

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

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

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

Very truly yours,

Evermore Chemical Industry Co., Ltd.

By:

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Wen-Chieh Ho  
President

March 21, 2019

### INDEPENDENT AUDITORS' REPORT

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

#### Opinion

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

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

#### Basis for Opinion

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

#### Key Audit Matters

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

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

### Impairment Assessment of Accounts Receivable

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

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

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

### Valuation of Inventories

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

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

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

### **Other Matter**

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

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 21, 2019

Notice to Readers

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

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

# EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

# EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

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

(Continued)



# EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

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

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

(Concluded)

# EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

# EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

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

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# EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

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

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

(Concluded)

# EVERMORE CHEMICAL INDUSTRY CO., LTD AND SUBSIDIARIES

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

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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 for commencement of payment was on January 5, 2018. AICA acquired 50.1% shares of the Company on January 16, 2018 and became the parent company.

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

#### Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

### IFRS 16 “Leases”

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

### Definition of a lease

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

### The Group as lessee

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

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

### Anticipated impact on assets, liabilities and equity

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

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

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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



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

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

d. Basis of consolidation

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

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

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

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

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

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

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

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

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

j. Intangible assets

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

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

k. Impairment of tangible and intangible assets

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

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

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

## 1. Financial instruments

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

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

### Financial assets

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

#### 1) Measurement categories

##### 2018

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

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

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

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

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

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

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

## 2017

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

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

### 2) Impairment of financial assets

## 2018

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

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

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

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

## 2017

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

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

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

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

### 3) Derecognition of financial assets

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

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

### Financial liabilities

#### 1) Subsequent measurement

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

#### 2) Derecognition of financial liabilities

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

### m. Provision

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

### n. Revenue recognition

#### 2018

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

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

#### 2017

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

1) Sale of goods

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

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

2) Dividend and interest income

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

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

o. Leasing

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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



a. Estimated impairment of financial assets - 2018

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

b. Estimated impairment of trade receivables - 2017

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

c. Write-down of inventories

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

## 6. CASH AND CASH EQUIVALENTS

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

## 7. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

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

Trade receivables - related parties

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

a. Notes receivable

The aging of notes receivable was as follows:

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

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

b. Trade receivables

In 2018

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

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

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

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

December 31, 2018

	<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%	0%-20%	5%-50%	100%	
Gross carrying amount	\$ 861,323	\$ 27,436	\$ 17,864	\$ 53,990	\$ 960,613
Loss allowance (Lifetime ECL)	<u>(7,963)</u>	<u>(1,723)</u>	<u>(4,543)</u>	<u>(53,990)</u>	<u>(68,219)</u>
Amortized cost	<u>\$ 853,360</u>	<u>\$ 25,713</u>	<u>\$ 13,321</u>	<u>\$ -</u>	<u>\$ 892,394</u>

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

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

In 2017

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

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

The aging of receivables was as follows:

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

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

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

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

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

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

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

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

## 8. INVENTORIES

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

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

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

## 9. OTHER FINANCIAL ASSETS - CURRENT

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

## 10. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

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

(Continued)

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

(Concluded)

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

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

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

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

# 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

## 12. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

### 13. INVESTMENT PROPERTIES, NET

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

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

Buildings	
Main buildings	25 years

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

### 14. PREPAYMENTS FOR LEASE

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

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



## 15. BORROWINGS

### a. Short-term bank borrowings

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Credit borrowings	\$ 663,570	\$ 642,719
Secured borrowings	90,000	108,260
Usance letters of credit	<u>28,377</u>	<u>37,937</u>
	<u>\$ 781,947</u>	<u>\$ 788,916</u>
 <u>Rates of interest per annum (%)</u>		
Credit borrowings	1.28-2.89	1.28-2.89
Secured borrowings	1.38	1.38-6.10
Usance letter of credit	1.28-1.38	1.28-1.38

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

### b. Short-term bills payable

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

Outstanding short-term bills payable were as follows:

<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.	\$ 80,000	\$ 43	\$ 79,957	1.04-1.06
International Bills Finance Corporation	<u>70,000</u>	<u>50</u>	<u>69,950</u>	1.04
	<u>\$ 150,000</u>	<u>\$ 93</u>	<u>\$ 149,907</u>	

c. Long-term bank borrowings

	<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 26 for the borrowings secured by the Group's freehold land and buildings.

# **16. OTHER PAYABLES**

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

# **17. PROVISIONS - CURRENT**

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

# **18. RETIREMENT BENEFIT PLANS**

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

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

## 19. EQUITY

### a. Capital surplus

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

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

### b. Retained earnings and dividends policy

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

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

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

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

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

	<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	
Special reserve reversed	(7,885)	
Cash dividends	14,908	\$ 0.15

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

## 20. NET PROFIT

- a. Employee benefits expense, depreciation and amortization expense

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

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

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

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

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

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

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

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

c. Gains or losses on foreign currency exchange

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

## 21. TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

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

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

b. Deferred tax assets and liabilities

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

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

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

c. Information about unused loss carryforwards

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

Unused Amount	Expiry Year
\$ 6,400	117

d. Income tax assessments

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

## 22. EARNINGS PER SHARE

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

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

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

## 23. CAPITAL MANAGEMENT

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

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

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

## 24. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

#### 1) Financial instruments carried at fair value

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

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



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

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

## 2) Financial instruments not carried at fair value

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

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

## b. Categories of financial instruments

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

## Financial liabilities

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

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

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

## c. Financial risk management objectives and policies

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

## 1) Market risk

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

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

### Foreign currency risk

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

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

### Sensitivity analysis

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

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

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

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

### Interest rate risk

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

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

### Sensitivity analysis

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

#### 2) Credit risk

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

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

#### 3) Liquidity risk

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

### Liquidity and interest risk rate tables

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

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

	<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	\$ 482,483	\$ -
Variable interest rate liabilities	555,706	82,085
Fixed interest rate liabilities	<u>390,880</u>	<u>-</u>
	<u>\$ 1,429,069</u>	<u>\$ 82,085</u>

	<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	\$ 497,807	\$ -
Variable interest rate liabilities	522,761	116,749
Fixed interest rate liabilities	<u>450,726</u>	<u>-</u>
	<u>\$ 1,471,294</u>	<u>\$ 116,749</u>

## 25. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related party name and category

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

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

### b. Sales of goods

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

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

c. Purchases of goods

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

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

d. Receivables from related parties

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

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

The outstanding trade receivables from related parties were unsecured.

e. Payables to related parties

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

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

f. Compensation of key management personnel

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

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

## 26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

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

## 27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

## 28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

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

December 31, 2017

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

Financial liabilities

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

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

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

## 29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

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

### 30. SEGMENT INFORMATION

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

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



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

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

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

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

b. Segment total assets and liabilities

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

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

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

c. Revenue from major products

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

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

d. Geographical information

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

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

e. Information about major customers

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

**TABLE 1**

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

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

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

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

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

Note 3: Interest rate according to bank loan contract.

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

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

**TABLE 2**

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

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

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

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

**TABLE 3**

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

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

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

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

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

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

TABLE 4

## EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

TABLE 5

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

Note 2: Not applicable.

TABLE 6

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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