

**Evermore Chemical Industry Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2018 and 2017 and  
Independent Auditors' Report**

## INDEPENDENT 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)

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# EVERMORE CHEMICAL INDUSTRY CO., LTD.

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

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	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)**

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#### **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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 of 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 asset 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 asset 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 exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit 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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 70,215	\$ 73,254
Less: Allowance for impairment loss	-	-
	<u>\$ 70,215</u>	<u>\$ 73,254</u>



	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
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:

	<b>For the Year Ended December 31, 2018</b>
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:

	<b>December 31, 2017</b>
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:

	<b>December 31, 2017</b>
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:

	<b>Individually Assessed for Impairment</b>
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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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

<b>Investee Company</b>	<b>December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Carrying Amount</b>	<b>Percentage of Ownership and Voting Rights</b>	<b>Carrying Amount</b>	<b>Percentage of Ownership and Voting Rights</b>
<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	93,562	11,742	(4,294)	-	101,010
	<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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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:

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate (%)</b>
<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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share(NT\$)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
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:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<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.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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.

	<b>December 31, 2018</b>	
	<b>Less Than 1 Year</b>	<b>More than 1 Year</b>
<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>
	<b>December 31, 2017</b>	
	<b>Less Than 1 Year</b>	<b>More than 1 Year</b>
<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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
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

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<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

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<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 applicable.

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**EVERMORE CHEMICAL INDUSTRY CO., LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

---

<b>Item</b>	<b>Amount</b>
Cash on hand and petty cash	\$ <u>26</u>
Cash in banks	
Foreign deposits (Note)	25,605
Demand deposits	3,016
Checking accounts	<u>7</u>
	<u>28,628</u>
	<u>\$ 28,654</u>

Note: Including US\$834 thousand (US\$1 = NT\$30.715).

**EVERMORE CHEMICAL INDUSTRY CO., LTD.****STATEMENT OF NOTES RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

---

<b>Client Name</b>	<b>Amount</b>
Unrelated parties	
SUMMITEX ENTERPRISE CO., LTD.	\$ 12,425
JPT CORPORATION	9,952
JETCOAT CORPORATION	5,890
TUOH YA ENTERPRISE CO., LTD	4,344
WANDA GLUE CO., LTD	3,607
Others (Note)	<u>33,790</u>
	70,008
Related party	
GIANT STAR	<u>207</u>
	<u>\$ 70,215</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**EVERMORE CHEMICAL INDUSTRY CO., LTD.****STATEMENT OF TRADES RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

---

<b>Client Name</b>	<b>Amount</b>
Unrelated parties	
SHANGHAI OCT IMP.&EXP. COMPANY LIMITED	\$ 75,671
SHAN HUA PLASTIC INDUSTRIAL CO., LTD	25,371
HSIN MEI KUANG CO., LTD	15,918
Others (Note)	<u>120,033</u>
	236,993
Less: Allowance for doubtful accounts	<u>(5,623)</u>
	<u>\$ 231,370</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.



**EVERMORE CHEMICAL INDUSTRY CO., LTD.****STATEMENT OF INVENTORIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Market Price</b>
Finished goods	\$ 182,535	\$ 223,471
Merchandise	1,745	1,745
Raw materials and supplies	112,830	113,206
Inventories in transit	<u>3,764</u>	<u>3,764</u>
Total	<u>\$ 300,874</u>	<u>\$ 342,186</u>

Note: The inventories are stated at the lower of cost or net realizable value, and they were compared item by item.

## EVERMORE CHEMICAL INDUSTRY CO., LTD.

## STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investees	Balance, January 1, 2018			Cash Dividends	Share of Profit (Loss) of Subsidiaries and Associates in Using the Equity Method	Exchange Differences on Translating the Financial Statements of Foreign Operations	Realized (Unrealized) Gain or Loss on Transactions	Balance, December 31, 2018			Net Assets Value	Collateral
	Shares	Ownership (%)	Amount					Shares	Ownership (%)	Amount		
NEOLITE	13,059	100	\$ 605,162	\$ -	\$ 9,646	\$ 14,212	\$ 162	13,059	100	\$ 629,182	\$ 631,979	Nil
GIANT STAR	-	100	196,735	(16,380)	25,332	(2,997)	-	12,600	100	202,690	202,696	Nil
CHEM-MAT	7,199	100	132,023	(4,379)	(1,556)	-	(405)	7,199	100	125,683	127,891	Nil
TOP	923	48	<u>6,932</u>	<u>-</u>	<u>(3,338)</u>	<u>(604)</u>	<u>-</u>	923	48	<u>2,990</u>	<u>(38,124)</u>	Nil
			<u>\$ 940,852</u>	<u>\$ (20,759)</u>	<u>\$ 30,084</u>	<u>\$ 10,611</u>	<u>\$ (243)</u>			<u>\$ 960,545</u>	<u>\$ 924,442</u>	

## EVERMORE CHEMICAL INDUSTRY CO., LTD.

**STATEMENT OF SHORT-TERM BANK BORROWINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(In Thousands of New Taiwan Dollars)

Borrowing Types and Banks	Maturity Date	Interest Rates (%)	Total
Unsecured borrowings			
Mega International Commercial Bank - Nan Tou Branch	2019.03.08	1.28	\$ 130,483
CHANG HWA BANK - Nan Tou Branch	2019.02.12-2019.03.13	1.3	88,550
Bank of Taiwan - Nan Tou Branch	2019.06.28	1.3	30,000
E. Sun Bank - Tsao Tun Branch	2019.01.03	1.35	<u>23,000</u>
			<u>272,033</u>
Secured borrowings			
Bank of Taiwan - Nan Tou Branch	2019.06.28	1.38	<u>90,000</u>
Usance letters of credit			
CHANG HWA BANK - Nan Tou Branch	2019.04.15-2019.06.20	1.3	16,750
Mega International Commercial Bank - Nan Tou Branch (Note 2)	2019.04.15-2019.06.20	1.28	9,319
Bank of Taiwan - Nan Tou Branch (Note 3)	2019.04.15-2019.06.21	1.38	<u>2,308</u>
			<u>28,377</u>
			<u>\$ 390,410</u>

Note 1: Including US\$545 thousand (US\$1 = NT\$30.715).

Note 2: Including US\$303 thousand (US\$1 = NT\$30.715).

Note 3: Including US\$75 thousand (US\$1 = NT\$30.715).

**EVERMORE CHEMICAL INDUSTRY CO., LTD.****STATEMENT OF NOTES PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

---

<b>Vendor Name</b>	<b>Amount</b>
Unrelated parties	
CHEMFRONT INTERNATIONAL CORP.	\$ 9,811
SHINGHO CHEMICAL CORP.	7,767
YOUNG SUN CHEMTRADE CO., LTD	7,526
CHI MEI TRADING CO., LTD	6,915
KEENEYES INDUSTRIAL CORP.	6,727
YUAN JEN ENTERPRISES CO., LTD	5,331
Others (Note)	<u>35,592</u>
	79,669
Related parties	
CHEM-MAT	<u>97</u>
	<u>\$ 79,766</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

**EVERMORE CHEMICAL INDUSTRY CO., LTD.****STATEMENT OF ACCOUNTS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Unrelated parties	
ESTCHEM CO., LTD.	\$ 43,049
BASF TAIWAN LTD.	35,303
MITSUI (TAIWAN) CO., LTD.	13,427
Others (Note)	<u>54,598</u>
	<u>146,377</u>
Related parties	
LIBERTY BELL	1,792
AICA	1,018
GIANT STAR	<u>778</u>
	<u>3,588</u>
	<u>\$ 149,965</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

## EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF LONG-TERM BANK BORROWINGS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (In Thousands of New Taiwan Dollars)

Borrowing Types and Banks	Maturity Date	Interest Rates (%)	Current Portion of Long-term Borrowings	Long-term Borrowings	Total	Collateral
Secured borrowings						
Bank of Taiwan - Nan Tou Branch	Due on May 2020 from June 2017, repayment over 36 periods, each month for one period	1.38	\$ 14,004	\$ 33,823	\$ 47,827	Land and building
CHB - Nan Tou Branch	Due on May 2022 from June 2017, repayment over 60 periods, each month for one period	1.41	10,660	25,762	36,422	Land and building
Mega International Commercial Bank - Nan Tou Branch	Due on March 2022 from June 2017, repayment over 20 periods, three months for one period	1.40	<u>10,000</u>	<u>22,500</u>	<u>32,500</u>	Land and building
			<u>\$ 34,664</u>	<u>\$ 82,085</u>	<u>\$ 116,749</u>	

**EVERMORE CHEMICAL INDUSTRY CO., LTD.****STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantity (Ton)</b>	<b>Amount</b>
PU resin	About 18,089	\$ 1,608,797
Polyester polyol	About 895	67,406
Others	About 516	<u>53,445</u>
		1,729,648
Less: Sales return		(4,930)
Sales discount		<u>(2,535)</u>
Net revenue		<u>\$ 1,722,183</u>

**EVERMORE CHEMICAL INDUSTRY CO., LTD.**
**STATEMENT OF COST OF REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(In Thousands of New Taiwan Dollars)**


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Item	Amount	
Raw material, beginning of year	\$ 139,298	
Raw material purchased	1,311,806	
Raw material, end of year	(115,496)	
Sale of raw material	(43,033)	
Transferred to expenses	(2,397)	
Other adjustments	<u>(360)</u>	
Raw material used		\$ 1,289,818
Material, beginning of year	1,114	
Material purchased	54,337	
Material, end of year	(1,579)	
Transferred to expenses	(53,820)	
Other adjustments	<u>21</u>	
Material used		73
Direct labor		55,366
Manufacturing expenses		<u>171,640</u>
Manufacturing cost		1,516,897
Finished goods, beginning of year		217,753
Finished goods purchased		1,001
Finished goods, end of year		(210,822)
Transferred to expenses		(3,102)
Other adjustments		<u>3,160</u>
Cost of finished goods		1,524,887
Merchandise, beginning of year	701	
Merchandise purchased	5,552	
Merchandise, end of year	(1,745)	
Other adjustments	<u>(1,292)</u>	
Cost of merchandise		3,216
Cost of goods sold of raw material		43,033
Write-downs of inventories		14,191
Loss on physical inventory and scrapped		542
Revenue from sale of scraps		(1,768)
Other costs		<u>20,761</u>
Cost of goods sold		<u>\$ 1,604,862</u>



**EVERMORE CHEMICAL INDUSTRY CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Payroll	\$ 9,743	\$ 19,743	\$ 20,301	\$ 49,787
Freight	22,309	2	441	22,752
Depreciation expense	182	4,204	10,736	15,122
Commission expense	4,329	-	-	4,329
Others	<u>12,162</u>	<u>18,805</u>	<u>12,312</u>	<u>43,279</u>
Total	<u>\$ 48,725</u>	<u>\$ 42,754</u>	<u>\$ 43,790</u>	<u>\$ 135,269</u>