)</u>
Long-term borrowings	<u>\$ 82,085</u>	<u>\$ 116,749</u>
Rates of interest per annum (%)	1.38-1.41	1.38-1.41

Refer to Note 24 for the borrowings secured by the Company's freehold land and buildings.

14. OTHER PAYABLES

	December 31	
	2018	2017
Payable for salaries and bonuses	\$ 15,732	\$ 18,982
Payable for commissions	7,324	8,423
Payable for purchase of equipment	2,518	1,075
Payable for freight	2,385	2,061
Payable for employee's compensation and remuneration of directors and supervisors	1,220	5,361
Payable for related parties (Note 23)	61,497	29,823
Others	<u>17,393</u>	<u>15,829</u>
	<u>\$ 108,069</u>	<u>\$ 81,554</u>

15. PROVISIONS - CURRENT

The provision for sales returns and rebates is based on historical experience, management's judgments and other known reasons to estimate the product returns and rebates that may occur in the year. The provision is recognized as a reduction of sales in the year of the related goods sold.

16. RETIREMENT BENEFIT PLANS

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

17. EQUITY

a. Capital surplus

	December 31	
	2018	2017
Issuance of common shares	\$ 70,860	\$ 70,860
Treasury share transactions	<u>27,157</u>	<u>27,157</u>
	<u>\$ 98,017</u>	<u>\$ 98,017</u>

The capital surplus arising from shares issued in excess of par (including ordinary shares issued in excess of par and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

b. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 18-b.

The dividend policy considers the future operating expansion and capital expenditures meet the best capital budget and diluted earnings per share, and the annual allocated surplus accounts for at least 50% of the available surplus. Distribution of profits may also be made by way of cash dividend provided; however, the ratio of share dividend shall exceed 25% of total distribution.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June, 2018 and 2017, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share(NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 6,270	\$ 7,323		
Special reserve	10,054	-		
Cash dividends	49,694	49,694	\$ 0.5	\$ 0.5

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 21, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,037	
Reversal special reserve	(7,885)	
Cash dividends	14,908	\$ 0.15

The appropriations of earnings for 2018 are subject to the resolution of the shareholders in their meeting to be held on June 27, 2019.

18. NET PROFIT

a. Employee benefits expense, depreciation and amortization expense

	Operating Costs	Operating Expenses	Total
<u>For the year ended December 31, 2018</u>			
Salaries expense	\$ 53,147	\$ 47,438	\$ 100,585
Labor and health insurance	4,841	4,477	9,318
Post-employment benefits			
Defined contribution plans	2,219	2,349	4,568
Director's remuneration	-	1,628	1,628
Other employee benefits	2,350	4,405	6,755
Depreciation expense	43,395	15,271	58,666
Amortization expense	138	1,107	1,245

For the year ended December 31, 2017

Salaries expense	52,501	50,155	102,656
Labor and health insurance	4,741	4,211	8,952
Post-employment benefits			
Defined contribution plans	2,178	2,332	4,510
Director's remuneration	-	1,718	1,718
Other employee benefits	2,215	5,115	7,330
Depreciation expense	42,782	14,780	57,562
Amortization expense	138	568	706

As of December 31, 2018 and 2017, the company had 162 and 157 employees, and among them 6 and 4 directors did not serve concurrently as employees in 2018 and 2017, respectively. The head count basis was the same as the basis of employee benefits expense.

b. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of 3% to 5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 21, 2019 and March 23, 2018, respectively, as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
Employees' compensation (5%)	\$ 783	\$ 3,752
Remuneration of directors and supervisors (2%)	313	1,501

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

c. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 33,062	\$ 6,094
Foreign exchange losses	<u>(22,851)</u>	<u>(7,479)</u>
Net gains (losses)	<u>\$ 10,211</u>	<u>\$ (1,385)</u>

19. TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ -	\$ 4,477
Income tax on unappropriated earnings	-	1,621
Adjustments for prior years	<u>(1,807)</u>	<u>-</u>
	<u>(1,807)</u>	<u>6,098</u>
Deferred tax		
In respect of the current year	(960)	984
Adjustments to deferred tax attributable to changes in tax rates and laws	5,153	-
Adjustments for prior years	<u>1,807</u>	<u>-</u>
	<u>6,000</u>	<u>984</u>
Income tax expense recognized in profit or loss	<u>\$ 4,193</u>	<u>\$ 7,082</u>

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	\$ 2,912	\$ 11,863
Nondeductible expenses in determining taxable income	1,194	-
Not recognized income in determining taxable income	(5,066)	(6,157)
Income tax on unappropriated earnings	-	1,621
Investment tax credits used	-	(245)
Effect of tax rate changes	<u>5,153</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 4,193</u>	<u>\$ 7,082</u>

In 2017, the applicable corporate income tax rate used by the group entities in the Republic of China (“ROC”) was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

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

b. Deferred tax assets and liabilities

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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>For the year ended December 31, 2018</u>				
Deferred tax assets				
Temporary differences				
Write-downs of inventory	\$ 1,660	\$ 287	\$ -	\$ 1,947
Investment accounted for using the equity method	-	897	-	897
Exchange differences on translating the financial statements of foreign operations	-	-	170	170
Others	<u>1,894</u>	<u>754</u>	<u>-</u>	<u>2,648</u>
	<u>\$ 3,554</u>	<u>\$ 1,938</u>	<u>\$ 170</u>	<u>\$ 5,662</u>
Deferred tax liabilities				
Temporary differences				
Investment accounted for using the equity method	\$ 32,753	\$ 7,938	\$ -	\$ 40,691
Exchange differences on translating the financial statements of foreign operations	<u>28</u>	<u>-</u>	<u>2,896</u>	<u>2,924</u>
	<u>\$ 32,781</u>	<u>\$ 7,938</u>	<u>\$ 2,896</u>	<u>\$ 43,615</u>
<u>For the year ended December 31, 2017</u>				
Deferred tax assets				
Temporary differences				
Write-downs of inventory	\$ 1,341	\$ 319	\$ -	\$ 1,660
Others	<u>2,430</u>	<u>(536)</u>	<u>-</u>	<u>1,894</u>
	<u>\$ 3,771</u>	<u>\$ (217)</u>	<u>\$ -</u>	<u>\$ 3,554</u>
Deferred tax liabilities				
Temporary differences				
Investment accounted for using the equity method	\$ 31,986	\$ 767	\$ -	\$ 32,753
Exchange differences on translating the financial statements of foreign operations	<u>6,132</u>	<u>-</u>	<u>(6,104)</u>	<u>28</u>
	<u>\$ 38,118</u>	<u>\$ 767</u>	<u>\$ (6,104)</u>	<u>\$ 32,781</u>

c. Income tax assessments

Income tax returns of the Company through 2015 have been examined and cleared by the tax authorities.

20. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Shares (NT\$)
<u>For the year ended December 31, 2018</u>			
Basic earnings per share			
Profit for the period attributable to owners of the Company	\$ 10,367	99,388	<u>\$ 0.10</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>108</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 10,367</u>	<u>99,496</u>	<u>\$ 0.10</u>
<u>For the year ended December 31, 2017</u>			
Basic earnings per share			
Profit for the period attributable to owners of the Company	\$ 62,703	99,388	<u>\$ 0.63</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>261</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 62,703</u>	<u>99,649</u>	<u>\$ 0.63</u>

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

21. CAPITAL MANAGEMENT

The Company manages its capital to ensure it will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings, other equity).

Key management personnel of the Company regularly review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of

capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Financial instruments carried at fair value

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable as follows:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 inputs are unobservable inputs for the asset or liability

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

2) Financial instruments not carried at fair value

- a) The fair value of short-term financial instruments is estimated by their book value on the balance sheet for the carrying amount at the end of reporting period because the maturity date is close to the reporting date or the payment price is similar to the carrying amount. The book value should be a reasonable basis for the estimated fair value. This method is applied to cash and cash equivalents, notes and trade receivables, other receivables, other financial assets, refundable deposits, short-term loans, short-term bills payable, other payables and guarantee deposits received.
- b) The fair value of long-term borrowings (including current portion) is determined using the discounted value of future cash flows. If the Company's long-term borrowings rate is a floating rate, the book value is equal to the fair value.

b. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 456,848	\$ -
Loans and receivables (Note 2)	-	545,527
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 3)	974,934	1,077,729

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other receivables, other financial asset and refundable deposits.

Note 2: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other receivable, other financial assets and refundable deposits.

Note 3: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables, other payables and long-term borrowings (including current portion).

c. Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, trade payables, and borrowings. The Company's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company has foreign currency sales and purchases, which exposes the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Company's sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period. A positive number below indicates an increase in post-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and the balances below would be negative.

	For the Year Ended December 31	
	2018	2017
USD	\$ 718	\$ 870

The sensitivity rate used by the Company when reporting foreign currency risk internally to key management personnel is 1%, which represents management's assessment of the reasonably possible change in foreign exchange rates.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 1,570	\$ 22,178
Financial liabilities	152,975	189,926
Cash flow interest rate risk		
Financial assets	28,621	36,608
Financial liabilities	484,159	518,450

Sensitivity analysis

If interest rate had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease/increase by \$1,139 thousand and \$1,205 thousand, respectively.

2) Credit risk

The Company's transactions are targeted at reputable financial and securities institutions, and it also transacts with a number of financial institutions to spread the risks, so the probability of default from contractual counterparty is very low; even if the other party defaults, the Company will not suffer significant loss.

The Company is required to go through the credit confirmation procedure only after it has dealt with the approved third party, and the policy of the Company is to conduct credit transactions with the customer, and to regularly assess the possibility of recovering the receivables while providing appropriate allowances for doubtful debts, so the Company doesn't expect the possibility of major losses.

3) Liquidity risk

The Company has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining banking facilities, obtaining the loan commitment, and continuously monitoring forecasted and actual cash flows as well as the maturity profiles of financial assets and liabilities. As of December 31, 2018 and 2017, the Company had available unutilized bank loan facilities of \$286,030 thousand and \$376,123 thousand, respectively.

Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

To the extent that interest flows are at floating rates, the undiscounted amounts was derived from the interest rate curve at the end of the reporting period.

	December 31, 2018	
	Less Than 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>		
Non-interest bearing liabilities	\$ 337,800	\$ -
Variable interest rate liabilities	402,074	82,085
Fixed interest rate liabilities	<u>152,975</u>	<u>-</u>
	<u>\$ 892,849</u>	<u>\$ 82,085</u>
	December 31, 2017	
	Less Than 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>		
Non-interest bearing liabilities	\$ 369,353	\$ -
Variable interest rate liabilities	401,701	116,749
Fixed interest rate liabilities	<u>189,926</u>	<u>-</u>
	<u>\$ 960,980</u>	<u>\$ 116,749</u>

23. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
AICA	The Company's parent
PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Others (affiliated company of the Company's legal director) (Note)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Others (affiliated company of the Company's legal director) (Note)
TOPWELL	Associate
NEOLITE	Subsidiary
CHEM-MAT	Subsidiary
GIANT STAR	Subsidiary
LIBERTY BELL INVESTMENTS LTD. (LIBERTY BELL)	Subsidiary
LEADERSHIP (SHANG HAI) CO., LTD. (LEADERSHIP SHANGHAI)	Subsidiary

Note: On January 16, 2018, the director of the Company's legal person was dismissed for the transfer of shares more than one-half of the shares held at the time of election, during the re-election at the shareholders' meeting on June 26, 2018, one director was elected.

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2018	2017
Sales	Subsidiary		
	LIBERTY BELL	\$ 198,804	\$ 166,793
	NEOLITE	189,291	169,847
	Others	40,657	48,356
	Parent entity	9,869	-
	Others	1,064	5,618
	Fellow subsidiary	617	-
	Associate	<u>18</u>	<u>18,509</u>
		<u>\$ 440,320</u>	<u>\$ 409,123</u>
Purchases of goods	Subsidiary	\$ 7,440	\$ 5,710
	Parent entity	<u>1,890</u>	<u>-</u>
		<u>\$ 9,330</u>	<u>\$ 5,710</u>
Other revenue	Subsidiary		
	GIANT STAR	\$ 336	\$ 1,536
	Parent entity	<u>318</u>	<u>-</u>
		<u>\$ 654</u>	<u>\$ 1,536</u>

The sales transactions of the Company to related parties are quoted based on the differences between the products and the acceptance of the market, and the credit period is from 60 days to 180 days. The purchase price and payment term have no significant difference with unrelated parties.

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

Line Item	Related Party Category/Name	December 31	
		2018	2017
Notes receivable	Subsidiary	<u>\$ 207</u>	<u>\$ 509</u>
Net trade receivables	Subsidiary		
	NEOLITE	\$ 46,169	\$ 76,801
	LIBERTY BELL	29,363	25,484
	LEADERSHIP SHANGHAI	15,039	-
	Others	8,519	15,057
	Parent entity	7,138	-
	Others	66	175
	Associate	<u>18</u>	<u>4,979</u>
		<u>\$ 106,312</u>	<u>\$ 122,496</u>
Other receivables	Subsidiary		
	LIBERTY BELL	\$ 11,145	\$ 11,726
	Others	<u>72</u>	<u>178</u>
		<u>\$ 11,217</u>	<u>\$ 11,904</u>

The outstanding trade receivables from related parties are unsecured.

The following balances of trade payables from related parties were outstanding at the end of the reporting period

Line Item	Related Party Category/Name	December 31	
		2018	2017
Notes payable	Subsidiary	\$ <u>97</u>	\$ <u>37</u>
Trade payables	Subsidiary		
	LIBERTY BELL	\$ 1,792	\$ 505
	Giant Star	778	-
	Parent entity	<u>1,018</u>	<u>-</u>
		\$ <u>3,588</u>	\$ <u>505</u>

c. Loans from related parties

Related Party Category/Name	December 31	
	2018	2017
Subsidiary		
NEOLITE	\$ <u>61,430</u>	\$ <u>29,760</u>

The Company obtained loans at the interest rate of 1.3% for the loans from related parties. The loans were unsecured. The interest expenses for 2018 and 2017 were \$67 thousand and \$63 thousand, respectively.

d. Endorsements and guarantees

The Company provided endorsements and guarantees of 15,000 thousand to its subsidiary LIBERTY BELL, which was for the purpose of bank loan quota as of December 31, 2018 and 2017.

e. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 7,628	\$ 8,620
Post-employment benefits	<u>195</u>	<u>195</u>
	\$ <u>7,823</u>	\$ <u>8,815</u>

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

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2018	2017
Property, plant and equipment	\$ 209,815	\$ 216,563
Other financial assets - current	<u>1,570</u>	<u>1,554</u>
	<u>\$ 211,385</u>	<u>\$ 218,117</u>

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2018 and 2017, unused letters of credit amounted to approximately US\$373 thousand and US\$485 thousand, respectively.

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,603	30.715 (USD:NTD)	\$ 233,526
<u>Financial liabilities</u>			
Monetary items			
USD	5,265	30.715 (USD:NTD)	161,714

December 31, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,144	29.76 (USD:NTD)	\$ 331,645
<u>Financial liabilities</u>			
Monetary items			
USD	8,221	29.76 (USD:NTD)	244,657

The significant unrealized foreign exchange gain (losses) were as follows:

Foreign Currencies	For the Year Ended December 31			
	2018		2017	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Gain
USD	30.419 (USD:NTD)	\$ <u>(3,082)</u>	30.432 (USD:NTD)	\$ <u>159</u>

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held. (None)
- 4) Marketable securities acquired and disposed of at costs or prices at least \$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 4)

b. Information on investments in mainland China.

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 5)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)

- c) The amount of property transactions and the amount of the resultant gains or losses. (None)
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. (None)

TABLE 1

EVERMORE CHEMICAL INDUSTRY CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	LIBERTY BELL	Other receivables	Yes	\$ 122,860 (USD 4,000)	\$ 122,860 (USD 4,000)	\$ -	(Note 2)	Necessary for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 138,166 (Note 3)	\$ 552,662 (Note 3)	

Note 1: The ending balance amount has been approved by the board of directors.

Note 2: Interest rate according to bank loan contract.

Note 3: The loan and limit of the individual target and the total limit are respectively 10% of the net worth of the Company and cannot exceed the total monthly transaction amount in the most recent year and 40% of the net worth of the Company.

TABLE 2

EVERMORE CHEMICAL INDUSTRY CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Company	LIBERTY BELL	Subsidiary which directly held over 50% of the issued share capital.	\$ 690,828	\$ 464,325 (USD 15,000)	\$ 460,725 (USD 15,000)	\$ 363,156 (USD 11,823)	\$ -	33.35%	\$ 967,159	Y	-	-	

Note: The guarantee limit and maximum limit for individual entity are 50% and 70% of the net worth of the Company, respectively.

TABLE 3

EVERMORE CHEMICAL INDUSTRY CO., LTD.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	LIBERTY BELL	Subsidiary which directly held over 50% of the issued share capital.	Sale	\$ (198,804)	(12)	T/T 90 days	Note	-	\$ 29,363	7	
	NEOLITE	Subsidiary	Sale	(189,291)	(11)	T/T 90-180 days	Note	-	46,169	11	

Note: The Company sells to related parties are quoted has on the difference of products and the acceptance of market.

TABLE 4

EVERMORE CHEMICAL INDUSTRY CO., LTD.

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currencies, or In Thousands of Shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount		
The Company	NEOLITE	British Virgin Islands	Financial investment and international trade	\$ 413,902	\$ 413,902	13,059	100	\$ 629,182	\$ 9,646	\$ 9,646
	GIANT STAR	Taichung City	Trading of chemical raw materials	97,367	97,367	12,600	100	202,690	25,332	25,332
	CHEM-MAT	Nantou County	Coating, pigments and industrial additives wholesale	111,484	111,484	7,199	100	125,683	(3,480)	(1,556)
	TOPWELL	Thailand	Synthetic resin trading business	8,326	8,326	932	48	2,990	(6,956)	(3,338)

TABLE 6

EVERMORE CHEMICAL INDUSTRY CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
TOPCO	Wholesale of chemical products	\$ 32,399 CNY 8,053	(Note 1)	\$ 26,450 USD 820	\$ -	\$ -	\$ 26,450 USD 820	\$ 35,644 CNY 7,815	100%	\$ 35,644 CNY 7,815	\$ 164,960 CNY 36,887	\$ 63,247 CNY 13,091
POU CHIEN	Production and sales of PU resin	518,956 USD 16,000	(Note 1)	244,425 USD 7,576	-	-	244,425 USD 7,576	16,534 USD 540	100%	16,534 USD 540	472,230 USD 15,375	-
LEADERSHIP	Wholesale of chemical products	6,090 CNY 1,355	(Note 1)	6,090 USD 200	-	-	6,090 USD 200	(3,428) (CNY 759)	100%	(3,428) (CNY 759)	1,592 CNY 356	-
Wenzhou Detai Resin Co., Ltd	Production and sales of PU resin	38,879 CNY 9,973	(Note 1)	33,690 USD 1,045	-	-	33,690 USD 1,045	- (Note 4)	- (Note 4)	- (Note 4)	- (Note 4)	2,928 CNY 701
Jinjiang Defu Resin Co., Ltd.	Production and sales of PU resin	38,879 CNY 10,000	(Note 1)	6,290 USD 195	-	-	6,290 USD 195	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)	-
Wenzhou Evermore Shoes Materials Co., Ltd	Production and sales of PU resin	97,197 CNY 24,830	(Note 1)	26,127 USD 810	-	-	26,127 USD 810	- (Note 6)	- (Note 6)	- (Note 6)	- (Note 6)	9,526 CNY 2,281

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 402,745 (USD 12,496)	\$ 911,805 (USD 28,826) (Note 7)	(Note 8)

- Note1: Investments in mainland China were through companies established in the third region.
- Note2: Including investment in equipment and expertise, but not including the surplus of investment in China's investment business, and reinvestment of investment in the third region.
- Note3: The financial statements of the investee were audited by the ROC parent company’s CPA during the same period.
- Note4: Wenzhou Detai was completely liquidated in September 2012, it no longer holds equity and investment amount, and the Investment Commission has been informed. The documents submitted for review are still being processed.
- Note5: Jinjiang Telford was completely liquidated in 2009, it no longer holds equity and investment amount, and the Investment Commission has been informed. The documents submitted for review are still being processed.
- Note6: Wenzhou Swins Evermore Shoes Material was completely liquidated in 2007, it no longer holds equity and investment amount, and the Investment Commission has been informed. The documents submitted for review are still being processed.
- Note7: The amount of investment approved by the Investment Commission, MOEA is USD 28,826 thousand. And the use of the third region investment business (NEOLITE) is subject to surplus of the mainland investment business, and the investment in mainland China is USD 5,591 thousand not included in the limit.
- Note8 As the Company has obtained the certificate of qualification for operational headquarters issued by the Industrial Development Bureau, MOEA, the upper limit on investment in mainland China pursuant to “Principle of Investment or Technical Cooperation in Mainland China” is not applicabl

- VI. Any financing problems encountered by the Company or its affiliates during the most recent year and until the date of publication of the annual report, which might affect the Company's financial status:
No financing problems have been encountered by the Company or its affiliates during the most recent year and until the date of publication of the annual report.

Seven. Review and analysis of financial status and financial performance, and risk management issues

I. Financial status

The main reasons for any material change in the Company's consolidated assets, liabilities, or shareholders' equity during the most recent two years, and the effect thereof, and the measures to be taken in response if the effect is of material significance:

Unit: NTD thousand

Item \ Year	2018	2017	Variance		Analysis on changes
			Amount	%	
Current assets	2,028,103	2,074,044	-45,941	-2.22%	
Property, plant and equipment	890,423	954,162	-63,739	-6.68%	
Other assets	64,585	45,723	18,862	41.25%	(1)
Total assets	2,983,111	3,073,929	-90,818	-2.95%	
Current liabilities	1,451,871	1,493,270	-41,399	-2.77%	
Noncurrent liabilities	149,584	167,561	-17,977	-10.73%	
Total liabilities	1,601,455	1,660,831	-59,376	-3.58%	
Capital	993,880	993,880	0	0.00%	
Capital surplus	98,017	98,017	0	0.00%	
Retained earnings	291,928	331,255	-39,327	-11.87%	
Other equity	-2,169	-10,054	7,885	-78.43%	(2)
Treasury stock	-	-	-	-	
Non-controlling equity	-	-	-	-	
Total equity	1,381,656	1,413,098	-31,442	-2.23%	

- Notes to cause of changes by more than 20%:
 - A result of the increase in prepayment for equipment.
 - A result of the foreign exchange rate resulting in the recovery of exchange differences on translation of foreign financial statements.
- Effect: No significant effect was produced, as it was a normal condition.
- Measures to be taken in response: N/A.

II. Financial performance

- (I) The main reasons for any material change in consolidated operating revenues, operating income, and income before tax during the most recent two years, and sales volume forecast and the basis thereof, and the effect upon the Company's business and finance, as well as the measures to be taken in response:

Unit: NTD thousand

Item	Year	2018	2017	Increase (decrease)	Change (%)	Analysis on changes
Operating revenue, net		\$3,675,769	\$3,325,124	350,645	10.55%	
Operating costs		(3,233,202)	(2,859,048)	-374,154	13.09%	
Gross profit		442,567	466,076	-23,509	-5.04%	
Operating expenses		(368,665)	(354,065)	-14,600	4.12%	
Operating profit		73,902	112,011	-38,109	-34.02%	(1)
Non-operating revenue and expenditure		(19,737)	(5,612)	-14,125	251.69%	(2)
Net profits before tax		54,165	106,399	-52,234	-49.09%	
Less: Income tax expenses		(43,798)	(43,696)	-102	0.23%	
Net income		10,367	62,703	-52,336	-83.47%	
Other comprehensive income		7,885	(30,418)	38,303	-125.92%	(3)
Total comprehensive income		\$18,252	\$32,285	-14,033	-43.47%	(3)
Net income attributed to the owner of parent company		\$10,367	\$62,703	-52,336	-83.47%	
Comprehensive income attributed to the owner of parent company		\$18,252	\$32,285	-14,033	-43.47%	(3)

Notes to cause of changes by more than 20%:

- (1) C. Primarily a result of the increase in operating revenue, and the price war among peer companies and fluctuation of raw materials & supplies price and foreign exchange rate resulting in decrease in the profit.
- (2) A result of the changes in foreign exchange rate resulting in increase in foreign currency exchange loss and decrease in other revenue.
- (3) A result of the changes in foreign exchange rate resulting in the recovery of exchange differences on translation of foreign financial statements.

- (II) Sales volume forecast and the basis thereof, and the effect upon the Company's business and finance, as well as the measures to be taken in response:
Please refer to One. Letter to Shareholders herein.

III. Cash flow

- (I) Analysis on consolidated cash flow for the most recent two years:

Year Item	2018	2017	Increase (decrease) (%)
Cash flow ratio (%)	2.74%	-1.75%	-256.57%

Year Item	2018	2017	Increase (decrease) (%)
Cash flow adequacy ratio (%)	103.60%	99.28%	4.35%
Cash reinvestment ratio (%)	-0.34%	-2.69%	-87.36%
Notes to increase/decrease (%): The increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio from last year was primarily a result of the better receipts and upgrading of utilization efficiency of assets generating the net cash inflow from operating activities in 2018, while it was still impossible to cover the cash dividend.			

(II) Corrective measures to be taken in response to illiquidity: Continue to adjust the business policy and maintain specific profitability.

(III) Analysis on liquidity for the coming year (2019)

Unit: NTD thousand

Balance of cash, beginning (1)	Projected net cash flow from operating activities for the year (2)	Projected cash inflow (outflow) of the year (3)	Projected cash balance (deficit) (1)+(2)-(3)	Corrective measures against insufficient cash position	
				Investment plan	Wealth management plan
236,825	253,884	(287,808)	202,901	—	—
Analysis on changes of cash flow for the coming year: Maintain the stable operation, reduce inventory and upgrade receivables turnover to generate cash inflow from operating activities; continue to invest in new products and increase the investment in equipment and repay bank loans, thereby generating cash outflow.					

IV. Material capital expenditures in the latest year and impacts on business and finance
The Company added new equipment and renovated old equipment in order to invest in new products and, therefore, continued to spend the capital expenditure. Notwithstanding, the source of expenditure was own capital and bank loans and no material impact was caused to its business and finance.

V. The investment policy for the most recent year, major causes for profits or losses thereof, rectifications, and investment plans in the next year

- Investment policy: The Company takes the market and availability of raw materials into account and adopts the investment policy based on its entire business plan.
- For the profit or loss on investment, please see the overview of business for various affiliates in Eight. Special Disclosures herein. In 2018, the raw materials price fluctuation affected the Company's profit and the Company provided higher expected credit impairment loss pursuant to the relevant standards. As a result, the Company's profit decreased. In the future, the Group will continue to allocate its resources effectively to maintain the entire business performance and stable growth & profit.
- Investment plans in the next year

VI. Analysis and assessment on risk issues

(I) Impacts of interest rate/foreign exchange rate fluctuation and inflation to the Company's earnings during the most recent year and until the date of publication of the annual report, and future responsive measures:

- Interest rate fluctuation: The interest expenditure was NT\$19,057 thousand, i.e. 0.52% of the operating revenue, net for this year, more than that in 2017. It is

expected that the interest rate might escalate sluggishly or remain the same in the next year, and the interest expenditure is estimated to increase slightly. The Company will seek low-interest rate capital and arrange the repayment of loans at the same time, in order to cut the interest expenditure.

2. Foreign exchange rate fluctuation: The net exchange loss was NT\$6,883 thousand this year, primarily a result of the fluctuation in exchange of RMB to USD and NTD to USD. For the time being, the fluctuation in exchange of NTD to USD and RMB to USD remains stabler than last year. It is expected that the exchange income will not expand continuously. The Company estimates the foreign currency revenue and expenditure, net for natural hedging effect and reconciles the purchase of raw materials and export value denominated in foreign currency. The actual effect is considered under control.
3. Inflation: The Company's market segment was categorized into domestic marketing and export. In 2018, the inflation or deflation on the domestic marketing and export rendered no significant effect on the Company's operations. The Company maintained fair interactive relationship with suppliers, and adjusted its operating strategies subject to the degree of inflation or deflation to mitigate the adverse effect produced on the Company therefor.

In conclusion, the Company will pay attention to the possible movement of interest rates, foreign exchange rates and inflation from time to time, and take any hedging measures whenever it is necessary, so as to mitigate the adverse impact to the Company.

- (II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and derivatives trading during the most recent year and until the date of publication of the annual report, main causes of profit or loss incurred and future responsive measures:
The Company managed its finance in a conservative manner and never engaged in any high-risk or highly leveraged investments and derivatives trading. Meanwhile, the Company complied with the competent authority's requirements when loaning to others or making endorsements/guarantees.
- (III) Future R&D plans and expected R&D expenditure:
 1. For the Company's future R&D plans, please see the technology identified in the descriptions of business and overview of R&D in Five. Overview of Operations herein.
 2. The Company expects to invest the R&D expenses equivalent to 1.84% of the operating revenue.
- (IV) Impact on the Company's business and finance due to changes in domestic or foreign policies and laws, and responsive measures:
The Company's operations complied with the related policies and laws, and no impact was produced on the Company's business and finance.
- (V) Impact on the Company's business and finance due to technological or industrial changes, and responsive measures:
No impact has produced on the Company's business and finance due to technological or industrial changes during the most recent year.

- (VI) Impact on crisis management in the event of a change in corporate identity, and responsive measures:
The Company upheld the management philosophy emphasizing ethical management and profession. No impact has produced on the Company's crisis management due to a change in corporate identity during the most recent year.
- (VII) Expected benefits and possible risks of merger and acquisition, and responsive measures: None.
- (VIII) Expected benefits and possible risks of facilities expansion, and responsive measures: None.
- (IX) Risks and responsive measures associated with concentrated sales or purchases:
1. Purchase: The sources of the Company's raw materials were primarily international leading manufacturers. Meanwhile, the Company worked with multiple excellent vendors to assure the quality of raw materials and supplies and mitigate the risk over supply shortage or disruption at the same time.
 2. Sale: The Company dispersed its sales and, therefore, there was no likelihood of concentrated sales.
- (X) Impact and risk on the Company due to major transfer or conversion of equity by directors, supervisors, or shareholders with more than 10% ownership interest, and responsive measures:
There was no sign showing that the major transfer or conversion of equity by shareholders would cause any impact to the Company.
- (XI) Impact and risks on the Company due to a change of the right of management: None.
- (XII) Major litigations and non-contentious cases: Please describe the major litigations or administrative litigations involving the Company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest of the Company, whether concluded or pending judgment, that are likely to pose significant impact on shareholders' equity or security prices of the Company, and also disclose the facts in dispute, the amount involved, the date the litigation started, the key parties involved, and progress until the publication date of the annual report: None.
- (XIII) Other material risks and responsive measures: None.

VII. Other important notes: None.

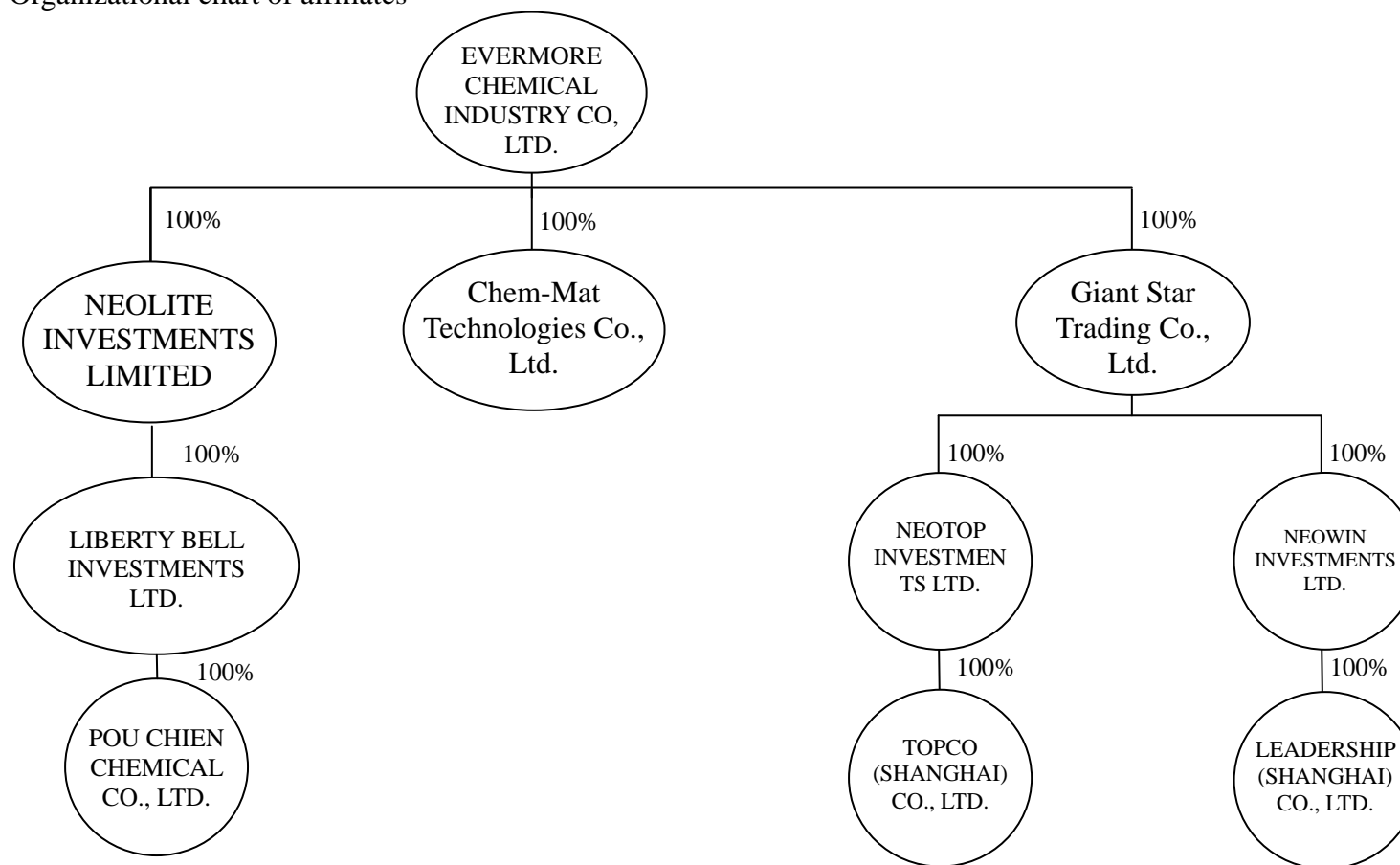
Eight. Special Disclosures

I. Information on Affiliates

(I) Profiles of affiliates

(1) Organizational chart of affiliates

December 31, 2018



(2) Basic information on affiliates
December 31, 2018

Unit: NTD Thousand/Foreign Currency \$

Name of Affiliated Enterprise	Date of Incorporation	Address	Paid-in capital	Scope of business/production
EVERMORE CHEMICAL INDUSTRY CO, LTD	May 15, 1989	No.7, Gongye S. 2nd Rd., Nantou City	NTD993,880	PU resin manufacturing
Giant Star Trading Co., Ltd.	May 3, 1983	8F-3, No. 540, Sec.3, Taiwan Blvd., Taichung City	NTD126,000	Chemical materials trading
Chem-Mat Technologies Co., Ltd. and	May 8, 2007	No. 7, Nangang 3rd Rd., Nantou City	NTD72,000	Coating, paints and industrial catalyst wholesale
NEOLITE INVESTMENTS LTD.	May 29, 1997	British Virgin Islands	NTD413,902	Financial investment and international trading
LIBERTY BELL (POU CHIEN CHEMICAL CO., LTD.)	January 28, 2000	British Virgin Islands	USD21,000,000	PU resin manufacturing
NEOTOP INVESTMENTS LTD.	August 1, 2003	Offshore Chambers P.O. Box 217, Apia, Samoa	USD2,000,000	Financial investment and international trading
NEOWIN INVESTMENTS LTD.	November 21, 2016	Offshore Chambers P.O. Box 217, Apia, Samoa	USD205,000	Financial investment and international trading
TOPCO (SHANGHAI) CO., LTD.	September 12, 2005	Room 603, No. 999, Zhongshan West Road, Changning Dist., Shanghai City, China	USD1,000,000	Chemicals wholesale
LEADERSHIP (SHANGHAI) CO., LTD.	April 25, 2018	Room 602, No. 999, Zhongshan West Road, Changning Dist., Shanghai City, China	USD200,000	Chemicals wholesale

(3) Information on directors, supervisors and president of the Company's affiliates
December 31, 2018

Unit: Shares

Name of Affiliated Enterprise	Job title	Name or Representative	Shares held	
			Quantity of shares	Shareholding
EVERMORE CHEMICAL INDUSTRY CO, LTD	Chairman of Board	Ho Wen Chieh	6,973,532	7.02%
	Director	Aica Kogyo Company, Limited - Representative: Tohdoh Satoshi	49,793,388	50.10%
	Director	Aica Kogyo Company, Limited - Representative: Omura Nobuyuki		
	Director	Aica Kogyo Company, Limited - Representative: Ebihara Kenji		
	Director	Baojian Enterprise Co., Ltd. - Representative: Tsai Nai Yong	3,352,771	3.37%
	Independent director	Chen Chao Hui	0	0%
	Independent director	Higashiyama Mikio	0	0%
	Supervisor	Liu Wei Tung	2,255,412	2.27%
	Supervisor	Lu Hui Pin	2,196,193	2.21%
	Supervisor	Su Yi Hsiu	0	0%
	President	Huang Chang Tse	93	0%
NEOLITE INVESTMENTS LTD.	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD	NTD413,902 thousand	100%
LIBERTY BELL (POU CHIEN CHEMICAL CO., LTD.)	Director	NEOLITE INVESTMENTS LTD. Corporate representative: Huang Chang Tse	21,000,000	100%

Name of Affiliated Enterprise	Job title	Name or Representative	Shares held	
			Quantity of shares	Capital contribution (%)
Giant Star Trading Co., Ltd.	Chairman of Board	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Ho Wen Chieh	NTD126,000 thousand	100%
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Huang Chang Tse		
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Yao Chi Wei		
	Supervisor	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Wu Pao Hua		
NEOTOP INVESTMENTS LTD.	Director	Giant Star Trading Co., Ltd. - Corporate representative: Ho Wen Chieh	2,000,000	100%
NEOWIN INVESTMENTS LTD.	Director	Giant Star Trading Co., Ltd. - Corporate representative: Ho Wen Chieh	200,000	100%
TOPCO (SHANGHAI) CO., LTD.	Executive Director	NEOTOP INVESTMENTS LTD. - Corporate Representative: Huang Chang Tse	1,000,000	100%
	Supervisor	NEOTOP INVESTMENTS LTD. - Corporate Representative: Hou Chen Su		
LEADERSHIP (SHANGHAI) CO., LTD.	Executive Director	NEOWIN INVESTMENTS LTD. - Corporate Representative: Huang Chang Tse	200,000	100%
	Supervisor	NEOWIN INVESTMENTS LTD. - Corporate Representative: Hou Chen Su		
Chem-Mat Technologies Co., Ltd. and	Chairman of Board	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Ho Wen Chieh	7,199,000	100%
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Wu Hsin Yu		
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Huang Chang Tse		
	Supervisor	Hou Chen Su	0	0%

(II) Operating profile of affiliated companies

Unit: NTD thousand

Name of Affiliated Enterprise	Capital	Total assets	Total liabilities	Net worth	Operating Revenue	Operating Profits	Current income	Earnings per share (NT\$)
					(Net)		(After tax)	(After tax)
NEOLITE INVESTMENTS LTD.	413,902	684,613	52,634	631,979	189,466	(17,557)	9,646	-
LIBERTY BELL (POU CHIEN CHEMICAL CO., LTD.)	673,073	1,089,345	617,115	472,230	1,816,546	59,033	16,534	-
Chem-Mat Technologies Co., Ltd. and	72,000	187,265	59,374	127,891	77,473	(4,862)	(3,480)	-
Giant Star Trading Co., Ltd.	126,000	264,492	61,796	202,696	90,665	5,026	25,332	-
NEOTOP INVESTMENTS LTD.	58,800	165,045	-	165,045	-	(35)	35,613	-
NEOWIN INVESTMENTS LTD.	6,242	1,718	28	1,690	-	(28)	(3,452)	-
TOPCO (SHANGHAI) CO., LTD.	38,922	174,239	9,279	164,960	232,513	47,624	35,644	-
LEADERSHIP (SHANGHAI) CO., LTD.	6,090	52,158	50,566	1,592	47,071	(3,284)	(3,428)	-

Note 1: Foreign currency should be translated into NTD. The assets and liabilities are translated based on the foreign exchange rate-ending, NTD:USD=30.715:1 and NTD:NCY=4.472:1, and the income was translated based on the quarterly average foreign exchange rate.

(III) Affiliation Report

Statement of Affiliation Report

It is hereby declared that the Company's Affiliation Report for 2018 (from January 1, 2018 to December 31, 2018) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there were no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Hereby declared by

Company Name:
EVERMORE CHEMICAL INDUSTRY CO, LTD

Responsible person:
Ho Wen Chieh

March 21, 2019

Qin-Zhong No. XXXXXXXX on March 21, 2019

Addressee: EVERMORE CHEMICAL INDUSTRY CO, LTD.

Subject: Comments on the information given in your 2018 Affiliation Report free from any significant inconsistencies.

Remark:

You declared that your Affiliation Report for 2018 (from January 1, 2018 to December 31, 2018) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" on March 21, 2019, and there were no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

We have compared the Affiliation Report prepared by you pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" with the notes to your financial statements 2018 and found that there were no significant inconsistencies in said declaration.

Deloitte Taiwan
Chiang Shu Ching, CPA

Wu Li Tung, CPA

FSC's approval letter under
Jin-Guan-Zhen-Shen-Zi No. 1000028068

Securities and Futures Bureau's approval letter
under Tai-Cai-Zhen-6-Zi No. 0920123784

1. Relationship between the controlling company and its subordinates

Unit: Shares; %

Name of Controlling Company	Cause of Control	Shareholding and pledges by the controlling company			Directors, supervisors or managerial officers representing the controlling company	
		Shares held	Shareholding	Quantity of pledged shares	Job title	Name
AICA Kogyo Company, Limited (AICA)	Holding 50.1% of the equity in the Company.	49,793,388	50.1%	None.	Director Director Director	Dodo So Ebihara Kenji Omura Nobuyuki

2. Transactions between the controlling company and its subordinates

The transactions between the Company and its controlling company, AICA, are stated as following:

(1) Purchase/sale:

Unit: NTD thousand; %

Transactions with the controlling company				Trading terms and conditions with the controlling company		General trading terms and conditions		Variance Cause	Accounts/notes receivable (payable)		Overdue accounts receivable			Remark
Purchase (sale)	Amount	As percentage of total operating costs (sales)	Gross profit	Unit price (NT\$)	Duration of facility	Unit price (NT\$)	Duration of facility		Balance	As percentage of total accounts / notes receivable (payable)	Amount	Resolution	Allowance for bad debt	
Sales	\$ 9,869	0.57%	-	-	T/T 60 days	-	T/T in advance - T/T 120 days	-	\$ 7,138	1.75%	-	-	-	-
Purchase	1,890	0.14%	-	-	OA 69 days	-	OA 30~90 days	-	1,018	0.44%	-	-	-	-

(2) Property transaction: None.

(3) Capital financing: None.

(4) Assets leasing: None.

(5) Other important transactions: None.

3. Endorsement/guarantee between the controlling company and its subordinates: None.

4. Matters that materially affect finance and business: None.

- II. Private placement of securities during the most recent year and up to the date of publication of the annual report: None.
- III. Holding or disposition of shares in the company by the company's subsidiaries during the most recent and up to the date of publication of the annual report: None.
- IV. Other supplementary disclosures: None.

Nine. Any matters which might materially affect shareholders' equity or the price of the Company's securities during the most recent year and up to the date of publication of the annual report: None.



日勝化工股份有限公司
EVERMORE CHEMICAL INDUSTRY CO., LTD.